Hanneke, living with osteoporosis

INTEGRATED ANNUAL REPORT **2019**

Inspired by **patients.**
Driven by **science.**

Index

Financial reporting Non-financial reporting Non-financial and financial reporting

Welcome to our **2019 Integrated** Annual Report!

Our 2019 Integrated Annual Report is a step on our journey to provide you with the best possible information on how UCB creates value for patients with severe diseases and for our societal stakeholders now and into the future. Today, more than ever, our 7 606 colleagues aspire to become the Patient Preferred Biopharma Leader!

Jorge, Corinne, Yuko, Benedicte, UCB

ⓘ About this annual report

This **Integrated Annual Report 2019** includes the management report in accordance with article 12 of the Royal Decree of 14 November 2007 relating to the obligations of issuers of financial instruments admitted to trading on a regulated market. All information required to be included in such management report pursuant to articles 3:6 and 3:32 of the Belgian Code of Companies and Associations (i.e. Corporate Governance Statement – Remuneration Report included –, Business Performance Review and UCB's Statement on non-financial information) is reported throughout all different sections of this Integrated Annual Report. This 2019 Integrated Annual Report together with the materiality assessment have been prepared in accordance with the Global Reporting Standards: Core option. Non-financial information is also audited by a third party.

Our purpose

We create value for patients now and into the future.

Victoria, living with psoriasis

At UCB, we want to give people with severe diseases the freedom to live their best lives. We work in a way that is sustainable for the patients who need our solutions, for the communities where we operate, and for society.

With more than 90 years behind us, we are looking to the future.

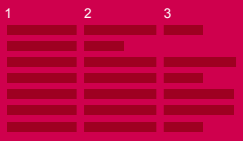
Key figures

Revenue
in € million

4 913
2018: 4 632

Number of assets in pipeline

7
2018: 10



rEBITDA/ revenue ratio

29.1%
2018: 30.2%

R&D / revenue ratio

26%
2018: 25%

Employees

7 606
UCB employees world-wide

50% Women

50% Men

33%
Women Executive level

38%
Women Board Member

Reduction in CO_2 emissions

−35%
2018: −30%

UCB focuses on the following UN Sustainable Development Goals:

3 GOOD HEALTH AND WELL-BEING

17 PARTNERSHIPS FOR THE GOALS

We are UCB

A global biopharmaceutical company.
Inspired by patients. Driven by science.

At UCB, we are committed to bringing innovative therapies and solutions to address significant unmet needs for people with severe chronic diseases. UCB has its headquarters in Belgium and our 7 606 employees across 36 markets put patients at the heart of everything they do, driving our decisions and actions to bring innovative and differentiated solutions to people in our two primary therapeutic areas of neurology and immunology.

U.K.

Slough
- Affiliate
- Research
- Development

714 employees
(9% of global)

53% / 47%
women / men

€ 97 million
(2% of global net sales)[1]

- ISO14001 certified
- OHSAS 18001 certified
- 93% electricity from renewable sources

Switzerland

Bulle
- Affiliate
- Production

509 employees
(7% of global)

37% / 63%
women / men

€ 40 million
(1% of global net sales)[1]

- ISO14001 certified
- OHSAS18001 certified
- Solar panels installed
- 100% electricity from renewable sources

U.S.

Atlanta, GA
- Affiliate

Boston, MA
- Research

Raleigh, NC
- Development

Seattle, WA
- Research

1 403 employees
(18% of global)

57% / 43%
women / men

€ 2 546 million
(54% of global net sales)[1]

- 100% electricity from renewable sources (Atlanta)

Europe – others

UCB has affiliates in
Austria, Bulgaria, Czech Republic, Denmark, Finland, France, Greece, Hungary, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Spain, Sweden

600 employees
(8% of global)

62.5% / 37.5%
women / men

€ 820 million
(17% of global net sales)[1]

Belgium

Brussels
- HQ
- Affiliate

Braine-l'Alleud
- Production
- Research
- Development

2 318 employees
(30% of global)

46% / 54%
women / men

€ 42 million
(1% of global net sales)[1]

- ISO14001 certified (Braine)
- Solar panels installed (Brussels and Braine)
- 100% electricity from renewable sources

Japan

Tokyo
- Affiliate
- Development
- Production

Saitama
- Production

469 employees
(6% of global)

22% / 78%
women / men

€ 368 million
(8% of global net sales)[1]

- ISO14001 compliant
- OHSAS 18001 compliant

Germany

Monheim
- Affiliate
- Development

442 employees
(6% of global)

60% / 40%
women / men

€ 333 million
(7% of global net sales)[1]

- 100% electricity from renewable sources

China

Shanghai
- Affiliate
- Development

Zhuhai
- Production

447 employees
(6% of global)

59% / 41%
women / men

€ 137 million
(3% of global net sales)[1]

- ISO14001 certified
- OHSAS 18001 certified

International markets – others

UCB has affiliates in
Australia, Brazil, Canada, Hong Kong, India, Mexico, Russia, South Korea, Taiwan, Turkey, Ukraine

704 employees
(9% of global)

54% / 46%
women / men

€ 418 million
(9% of global net sales)[1]

1: Global net sales excluding hedging

Letter to our stakeholders

Dear people living with severe chronic disease, dear shareholders, partners and colleagues,

Welcome to our second Integrated Annual Report – thank you for continuing with us or joining our journey!

Our aspiration to become the patient preferred biopharma leader – leveraging the different dimensions of our business to deliver sustainable value for patients, our employees, society and our shareholders – continues to guide us while we learn and adapt to new and challenging environments.

The implementation of our Patient Value Strategy in early 2015 allowed us to positively impact 3.5 million patients' lives in 2019 and deliver sustained company growth for the last five years: An 8% annual revenue growth rate (CAGR) since 2014 and a boosted profitability (rEBITDA to revenue) from 18% in 2014 to 29% in 2019.

Our strategic approach starts with an in-depth understanding of the patients, from biology to behavior rather than commencing from a pure scientific point of view. We want to understand the full impact of their disease which guides our scientists to develop original scientific hypothesis and translate them into innovative solutions for specific patient populations.

Jean-Christophe Tellier, Chief Executive Officer and
Evelyn du Monceau, Chair of the Board

By 2025, UCB aims to be a leader in specific patient populations and provide an increasing number of people with severe diseases the freedom to live their best possible lives. Guided by our Patient Value Strategy and focusing on these patient populations, our ambition is to deliver unique outcomes and the best experience to all patients who need our solutions, in a way which is viable for patients, for society and for UCB. We are convinced that our strategy is the way to ensure UCB's future success and sustainable growth.

In today's world full of environmental and social challenges, we also acknowledge our responsibility to drive positive change. We are committed to consider sustainability as a true business approach and we will focus our efforts on four areas that we believe are critical to our long-term success and our contribution to society alongside our financial performance: continuously innovate to bring differentiated medicines to patients, improve patient access to our solutions, promote our employees' safety, health and well-being and minimize our environmental footprint.

UCB's **purpose** is to create value for patients, now and into the future.

Our **ambition for patients** relies on our innovation ability to bring differentiated solutions with unique outcomes that help specific patients achieve their life goals and that create the best individual experience for them. This also means ensuring access for all who need these solutions, in a way which is viable for patients, society and UCB.

We believe that, to fulfil our ambition for patients, we must create the right conditions for our **employees**, the **communities** in which we operate, and our **shareholders**. We cannot do this alone and we embrace **partnerships** with other healthcare system stakeholders.

2019, a transformational year!

In 2019 we entered the next phase of our Patient Value Strategy, which we call "Accelerate and Expand" (2019-2022).

During this phase, we are accelerating our growth potential by further improving our ability to demonstrate differentiation of our medicines, by accelerating our development timelines through new approaches and by improving patients' access to our key medicines.

Based on our strong clinical development pipeline, we have the potential for six new product launches by 2025:

Approved

Evenity®

Evenity® in osteoporosis*

Nayzilam®

Nayzilam® in acute repetitive epilepsy seizures

bimekizumab

bimekizumab in psoriasis, psoriatic arthritis and axial spondyloarthritis as well as hidradenitis suppurativa

padsevonil

padsevonil in drug resistant epilepsy

rozanolixizumab

rozanolixizumab in myasthenia gravis, immune thrombocytopenia and chronic inflammatory demyelinating polyneuropathy

UCB0107

UCB0107 in progressive supranuclear palsy

In 2019, we made significant progress towards this ambitious goal and improved UCB's risk profile:

- Evenity® and Nayzilam® were approved and launched as planned.
- *bimekizumab* delivered three positive Phase 3 study results in psoriasis and the submission to regulatory bodies should occur in mid-2020.
- UCB started multiple Phase 3 studies: *bimekizumab* in psoriatic arthritis and axial spondyloarthitis and in early 2020 in hidradenitis suppurativa, *padsevonil* in drug resistant epilepsy and *rozanolixizumab* in generalized myasthenia gravis as well as in immune thrombocytopenia (ITP).
- UCB0107, our anti-Tau antibody, reported positive Phase 1 results and will enter the confirmatory study in the second quarter of 2020.
- To accompany our growth and to prepare for the launch and long-term supply of future medicines currently in clinical development, UCB decided also to build a new biotechnology plant in Braine-l'Alleud (Belgium), kicking-off early 2020.

Additionally, in October 2019, we entered into an agreement to acquire Ra Pharmaceuticals, Inc. (Ra Pharma). The transaction would enhance UCB's leadership potential in myasthenia gravis by adding a Phase 3 development project to our pipeline. It would also bring a new proprietary technology platform augmenting UCB discovery capabilities and could strengthen UCB's presence in the U.S. with a location in the Boston area. The transaction remains subject to antitrust clearance and is expected to close by the end of the first quarter 2020.

* Approvals received in the following markets:

– Approved in the E.U. for treatment of severe osteoporosis in postmenopausal women at high risk of fracture.
– Approved in U.S., for the treatment of osteoporosis in postmenopausal women at high risk for fracture.
– Approved in Japan and South Korea for the treatment of osteoporosis for women and men at high risk for fracture.
– Approved in Canada for the treatment of osteoporosis for postmenopausal women at high risk for fracture.
– Approved in Australia for the treatment of osteoporosis in postmenopausal women at high risk of fracture and as a treatment to increase bone mass in men with osteoporosis at high risk of fracture.

In 2019, we adapted our organization and our ways of working to further embrace the opportunities and prepare for the launches in front of us. Our culture is more than ever centered on encouraging each of us to take accountability to create meaningful value for patients in a transversal and agile way. This evolution is visible in the new composition of our Executive Committee and their direct reports with transversal accountabilities and a smaller size for these two groups. We believe that our people and leaders are the key to deliver on our ambition. We will therefore continue to develop the leadership capability of our organization as well as authentic, adaptive and resilient leaders. We want to promote a growth mindset to increase engagement and performance.

Importantly we are also going through an acceleration process to fully embrace how digital technology is impacting the way healthcare is developed, delivered, experienced by healthcare professionals, payers and patients.

Serving patients, our key medicines continued their growth in 2019. Based on its differentiated profile and new indication launches, Cimzia® (*certolizumab pegol*) is keeping up well in a competitive environment. In the U.S., Cimzia® is the first and only biologic treatment of non-radiographic axial spondyloarthritis (nr-axSpA) approved by the Food and Drug Administration (FDA). Cimzia® is now also available to patients living with rheumatoid arthritis in China and to patients living with psoriasis and psoriatic arthritis in Japan. Vimpat® (*lacosamide*), Keppra® (*levetiracetam*) and Briviact® (*brivaracetam*) reach more and more patients living with epilepsy. In the U.S., Keppra® was approved as monotherapy in treatment of partial-onset epilepsy seizures, with an updated labeling for pregnancy and lactation. In Japan, on top of two new formulations (intravenous and dry syrup), Vimpat® also received approval in the treatment of children living with partial onset seizures.

In 2019, UCB delivered a stronger than expected financial performance due to the strong demand for Cimzia® and Vimpat® in the fourth quarter of the year, with 6% revenue growth to € 4.9 billion – at constant exchange rates a plus of 7%. UCB's underlying operational profitability, recurring EBITDA, reached € 1.4 billion (+2%; +11% at constant exchange rates). This allowed us to intensify our R&D investments as planned: 26% of revenue were invested into our research and clinical development activities.

We also made good progress on our long-term environmental targets of being carbon neutral, reducing water withdrawal by 20% and reducing waste production by 25% by 2030. In 2020, we will be working on our commitments related to access to medicines and health, safety and well-being of our employees which are both critical for our commitment to sustainability.

We have a clear strategy and confirmed objectives for 2020 and beyond

The successful evolution of our late stage pipeline requires additional resources in the short-term. We will therefore continue to invest significantly into Research and Development to deliver breakthrough medicines that create value for patients now and into the future. Thanks to its strong financial foundations, UCB will still selectively use its financial and strategic flexibility to complement its internal pipeline with external innovative assets, programs or platforms through partnerships, licenses or acquisitions.

While in the short-term we will increase our investments in our new growth drivers for the years after 2022, we are committed to return to competitive profitability with a recurring EBITDA/ revenue ratio of 31% in 2021. We also defined new peak sales targets for Vimpat®, expected to reach € 1.5 billion by 2022, and Cimzia®, expected to reach at least € 2 billion by 2024. The planned acquisition of Ra Pharmaceuticals, Inc. and its pipeline would enable accelerated top and bottom line company growth from 2024 onwards.

For 2020, we are aiming for revenues in the range of € 5.05-5.15 billion – thanks to our current core product growth and new patient populations being served, and for a recurring EBITDA of 28-29% of revenue. The outlook will be updated upon closing of the planned Ra Pharma acquisition.

Last but not least …

We would not have achieved any of our 2019 impressive results without the commitment, engagement and passion of all our colleagues – it is extremely enriching to work with you all to make UCB stronger and the world a better place. We are deeply thankful for your hard work.

We also want to thank our shareholders, our Board of Directors, our Executive Committee and Leadership Teams for their support and trust while we are working to become the patient preferred biopharma leader – inspired by patients and driven by science.

Jean-Christophe Tellier, Chief Executive Officer
Evelyn du Monceau, Chair of the Board

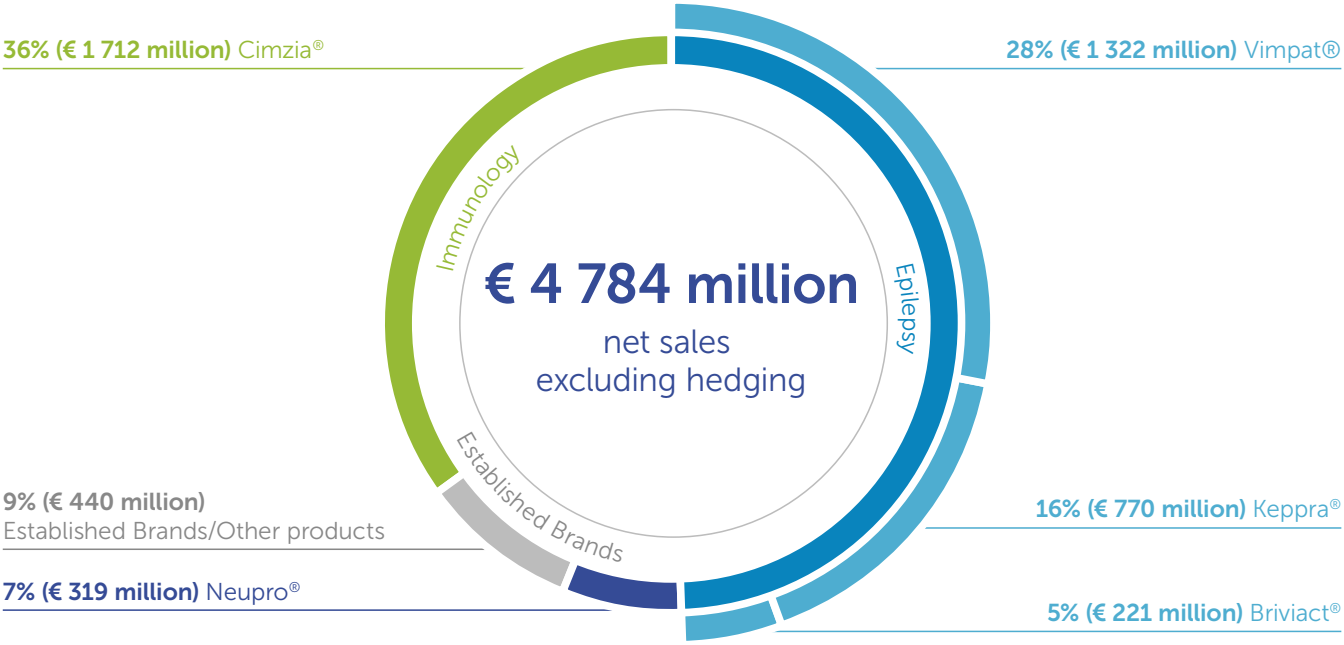
February 2020

Our business

The diseases we tackle are serious, and every patient has a unique journey. We aim to enable patients to live their best life, whatever that is for them.

We focus on addressing the needs of specific patient populations suffering from severe diseases in our focus areas of neurology and immunology through five core products (in neurology with Vimpat®, Keppra®, Briviact® and Neupro®, and in immunology with Cimzia®). Our promising pipeline has the potential to bring new treatments to patients with severe diseases in these therapeutic areas.

UCB achieved revenues of € 4.9 billion, and net sales of € 4 680 million (€ 4 784 million excluding € −104 million hedging) across our core products and established brands in 2019.



Highlights

This year has been extremely gratifying, with key milestones reached towards our aspiration to become the **patient-preferred biopharma leader**.

In 2019, UCB launched 2 new products – Evenity® and Nayzilam® – and obtained new approvals for treatments in both our specialty areas of neurology and immunology – including new approvals for Cimzia®. We also progressed our pipeline as planned. These successes confirm the relevance of our Strategy and put us in a strong position to continue our growth journey.

Cimzia®

The U.S. Food and Drug Administration (FDA) granted approval for **Cimzia®** as the first medicine for the treatment of non-radiographic axial spondyloarthritis (nr-axSpA).

bimekizumab

bimekizumab positive results were confirmed in three Phase 3 psoriasis studies. The application for approval of *bimekizumab* to treat adults with moderate-to-severe plaque psoriasis is planned in mid-2020.

Evenity®

UCB and its partner Amgen obtained approval for **Evenity®**, a sclerostin inhibitor to treat osteoporosis in those at high risk of fracture, in Japan, the U.S. and Europe.

rozanolixizumab

The Phase 3 development study of ***rozanolixizumab*** in patients with myasthenia gravis (MG) started in June 2019[2] as planned, confirming UCB's decision to accelerate the development of our novel sub-cutaneous anti-FcRn.

Nayzilam®

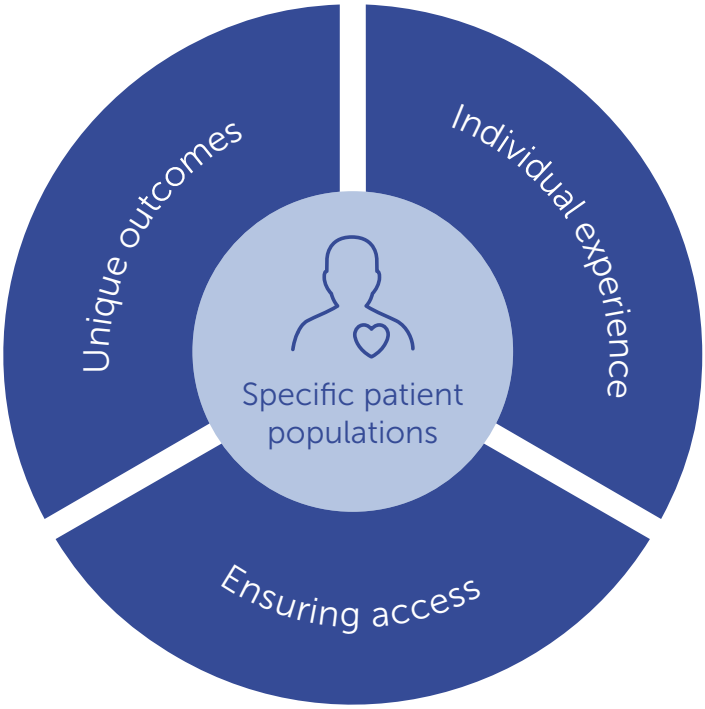
Nayzilam®[1] was the first FDA approved nasal spray rescue treatment for seizure clusters.

Ra Pharmaceuticals

UCB agreed to acquire Ra Pharmaceuticals. Through this acquisition our objective is to improve treatment options for people living with myasthenia gravis and other rare diseases. This merger was approved by Ra Pharmaceuticals shareholders in December 2019. However, it remains subject to antitrust clearances and other customary closing conditions. We expect to receive those clearances and close the transaction in the first quarter of 2020.

Our ambition for patients

We have a fundamental commitment to people living with severe diseases, their caregivers and their families to allow them to live their best lives. We continuously innovate to bring differentiated solutions with **unique outcomes** that help specific patients achieve their life goals and that create the **best individual experience** for them. This also means **ensuring access for all who need these solutions**, in a way which is viable for patients, society and UCB.



We believe that to fulfil our ambition for patients we must create the right conditions for our employees, the communities in which we operate, and our shareholders. We cannot do this alone and we embrace partnerships with other healthcare system stakeholders.

Our commitments to stakeholders

We commit to helping our **employees** live a fulfilled life – from allowing them to grow and cultivate careers that give them a sense of meaning – to compensating and treating them fairly. We believe that we can have a positive impact by offering our employees access to comprehensive support for health and well-being.

We respect the **communities in which we operate**. For UCB, human health is at the core of our business and it is intrinsically linked to the health of our **planet**. We take action to minimize our environmental footprint across our value chain.

We are committed to creating value for our **shareholders** – who invest in UCB in exchange for competitive return and a positive impact on patients and society.

Integrating sustainability into our strategy

At UCB, we know that the challenges facing the world, from climate change to rising inequalities, are inextricably linked and that businesses have a key role to play to ensure a sustainable future for all. We believe that the best way to have a positive impact on society and continue to thrive is to deliver on our commitments to patients and our stakeholders. UCB has engaged with colleagues and external stakeholders to guide the integration of sustainability within our business. Key insights from this process included the need to focus on our expertise and to increase the health and well-being of those around us. This dialogue has inspired the four pillars through which we are integrating sustainability into our strategy:

Innovation in R&D

Innovate to bring differentiated solutions with unique outcomes that help specific patients achieve their life goals and that create the best individual experience for them.

Access to medicines

Ensure access to UCB solutions to all patients who need them in a way which is viable for patients, for communities, for society and for UCB.

Employees' health, safety and well-being

Offer UCB employees access to comprehensive support for health, safety and well-being.

Environmental footprint

Minimize our environmental footprint across our entire value chain.

We are setting long-term goals for each of these four pillars. We will continue to review our performance annually with the objective to maximize our positive societal impact and continue to perform well financially.

Learn more about our reporting standards in the GRI standards section.

Our contribution to the United Nations Sustainable Development Goals

In 2015, the United Nations General Assembly set the 17 Sustainable Development Goals (SDGs) for 2030 as a framework to achieve a sustainable future for all. Considering the magnitude of the challenges the world is facing, we all need to contribute to reach these ambitious targets. We are committed to contributing to the SDGs and we are convinced that partnerships are essential as the goals cannot be achieved by isolated actors. Through our expertise in healthcare and our partnerships/network, we believe that we can have the most impact by focusing on 2 of the 17 United Nations Goals:

- SDG#3 which is about ensuring healthy lives and promote well-being for all at all ages and
- SDG#17 which leads all stakeholders to strengthen the means of implementation and revitalize the global partnership for sustainable development.

As described in our 2019 Integrated Annual Report, we also positively impact other SDGs through our business and activities. To see our overall contribution to the 2030 United Nations Agenda for sustainable development, see our activities mapped against the GRI standards.

Our performance

UCB continues its strategic growth path in a sustainable way. In 2019, we delivered a stronger than expected financial performance. We intensified our research and development investment as planned: in 2019, we started five Phase 3 programs with more than 4 000 patients enrolled. We made good progress on our long-term environmental goals. We also continued to adapt our ways of working to further embrace the opportunities and prepare for the launches in front of us.

	2018	**2019**
Continuous growth		
Revenue (€ million)	4 632	4 913
rEBITDA/revenue ratio	30%	29%
R&D expense/revenue ratio	25%	26%
Innovating to create value for patients now and into the future		
# Assets in pipeline	10	7
# First approvals	0	2
Respecting our communities and their environment[1]		
Towards carbon neutrality	−30%	−35%
Reduced waste generation	−24%	−32%
Reduced water withdrawal	−1%	−27%
Helping our employees live a fulfilled life		
Number of employees	7 500	7 606
% Female/male [whole company]	49%/51%	50%/50%
% Female/male [executive level]	29%/71%	33%/67%
% Female/male [board]	31%/69%	38%/62%

[1] Environmental data is being compared to 2015, the year before we committed to our targets aimed at reducing UCB's environmental footprint.

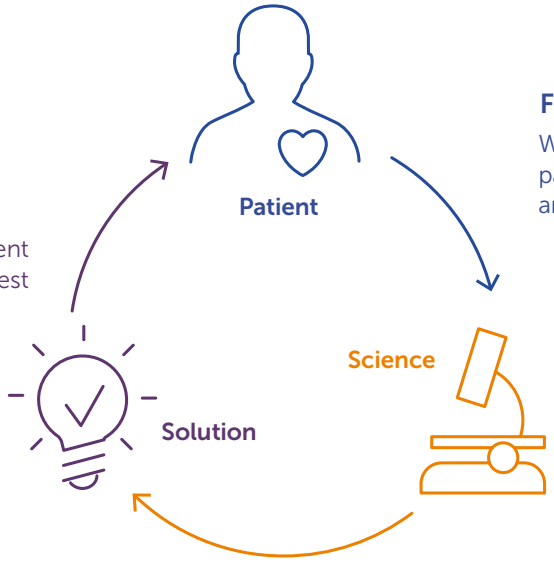
The financial data is reported for the period 1 January – 31 December. Financial data is reported semi-annually, and non-financial data is reported annually. The last integrated report was published on 28 February 2019.

Sander, living with lupus

1 Our Patient Value **Strategy**

Our Patient Value Strategy, launched in 2015, has been the driver of UCB's performance. Our operational model puts patients and their individual experiences at the heart of everything we do – from discovery to development to delivery. We leverage patient insights to inform our science and build solutions we can deliver to patients. It is through this continuous dialogue with patients that we can develop innovative and differentiated solutions that deliver our ambition for patients in specific patient populations.

UCB's operational model puts the patient at the heart of our activities and decisions



From Patient to Science

We pursue a deep understanding of patient sub-populations to develop an original scientific hypothesis.

From Science to Solution

We aim to translate scientific hypotheses into solutions for patients and engage them in the journey.

From Solution to Patient

We strive for a unique patient experience, providing the highest possible benefit.

Our strategic goal is to be the leader in specific patient populations by 2025

Our Patient Value Strategy is the foundation for our goal to lead in specific patient populations by 2025 and guides us on our journey to become the patient-preferred biopharma leader. This future goal is supported by three strategic imperatives:

1. Keep patients and innovation at the core of our activities

UCB is "Inspired by patients and driven by science". To create value for patients, we must maintain our focus on patients expressed unmet needs and continue developing and investing in state-of-the-art scientific platforms and medical advances.

2. Remain open and connected to the external world

In a dynamic world with many new frontiers in science and technology, we are embracing the latest medical science, as well as advances in artificial intelligence and digital health, aware of societal challenges around us. Our research and our partnerships are key to delivering on the promise of these developments.

3. Truly leverage our leadership & capabilities

UCB has a strong heritage in our focus areas of immunology and neurology. We will unlock the full potential of our world-leading expertise in these areas while continuing to build our patient value-based culture, leadership and strategic capabilities.

> We aim to create value for specific patient populations, starting with a unique understanding of biology and the presentation of disease. It's about understanding the patients deeply.
>
> **Emmanuel Caeymaex**, Executive Vice President Immunology Solutions & Head U.S.

To reach our goal, we developed a long-term strategy with three strategic phases:

- "**Grow and Prepare**" from 2014-2018,
- "**Accelerate and Expand**" starting in 2019 (2019-2021) and finally
- **"Breakthrough and Lead**" in specific populations by 2025 (2021-2025).

In 2019, we entered the first year of this phase. As we look to the future, we will be navigating through important milestones and changes that could bring several new differentiated solutions to patients with severe diseases – consistent with our ambition for patients.

An overview of the three phases of our patient value strategy was outlined in our 2018 Integrated Annual Report.

Our Patient Value Strategy and organizational model are evolving to support us on our path towards our strategic goal

During the summer of 2019, we renewed our commitments to people with severe diseases and society and adapted our organization and our ways of working. Our new organization will help us to further embrace the opportunities ahead of us and adapt to internal and external changes so we can deliver on our goal.

Importantly, we are conducting a digital business transformation to fully embrace how digital technology is profoundly impacting the way healthcare and medicines are developed, delivered and experienced by healthcare professionals, payers and patients. The integration of sustainability into our strategy is also helping us improve our societal impact while ensuring that we continue to perform well as a company.

To learn more about how we are organized and the role of our employees in value creation visit the Our People section.

1 Research and Development: innovating for patients

We constantly innovate to deliver solutions for patient populations in disease areas within our current expertise of neurology, immunology, neuro-immunology and by expansion within adjacent areas.

In 2019, a strong multi-year investment in research and development has progressed two new treatments for patients in our core areas of immunology and neurology, while advancing potential solutions for new patient populations.

In the long-term our aspiration is to move from treatment to disease modification, and eventually, towards a cure for several severe chronic diseases. We already see progress in this direction with potentially disease modifying treatments in our pipeline such as our early development compounds targeting Tau and a-Syn proteins that play a role in neurological and degenerative diseases.

Innovation in research, aiming for a cure

The journey towards differentiated solutions for specific patients starts early in research. Our research process is grounded in strong science. We aim to understand the evolving knowledge underpinning disease biology and combine this with groundbreaking technologies and platforms to develop novel therapies.

Our small molecule platform, together with our insights into pathways in **epilepsy** delivered *padsevonil*, a rationally-designed medicine with a unique mode of action. *padsevonil* has now progressed to Phase 3 clinical studies for a sub-population of patients with drug-resistant epilepsy.

> “A differentiated solution means providing treatments to address real patient needs, where it matters most to them.
>
> **Dhaval Patel**, Executive Vice President & Chief Scientific Officer

Watch video in the online version of the report

Our research continues to explore new treatment options to support patients with **Parkinson’s disease**. Together with patients and experts in this space, we are working closely to validate and improve the way in which clinical studies are conducted, with the aim of incorporating real-world evidence into our trial designs.

We continue to evolve our **world-class capabilities in antibody research**. The progress of *bimekizumab* in late stage clinical development has demonstrated UCB’s ability to transform scientific innovation into a differentiated medicine for patients. Scientific understanding of pathways driving severe skin disease in psoriasis – and the importance of dual inhibition

of IL-17A and IL-17F in a novel antibody – has enabled UCB to show a benefit for patients with psoriasis in Phase 3 clinical studies of *bimekizumab*.

In **the IgG antibody-mediated autoimmune diseases space**, which includes the rare diseases myasthenia gravis (MG), immune thrombocytopenia (ITP) and chronic inflammatory demyelinating polyneuropathy (CIDP), we are focused on the patient journey and areas of unmet need to incubate new solutions. Our progress to better understand the mechanism of these diseases, the scientific potential of new modalities, and the patient experience, has been significant. Our novel antibody *rozanolixizumab* specifically targets the human neonatal Fc receptor (FcRn) addressing immunoglobulin G (IgG) autoantibody-mediated diseases.[3,4] The subcutaneous formulation of this molecule offers a potentially transformative option for patients, allowing them to move away from infusion centers to self-administration.

In 2019, UCB entered into an agreement to acquire Ra Pharmaceuticals, Inc. (Ra Pharma). When finalized, this acquisition will continue to broaden the scope of our scientific expertise by giving us access to a proprietary technology platform to produce **synthetic macrocyclic peptides**. The platform, known as ExtremeDiversity™, is based on messenger ribonucleic acid (mRNA) display and combines the diversity, specificity and high affinity of therapeutic antibodies with the attractive pharmacological properties of small molecules. It has the potential to augment UCB's drug discovery capabilities and provide access to Ra Pharma's proven expertise and talent in this area.

New modalities such as **gene therapy** offer the potential to drive a fundamental change in how diseases are treated. The ability to remove or add disease-related proteins with a single treatment, gene therapy could offer the potential of a cure in defined patient populations. UCB is already exploring new science and technologies to make balanced strategic investments in this extremely exciting field.

In epilepsy, for example, we anticipate a move from chronic symptomatic treatment towards addressing the burden of seizures through new disease-modifying medicines, targeted gene therapies and drug-technology combinations. With our scientific and technology partners, we are committed to being at the forefront of this evolution.

Innovating in Development, bringing differentiation to life

A promising pipeline

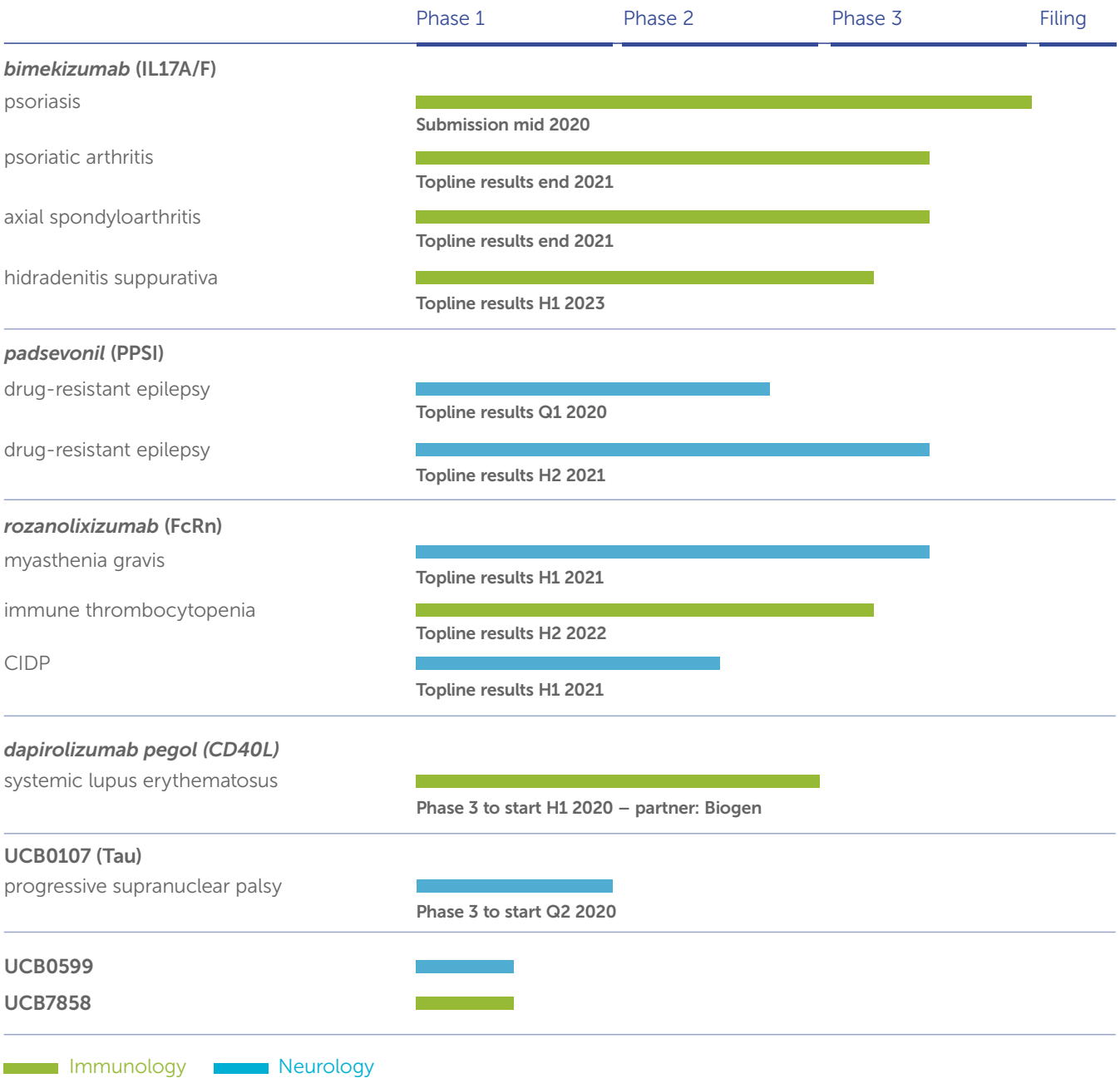
In 2019, we made notable strides towards achieving our ambition of delivering differentiated solutions. Compared to last year, we have gained approval for two new medicines and started five Phase 3 programs, involving more than 4 000 patients.

> "A unique outcome is an outcome that is clearly recognized as impacting the health and life of people with severe diseases in the eyes of all stakeholders, not only patients, but also payers and physicians.
>
> **Iris Löw-Friedrich**, Executive Vice President & Chief Medical Officer

Watch video in the online version of the report

We also built a technology transformation initiative across our clinical development activities to increase the efficiency of our clinical development activities. For example, UCB continues to explore decentralized trials in our innovative partnership with **Science 37**, where we will bring the trial into patients' homes using the latest technologies. This is expected to accelerate development times, with patients enrolled faster in trials at a lower cost.

Beyond this, we are trying to improve every aspect of the patient experience in trials: we have developed 'lay summaries' of our clinical studies for our website, written in non-technical language and therefore accessible for any patient who is interested in our trials.



To learn more about our pipeline visit the business performance review.

> Knowing that my experiences could really help further science, understanding and patient care is important to me. I think that participating in clinical trials and the drug development process is something we, as individuals, can give to people who come after us.
>
> **Kelly**, living with myasthenia gravis

Looking towards the future in neurology

In 2019, we continued the development of ***padsevonil***, by launching a Phase 3 clinical program as planned. *padsevonil* could deliver significantly improved outcomes for patients with drug-resistant epilepsy who currently have few treatment options.

We accelerated the development of our novel subcutaneous anti-FcRn monoclonal antibody, ***rozanolixizumab***, having achieved proof-of-concept in a Phase 2 study in patients with myasthenia gravis (MG) at the end of 2018. A confirmatory study in MG started in the second half of 2019. Building on the potential clinical utility of *rozanolixizumab* in other neurological conditions driven by pathogenic immunoglobulin G (IgG) autoantibodies, we initiated a Phase 2 study in patients with chronic inflammatory demyelinating polyneuropathy (CIDP). UCB is also advancing development in immune thrombocytopenia (ITP), with positive results from a Phase 2 study announced this year.[5]

To learn more about UCB's commitment to people with myasthenia gravis visit the MG spotlight in our Neurology solutions section.

We strive to move beyond symptomatic treatment towards disease modification across different neuro-degenerative diseases. UCB has several investigational new drugs currently in development, including **an anti-Tau monoclonal antibody** being investigated as a potential new treatment option for people living with Progressive Supranuclear Palsy (PSP). In partnership with advocacy groups, we are learning more about the lived PSP experiences which is shaping our approach to clinical development.

Looking towards the future in immunology

At the end of 2019, our ***bimekizumab*** Phase 3 clinical program in psoriasis delivered impressive results, including demonstrating superiority to two widely used psoriasis biologic therapies. We now have strong evidence that *bimekizumab*, our investigational IL-17A and IL-17F dual inhibitor, has the potential to improve skin clearance rates, as well as improvements in itch, pain, and scaling, all of which are critically important in positively impacting the lives of psoriasis patients. UCB is now preparing for a *bimekizumab* submission to regulatory authorities in key markets by mid-2020. The efficacy and safety of *bimekizumab* is also currently being assessed in Phase 3 trials in psoriatic arthritis, ankylosing spondyloarthritis, nr-axSpA and hidradenitis suppurativa.

In 2019, with our partner Biogen, we decided to initiate a Phase 3 program with *dapirolizumab pegol* in patients with systemic lupus erythematosus (SLE) in 2020. *dapirolizumab* is a pegylated, Fc free antibody blocking CD40L, a critical molecule in the activation of autoimmune T and B lymphocytes in SLE. *dapirolizumab pegol* represents a leading and innovative mechanism of action. Additionally, UCB and Biogen have identified a better way to select patients in Phase 3 so that the recruited population truly reflects the target population with unmet medical needs. This hypothesis has been validated across multiple study databases.

2 Immunology solutions: where deep insight and innovative science change lives

Within the Immunology Solutions group, we are laser focused on creating value for people living with psoriasis, psoriatic arthritis, axial spondyloarthritis (axSpA), rheumatoid arthritis and in the future, lupus. We are committed to understanding how best to address these chronic inflammatory diseases which profoundly impact patients' lives.

With the development of an exciting, differentiated portfolio of rheumatology and immuno-dermatology therapies, we continue to deliver on UCB's Patient Value Strategy by connecting innovative science with the unmet needs of patients.

> "At UCB we aim to create unique value for specific patient populations. We are proud of the difference we are making for patients that didn't have a solution before, like those suffering from a debilitating inflammatory back condition called non-radiographic axial spondyloarthritis.
>
> **Emmanuel Caeymaex**, Executive Vice President, Immunology Solutions & Head of U.S.

Watch video in the online version of the report

Cimzia®

A prime example is the continued growth of our biologic, Cimzia® (*certolizumab pegol*), the only Fc-free, pegylated anti-TNF therapy. In March 2019, Cimzia® became the first and only treatment to gain approval from the U.S. Food and Drug Administration (FDA) for the treatment of active non-radiographic axial spondyloarthritis (nr-axSpA) with objective signs of inflammation. The approval was based on the unique 52-week placebo-controlled C-AXSPAND study, which demonstrated that nr-axSpA patients experienced a rapid and substantial improvement in their disease when treated with Cimzia®, compared to placebo, when added to standard therapy. The study showed a meaningful improvement in patients' disease activity, including pain, physical function, mobility, and objective signs of inflammation.[6]

Importantly, our in-depth understanding of the debilitating symptoms that negatively impact the lives of patients with nr-axSpA life reinforced the need for a therapy that aims to treat the underlying inflammation. The FDA approval and the publication of our C-AXSPAND study marked an important advance for people with nr-axSpA. More treatment options, earlier diagnosis, and awareness building will lead to better outcomes for people living with the disease. Our efforts have increased the understanding and recognition of this disease worldwide.

We are also committed to understanding and addressing the unique needs of women with chronic inflammatory diseases. For these women, family planning can present complex challenges. Adequate disease control before and during pregnancy is crucial to ensure the best fetal and maternal health and a large proportion of women with chronic inflammatory diseases depend on medication to keep their symptoms under control during pregnancy.[7,8,9,10] Additionally, after pregnancy, disease flares occur post-partum in 40-90%

of new mothers (depending on the disease) – sometimes as soon as four weeks after giving birth – often leading to a trade-off between treatment and breastfeeding.[11,12] Our clinical research and subsequent label updates made Cimzia® the first anti-TNF treatment option that could be considered for women with chronic inflammatory diseases, during both pregnancy (when clinically needed) and breastfeeding. We continue to support these women with innovative patient education and disease awareness initiatives conducted via social media and international advocacy efforts.

Ultimately, we want to ensure that patients have an optimal experience of their treatment, while maintaining a sustainable model for society. In China, with this objective in mind, we are partnering with CinKate to leverage the potential of digital strategies to identify patients that are most likely to benefit from Cimzia® and facilitate their connection with an appropriate healthcare provider. In the U.S., we operate a best-in-class support solution to ensure patients can obtain seamless access to Cimzia®. The program provides patients with tools and support to empower them to manage their condition such as our nurse program CIMplicity® – this initiative aims to answer patient questions, provide injection training, discuss nutrition and wellness information and support the patient during treatment.

Evenity®

Recently approved in the European Union, the U.S, Japan, Canada, Australia and South Korea, Evenity® is a bone forming anti-sclerostin antibody with a novel dual effect that increases bone formation whilst to a lesser extent decreases bone resorption. The origins of its discovery were based on the rare, inherited condition of sclerosteosis (sclerostin deficiency), characterized by bone overgrowth in sufferers. Research identified that sclerosteosis is caused by a mutation in the sclerostin gene.[13,14] At first glance, sclerosteosis and osteoporosis appear very different since sclerosteosis patients do not produce sclerostin and their bones are thicker and stronger than normal, while osteoporosis patients have bones that become weak and brittle.

However, with these findings on the cause of sclerosteosis, our scientists correctly hypothesized that they could create a new medicine that could bind to – and inhibit – sclerostin and thus promote new bone formation to address low bone mass disorders such as osteoporosis.[15]

Today, UCB, together with our partner Amgen*, is the first company that developed an anti-sclerostin therapy, and the first company in the last decade to successfully bring an osteoporosis treatment to patients in all major markets, including Europe.[16] The gene-to-drug development of Evenity® demonstrates how we translated a genetic discovery into a new medicine, turning conceptual science into a reality; a real journey from patient to science to solution.[17]

To learn more about our investigational new drugs *bimekizumab*, *dapirolizumab pegol* visit Research and Development and Key events sections.

Improving care for people living with chronic inflammatory disease improves their outcomes and their lives. Helping patients live their best life is our ultimate ambition. Knowing that we are making a difference is what drives us forward every day.

* UCB and Amgen are co-developing and co-commercializing Evenity®.

Spotlight

Spotlight: from patient to science to solution – Evenity®'s discovery and development story

We aim to truly understand the needs of patients. The inspiration for new medicines is sometimes found in extraordinary places or people. Nowhere is this more evident than in our Evenity® story. It's a tale of inspiration from an extraordinary place, and how, together with our partner Amgen*, we turned a genetic discovery into a new medicine.

The story begins in South Africa with a rare inherited genetic condition called sclerosteosis. Sclerosteosis (first characterized in the 1960's) affects less than 100 people worldwide and is a condition that causes excess bone formation due to the lack of or low levels of a protein called sclerostin.[18] At first glance osteoporosis and sclerosteosis seem very different but scientists made several exciting discoveries:

- X-rays showed that people with sclerosteosis have high bone mass leading to large and strong bones that have shown fracture-resistance even in traumatic situations (effectively the opposite of osteoporosis).
- The strong bones of sclerosteosis patients were found to be caused by a mutation in a previously undiscovered SOST gene encoding a protein named sclerostin.[19]
- Sclerostin is predominantly expressed in bone and inhibits bone formation. Because sclerosteosis patients don't produce sclerostin, their bones are thicker and stronger than normal.

Based on these discoveries our scientists correctly hypothesized that they could create a new medicine that could bind to and inhibit sclerostin and thus promote bone growth to address low bone mass disorders such as osteoporosis. With this hypothesis in mind, our scientists worked together screening thousands of antibodies in the search for the best candidate to inhibit sclerostin and move into the next phase of development.

From there, our drug development teams identified a clinical candidate antibody that bound to and inhibited the activity of sclerostin. It worked by having a dual effect on bone, both building new bone and slowing existing bone loss. This antibody was named *romosozumab* and moved into clinical testing.[20,21,22]

Hanneke, living with osteoporosis

Then came a unique opportunity. In 2011, UCB and Amgen received a request from NASA to test a version of Evenity® in space – where the lack of gravity can cause astronauts to lose bone mass. This study of mice in orbit showed promising results: the bone strength of mice given the medicine increased compared to the mice that were not treated.

Back on Earth, after successful Phase 1 and 2 clinical trials, an extensive Phase 3 program was started. This program included two large fracture trials comparing Evenity® to either placebo or active comparator in more than 10 000 postmenopausal women with osteoporosis. The results of the Phase 3 program showed that Evenity® was effective in increasing patients' bone strength and significantly reducing their risk of fracture with 12 monthly doses.

We are proud that this new bone-forming treatment providing a way to improve bone mass and reducing the risk of life changing fractures in those with osteoporosis at high risk of fracture is approved in the European Union, the U.S, Japan, Canada, Australia and South Korea.[23]

* UCB and Amgen are co-developing and co-commercializing Evenity®.

3 Neurology solutions: delivering effective and meaningful solutions that patients truly value

Across our Neurology Solutions group, we are driven by our passion for helping people with severe diseases live their best life and addressing the impact of serious neurological and autoantibody-mediated conditions including epilepsy, Parkinson's disease and rare diseases such as myasthenia gravis.

We aspire to develop a real understanding of patients' needs. By amplifying patient voices, listening to their expert opinions, and learning about how they experience and live with neurological conditions, we are well positioned to deliver long-term solutions which will make a difference to their lives.

Our heritage, experience, and long-standing leadership in epilepsy, combined with a commitment to expand into specific populations suffering from neurodegenerative and neuro-immunological diseases, truly sets us apart. This unique combination provides robust foundations for patient value creation today, tomorrow, and in the long-term.

Vimpat®

Vimpat® demonstrates our continued commitment to addressing the needs of epilepsy patients. In the first half of 2019, UCB obtained approval for Vimpat® in Japan for partial onset seizures in children aged four and above. We have furthermore obtained approval for Vimpat® in China through an innovative and pioneering approach using real-world evidence and data extrapolation. Following this approach, Vimpat® was the first neurological drug to be approved in China for pediatric patients (four years and above) based on extrapolation, after having been approved following a similar methodology for the treatment of adult patients.

Nayzilam®

Our approach provides many unique opportunities to deliver sustainable patient value. It also comes with a responsibility to consistently strive to improve outcomes and experiences for the people who rely on our medicines every day. Whether through cutting edge science, progressive approaches to access, or pioneering health-tech solutions, our approach is patient centric throughout. This can be seen with Nayzilam® (*midazolam*) nasal spray CIV, a benzodiazepine indicated for the acute treatment of intermittent, stereotypic episodes of frequent seizure activity that are distinct from a patient's usual seizure pattern in patients with epilepsy 12 years of age and older. Nayzilam® now provides patients and caregivers with the first FDA-approved nasal option for treating seizure clusters.

To learn about our investigational new drug *padsevonil* and our innovative approaches in research and development visit the Research and Development section.

"We are committed to developing solutions that address areas of acute need while delivering sustainable value for people living with myasthenia gravis and other serious, rare, immune-related neurological diseases.

Charl van Zyl, Executive Vice President, Neurology Solutions & Head of EU/International

Watch video in the online version of the report

Another step towards providing differentiated solutions to patients with myasthenia gravis

In the IgG autoantibody-mediated autoimmune diseases space, UCB has made significant strides to provide solutions for patients with myasthenia gravis (MG), at different stages of this debilitating disease.

Internally, UCB is developing an investigational compound, *rozanolixizumab*, as an advanced subcutaneous anti-FcRn therapy. In 2019 UCB also announced an agreement to acquire Ra Pharmaceuticals, Inc. (Ra Pharma). Closing of this transaction (expected to occur by the end of Q1 2020) will add Ra Pharma's *zilucoplan* to UCB's product pipeline. z*ilucoplan* is a peptide inhibitor of complement component 5 (C5), currently in Phase 3 trials. Because of its different mechanism of action, alongside UCB's anti-FcRn, *rozanolixizumab*, *zilucoplan*, would create an opportunity to provide more people living with MG with additional treatment options.

Beyond MG, the planned acquisition of Ra Pharmaceuticals has the potential to enable UCB to offer new treatment opportunities for several rare diseases in neurology and immunology as well as different delivery forms, including extended release and orally available products. The combined portfolio may also offer synergies in the outreach to people with rare diseases and the healthcare market. UCB will also further strengthen its presence in the U.S., through expansion of the innovation hub in Boston, Massachusetts (U.S.).

In everything we do, we are realizing solutions by focusing on what patients care about and always keeping their needs in mind. We continue to forge paths where our patient value strategy, sustainable access, and medical advances align, helping people living with epilepsy today, and in the future helping patients living with MG and other neurological conditions.

To learn more about myasthenia gravis visit the Research and Development section.

Spotlight

Spotlight on myasthenia gravis

At UCB, patients' needs fuel our approach to innovation. We are partnering with the global patient community to refine our focus on delivering solutions for unreached patient populations with immunoglobulin G (IgG) autoantibody-mediated autoimmune diseases. These diseases – including myasthenia gravis (MG), immune thrombocytopenia (ITP) and chronic inflammatory demyelinating polyneuropathy (CIDP) – are characterized by life-limiting, and sometimes life-threatening, symptoms.

MG is a chronic neuromuscular condition where the body's immune system mistakenly targets the connection between the nerves and the muscles, leading to weakness and fatigue of the skeletal muscle. We have made significant progress in 2019 to better understand the mechanisms underlying these debilitating diseases and the clinical potential of new treatment approaches. Patient feedback has reinforced our scientific efforts. Indeed, it has helped accelerate the development of *rozanolixizumab* for these patients.

Who does myasthenia gravis affect?

- ~20 cases per 100 000 people worldwide[24]
- 2x as many women as men[25]

What are the signs and symptoms of MG?

- In approximately 65% of people, the first signs of MG are problems with the eyes, such as double vision or drooping eyelids.[26,27]
- 15-20% of people with MG will experience a myasthenic crisis, that can lead to problems swallowing & respiratory failure.[28]
- About 75% of people will develop more generalized weakness of muscles across the body.[29]

Employment challenges are common for MG patients

- 27-59% patients with MG experienced employment challenges such as unemployment or the need to stop working[30,31]
- 27-47% experienced long-term sickness absence[32]
- 36-48% experienced decreased income[33]

> “It’s very hard to understand a disease where so many different people go through so many different symptoms and then also undergo so many different treatments. With these variable experiences in mind, I can’t tell you how pleasing it is to have a company out there listening to and learning from patients and working towards a treatment to help improve lives.
>
> **Tommy**, living with myasthenia gravis

We have undertaken multiple collaborative initiatives to build on these insights, including:

- Engaging with a global network of patients and advocacy organizations to provide insights on treatment, patient care, and unmet needs in MG, drug delivery devices and clinical trial design.
- Generation of robust real-world evidence drawing on deep knowledge and understanding with the aim of securing broad patient access.
- Inviting patients to our U.S. and global investigator meetings to highlight their unique experiences with MG and the importance of clinical trials to the MG community.

Through our research and advocacy work to date, we have built our knowledge about the extent to which MG symptoms can affect patients physically, socially and emotionally. This is compounded by the high treatment burden associated with the current standard of care, suggesting an urgent need for safe, effective, less invasive, less time-consuming treatment options.

With these unmet needs in mind, we are excited about the potential of *rozanolixizumab* to improve the experience and quality of life of people living with MG. In addition, closing of the planned merger of Ra Pharmaceuticals, Inc. would create an opportunity for UCB to provide more treatment options to a broader range of MG patients.

We will continue to use patient insights to inform our scientific advances and to build solutions which will deliver sustainable value. This will help to ensure that people living with MG can achieve their full potential.

We believe this approach is critical to our future long-term success, helping to generate a leadership position from the outset. In this way we will continue to support patients around the world to live their lives to their fullest.

4 Patient access: enhancing sustainable value for patients, society and UCB through value-based access and pricing

A core pillar of UCB's ambition for patients is to focus on delivering clearly differentiated outcomes and positive experiences for patients, caregivers, and their physicians that need the solutions we develop, in a way which is viable for patients, for society, and for UCB.

> "In fact, my medication also began to control my symptoms in a way that it had not done previously.
>
> **Thomas**, living with epilepsy

To achieve our goal, we believe that a patient value-based approach to access and pricing is right for patients, right for society, and right for our company. In 2018 and 2019, UCB structured its value and pricing activities to align with three fundamental principles:

1. Increase health through the development and adoption of medicines that create clear value for patient,
2. Sustain innovation by promoting financial return that is sustainable for UCB and respectful of the need for sustainable healthcare systems and
3. Promote health equity by ensuring that every patient that needs a UCB medicine, has access to it, in a way that is viable and sustainable.

These principles are exemplified through our actions globally in 2019, including the way we develop prices for new medicines.

UCB aims to consistently apply a value-based approach to pricing by defining the value created for specific patients, society, and value captured in health systems. UCB seeks to accelerate our involvement in value-based contracts and partnerships and has developed innovative value-based offerings to help us achieve our access and affordability goals.

To that end, UCB is pioneering a methodology, published at ISPOR, in which the unique patient value created by our solutions becomes the foundation of our pricing strategy for the respective treatment option. Our aim is to anchor our pricing strategy on the improvement in a patients' outcomes and experience – as well as the proportion of patients that can benefit from them. This approach will define the contours of our pricing plans worldwide with an eye towards viability and sustainability. As a result, for new launches, we will use this set of principles, tools, and processes to enable consistent methodology for access and pricing linked to evidence that shows the value we create for patients. In 2019, this approach was implemented for every medicine in our pipeline from Phase 1 onward, and was recently utilized for the launch of Evenity® in the EU and Nayzilam® in the U.S.

Our goal is to maximize access for patients, while balancing patient affordability, and UCB innovation, and sustainability. For example, in the U.S., UCB's net (after discounts and rebates) price increases remained in line with inflation in 2019. In further support of our access commitment, affordability information for UCB's products in the U.S. is available to patients and all stakeholders on our website.

UCB wants to be part of the solution, developing and implementing innovative, differentiated solutions that provide demonstrable value to patients – improving their lives now and in the future.

Looking ahead, we are working on our quantified commitments to the United Nations Sustainable Development Goals, with a special focus on the importance of affordable access. We will continue to collaborate with our key stakeholders to move towards ensuring that all people with severe disease who need our solutions in the countries where we operate, will have access to them – in a way which is viable for patients, for our communities, for society, and for UCB.

5 Manufacturing and Supply: connecting development sciences with patient experience

Bringing safe and effective medicines to patients is our priority. This requires intense collaboration early in the discovery process and continues throughout development and commercialization. UCB has built strong capabilities and networks in small molecule and biological production to assure reliable delivery of differentiated solutions to patients, while considering the impact we have on the environment.

> Our colleagues at UCB are very innovative. They have the space to do the best possible job to deliver a medicine to the patient that meets their needs. Innovation starts at the beginning of development and continues through to bringing the solution to patients.
>
> **Kirsten Lund-Jurgensen**, Executive Vice President, Supply & Technology Solutions

Watch video in the online version of the report

Manufacturing safe and reliable medicines

UCB's development and manufacturing capabilities support our growing commercial product portfolio and pipeline.

Most of our marketed products are synthetic small molecules (such as Keppra®, Briviact® and Vimpat®). Cimzia® and Evenity® are biologic medicines which are produced by genetically modified bacteria (E. coli) and mammalian cells, respectively.

Together, our internal development and manufacturing capabilities and external network cover the full spectrum of Chemistry, Manufacturing and Controls (CMC) activities for small and large molecules – from process, analytical, formulation, device and packaging development to pre-clinical, clinical and commercial drug substance, as well as drug product manufacturing, fill and finish, device assembly and packaging. These activities are performed across our sites in Braine-l'Alleud (Belgium), Slough (U.K.), Bulle (Switzerland), Zhuhai (China) and Saitama (Japan) and at selected partners and contract manufacturing organizations (CMOs).

Currently, 75% of our manufacturing activities (based on cost) are performed by state-of-the-art CMOs worldwide. As our objective is to maintain quality, safety and reliability of our medicines and drug candidates throughout our partnership network, we have developed strong external network governance overseeing the performance and risks associated with the supply from our partners. Furthermore, in December 2019, in anticipation of the growing portfolio of commercial mammalian biologics, we have announced the start of construction of an innovative and environmentally sustainable multi-product manufacturing facility at our site in Braine-l'Alleud, Wallonia, Belgium. The new biotechnology plant will support launch acceleration and secure long-term supply of future medicines currently in clinical development, starting with *bimekizumab*.

Younes, UCB

Supporting creation of value for patients into the future

We have multiple ongoing initiatives that are designed to extend our manufacturing capabilities by optimizing our manufacturing network, increasing its efficiency and/or mitigating risks while continuing to ensure reliable supply of our products globally.

In 2019, we continue to bring innovation to our solid dosage form continuous manufacturing unit. Our ambition is to launch, produce and test our future solid dosage forms from our pipeline in real-time. This program allows UCB to collaborate with industry consortia and regulatory authorities around the world, including the U.S. FDA, EMA, and Japan's PMDA and China's NMPA. This is an important capability to support our strong and growing international footprint in both neurology and immunology.

Our commitment to considering the impact on the environment throughout our activities is demonstrated by our innovative approach to packaging. In 2019 UCB's Cimzia® 200mg/vial lyophilized powder packaging was awarded the Eco-Design Award by the French PHARMAPACK, for enhancing patient friendly and eco-designed package solutions.

Supplying differentiated medicines across the world

We operate distribution centers worldwide for direct distribution of most of our commercial and clinical products. We also use third-party distributors to supplement distribution. Through our global supply chain organization, we ensure end-to-end oversight of supply – from raw material procurement to delivery in each of the countries where UCB delivers directly. Our goal is to develop industry-leading supply reliability. In 2019 we achieved an industry-leading product supply level to our end-customers with 99% of our customer orders shipped on time to meet requested delivery dates. This best-in-class level of supply reliability builds trust with patients, healthcare providers, and trade partners globally and is an important demonstration of our commitment to placing patients at the heart of everything we do.

In 2019, UCB initiated a major transformation of our end-to-end supply chain. This will support our strong pipeline and new approvals. An ambitious program was defined with the objective of continuing to ensure superior customer satisfaction and flawless execution of our new product launches and optimize end-to-end supply chain costs.

Conscious that our deliveries of materials and finished goods have a significant CO_2 impact, our teams have started initiatives to minimize our environmental footprint, including initiatives to switch from air to sea freight for intercontinental shipments. With this change in our freight shipments we can reduce our CO_2 emissions by 38.5% and contribute to our overall company environmental goals to reduce emissions by 35% by 2030.

In 2019, our Manufacturing and Supply chain organization successfully implemented the EU serialization program at its packaging sites and third parties finished goods manufacturers and along its distribution chain. UCB was selected by the EU Commission and by the EU Federation of Pharmaceutical Industries and Associations to illustrate the successful implementation of the Serialization in EU market. Since its implementation, UCB did not face any supply discontinuity from the implementation of its serialization program.

UCB is committed to embrace the world of evolved technologies and is currently developing a supply chain digitalization roadmap in line with the Supply Chain 4.0 standards.

6 Engaging and partnering with our stakeholders for sustainable patient value creation

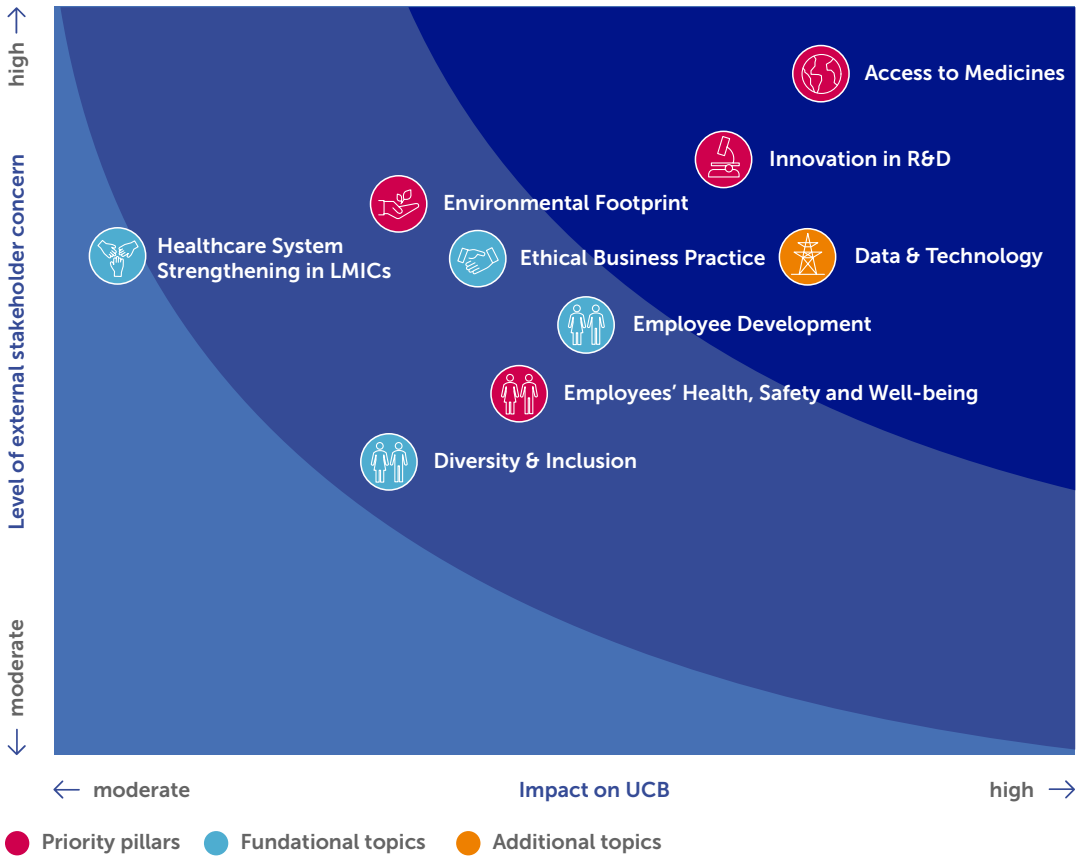
Our 2019 materiality assessment

We are acutely aware of the challenges, both environmental and social, that society is facing today. As a company, we are convinced that we have a role to play in providing solutions beyond our economic contribution. We know that to maximize our impact and contribute to a sustainable future for all, we must focus on challenges where our expertise is needed to drive a meaningful and positive change. This year we consulted key stakeholders and our employees to identify how best to maximize our societal contribution while ensuring we continue to develop our business successfully. This materiality assessment fulfils the requirements of the Global Reporting Initiative (GRI).

Our 2019 materiality matrix identifies nine material topics, prioritized by their relevance to UCB current and future success and by the level of concern expressed by external stakeholders. While they largely remain the same as in previous materiality assessments, the richness of the dialogue conducted through qualitative interviews has provided new depth and detail. Out of a total of nine material topics, UCB has further defined four priority pillars and four foundational topics. These priority pillars are consistent with our purpose, our ambition for patients and with UCB expertise in healthcare.

One additional topic – the use of new technologies and data analytics to increase patient value generation and measure impact – was also ranked high during the assessment. This topic is addressed by the on-going UCB digital business transformation process.

UCB's Sustainability Materiality Matrix



Our priority pillars are:

Innovation in R&D

Innovate to bring differentiated solutions with unique outcomes that help specific patients achieve their life goals and that create the best individual experience for them.

Access to medicines

Ensure access to UCB solutions to all patients who need them in a way which is viable for patients, for communities, for society and for UCB.

Employees' health, safety and well-being*

Offer UCB employees access to comprehensive support for health, safety and well-being.

Environmental footprint

Minimize our environmental footprint across our entire value chain.

We continue to address and monitor four foundational topics:

- **Employee development**: offer UCB employees the best opportunities to develop their knowledge and skills,
- **Diversity and Inclusion**: inspire a culture of inclusion by embracing diverse talents, motivating our employees and leveraging diversity of thoughts and experience to create value for patients,
- **Ethical business practices**: promote and embrace ethical behavior across the organization and
- **Healthcare system strengthening in low-and-medium income countries (LMIC)**: contribute to improving healthcare-related infrastructure and services in low-and-medium income countries.

We are setting long-term goals and will review our performance for each of our four priority pillars annually. As 2019 was a year of transition – aligning our colleagues, organization and business practices with this approach – we are continuing to report on the same indicators as 2018, following the GRI framework. This already includes our performance for "Innovation in R&D" and "Environmental footprint".

We will also continue in the future to report on the way we conduct business ethically and responsibly and foster an inclusive and diverse organization.

Our methodology and process for materiality assessment

This year, we refined our process by conducting a thorough analysis of published evidence on materiality topics relevant to our industry and by interviewing external stakeholders and employees.

The literature analysis phase was followed by 45 qualitative interviews with UCB employees. This interview process allowed us to gather insight from our **Executive Committee members**, from **leaders in the organization** and from **younger employees** who are at early stages in their career. We also conducted interviews with 30 external stakeholders about the issues that most concerned them. The 30 interviewees included patients and representatives from patient organizations, advisors and investors, representatives from non-governmental organizations, foundations and members of academia, members of governments, administrations and multilateral organizations.

As a final step, we qualitatively coded all interviews. Coding refers to identifying concepts, themes and ideas across data and finding relationships between them. The topics that emerged were also mapped against the list of top UCB risks identified through the Enterprise Risk Management Update process in 2019.

To refine our assessment of external stakeholder concern, we analyzed three additional sources:

- SASB Disclosure Topics for Biotechnology and Pharmaceuticals Industries,
- GRI Topics of Stakeholder Concern for Pharmaceuticals, Biotechnology and Life Sciences Industry and
- World Economic Forum's Global Risks Report.

As a result of the overall process, we developed the UCB materiality matrix 2019 that was endorsed by the UCB

* As our objective is to create for our employees an environment that is fulfilling, healthy and safe, we have integrated safety alongside health and well-being in this priority pillar.

Executive Committee in July 2019 and by the UCB Board of Directors in October 2019.

During the summer of 2019, we also engaged 150 colleagues in Belgium, the U.S., Germany, the U.K., China, Japan and Mexico, using a design thinking approach to identify concrete solutions that could be implemented to address our priority topics. This early engagement has already facilitated the development of concrete plans to address our four priority pillars.

Engaging with industry associations

We believe no one can win the fight against diseases on their own. We aim to connect with our peers to increase our impact.

In June of 2019, we were proud to have Jean-Christophe Tellier, UCB CEO, appointed as President of the European Federation of Pharmaceutical Industries and Associations (EFPIA). This presidency offers a great opportunity to connect with all stakeholders and form a shared vision on “connecting healthcare”.

UCB is a member of other industry associations around the world including the Pharmaceutical Research and Manufacturers of America in the U.S., (Jean-Christophe Tellier, CEO, PhRMA Board Member), the Biotechnology Innovation Organization (Charl van Zyl, EVP, BIO Board Member), the R&D-based Pharmaceutical Association Committee (RDPAC, China), the Japan Pharmaceutical Manufacturers Association (JPMA, Japan), and the International Federation of Pharmaceutical Manufacturers and Associations (IFPMA). UCB is also a member of various local chambers of commerce, healthcare stakeholder associations, and initiatives for sustainable development. Being a Belgian company, UCB is on the board of several Belgian trade associations and organizations including the Walloon Excellence in Lifesciences and Biotechnology (WelBio) where Jean-Christophe Tellier serves as an active board member. Additionally, together with Access Accelerated we are contributing towards the UN SDG target to reduce premature deaths from non-communicable diseases by 2030.

UCB also participates in several of international and regional associations that connect stakeholders within healthcare to collaborate on key topics impacting our industry.

UCB is part of “the Shift”, working to co-create sustainable business models

UCB is one of 19 companies working on the mission to collaborate efficient, effective and high-quality delivery of new medicines

We are collaborating to ensure product integrity and transparency across the supply chain with TAPA

UCB is part of PFMD on their mission to jointly define the future of healthcare with patients

Partnering to deliver our ambition for patients

UCB's progression into the "Accelerate and Expand" phase has marked a renewed commitment to partnering as a key driver of our continued success. This is aligned with one of our two commitments to United Nations Sustainable Development Goals to contribute to SDG#17 Partnership for the Goals.

Today our shared and connected approach to innovation through partnerships spans early discovery and development through to commercialization:

- To identify new targets, access innovation, platforms and acquire new technologies (e.g. Q-State, Verily),
- To research and develop novel treatments; from early development to launch, as with our partnerships with Amgen, Biogen and Sanofi,
- To commercialize and bring products to patients – as demonstrated this year in our partnership with CinKate,
- To contribute to addressing public health challenges, especially in areas of unmet medical need. We participate in the innovative Medicines Initiative (IMI) and Aetionomy and
- To optimize our ability to bring solutions to patients, examples of the importance of our partnerships within manufacturing and supply can be found in this report.

Thanks to several well-established and long-standing partnerships, like our relationship with Amgen for Evenity®, UCB has been able to grow, refine and develop our expertise at partnering, and ultimately bring to patients innovative and unique approach to help them live their best lives.

Lise & Louca, UCB

2 Our **people**

In today's very complex environment, the power of collaboration, engagement and an open and transparent dialogue are essential to our success. That is why UCB's ability to create value for patients now and into the future depends on the collaborative efforts of our 7 606 colleagues[34] across the globe. Bringing differentiated solutions to all patients who need them also requires a genuine sense of accountability and leadership.

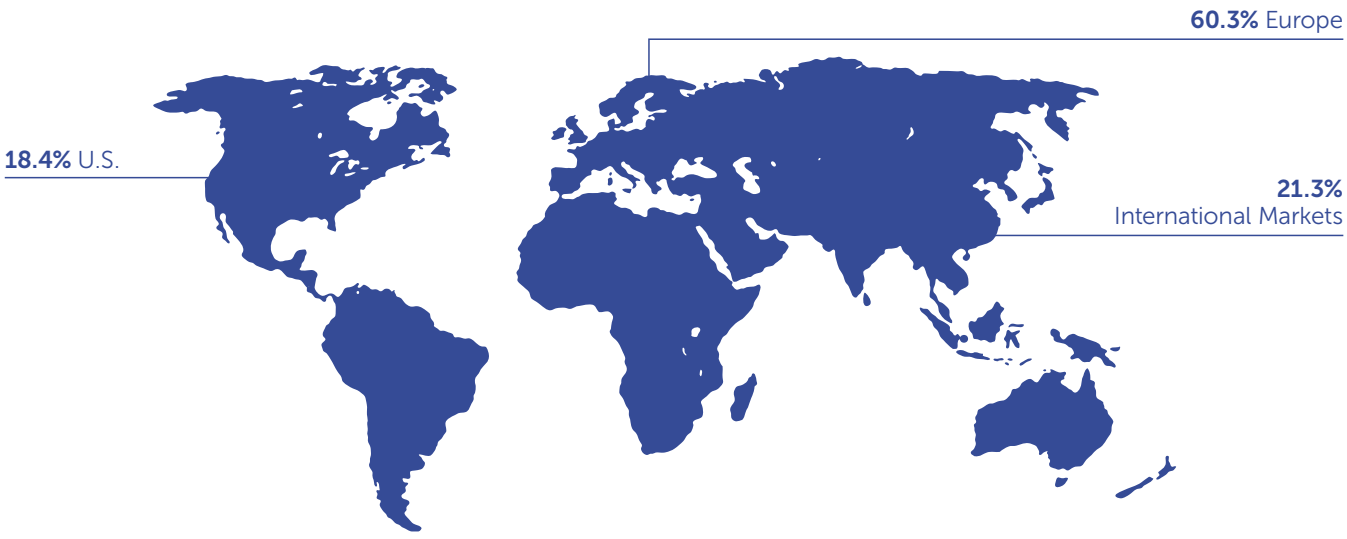
"We need to ask ourselves how we can bring more value to patients.

Jean-Luc Fleurial, Executive Vice President & Chief Human Resources Officer

Watch video in the online version of the report

UCB is present in three major regions – Europe, the U.S., and International Markets, with 40% of our employees being employed in our affiliates outside of Europe.

Employees by region

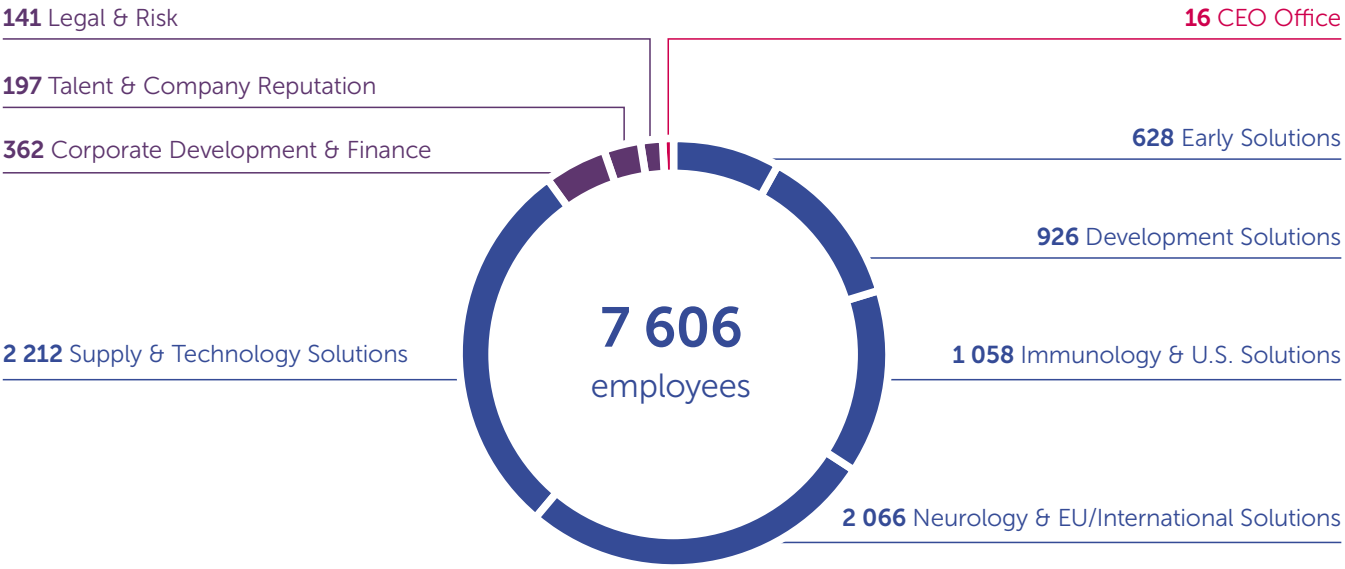


1 Strengthened organizational model

In 2019, we progressed into a new phase of our strategic plan – the "Accelerate and Expand" phase. In this new phase, we face internal and external changes, such as preparing ourselves to bring new solutions from our pipeline to patients and adapting to technological advances in artificial intelligence, in a world that faces challenges from rising inequalities to climate change. Therefore, UCB continues evolving.

During the summer of 2019, we prepared our organization for the further implementation of our Patient Value Strategy. As a result, our organizational model now focusses on five Patient Value Solutions areas (PV Early Solutions, PV Development Solutions, PV Immunology Solutions, PV Neurology Solutions, PV Supply and Technology Solutions), and three support functions (PV Corporate Development and Finance, PV Legal and Risk, PV Talent and Company Reputation). UCB has a CEO office which consists of department reporting directly to the CEO including the Sustainability team and the Internal Audit team. This new organizational model supports collaboration, increased agility and seeks to achieve more efficiency in reaching our goals. It should increase our ability to embrace innovation and adapt quickly to an increasing complex and volatile world.

Organizational Model



2 Our empowered employees

Our culture encourages each of us to take accountability and create value for patients focusing on the outcomes and impact we want to create for them. To achieve this, we need to ensure we stay focused on value and impact creation in everything we do, while elevating our ability to push the boundaries of innovation.

We consider strong leadership throughout the company to be an important enabler of our priorities and culture. We have embarked our leaders throughout UCB on a leadership journey to build a culture of innovation, learning, and focus on value creation for patients. This cultural change impacts our talent acquisition, learning, development and retention policies.

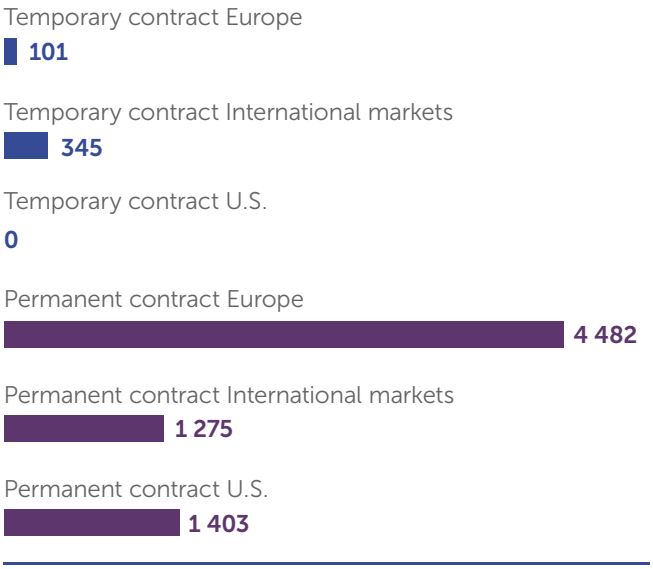
> “UCB has given me the chance to get to know new people and new cultures. Thanks to this opportunity I am growing – not only as an employee – but also as a person.
>
> **Sofia**, UCB

Our talent acquisition process

Throughout our talent acquisition process, UCB’s policies aim for ethical and equal employment opportunities. We believe that through a diverse and balanced workforce we are better able to understand and meet the needs of our patients and stakeholders.

Over the course of 2019, UCB evolved its talent acquisition program further towards an integrated approach for permanent employees and contractors. This has allowed us to bring in competencies and skills in a more agile way. Today, 7 160 of UCB’s employees are hired on permanent contracts, representing 94% of UCB’s workforce.

Contract type by region



Our learning and personalized development process

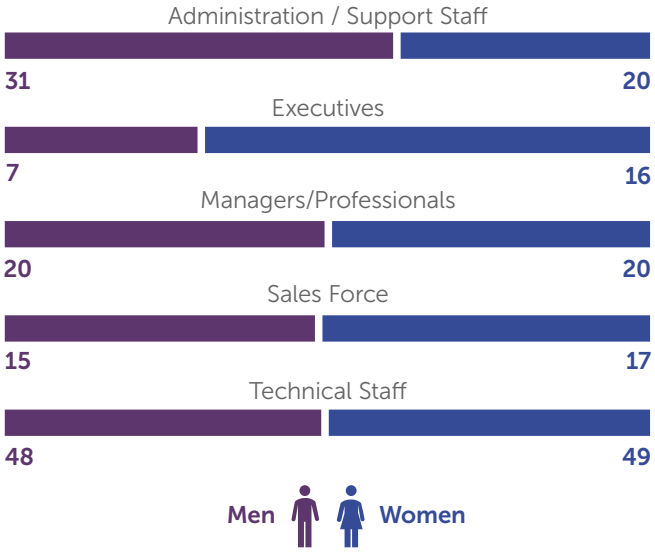
We operate in a dynamic world, characterized by constant evolution and new technologies. We aim to prepare our employees to be agile so that they can accommodate and adapt to changes in society, in the healthcare ecosystem and to novel technologies and treatments. We are enhancing our development processes to prepare for these changes – empowering employees to grow and to be up to date on evolving needs and trends. In 2019, 94.3% of our employees received regular performance reviews.

We offer core programs to support individual growth and leverage our personal competencies and collective capabilities. These include technical development programs as well as leadership training programs and individual coaching

and mentoring. In 2019, 76.4% of our employees received regular career development reviews[35].

In 2019, UCB invested over € 10 million in learning programs, content, technologies, and services to deliver on our commitment to grow talents and foster personalized development. On average, employees received 20.92 hours of formal learning across a range of subject areas. These areas focus on leadership, professional, and technical skills development.

Average training hours



Spotlight

Spotlight: Mentoring up

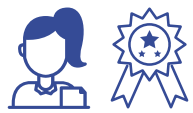
The Mentoring up program represents a new and disruptive way of learning aimed at building business acumen and living the principles of the Patient Value Strategy. Twenty employees from Germany and from UCB's Youngsters community in Belgium are part of the pilot initiative. Senior leaders are eager to learn from them to broaden their skills, improve their ways of working, support collaborations across generations, and to find creative solutions together.

Watch video in the online version of the report

Employee Insights

At UCB, we promote a culture of open dialogue and feedback. One of the many opportunities for employees to share their perceptions about company culture, strategy and ways of working is a global employee survey ("UCB Voices"), alternated with short "temperature checks" ("UCB Pulse") focused on employee engagement.

This year, two "UCB Pulse" surveys showed that employees continue to be highly engaged – with a score of 76% (in the last pulse-check, in November). The main drivers of engagement for our employees are pride in working at UCB and a sense of personal accomplishment. Their exceptionally high level of trust in the future indicates strong confidence in our Patient Value Strategy.



76% Engagement

Engagement remains high and pride and sense of accomplishment are key drivers of engagement for UCB colleagues.

85% Confidence in the future is high

Confidence in the future is strong despite uncertainty, UCB colleagues are keen for clarity to empower them to strive.

We are transparent in sharing survey results with all employees – encouraging further dialogue and debate around possible areas for improvement.

Aside from these results, our continued commitment and shared vision with our employees has been recognized and highlighted externally. One great example of a campaign conducted in 2019 was called "Patients at the Heart". This campaign leveraged employee stories to share the drive behind UCB's commitment to patients with key stakeholders and providing motivation to employees internally.

3 Fostering an inclusive and diverse organization

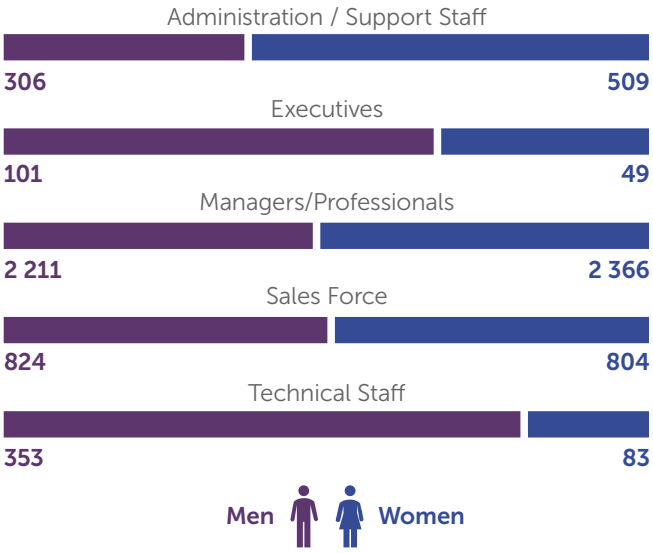
Our patients are diverse, as are the communities in which we operate. While historically we have relied heavily on expertise within the pharmaceutical industry, we acknowledge it is important to challenge our assumptions, by including different perspectives to broaden our cross-functional leadership and cultural experiences.

At UCB, diversity is defined as the collective richness of people's unique backgrounds, life and cultural experiences and the diversity of thought this brings. Inclusion is respecting individual differences and capturing the advantages they provide. An inclusive culture at UCB involves the full and successful integration of everyone.

Throughout the year UCB has been further strengthening its diversity and inclusion (D&I) ambition in multiple ways:

- In 2018, the Talent and Company Reputation department outlined a training initiative to mitigate unconscious bias in our decision making, especially in relation to our recruitment, retention and promotion. In 2019 the model has been further deployed in individual departments and teams prior to key moments such as talent organizational review and other key discussions. A blended learning journey on unconscious bias and inclusive habits has been initiated with a focus on team dynamics and will be further cascaded into the organization,
- The Talent and Company Reputation department has committed to ensuring a solid diversity and inclusion footprint in all talent processes; from talent acquisition to talent management and reward management. In 2019, major advancements have been made in the talent acquisition process. This review of key talent processes will continue in 2020 and will lead to the implementation of mitigation strategies that will enable greater diversity and inclusion along all talent processes and
- UCB monitors and implements measures to promote gender diversity at all levels. Whereas UCB has a 50/50 balance between men and women within the organization, efforts to advance career opportunities for women at the executive level are being emphasized. This has resulted in an increase in the representation of women at executive level from 22% in 2012, to 33% in 2019. We remain committed to ensuring equal opportunity for the positions offered.

Employee Group by Gender



In countries with staff above 150 people, i.e., China, Germany, Japan, Mexico, Switzerland, the U.K. and the U.S., 85% of the leadership teams are from within the country (last year was 70%) and the split between women and men is 43% and 57% respectively.[36]

UCB also recognize the risks related to harassment and discrimination amongst its employees. While consistently working toward an inclusive and respectful culture towards all, UCB promotes employee to speak up if facing any form of harassment or discrimination. In 2019, UCB received 18 internal complaints related to harassment of employees. Each complaint had been investigated, out of which four have been substantiated and one is ongoing. Substantiated complaints led to disciplinary measures including one termination of incriminated employee.

Supporting employee groups to be heard

Through its support to Employee Resources Groups (ERG), UCB provides space for employee-led group to address specific gender, age, minority-related topics and secure optimal diversity and inclusion in UCB's workforce.

> At UCB, we recognize diversity and inclusion as a foundational enabler of the UCB Patient Value Strategy, but that is not enough. Each individual employee needs to be intentional, vigilant, and actionable with respect to D&I, week by week, and minute by minute. We need to use diversity and inclusion as a filter to how we think, behave, act and respond. Failing to remain vigilant is not an option and will prevent us from achieving our ambition for patients.
>
> **Duane**, UCB

During 2019, UCB's Women in Leadership (WIL) program progressed its mission of driving transformational experiences empowering each woman to realize her life's goal and amplifying UCB's impact on society. One example was convening a meeting of the core team to refine our objectives and deliverables in order to deliver on the mission. This meeting was held in connection with UCB's strategic sponsorship of the Women Deliver 2019 conference, one of the world's largest conference on gender equality. UCB now has local WIL affiliate groups in Belgium, Brazil, China, Canada, the U.K., and the U.S.; all synchronizing their efforts to support WIL Global ambition and objectives

> Amazing individuals with different backgrounds or experiences but having one common goal – creating an impact for UCB.
>
> **Justyna**, UCB

The **Youngsters community** is a group of enthusiastic and engaged colleagues that host activities to share their experiences and create networking opportunities inside the organization. For example, they host lunch and learn sessions with senior leaders. In 2019 an exciting project – the Mentoring up program – was developed by this group with the objective of establishing a dialogue between generations and across the organization on specific topics from digital mindset to new ways of working in a connected world.

> Our Youngsters are a great source of fresh ideas and diverse thinking. In addition, we can learn from them to naturally use technology and to collaborate virtually and in person in an inclusive way.
>
> **Detlef Thielgen**, Executive Vice President, Chief Financial Officer & Corporate Development

The LGBTQ+ network is a newly-formed group which aims to contribute towards an open, inclusive and safe environment for the LGBTQ+ community and allies in UCB, where everyone feels equal and valued regardless of their sexual orientation and gender expression. In 2019, for the first time, UCB joined the Proud Science Alliance (PSA), a collective of healthcare and life science sector LGBTQ+ networks in the U.K., at the Pride parade in London through the impulse of the network.

To help form an inclusive environment and support the D&I initiatives at local level, councils have been created under the sponsorships of senior leaders from diverse business areas. This year, there has been a particularly strong focus on D&I in the U.S., the U.K. and Ireland. An inclusion study was performed in 2019 by a specialized consultancy in the U.K. and Ireland. This ground zero assessment of inclusion at UCB can be used to identify and inform local D&I strategy moving forward.

> Creating a culture of inclusiveness is really important. UCB aspires to offer an environment for all our people to grow and express their full potential while living the life they want. It's important that people feel they can come to work and be their authentic selves.
>
> **Michele**, UCB

To learn more regarding people diversity in UCB visit the People data section.

4 Offering support for health and well-being, promoting safe behaviors

The dedication and engagement of our employees enable us to deliver value to patients and our stakeholders. Over the last couple of years, we have taken further steps to create a working environment which is fulfilling, healthy and safe for all at UCB.

Health and well-being

Health and well-being initiatives across sites include health screening campaigns, burn-out awareness, healthy food options, flexible working arrangements, employee support programs, and core employee benefits such as medical insurance.

Digital platforms were launched to equip our colleagues with the knowledge, tools and support they need to build healthy habits. “Virgin Pulse” was launched in the U.S. in 2017 and “Pulso–Balance tool” this year in Belgium. Several countries have created a well-being advocate network, organized health seminars, and developed programs for leaders to support health and well-being. In 2019, colleagues across the globe leveraged existing platforms to count their steps and raise awareness for osteoporosis while staying active.

Our employees benefit from Employee Assistance Programs (EAP) that support mental, physical and social resilience through counseling and psychological support. In addition, we have taken steps to provide preventive care programs as part of our healthcare plans.

Occupational health and safety

Due to the inherent nature of any industrial program (e.g. potential non-compliance or human error despite rigorous safety measures), there is a potential risk of endangering people, assets, or the general public (surrounding communities) leading to potential loss of life and/or increased legal and regulatory exposure, potentially resulting in a negative impact on UCB’s reputation.

Even though the installations and high-technology equipment are by design increasingly safe, and health and safety management systems and procedures are applied, safe behavior is actively promoted. At our industrial sites (Bulle, Slough, Saitama and Zhuhai), these systems are 0HSAS18001 or ISO 45001 certified. The targeted outcome is increased safety awareness and a reduction in the number and severity of potential accidents involving UCB people or other stakeholders present at, or living near, UCB operations.

Occupational health and safety policies and processes include:

- Implementation of certified Health and Safety Management Systems (OHSAS 18001 or ISO 45001) at 80% of our industrial sites, to help manage risks appropriately,
- Operational and engineering minimum health and safety requirements globally defined at group level to ensure consistent application across all sites,
- Periodic emergency exercises, also involving external intervention teams, undertaken to ensure the readiness and suitability of our health and safety program and
- Regular internal and external inspections, reviews and consultations of UCB sites and key contract manufacturing organizations, resulting in appropriate action where necessary, throughout our value chain.

Adrien, UCB

In 2019, UCB strengthened its 'Accident Alert' campaign. The campaign aims at identifying, analyzing and reporting events which might have resulted in a life-changing impact for those involved.

Operational and engineering standards related to several high-risk or potentially life-changing activities have been carefully reviewed and strengthened, in preparation for a systematic, in-depth (re)training which will be organized at all relevant levels in the organization in 2020. These include working at height, exposure to hazardous energies, entry to confined spaces, mechanical lifting of heavy loads, and storage and handling of chemicals.

On UCB's global safety day (celebrated on September 5th) global safety golden rules were discussed at operational team level.

The five safety golden rules

1	2	3	4	5
I remain vigiliant to unsafe practices and situations and I take actions to correct them.	I am open to receive feedback and take appropriate actions. I report all injuries, incidents and near misses.	I make sure I have recieved adequate HSE instructions and training to carry out my work.	I always use the required collective and personal protective equipment.	I respect all established HSE rules and use installed protective guards.

The next steps include

- the roll-out of a global "Safety Beyond Zero" program aiming at an increased H&S awareness and ownership at all UCB operations,
- the assessment of the cultural maturity of the H&S programs at all industrial sites and
- the launch of behavioral safety programs at all industrial sites (building upon the above-mentioned campaigns).

Performance-wise, the Lost Time Incident Rate (GRI – G4 LA06) for 2019 was calculated at 2.61 incidents with more than one day of absence per million hours worked[37]. The Lost Time Severity Rate (GRI-G4 LA06) was calculated at 0.024 days lost per 1 000 hours worked.

In 2019 (for the sixth consecutive year), no fatalities occurred because of work-related incidents. UCB has no operations where workers show high incidence or are exposed to high risk of occupational diseases.

Dr. Li, village doctor, China

3 Our **communities & environment**

We are committed to play an active role in our local communities and to support patients where they live. We acknowledge that more can be done for the people living in low-and -middle income countries and we are engaged in concrete actions to improve epilepsy care in Africa and Asia. We also recognize that human health, which is at the core of our purpose, is intrinsically linked to the health of our planet. We act to minimize our environmental footprint across our value chain.

1 Engaging with local communities

In 2019 UCB engaged in several activities, driven by our employees worldwide and sponsored foundations and organizations that seek to contribute to their communities.

Globally

In 2019, UCB was the exclusive sponsor of an international, multi-disease area-focused research program led by The Economist Intelligence Unit (EIU). This initiative aimed at illuminating the role of patient value in healthcare and produced several publications and events. In February, EIU published a report entitled "Creating Healthy Partnerships: The Role of Patient Value and Patient-Centered Care in Health Systems" which explores the key factors that a diverse set of high- and middle-income countries should consider to better integrate patient-centered care, an evolving and challenging concept for burdened healthcare systems that have been traditionally paternalistic and provider focused. UCB's CEO Jean-Christophe Tellier participated in a multi-stakeholder event held in Brussels in February at which EIU released the *Creating Healthy Partnerships* report along with a health policy "scorecard" of the countries that were studied and findings from an international survey of patient organizations. A follow-on Japan-focused EIU initiative – once again sponsored exclusively by UCB – examined "Women's Rights in Healthcare," and was the subject of an EIU-hosted multi-stakeholder event that was held in December at the Embassy of Belgium in Tokyo.

The U.S.

UCB is committed to supporting science, technology, engineering, and mathematics (STEM) education and activities in our local communities across the U.S. to help advance the next generation of scientists who will dedicate their careers to finding solutions for patients.

These activities aim to engage young children to learn and being part of the solutions for the future as well as support scholarship and educational programs for higher learning.

In Atlanta, among many other events, UCB supported the Atlanta Science Festival to educate students, with a focus on walking in patients' shoes to learn more about osteoporosis and fragility fractures – an area where we hope to raise growing global awareness and make a difference.

In North Carolina, UCB employees volunteer in activities seeking to involve and empower young people to think about finding solutions to our shared challenges. This included UCB employee volunteers engaged in at STEM in the Park's SciFest student event to solve real-world challenges through design thinking and ideation and our support to the STEMposium to empower K-12 teachers in the classroom.

Europe and Belgium

UCB supports several organizations and foundations that contribute to empowering the thinkers of the future. This includes the three-year €100 000 UCB awards to The Queen Elisabeth Medical Foundation (FMRE), support for national research teams seeking to understand the nervous system, and our three-year commitment to sponsoring the B19 School to create jobs in Belgium, particularly in the digital transformation for over 18s. UCB also makes a yearly contribution to the Foundation Reine Paola, seeking to support the development and integration of local youth by helping the integration of disadvantaged children, supporting and rewarding educators, and rewarding projects presented by local students. UCB sponsors the CAP48 Baluchon Alzheimer

which aims to change attitudes towards disability and childhood in poverty. Through its annual campaign, CAP48 highlights the difficulties faced by people with disabilities and young people with integration difficulties in their daily lives. UCB sponsored CAP48 for €25 000 in 2019.

China

UCB China is committed to public science and health education. The UCB Brain Science Education Special Fund was set up in collaboration with the Shanghai Science and Technology Museum (SSTM) and the Shanghai Science Education Development Foundation (SSEDF) to raise public awareness of brain science and encourage research in the field. The Special Fund has brought together global and Chinese top neuroscience and artificial intelligence (AI) experts to help design the future new Brain Science exhibition hall at SSTM. Working with China Academy of Science and experts, the UCB Special Fund organized "Dialogue between brain science and AI" lectures to introduce how the human brain works and the future of AI. Over 10 000 people participated in person or online.

2 Improving epilepsy care in Africa and Asia

In 2019, our Corporate Societal Responsibility (CSR) department was merged within our newly created Global Sustainability team. The Global Sustainability team continues to build on projects managed until 2019 by the CSR department to improve access to quality care and medicines for patients with epilepsy in low- and middle-income countries.

In these countries, access to epilepsy care remains a complex public health challenge. Limited or lack of qualified healthcare professionals and disease awareness at different levels of society make people living with epilepsy more vulnerable to poverty and social exclusion.

Our eight ongoing projects in Africa and Asia aim at:

- Creating inclusive epilepsy education platforms for healthcare providers,
- Expanding and accelerating community awareness programs about epilepsy as a chronic disease to increase acceptance and social integration of people living with epilepsy in their family, school, social and economic network,
- Improving access to diagnosis and treatment – within the countries' treatment guidelines and
- Creating academic neurology platforms to train the next generation of local researchers and neurologists.

To support our projects financially, the UCB Societal Responsibility Fund was jointly launched by UCB and the King Baudouin Foundation (KBF) in 2014. This partnership allows UCB, our colleagues and stakeholders to financially contribute to our projects through donations to the Fund. Four initiatives are being supported by the Fund to date: Fracarita Belgium Rwanda, Fracarita Belgium Democratic Republic of Congo, DukeMedicine, Global Neurosurgery and Neurology department and Humanity and Inclusion. The One Family Health initiative ended in 2019.

Uganda

In Uganda, the Duke Medicine, Global Neurosurgery and Neurology (DGNN) department of Duke University (Durham, the U.S.) completed their third year of activities, with funding from the UCB Societal Responsibility Fund of the KBF. The overall objective of the DGNN partnership is to build on synergies between our two organizations in improving access to quality epilepsy care in Uganda by sharing knowledge.

The DGNN team provided training to two Ugandan physicians in adult and pediatric neurology and established the very first neurology clinic at the Mbarara University. The offices are built for consultations and EEG investigations and serve 20 to 25 persons living with epilepsy every day. The team also focused on epilepsy training for healthcare providers, community awareness and sensitization initiatives, as well as including traditional and pastoral healers in community health inventions.

The DGNN, in collaboration of the Makerere University School of Public Health, PMA2020, Uganda Bureau of Statistics and Uganda Ministry of Health, completed the first phase of a cross-sectional nationwide epilepsy prevalence study. The data were presented at the African Epilepsy Conference in Entebbe (Uganda).

Rwanda

In Rwanda, several activities in our partnership with Fracarita Belgium have progressed significantly in 2019.

Data were generated providing insights into the burden of neurological diseases in Rwanda. A three-pronged approach encompassing education, research and awareness building is further strengthening neurology and public health capacity:

- In October, two Rwandan physicians started their third year of neurology training at the Cheikh Anta Diop University in Dakar (Senegal), while one started her second year. A fourth physician started her second year of a Master of Public Health program in Kigali,
- A study of co-morbidity of epilepsy and depression was conducted by a physician in Ndera as part of a PhD supervised by the department of Neurology, Ghent University (Belgium). In addition, the teams presented Rwandan research data in six posters at the African Epilepsy Conference in Entebbe (Uganda) and
- The Rwandan Organization Against Epilepsy completed an epilepsy awareness training for more than 1 800 community health workers and traditional healers in villages of the Musanze district.

UCB has also progressed this year with the finalization of an in-country neurology curriculum to be offered jointly by the University of Rwanda and Ghent University. This five-year curriculum will strengthen neurology capacity, foster neurology sub-specializations through targeted sponsorship, provide expert EEG training courses, assist in the creation of disease registries for rare neurological conditions and support clinical research study capacity. The curriculum will be implemented in 2020.

The story of Marie-Josée

Marie-Josée, living with epilepsy

Marie-Josée was born in 1994, in Kitabura, a little village in Rwanda down the road from the Kimonyi health center. The road is diced with volcanic stones strewn across an astounding green-colored landscape.

Marie-Josée's story is a biography of epilepsy. She was born in 1994 at the crossroads of history as an inhumane genocide had just devasted the nation. She developed her first seizures at the age of 14. She was excluded from school and spent her time gardening vegetables in a small plot. When she had seizures, she stayed home, exhausted and too tired to work.

Early in 2018, she learned about an epilepsy program in Kimonyi and, quite determined, she climbed a long hill to the health center. Of course, her diagnosis was generalized tonic-clonic seizures. She started on anti-epileptic medication and walked every month up the hill. Soon she became seizure-free and she continues to conscientiously take her medication. She also met her future husband and now they are proud parents of a little boy.

Her gratitude is humbling, and the twinkles in her eyes and her glowing smile are a source of fulfilment and energy; energy and courage to accelerate our programs in Rwanda, especially in remote areas where a double disease burden is conferred on vulnerable patients – epilepsy and the scourge of social stigma.

Democratic Republic of Congo

In 2019, we celebrated the ten-year anniversary of our partnership with Fracarita Belgium in the neuropsychiatric center Dr Joseph Guislain in Lubumbashi. It is the oldest of UCB's initiatives in low- and middle-income countries. It is built around four objectives:

- To better understand the epilepsy disease burden by studying the prevalence, causes and consequences of the diseases, especially for children living with epilepsy,
- To develop an affordable and sustainable care model for people living with epilepsy, and their families,
- To strengthen the neurology capacity of the center and
- Donation of anti-epileptic drugs.

Two Congolese physicians are now the two full-time neurologists in the center. Our partnerships strengthened the technical equipment with a video-EEG and EMG. This enables the team to improve the precision of the diagnosis of epilepsy.

The mobile clinic outreach program reaches out to four health centers in the proximity of Lubumbashi. The number of consultations in those bi-monthly activities remains stable at 3 400. The medical staff completed over 1 900 consultations in the tertiary reference center in Lubumbashi.

Madagascar

In 2019 Humanity and Inclusion completed the third year of the partnership, funded through the 'UCB Societal Responsibility Fund' of the King Baudouin Foundation.

The 'ANJARATSARA' initiative provides tailored management of epilepsy at all levels of the health pyramid in the Boeny and Analanjirofo districts. In addition, the initiative improves the socio-economic integration of adults living with epilepsy and school access for children living with epilepsy.

This year saw tangible progress in different important areas. First, physicians and paramedical staff of basic health centers in the two districts received refresher trainings on epilepsy. Second, community health agents were also trained to improve their epilepsy knowledge and referral strategy. Third, the school was mobilized through theater plays. The role-play of marionettes helps children understand and the positive feedback of children and teachers was heartwarming.

The local teams further strengthened the Personalized Social Accompanying program (PSA). This PSA model has been designed by Humanity & Inclusion and has been successfully implemented in various sub-Saharan countries, including in Madagascar in other projects. The epilepsy PSA program aims at social participation and the empowerment of people living from epilepsy.

Mozambique

One Mozambican physician completed a pediatric neurology training under the supervision of the University of Leuven (Belgium).

The results of the implementation of the mental health GAP (mhGAP) in Mozambique were presented at the 4th African Epilepsy Conference in Entebbe. Mozambique is the first country to have successfully completed the implementation.

Myanmar

In 2019, an accelerated epilepsy training program in different townships of the Myanmar Epilepsy Initiative scaling up program was implemented. This is the continuation of the World Health Organization (WHO) pilot project under the National Framework for Epilepsy Care in Myanmar and supported by UCB. The framework provides a tailored model of epilepsy care at all levels of the healthcare system.

The WHO and the Ministry of Health and Sports are committed to building on the lessons learnt and evidence generated from this pilot project. The objective of the scaling up program is to ensure long term accessible, affordable and quality care for epilepsy in the country. The approach to scaling up epilepsy care in Myanmar is to reach gradually 85 townships in nine states/regions and to outline a policy and state-localized services within the Universal Health Coverage (UHC). UHC implies that all people receive quality, essential health services needed, without being exposed to financial hardship.

China

In China, the 'Rainbow Bridge – Hope and Care for Children and Families with Epilepsy' program, delivered with Project HOPE and the Shanghai Children's Medical Center, has completed the third and final year of childhood epilepsy activities in remote China. A broad platform of institutional and academic support is available with the Chinese Association Against Epilepsy, the Neurology Committee, the Chinese Paediatric Society, the Chinese Medical Association and 14 associated university hospitals.

Epilepsy training for village doctors, China

To date, the education initiative for medical personnel has brought together 633 paediatricians and general practitioners in classroom training and 40 000 physicians reviewed the on-line training course. Close to one million children living with epilepsy benefitting from these trainings.

In addition, Rainbow Bridge organized 3 family weekend workshops bringing together over 100 children living with epilepsy and family members. Parents receive quality time with the neurology staff in attendance and learn about the similarities, challenges and hope that unites them. In addition, community volunteers also join the activities or make facilities available free of charge or at a reduced cost.

Alongside the public education initiatives, workshops brought together teachers to improve their understanding of epilepsy and how-to act in case a child experiences a seizure in the class, in the schoolyard, during sport activities or at home. School teachers are key to the well-being of all children in school, including children living with epilepsy in the school environment.

Parents have created WeChat groups to ensure ongoing communication. It proves a valuable tool when children are discharged from hospital and parents have questions. These groups are supported by medical staff whenever medical questions or concerns are raised.

Our partnership in China, with the Business Development Center of the Red Cross Society of China entered the seventh and final year.

In 2019, the integrated epilepsy care model in Zigong city (Sichuan province) yielded important results. Epilepsy training was tailored to the needs of grassroots healthcare providers and prepared by the Zigong vocational school together with neurology staff of the first- and fourth-People's Hospitals. The overarching objective of this Zigong model is to accelerate the detection, referral, diagnosis and treatment choice and adherence of persons living with epilepsy by linking, seamlessly, five layers of healthcare provision in the city. To date over 4 000 persons living with epilepsy have been identified and treated.

3 Minimizing our environmental footprint[38]

UCB has offices in over 35 countries worldwide, with research, development or manufacturing activities in 12 locations across Europe, North America, Asia (see world map) and an extensive network of partners for manufacturing and supply. Our goal is to develop, produce and supply medicines for people with severe diseases in the most environmentally sustainable way possible.

Eric, Veronique, Charl and Marc, UCB

Our 2030 Green Goals

We are committed to minimizing our environmental footprint across our business activities and operations. We have developed a company-wide environmental roadmap which defines how we will reach the ambitious targets set for reducing our local and global environmental impact. These are:

GHG emissions

Reduce GHG emissions by 35% by 2030 and become carbon neutral for the operations we control directly by 2030

Water withdrawal

Reduce water withdrawal by 20% by 2030

Waste production

Reduce waste production by 25% by 2030

Our progress against Green Goals[39,40,41]

UCB has taken several initiatives across our local and global operations to achieve our ambitious green goals. These combine strategic company-wide investments into more sustainable infrastructure and operations and extending our environmental key performance indicators throughout development, manufacturing and supply.

In 2019, we further strengthened our commitment to reduce our GHG emissions by submitting our environmental targets to the Science Based Target Initiative and further extended our impact across our network of partners and our value chain.

These activities contributed to the progress made since we implemented our green goals in 2016, with a 31% reduction in our energy consumption, 27% reduction in our water withdrawal, 32% in our waste production. Our scope 1 and 2 Greenhouse Gas Emissions (GHG) were reduced by 55% compared to our benchmark year 2015, which positions UCB well to achieve our ambition to reduce the GHG emissions due to operations we control directly (and which also include part of our scope 3 emissions) by 35% by 2030. As all targets set are absolute, the expected growth of UCB's operations in the coming years will nevertheless require continued efforts to meet our 2030 targets.

	2015 (benchmark year)	2017	2018	**2019**	Variance 2019/ 2015
Scope covered (% employees)	86%	90%	90%	89%	3%
Energy (MegaJoules)	**1 137 502**	**797 900**	**829 248**	**781 301**	**−31%**
Electricity from renewable sources	59%	92%	92%	94%	35%
CO_2 emissions (tons)	**112 415**	**86 965**	**78 328**	**73 156**	**−35%**
Scope 1 – Direct CO_2 emissions	37 573	26 090	27 508	26 121	−30%
Scope 2 – Indirect CO_2 emissions (market-based)	28 108	5 888	5 818	3 655	−87%
Scope 2 – Indirect CO_2 emissions (location-based)			20 703	18 414	
Scope 3 – Other indirect greenhouse gas (GHG) emissions	46 734	54 987	45 009	43 381	−7%
Water (m^3)	**804 360**	**663 359**	**799 469**	**590 867**	**−27%**
Waste (tons)	**9 746**	**7 090**	**6 970**	**6 605**	**−32%**
Waste recovered	95%	91%	92%	91%	−4%

To learn more visit Environmental data section.

Reduce GHG emissions by 35% and become carbon neutral for the operations we control directly by 2030[42,43,44,45]

We have already committed to carbon neutrality in 2030 for the operations we control directly, by decreasing our emissions and compensating for those we cannot reduce in the short-term. We dedicate 80% of our efforts to reduce our GHG emissions and 20% to GHG compensation programs.

This ambition includes:

- Our scope 1 emissions (due to gas and fuel consumed as an energy source at UCB sites as well as UCB's car fleet),
- Our scope 2 emissions (due to electricity consumed as an energy source at UCB sites) and
- Part of the scope 3 emissions, covering activities performed at UCB sites (e.g. product research, development and manufacturing), the distribution of UCB products, business travel and employee commuting.

Our strategy is to:

a. Optimize our energy consumption by making our operations more **energy efficient,**

b. Reduce our GHG emissions by increasing (on a percent basis) the usage of energy generated from **renewable sources,**

c. **Compensate** for any GHG we cannot reduce on the short-term (applying the above mentioned 80/20 principle) and

d. Mobilizing employees and to change behavior by implementing **internal awareness** campaigns on energy consumption and carbon emissions

Our overall aim is to reduce the carbon footprint of our entire value chain, in line with the ambition set in the Paris Agreement (2015).

UCB joined the Science Based Targets initiative in 2017 and has further strengthened its engagement in 2019 by adding specific objectives for the scope 3 emissions to our overall objectives. Furthermore, in order to cover our entire value chain, we reached out to our suppliers and contract manufacturing organizations, requesting our partners to also define ambitious climate targets. Our target is to engage 60% of our external partners (on an emission basis) to have ambitious GHG reduction targets by 2024.

This year we are proud to have renewed and submitted our value chain-wide ambition and targets to the Science Based Targets initiative in November 2019.

GRI Indicator		Definition	Unit of measure	2015 (benchmark year)	**2019 Actual**	Variance (%)
305-1	**Direct CO_2 emissions – scope 1**	Electricity	Ton CO_2	0	0	N/A
		Gas	Ton CO_2	36 610	25 176	−31%
		Fuel	Ton CO_2	963	944	−3%
305-2	**Indirect CO_2 emissions – scope 2**	Electricity (market based)	Ton CO_2	28 108	3 655	−79%
		Electricity (location based)	Ton CO_2	N/A	18 414	N/A
		Gas	Ton CO_2	0	0	N/A
		Fuel	Ton CO_2	0	0	N/A
305-3	**Other indirect GHG emissions – scope 3**	Business Travel	Ton CO_2	46 734	43 381	−7%

a. Towards becoming more energy efficient

Various energy saving initiatives implemented in 2019 at the sites in Bulle (Switzerland), Braine-l'Alleud (Belgium) and Zhuhai (China) led to a recurrent energy saving of 7 092 Gigajoules, which is 0.9% of UCB's scope 1 and scope 2 on-site energy usage.

These achievements add to the previous reductions of our energy consumption through the divestiture of the sites in Seymour (U.S.) and Shannon (Ireland) in 2015 and 2016. In 2019 we divested our site in Monheim (Germany).

Business travel associated with scope 3 CO_2 emissions resulted in 43 381 tons of CO_2 emissions, a decrease of 7% compared to our baseline in 2015.

GRI indicator		Definition	Unit of measure	2015 (benchmark year)	**2019 Actual**	Variance (%)
302-1	**Total**	Total energy consumption	GigaJoules	1 137 502	781 301	−31%
	Gas	Gas consumption	GigaJoules	652 584	442 118	−32%
	Fuel Oil	Fuel oil consumption	GigaJoules	12 956	15 279	18%
	Fuel Vehicle	Utility vehicle fuel consumption	GigaJoules	158	91	−42%
	Electricity	Electricity consumption	GigaJoules	471 804	323 812	−31%
302-4	**Energy Saved**	Energy saved due to consideration & efficiency improvements	GigaJoules	6 743	7 093	5%

b. Using energy generated from renewable sources

For the past years UCB focused on sourcing the electricity consumed at the sites from renewable sources such as wind, solar, hydro and biomass. The percentage of electricity globally sourced from renewable sources has increased to 94% in 2019, compared to 59% in our benchmark year 2015.

In addition, UCB invested in solar panels installed at the sites in Bulle (Switzerland), Braine-l'Alleud (Belgium), and Brussels (Belgium). The three solar parcs did generate 2 611 GigaJoules of electricity in 2019 (0.3% of UCB's global energy consumption).

c. Compensating for Green House Gas emissions

Even though our focus is to reduce GHG emissions, we need to compensate for the emissions we cannot reduce in the short-term. This is why, in 2017, UCB partnered with CO_2 Logic and WeForest on re-forestation and environmental protection projects.

In 2019 we continued our reforestation efforts at the Virunga Park in the Democratic Republic of Congo and the Desa'a Forest in Northern Ethiopia. Our ambition is to restore an area of 22 000 ha by 2030.

	EcoMakala[46]	Desa'a Forest
	Virunga Park, Democratic Republic of Congo	Northern Ethiopia
	CO2logic	WeForest Making Earth Cooler
	2025	2030
	10 000 hectares	12 000 hectares
	+/−300 000 tons of CO_2 saved	+/−200 000 tons of CO_2 saved
	currently being certified by the Gold Standard	currently being certified by the Plan Vivo standard
	Visit the Ecomakala program	Visit the Desa'a Forest project

On top of the sequestration of CO_2, these projects also provide employment to the population living in these areas and help improve their living conditions.

d. Our Green teams

Green Teams are groups of motivated UCB employees that are empowered to drive environmentally friendly activities including recycling initiatives, local waste and water reduction initiatives. Ten Green teams have been set up at 5 different UCB sites: Brussels and Braine-l'Alleud (Belgium), Monheim (Germany), Slough (the U.K.) and Atlanta (the U.S.).

Uta, UCB

In 2019, we celebrated World Environment Day by inviting CO_2 Logic and WeForest to share the impact of UCB's carbon compensation projects in the Democratic Republic of Congo and in Ethiopia with the UCB team. Close to 1 200 UCB colleagues joined the event, physically or remotely – demonstrating a strong interest and commitment in this topic.

Reducing water withdrawal by 20% by 2030

Our 20% reduction target versus 2015 baseline is ambitious, as our research and development pipeline include several antibodies with production processes more water demanding than for chemical entities. Nevertheless, compared to 2015, our 2019 water withdrawal decreased by 27%

This reduction was partially achieved thanks to the strategic divestiture of manufacturing sites in Seymour, Shannon and Monheim. In 2019 we also implemented water saving projects resulting in a recurrent 26 328 m^3 of water saved.

GRI Indicator		Definition	Unit of measure	2015 (benchmark year)	2019 Actual	Variance (%)
303-1	**Water**	Total water	m^3	804 360	590 867	−27%
		Main water	m^3	624 427	509 629	−18%
		Ground & surface water	m^3	179 933	81 238	−55%

Reducing waste generation[47,48]

UCB set the absolute target to reduce our waste generation by 25% in 2030 compared to its base year measurement in 2015.

We globally managed to recover 91% of our waste, predominantly through recovery of waste as a fuel to generate energy and recovery and regeneration of solvents, which is slightly lower than the recovery rate of 94% achieved in baseline year 2015.

GRI Indicator		Definition	Unit of measure	2015 (Benchmark year)	2019 Actual	Variance (%)
306-2	**Waste disposal**	Total waste	Tons	9 745	6 605	−32%
		Total waste not recovered	Tons	520	626	20%
		Total waste recovered	Tons	9 255	5 979	−35%
		Subtotals	Tons			
		Subtotal waste used principally as a fuel or other means to generate energy (EU waste recovery code R1)	Tons	2 919	1 867	−36%
		Subtotal waste recovered through solvent reclamation or regeneration (EU waste recovery code R2)	Tons	2 839	2 207	−22%
		Subtotal waste recovered through recycling/ reclamation of organic substances which are not used as solvents (EU waste recovery code R3)	Tons	1 604	1 286	−20%
		Subtotal waste recovered through recycling/ reclamation of inorganic materials other than metals (EU waste recovery R5)	Tons	1 790	439	−76%
		Subtotal waste recovery by other methods (EU waste recovery R4, R6 & R9)	Tons	74	179	143%
306-3	**Total number and volume of significant spills**	Number		0	0	N/A
		Volume	Tons	0	0	N/A
306-4	**Hazardous waste**	Hazardous waste as defined by locally applicable regulations	Tons	6 455	3 913	−39%
	Non-hazardous waste	Other solid waste (excluding emissions and effluents)	Tons	3 291	2 692	−18%

Lloyd, living with epilepsy

4 Our **governance**

As a biopharma company, we face challenging and evolving business and legal environments.

Conducting business in an ethical, sustainable and responsible way is fundamental to UCB's core values. We have a strong culture of integrity, with policies and procedures in place to ensure the highest ethical standards are applied throughout the company's value-chain, including the core principles governing how the organization operates, how decisions are made and how risk is mitigated.

The governance of UCB is based on a "one-tier" structure. This means that the Company is administrated by a Board of Directors and run by an Executive Committee, whose respective functions and responsibilities are clearly defined in accordance with the Articles of Association of the Company. The roles and responsibilities delegated to the Executive Committee are established by the Board.

The Board of Directors is UCB's governing body.

The Board's role is to pursue sustainable value creation by setting the company's strategy and putting in place effective, entrepreneurial, responsible and ethical leadership within a framework of prudent and effective controls which enables risks to be assessed and managed. The Board sets UCB's strategic aims, ensures that the necessary financial and human resources are in place for UCB to meet its objectives and monitors the company's performance. The Board develops an inclusive approach that balances the legitimate interests and expectations of all stakeholders and sets UCB's values and standards. It takes collegiate responsibility for sound exercise of its authority and powers. The Board ensures that the Company's culture is supportive of the realization of its strategy and that it promotes responsible and ethical behavior.

Our 2019 Board of Directors

To learn more visit Board of Directors and Board committees section.

Our 2019 Executive Committee

To learn more visit Executive Committee section.

1 Business conduct

UCB views our stakeholders and partners as key to our success in addressing unmet medical needs and providing differentiated solutions to patients. Partnering with these stakeholders wouldn't be possible without building trustful relationships with them.

As an element of trust, UCB confirms its commitment to conduct its business responsibly, acting with integrity, being transparent, and promoting and embracing ethical behaviors across the organization.

1.1 Responsible Business Conduct

UCB is committed to doing "the right things, the right way"; this means we integrate an ethical thinking in our decision-making process, while acting with integrity in all business dealings and putting effective systems and controls in place to safeguard adherence to all obligations relevant to our business.

UCB operates in supervised and controlled environments, where UCB's values, policies and procedures are applied and embedded in the culture.

The UCB Code of Conduct is our governing policy that reflects UCB's core company values, including accountability and integrity. The Code outlines the general principles of business conduct that are expected from UCB colleagues and partners throughout the world. It is available in 14 languages and on the UCB external corporate website (www.ucb.com). Employees and contractors are required to undertake mandatory training on the UCB Code of Conduct, which is incorporated into each employee/contractor's training plan. Third parties are also expected to acknowledge and adhere to the principles of the Code of Conduct, which is included in their legal agreements with UCB where necessary.

In 2019, 7 381 UCB employees have been trained on UCB Code of Conduct. Completion rate for the Code of Conduct training in this year has been of 96%.[1]

The UCB Code of Conduct encompass, amongst others, core principles and behaviors aiming at mitigating the risks related to bribery and corruption as well as human rights infringement.

Competition and Anti-Trust

UCB remains committed to full compliance with all laws and regulations related to anti-competitive behavior, anti-trust or monopoly. In 2019 UCB was not involved with any legal actions or investigations under such laws, and we are fully cooperating in the ongoing U.S. Federal Trade Commission review of our planned merger with Ra Pharmaceuticals, Inc.

1.2 Anti-Bribery and Anti-Corruption (ABAC)

Considering the nature of our business, UCB identified our engagement of the healthcare stakeholders as the primary ABAC risk area.

Beyond the Code of Conduct, principles, processes and controls are in place, embedded in UCB Business Compliance Policy and procedures related to healthcare stakeholders' engagement. Beside the mandatory training on UCB Code of Conduct, training on our Business Compliance principles and procedures related to Healthcare Stakeholders' engagement are part of the onboarding of new employees aimed at interacting and engaging with these healthcare stakeholders.

A dedicated ABAC training has been developed and assigned to those employees most exposed. In 2019, a total of 1 166 UCB employees have been following the ABAC training (completion rate of 97%).[2]

UCB continues to foster its compliance program, based on structured risk assessment. Elements of UCB compliance program include automation of controls and detection systems, continuous training and communications, monitoring and audit as well as investigation and resolution of suspected misconducts.

The ethics and compliance department performs a regular risk assessment of our affiliate operations, including specific assessments of risks related to ABAC. Minimization strategies are defined and implemented following this exercise.

Further, all engagements of healthcare stakeholders including transfer of value are subject to a review and approval process by separate functions including the review of compliance elements of the engagement.

Our ethics and compliance strategy involves ensuring an open environment where our employees have the space and confidence to report a suspected compliance breach or other concern. Employees are encouraged to report suspected non-

[1] To learn more visit People data section.
[2] To learn more visit People data section.

compliance or misconduct to their manager or their primary contacts in Legal / Ethics and Compliance / HR departments. Where this is not an option, UCB provides a confidential, toll-free reporting line (known as the Integrity Line™), which is available to all employees in 26 languages and is managed 24 hours a day, every day of the year. Information received via this forum is treated as sensitive and investigated, on a priority basis, for appropriate corrective action.

In 2019, 52 cases have been investigated following reported allegations. 11 related to ABAC, two related to Human Rights, and 39 related to compliance with pharmaceutical specific regulations. two allegations were found substantiated in the field of ABAC (two ongoing investigations); zero allegation had been substantiated in the field of Human Rights (one ongoing investigation) and 15 allegations had been substantiated related to pharmaceutical regulations (three ongoing investigations). Investigations on these cases led to 10 disciplinary actions including dismissal of involved employees.

As a critical component of UCB's overall internal control environment and structure, UCB Global Internal Audit provides independent, objective assurance activities designed to evaluate and improve UCB's internal control and operations, including to ensure compliance with applicable laws, rules, regulations and our Code of Conduct. The Internal Audit department periodically audit UCB's global operations for potential risks related to these areas in accordance with an established rotational schedule or on an issue basis where appropriate. They continuously monitor, enforce and follow up on any compliance-related findings.

1.3 Human rights

UCB is determined to make an impact in the domain of human rights and take steps necessary to promote and encourage high ethical standards of working and fair treatment of human beings. We have a zero-tolerance approach to any form of human rights abuses, including modern slavery. UCB publish every year its statement on Modern Slavery according to UK Modern Slavery Act.

Considering the nature of our operations, UCB our relationships with third parties being the area where risks related to Human Rights have highest likelihood. These third parties include our supply chains (i.e. purchasing of goods and services) and agency workers, and particularly in countries where we operate which may be regarded as higher risk. Our Code of Conduct, a robust due diligence process and conduct of audit by our Internal Audit team aim at mitigating these risks.

To date, no report of an infringement of human rights associated with UCB or its suppliers has been identified to the company.

1.4 Promoting and embracing ethical behaviors across the organization

As from 2018, UCB developed and established Guidelines for "Ethical Decision Making" ("EDM"). EDM Guidelines are a set of practical tools and behaviors that empower colleagues to

1. identify an ethical dilemma,
2. explore the impacts of their choices on stakeholders, not limiting to the immediate impact but considering the impact and perception over time and for future generations and
3. engage colleagues in conversations to resolve ethical dilemmas.

These guidelines have been rolled out amongst UCB leadership over 2018 and applied while facing ethical dilemmas in the course of 2019. Awareness in the broader UCB organization had continued and will be supported by various communications and tools in 2020. Having in mind the importance of our decisions while facing dilemmas beyond ethics and as an element of our Patient Value Strategy. In 2020, EDM was expanded to become a Decision Dilemma Tool designed to enhance decision making across the organization. The frameworks and behaviors have been enhanced with group-developed learning materials – specifically focused on use of the Decision Dilemma tool in action. The tool is now used to enrich decision making for individuals and leaders through enhancing understanding and shifting through consideration of the perspectives of the multiple stakeholders in our community and society.

UCB leaders and employees across our organization are encouraged to transparently share their dilemmas and engage to resolve these through dialogue and sharing.

1.5 Product responsibility

UCB takes the safety of our products seriously and has an internal process to oversee the review of safety information for medicines in development by UCB as well as for our core products. The Global Labelling Committee reviews the labeling of all UCB drugs.

This Committee ensures that the labeling:

1. meets country regulations of drugs relative to safety, efficacy and quality of drugs as well as the accuracy of the product information provided pursuant to their regulation,
2. reflects appropriately and understandably information about drugs and the safety profile for patients and physicians and
3. in the manufacturing country is identical for patients and physicians in countries to which the same drug is exported.

In addition, UCB only promotes drugs in accordance with laws, regulations, and industry codes applicable to that country. There is oversight that promotion of drugs is accurate, fair, objective, meets the highest ethical standards, and conforms to local legal requirements. Claims must reflect the latest up-to-date scientific evidence warrants and must be deprived of ambiguity. Promotional, press and scientific communication relating to our compounds, products and disease are submitted to the global or local committees, with members duly trained. UCB does not sell any products that are banned in a market and all UCB products comply with drug regulatory and safety requirements.

UCB adheres to all applicable country laws, regulations and industry codes as derived from the CIOMS/WHO recommendation as derived from the WHO Ethical Criteria of Medicinal Drug Promotion as well as the Directive of the European Parliament and of the Council on the Community Code relating to medicinal products for human use, EFPIA, IFPMA and PhRMA, among others.

UCB has defined internal processes to respond to each and each unsolicited medical information request.

1.6 Patient and drug safety

All of UCB's products are subject to an ongoing benefit-risk assessment to ensure product labeling and safety information is kept up to date.

One critical obligation is the monitoring of the safety profile of our products both in development and on the market. Like other biopharma companies, every year UCB receives thousands of adverse event reports. These reports, along with other internal and external data (e.g., literature, external databases, etc.), are reviewed and analyzed by our safety teams to identify potential safety signals which may be associated with our medicines. These reviews, in the context of the proven or expected efficacy and the evolution of the alternative standard of care, ensure that the benefit-risk profile of our medicines is current, clearly communicated and that appropriate actions are taken to minimize potential risks to patients. All benefit-risk assessments are reviewed at a multi-disciplinary Benefit-Risk Board at regular intervals (i.e., at least annually, or biannually, depending on product risk tier).

To learn more about our risk management process visit Our approach to risk management section.

The Benefit-Risk Board also notifies the Global Labelling Committee to ensure the timely implementation of required label changes. The Benefit-Risk Board is chaired by the Chief Medical Officer (member of the Executive Committee). In 2019, 100% of the products that required a review were assessed at the Benefit-Risk Board. In accordance with regulations, UCB provides information about individual adverse event reports, periodic summary reports, and benefit-risk assessments to the health authorities.

UCB requires that a Safety Reporting Obligation training is completed every two years by all people and for newcomers within two months of recruitment. The company threshold for meeting this requirement is 90% trained company overall (last measure was 95%) and 95% trained for roles with a more direct pharmacovigilance activity in their role. These expectations also apply to strategic partners. 100% compliance is not possible due to absence, sickness, and team changes with system updates. In countries where UCB is present, 24/7 access to qualified safety staff is available to answer urgent requests for support from health care workers regarding approved products.

It is UCB's responsibility to deliver reliable and safe drugs to our patients and Global Quality Processes and Governance safeguards this important goal. These processes are designed to ensure the best possible product quality, safety and therapeutic benefits for patients. The efficiency of the processes and compliance to regulations are periodically assessed and monitored through the audit program conducted by UCB's Quality Department. In case risks are identified, appropriate preventative and corrective measures are implemented.

2 Risk management

2.1 Our approach to risk management

Within enterprise risk management at UCB, we maintain our commitment to our vision and our patient value strategy and seek to find new ways to manage and leverage our increasingly volatile, complex and ambiguous environment.

Building on the solid foundation of UCB's risk framework and governance platform, risk management has seen exciting opportunities to increase our impact in 2019, and beyond.

Strengthening our connection to strategy and expanding our risk lens

Enterprise Risk Management has been formally positioned into the Global Legal Affairs team. This will allow the members of the Enterprise Risk Management group to fully leverage the transversal nature of the legal function.

Under this new structure, UCB can enhance the interfaces between strategy, enterprise risk management and business stakeholders for a more agile and value-add approach. In addition, we can heighten our understanding of uncertainty both from our internal context and emerging risks arising from the external environment.

2.2 Process and framework

Engaging with key representatives from all operational, functional and strategic business areas, risks are identified and assessed by each business area and the respective leadership team. In addition, a "top-down/ outside-in" assessment is conducted to complete a holistic risk profile.

To maximize impact, top risks are connected to the strategic priorities. An understanding of both how the risk is trending and how well UCB is prepared to respond, is communicated to and discussed with both, our Executive Committee and our Board of Directors. The risks we face are evolving, thus our approach to management of these risks is dynamic, allowing for new or changed risks to be assessed and reassessed throughout the year.

Governance and oversight

UCB continues to demonstrate its commitment to managing uncertainty by creating accountability at the top and driving action by the business. Every top risk is owned by a member of the Executive Committee. That member is accountable for understanding the nature of the risk and enable our response to it.

2.3 Top risks in 2019

We maintain strong connectivity to our Board of Directors/ Audit Committee and bring their feedback on risk back into the organization. The Global Internal Audit function is responsible for independently and regularly reviewing the top risks and supporting the business functions on their risk response. The risks presented are a representation of the top risks identified and managed in 2019.

Top risks identified	UCB's response
Competition from biosimilars and new drug classes	
Biosimilar entrants and their market impact are increasing globally. In parallel, the launch of new classes of biologic-based drugs contribute to the rich complexity of the biologics market.	UCB supports increasing innovation and access to biologics by investing in superior overall value propositions in target patient populations As an innovative company we offer superior patient outcomes at a competitive cost of care, influenced by a deep understanding patient and regulatory stakeholder needs.
Intensity of successive product launches	
UCB delivered strong pipeline results as we continue to pursue and invest in highly differentiated drugs focusing on the needs of well-defined populations. Our next wave of new solutions may come in rapid succession, creating a need for clear value messaging and launch agility.	UCB is matching its capabilities and reallocated resources and talents in an agile way to optimize launch success in a fast moving and changing environment. Leadership and capabilities will continue to evolve in line with our Patient Value Strategy with the development of innovative and adaptive capacity of all leaders and teams.
Exchange rate volatility	
UCB's revenues are subject to foreign currency exchange rate fluctuations due to the global nature of its operations. U.S. net sales accounted for 53% of total reported net sales in 2019. Manufacturing, research and development, and other operating expenses are incurred predominantly in euro, pound sterling and Swiss franc. Consequently, UCB's results and cash flows are exposed to foreign currency volatility, predominantly to depreciation of the U.S. dollar, and, to a lower extent, to depreciation of Japanese yen and appreciation of Swiss franc and Pound Sterling against the euro.	The financial risks of the UCB group are managed centrally. Group financial risk management policies have been established to identify the net foreign currency exposures of the UCB group, and to hedge anticipated foreign currency cash flows for a period of a minimum of six months and a maximum of 26 months. In addition, the currency composition of the group's assets and liabilities is closely monitored. For further details, refer to Note 4.
Global pricing and access challenges	
Pharmaceutical pricing continues to be under scrutiny, with global payors, both government and private, looking for means to reduce costs. Payor strategies include downward pricing pressure, rebate considerations, increase in out-of-pocket costs to patients, and access restrictions. Medicare access changes and other changes in the U.S. government posture have the potential to impede UCB's ability to provide the needed services and solutions to our patients.	UCB is actively engaging in collaboration with payor and industry associations to enable the best access for patients while promoting sustainable solutions that make a material difference across the globe. Our executive and leadership team-level committees monitor and engage with the U.S. policy ecosystem to continue to deliver on our vision of making a difference for people living with severe diseases.

Top risks identified	UCB's response
Cyber security/big data and artificial intelligence	
Our world is increasingly dependent on the evolving digital landscape to meet today's goals and to create new paradigms for the future. Cybersecurity and data privacy in all forms is of utmost importance to UCB, as breaches and disruptions can cause reputational, financial and operational damage. Artificial intelligence (AI) is changing the way we live and interact, with the experience already gained at UCB in the AI space, we are constantly reviewing how this can play a role in our patients' lives and in how we do business.	UCB has a multifaceted cyber security and data management strategy, along with active programs for the proper prevention, detection and response controls. This includes continuous monitoring and analytics, intrusion incident detection and response, security testing and user awareness training and campaigns. Additionally, UCB is building a Cyber Crisis program that allows us to properly handle large security incidents (e.g. data breach or malware).[3] UCB has established robust processes procedures and controls to continue to comply with the GDPR legislation. In addition, we liaise with regulators to remain abreast of developments as this dynamic area continues to evolve. Ethical reviews will be an integral part of any relevant AI project at UCB.
Intellectual property	
Intellectual Property (IP) rights are essential to foster innovation from increasingly complex science and rapidly evolving patient needs. Difficulties in getting and defending patents which protect valuable innovation are frequent. In a politically challenging environment, public perception of IP is frequently negative and misunderstood.	UCB commits to selectively create, maintain, and defend IP when there is core innovation and real patient and societal value in doing so. We are proactively aware of the competitive landscape around our programs. UCB promotes a change in the global view on IP, innovation, and access through active public policy engagement and the promotion of risk sharing with other healthcare stakeholders. We actively defend our key patents as reflected, for example, in our cases related to Vimpat® and Neupro®. For further information, please visit the contingencies section of this report.

[3] Several data breaches were notified by UCB as data controller to the Belgian Data Protection Authority, as required by the article 33 of the GDPR. However, none of the incidents involving personal data reported to the supervisory authority resulted in high risk to the rights and freedoms of the data subjects concerned.

2.4 Environmental and social risks

Environmental, social and governance risks are managed alongside strategic and company risks in our Enterprise Risk Management process and governance, as described above. Environment and social risks are therefore identified and managed according to the policies and procedures of the respective business area and escalated according to the corporate risk management process. Where Environment, Social and Governance Risks are not identified among the company top risks above, it means these risks did not reach the threshold to be considered a top risk, rather these risks are managed at the level of the business area and team.

UCB has identified priority pillars in 2019. Our risks and mitigation strategies related to these are outlined above as they relate to Innovation and Access. In addition to these risks, an overview of social, environmental and governance risks is given below:

Risk identified	UCB response/Policy	Outcomes
Social Risks and Processes		
In a highly specialized, regulated and industry with a competitive talent market, the principle social and employee risk is the challenge to attract and retain key leadership profiles. This includes the risk of not being able to provide adequate compliance training to employees, being unable to provide a healthy and safe environment where employee well-being is inadequately supported or promoted, or where workplace dangers are not managed or sufficiently outlined. These risks could result in a loss of collective capability, impacting operational efficiency and strategy implementation, leading to sub-optimal results and/or safety incidents or sub-optimal health of employees, both physical and mental	The Talent department manages the Workforce Engagement policy and the policy is continuously improved by different processes, including • Robust annual human resources processes to optimize talent development opportunities including employee development discussions with adequate and continuous employee learning opportunities; continuous employee performance reviews, including an articulation of expected values and behaviors, • Regular review of the total reward offering to ensure balanced, competitive remuneration to drive outcomes aligned with the company strategy and to ensure the employee and their family are adequately covered during key life events, • Periodic employee engagement surveys that enable UCB and its leadership to respond to employee feedback on their employment experience, • Working practices in line with data privacy requirements (GDPR) and • UCB has also rolled out various health and safety policies as outlined previously.	The outcomes of the social and employee policies include: • Reduction and mitigation of social and employee risks, • Workforce that operates in line with defined company values, leading to a healthy company culture where employees can thrive and perform to their best ability, • Increased employee engagement, leading to greater discretionary efforts and sustainable deployment, • Continuous development and retention of UCB talent leading to greater organizational capabilities, accelerated innovation and competitive advantage and excellence, • Increased understanding of the business, compliance and transparency environment, leading to increased ethical and compliant behavior and practices, • Safe and healthy employees that can function in a positive working environment and • Focus on delivering UCB's Patient Value Strategy, with the assurance that they, and their family, are appropriately covered in case of sickness, disability, death and retirement.

Risk identified	UCB response/Policy	Outcomes
Environmental Risks and Processes		
UCB has identified certain risks related to the nature of our manufacturing, supply and business operations. Apart from the risk to locally cause soil or water pollution which might result from its industrial activities, UCB recognized that climate change, and more specifically the related emerging regulatory requirements and the accelerating transition to a low carbon economy might globally adversely impact UCB's compliance status and value chain, if not addressed firmly.	UCB has defined a robust environmental ambition and developed a strategy and policy to minimize our environmental footprint and impact, on the short as well as on the long term. UCBs management approach, strategy and policies are outlined in section 3.3 of this report.	Outcomes of our environmental policies are outlined in section 3.3 of this report.
Anti-Bribery & Corruption		
UCBs risks, Policies and outcomes of our policies to manage and mitigate risks related to bribery & corruption are described in section 4.1.2 above.		
Human Rights		
UCBs risks, Policies and outcomes relating to our policies to manage and risks related to human rights infringements including human slavery are outlined in section 4.1.3 above.		

3 Corporate governance statement

3.1 Scope of reporting

> Patients benefit most when we work together with all stakeholders and constituencies in an ethical and compliant way to bring the best solution to address their needs.
>
> **Bill Silbey**, Executive Vice President & General Counsel

As a Belgian company listed on Euronext Brussels, UCB SA/NV ("UCB") is committed to the highest standards of corporate governance and is required by Belgian law to apply the Belgian Code on Corporate Governance.

In 2019, Belgium has adopted a new Belgian Code of Companies and Associations[4] (the "BCCA") as well as a new Belgian Code on Corporate Governance[5] (the "2020 Code") which have both entered into force on 1 January 2020. The 2020 Code replaces its previous editions of 2004 and 2009. Like its 2009 edition, the 2020 Code is based on the "Comply or Explain" principle. Belgian company law and the Belgian Code on Corporate Governance, both in their previous and new editions, require UCB to adopt and publish a Charter of Corporate Governance and, on an annual basis, a Statement of Corporate Governance, to be included in its Annual Report.

The Board of Directors of UCB (the "Board") has a Charter of Corporate Governance (the "Charter") since 2005. It describes the main aspects of the corporate governance of UCB, including its governance structure, the terms of reference of the Board and its committees as well as those of its Executive Committee, and the rules applicable to its shareholders meetings. The Charter is updated from time to time and annually reviewed by the Board to be in line with the applicable laws and regulations, the Belgian Corporate Governance Code, international standards and the evolution of UCB. The latest version of the UCB Charter has been adopted by the Board in December 2019 and is applying the 2020 Code. The version of the Charter that was applicable in 2019 as well as the version applicable as of 1 January 2020 are both available on the UCB website.

As required by Belgian Law and the Belgian Code on Corporate Governance, UCB also publishes every year as part of its Annual Report, a Corporate Governance Statement which includes all information required by law as well as a description of how the Belgian Code on Corporate Governance has been applied in the last reporting year and, if applicable, an explanation of any deviations to the provisions of such Code during the reporting year.

This section of the Annual Report constitutes the Corporate Governance Statement for the year 2019 and is therefore referring to the UCB Charter which was applicable in 2019, as well as to the 2009 edition of the Belgian Code on Corporate Governance[6] (the '2009 Code') and the previous Belgian Companies Code which were also both applicable to UCB until 31 December 2019. As a result thereof, when we refer in the following sections of this Statement to the provisions of the

[4] The law of 23 March 2019, published in the Belgian Official Gazette on 4 April 2019, introduced the Belgian Code of Companies and Associations ('BCCA') replacing the existing Belgian Companies Code and entering into force for existing companies as of 1 January 2020. UCB will implement the BCCA in its articles of association at the general meeting of 30 April 2020.

[5] The "2020 Belgian Code on Corporate Governance" is available on the website of the Belgian Corporate Governance Committee.

[6] The "2009 Belgian Code on Corporate Governance" is available on the website of the Belgian Corporate Governance Committee.

Belgian Code of Corporate Governance, we refer to the 2009 Code, unless otherwise indicated. We will also indicate, when appropriate, the reference to old or new articles of Belgian company law (references to the new BCCA and/or the old Belgian Companies Code).

3.2 Capital and shares

3.2.1 Capital

The capital of UCB has not been modified in 2019. On 31 December 2019, it amounted to € 583 516 974 and was represented by 194 505 658 shares.

3.2.2 Shares

Since 13 March 2014, the share capital of UCB is represented by 194 505 658 shares, all fully paid up ("UCB shares"). UCB shares may be in registered or dematerialized form, at the request of the shareholder, in accordance with the BCCA.

Pursuant to the Belgian Law of 14 December 2005, bearer securities have been subject to a gradual abolishment, leading to their conversion into registered or dematerialized securities as from 1 January 2014, a mandatory sale of outstanding bearer shares by the Company in June 2015 and their complete abolishment at the end of 2015.

As of 1 January 2016, the rightful owners of unclaimed bearer shares have the right to claim the payment of the corresponding net proceeds of the mandatory sale from the Belgian Deposit and Consignment Fund ("Caisse des Dépôts et Consignations"/"Deposito- en Consignatiekas") subject to evidence of their valid title to the shares and subject to a fine of 10% of the proceeds of the sale of the underlying bearer shares per each commenced year of arrears. More details are available on UCB website.

Registered UCB shares are recorded in the share register of UCB. All UCB shares are admitted for listing and trading on Euronext Brussels.

3.2.3 Treasury shares

In accordance with article 12, §2 of the articles of association of UCB (the 'Articles of Association'), the Extraordinary General Meeting of 26 April 2018 decided to renew, for a period of 2 years (and two months) expiring on 30 June 2020, the authorization granted to the Board of Directors to acquire, directly or indirectly, whether on or outside of the stock exchange, by way of purchase, exchange, contribution or any other way, up to 10% of the total number of UCB shares as calculated on the date of each acquisition, for a price or an exchange value per share of maximum the highest price of the UCB share on Euronext Brussels on the day of the acquisition and minimum € 1, without prejudice to article 208 of the Royal Decree of 31 January 2001. As a result of such acquisition(s), UCB SA, together with its direct or indirect subsidiaries, as well as persons acting on their own behalf but for the account of UCB or its direct or indirect subsidiaries, can hold no more than 10% of the total number of shares issued by UCB at the moment of the acquisition concerned. The authorization granted to the Board extends to any acquisitions of UCB shares, directly or indirectly, by the direct subsidiaries of UCB as defined in article 627 of the Belgian Companies Code. As the case may be, any disposal of own shares by UCB or its direct subsidiaries can be made pursuant to the authorization granted to the Board as set forth in article 12 in fine of the Articles of Association. The Board will request the Extraordinary General Meeting to be held on 30 April 2020 to renew its current authorization for another period of 2 years (until 30 June 2022) under the same terms and conditions and taking into account the dispositions of article 7:215 and following of the BCCA.

In 2019, UCB SA acquired 39 327 UCB shares and disposed of 392 003 UCB shares. On 31 December 2019, UCB SA held a total of 1 749 680 UCB shares representing 0.90% of the total number of UCB shares, and no other UCB securities.

In 2019, UCB Fipar SA, an indirect subsidiary of UCB, acquired 1 085 000 UCB shares and disposed of 406 870 UCB shares. On 31 December 2019, UCB Fipar SA held a total of 4 172 958 UCB shares representing 2.15% of the total number of UCB shares, and no other UCB securities.

The UCB shares were acquired by UCB and UCB Fipar SA in order to cover part of UCB's obligations resulting from the employees' stock option plans, stock award plans and performance share plans. Some of these shares were thereafter transferred to other UCB affiliates during 2019 for the sole purpose of delivering them to the employees of such other affiliates. Since these shares have all been delivered to eligible employees, none of such other affiliates is still holding

UCB shares on 31 December 2019. For additional details, please refer to Note 26.2 Treasury shares.

3.2.4 Authorized capital

The Extraordinary General Meeting of 26 April 2018 decided to renew the authorization to the Board (and to amend the Articles of Association accordingly), for a period of 2 years, to increase the 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 the Belgian Companies Code,

i. with up to 5% of the share capital calculated 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 calculated 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.

In any event, the total amount by which the Board may increase the 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 to make use of this authorization.

The Board is moreover expressly authorized to make use of this mandate, within the limits as set out under (i) and (ii) 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, and
3. a capital increase by incorporation of reserves.

Any such capital increase may take any and all form, 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 to use this authorization requires a 75% majority within the Board.

The Board is empowered, with full power of substitution, to amend the Articles of Association to reflect the capital increases resulting from the exercise of its authorization.

The BCCA does not allow the use of this authorization as of the moment the Company has been notified by the Financial Services and Markets Authority (the 'FSMA') about a public takeover bid.

The Board will request the Extraordinary General Meeting to be held on 30 April 2020 to renew its current authorization for another period of 2 years under the same terms and conditions and taking into account the dispositions of articles 7:198 until 7:202 of the BCCA.

3.3 Shareholders and shareholders structure

3.3.1 Reference shareholder

The main shareholder of UCB is Financière de Tubize SA (also referred to herein as the "Reference Shareholder" or "Tubize"), a Belgian company listed on Euronext Brussels, holding 68 076 981 UCB shares on a total number of 194 505 658 (i.e. 35.00%) as at 31 December 2019.

Based on the transparency declarations received by Tubize and, as the case may be, more recent public disclosures, the shareholder structure of Tubize per 31 December 2019 can be summarized as follows:

	Concert		Outside concert		Total	
	Voting rights	%	Voting rights	%	**Voting rights**	**%**
FEJ SRL (previously Financière Eric Janssen SPRL)	8 525 014	19.15%	1 988 800	4.47%	10 513 814	23.62%
Daniel Janssen	5 881 677	13.21%	–	–	5 881 677	13.21%
Altaï Invest SA	4 969 795	11.16%	26 468	0.06%	4 996 263	11.22%
Barnfin SA	3 903 835	8.77%	–	–	3 903 835	8.77%
Jean van Rijckevorsel	11 744	0.03%	–	–	11 744	0.03%
Total voting rights held by the reference shareholders	**23 292 065**	**52.33%**	**2 015 268**	**4.53%**	**25 307 333**	**56.85%**
Other shareholders	–	–	19 205 265	43.15%	19 205 265	43.15%
Total voting rights	**23 292 065**	**52.33%**	**21 220 533**	**47.67%**	**44 512 598**	**100.00%**

Altaï Invest SA is controlled by Evelyn du Monceau, born Evelyn Janssen. Barnfin SA is controlled by Bridget van Rijckevorsel, born Bridget Janssen.

The shareholders of Financière de Tubize SA, belonging to the Janssen family, act in concert, i.e. they have entered into a shareholders' agreement of which the key elements are summarized as follows, based on publicly available information:

- The objective of the concert is to ensure, through Financière de Tubize SA, the stability of the shareholder structure of UCB in view of the long-term industrial development of the latter. In this perspective, it aims to preserve the predominance of the family shareholder structure of Financière de Tubize SA.
- The parties to the concert consult with each other about the decisions to be taken at the general meeting of Financière de Tubize SA, and try, to the extent possible, to reach a consensus. They ensure that they are properly represented in the board of directors of Financière de Tubize SA. Within this board and through their representatives at the board of directors of UCB, they consult with each other about the significant strategic decisions concerning UCB, and try, to the extent possible, to reach a consensus.
- The parties inform each other prior to any project of significant acquisition or sale of shares of Financière de Tubize SA. Pre-emption rights and rights of resale are also in place within the family.

3.3.2 Transparency notifications

During 2019, UCB received the following transparency notifications:

On 7 January 2019, UCB sent a transparency notification to the FSMA, providing an annual update on the transactions in UCB shares and assimilated financial instruments by UCB SA and its indirect subsidiary UCB Fipar SA and confirming that UCB SA's holding in UCB shares had crossed downwards the lowest threshold of 3% (together with UCB Fipar SA). On 12 March 2019, UCB sent a new transparency notification to the FSMA following the crossing of the 3% threshold of UCB shares (together with UCB Fipar SA).

UCB received transparency notifications from BlackRock, Inc., dated 21 January, 25 January, 14 March, 26 March, 28 March, 29 March, 1 April, 3 April, 4 April, 29 April, 1 May, 6 May, 10 June, 19 June, 20 June, 25 June, 28 June, 4 July, 16 July, 23 July, 24 July, 25 July, 26 July, 29 July, 30 July, 1 August, 2 August, 5 August, 6 August, 7 August, 8 August, 9 August, 19 August, 22 August, 23 August, 27 August, 28 August, 9 September, 10 September, 13 September, 18 September, 23 September, 24 September, 3 October, 7 October, 5 November, 6 November, 9 December and 12 December 2019 respectively. The last notification dated 2 January 2020 stated that BlackRock, Inc., including the holding of its affiliates, as of 31 December 2019, owned 9 647 211 UCB shares with voting rights, representing 4.96% of the total number of shares issued by UCB as well as 150 268 equivalent financial instruments, representing 0.08% of the total number of shares issued by UCB.

UCB received a transparency notification from Wellington Management Group LLP., dated 3 October 2019. This notification stated that Wellington Management Group LLP., including the holding of its affiliates, as of 1 October 2019, owned 15 575 749 voting rights on UCB shares, representing 8.01% of the total number of shares issued by UCB.

UCB received a transparency notification from Vanguard Health Care Fund, dated 15 October 2019. This notification stated that Vanguard Health Care Fund, including the holding of its affiliates, as of 1 October 2019, owned 0 voting rights on UCB shares, representing 0% of the total number of shares issued by UCB.

All these notifications as well as more recent notifications received in 2020 can be found on UCB's website.

3.3.3 Relationship with and between shareholders

Please refer to note 43.2 for an overview of the relationship of UCB with shareholders. Furthermore, UCB is not aware of any agreements between its shareholders, apart from the information mentioned below.

UCB has received notifications pursuant to article 74, §7 of the Law of 1 April 2007 on public takeover bids from Tubize, Schwarz Vermögensverwaltung GmbH & Co. KG and UCB Fipar SA respectively on 22 November 2007, 11 December 2007 and 28 December 2007.

On 21 August 2019, UCB received an updated notification pursuant to article 74, §8 of the Law on public takeover bids from Tubize (available on the UCB website), in which Tubize declared that since 31 July 2018, it did not acquire any UCB shares.

3.3.4 Shareholder structure

Apart from the notifications mentioned above under 3.3.2 and 3.3.3, UCB and UCB Fipar SA also hold UCB shares.

The remaining UCB shares are held by the public.

Please find below an overview of the large shareholdings of UCB (including assimilated financial instruments), taking into account the shareholders' register of UCB, the transparency notifications received pursuant to the Law of 2 May 2007 on the disclosure of large shareholdings, the notification received pursuant to article 74, §8 of the Law of 1 April 2007 on public takeover bids, the notifications to the FSMA pursuant to the Law of 2 August 2002 on the supervision of the financial sector and the financial services and as the case may be, more recent public disclosures (situation as per 31 December 2019):

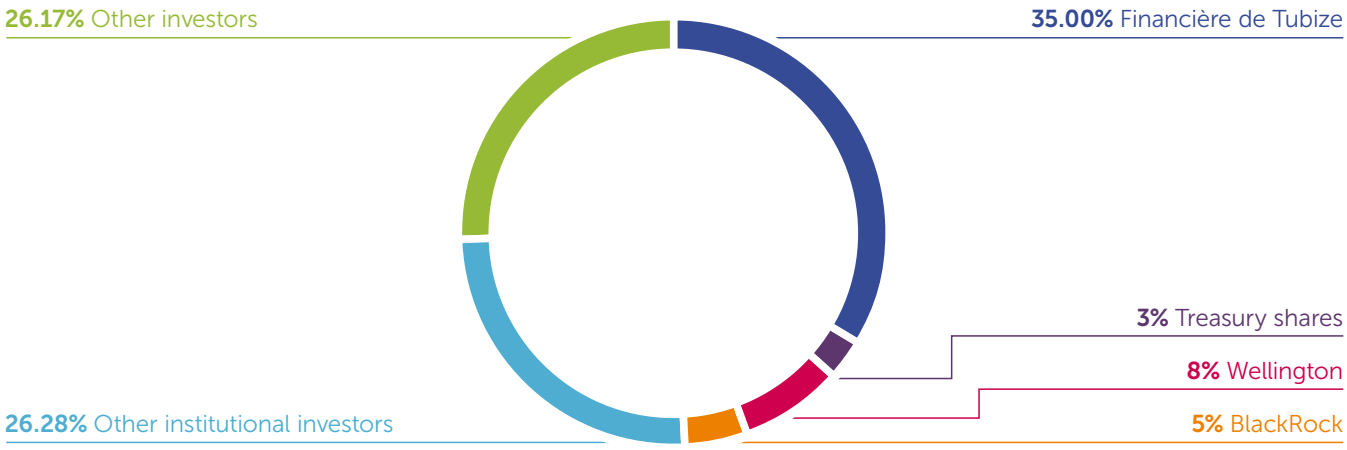
				Latest update
	Share capital	**€ 583 516 974**		13 March 2014
	Total number of voting rights (= denominator)	**194 505 658**		
1	**Financière de Tubize SA ('Tubize')**			
	securities carrying voting rights (shares)	**68 076 981**	**35.00%**	19 January 2018
2	**UCB SA/NV**			
	securities carrying voting rights (shares)	1 749 680	0.90%	31 December 2019
	assimilated financial instruments (options)[1]	0	0.00%	06 March 2017
	assimilated financial instruments (other)[1]	0	0.00%	18 December 2015
	Total	**1 749 680**	**0.90%**	
3	**UCB Fipar SA**			
	securities carrying voting rights (shares)	4 172 958	2.15%	31 December 2019
	assimilated financial instruments (options)[1]	0	0.00%	04 March 2019
	assimilated financial instruments (other)[1]	0	0.00%	25 December 2015
	Total	**4 172 958**	**2.15%**	
	UCB SA/NV + UCB Fipar SA[2]			
	securities carrying voting rights (shares)	5 922 638	3.04%	
	assimilated financial instruments (options)[1]	0	0.00%	
	assimilated financial instruments (other)[1]	0	0.00%	
	Total	**5 922 638**	**3.04%**	
	Free float[3] (securities carrying voting rights (shares))	**120 506 039**	**61.96%**	
4	**BlackRock, Inc.**			
	securities carrying voting rights (shares)	9 647 211	4.96%	31 December 2019
5	**Wellington Management Group LLP**			
	securities carrying voting rights (shares)	15 575 749	8.01%	01 October 2019

(all percentages are calculated on the basis of the current total number of voting rights)

1 Assimilated financial instruments within the meaning of article 6, §6 of the Law of 2 May 2007 on the disclosure of large shareholdings.

2 UCB SA/NV indirectly controls UCB Fipar SA | art. 6, §5, 2° and art. 9, §3, 2° of the Law of 2 May 2007 on the disclosure of large shareholdings.

3 Free float being the UCB shares not held by the reference shareholder (Tubize), UCB SA/NV or UCB Fipar SA. Only securities carrying voting rights (shares) held by these entities are taken into account for this calculation; assimilated financial instruments are excluded.



In-line with UCB's long-term dividend policy, the Board proposes a gross dividend of € 1.24 per share (2018: € 1.21). If the dividend is approved by the Annual General Meeting on 30 April 2020, the net dividend of € 0.868 per share will be payable as of 6 May 2020 against the delivery of coupon #23.

3.3.5 General Meeting of Shareholders

In accordance with the Articles of Association, the Annual General Meeting of Shareholders (the 'General Meeting') takes place on the last Thursday of April at 11.00 AM CET. In 2020, this will be on 30 April.

The rules on the agenda, the procedure for convening meetings, admittance to the meetings, the procedure on the exercise of voting rights and other details can be found in the Articles of Association and in the Charter, which are available on UCB's website.

3.4 Board of Directors and Board committees

The governance of UCB is based on a "one-tier" structure. This means that the company is administrated by a Board of Directors and run by an Executive Committee, whose respective functions and responsibilities are defined below in accordance with the Articles of Association of the Company. The Board did not opt for a "two tier" structure based on a separate Supervisory Board and Management Board. It considers that the current system foresees an appropriate balance of powers between the Board and the management, and the composition of the Board is also in line with UCB's shareholder structure. It also did not want to permanently delegate to management the powers granted to the Board by the law in its current one-tier structure, nor the general representation of UCB. The Board will review its governance structure at least once every 5 years. The last review was performed by the Board in October 2019.

3.4.1 Board of Directors

Composition of the Board and independent Directors

As of the General Meeting held on 25 April 2019, the Board of Directors[7] was composed as follows:

[7] Mandates of Board Members in other listed companies are marked with an '*'.

Evelyn du Monceau

Chair of the Board
1950 – Belgian

UCB Board mandate

- Member since 1984
- Chair of the Board since 2017
- Vice Chair of the Board from 2006 to 2017
- Chair of the Governance, Nomination and Compensation Committee since 2006
- End of term: 2023

Experience

Over 30 years in the industrial sector, through several Board mandates and holding companies

Main external appointments

- Member of the Board of Financière de Tubize SA*
- Member of the Board of Solvay SA*
- Member of the Compensation and Nomination Committees of Solvay SA

Pierre L. Gurdjian

Vice Chair of the Board
1961 – Belgian

UCB Board mandate

- Member since 2016
- Member of the Governance, Nomination and Compensation Committee since 2016
- End of term: 2020

Experience

Senior Partner at McKinsey and Co. where he was active for nearly three decades and senior professional in the field of Philanthropy and Education

Main external appointments

- President of the Board of the Université Libre de Bruxelles
- Member of the Board of Lhoist

Jean-Christophe Tellier

Chief Executive Officer
1959 – French

UCB Board mandate

- Member since 2014
- End of term: 2022

Experience

Over 30 years in the pharmaceutical sector, with Ipsen and Novartis where he held several senior executive positions in different parts of the world

Main external appointments

- President of the Board of EFPIA (European Federation of Pharmaceutical Industries and Associations)
- Member of the Board of PhRMA (Pharmaceutical Research and Manufacturers of America)
- Member of the Board of WELBIO (Walloon Institute for Life Lead Sciences)

Jan Berger

Independent Director
1957 – American

UCB Board mandate

- Member since 2019
- End of term: 2023

Experience

Over 30 years as a tri-sector healthcare executive that has proven results as a senior executive in the three sectors of private, public and government services

Main external appointments

- Member of the Board of Tabula Rasa Healthcare Inc.*
- Member of the Board of Voluntis S.A.*
- Member of the Board of GNS Healthcare
- Member of the Board of Cambia Health Solutions

Alice Dautry

Independent Director
1950 – French

UCB Board mandate

- Member since 2015
- Member of the Scientific Committee since 2015
- End of term: 2023

Experience

Over 30 years in the scientific domain, mainly with Institut Pasteur of which she was the president (2005-2013)

Main external appointments

- Member of the Board of Trustees of Institute of Science and Technology (Austria)

Kay Davies

Independent Director
1951 – British

UCB Board mandate

- Member since 2014
- Chair of the Scientific Committee since 2014
- Member of the Governance, Nomination and Compensation Committee since 2017
- End of term: 2022

Experience

Over 20 years in scientific research at Oxford University

Main external appointments

- Director of Biotech Growth Trust*
- Director of Genomics England
- Member of the Scientific Advisory Board of Sarepta Therapeutics

Albrecht De Graeve

Independent Director
1955 – Belgian

UCB Board mandate

- Member since 2010
- Member (since 2010) and Chairman (since 2015) of the Audit Committee
- End of term: 2021

Experience

Over 30 years in global operations in various industry sectors (Alcatel, VRT and Bekaert)

Main external appointments

- Chairman of the Board of Telenet Group Holding NV*
- Chairman of the Board of Sibelco NV*
- Independent Director of Euroclear Holding NV

Roch Doliveux

Director
1956 – French

UCB Board mandate

- Member since 2017
- End of term: 2021

Experience

Over 30 years in the pharmaceuticals with 10 years as UCB's Chief Executive Officer and Chairman of the Executive Committee

Main external appointments

- Chairman of the GLG Healthcare Institute
- Chairman of the Board of the Pierre Fabre Group
- Chairman of the Caring Entrepreneurship Fund (King Baudouin Foundation)
- Member of the Board of Stryker Corporation*

Charles-Antoine Janssen

Director
1971 – Belgian

UCB Board mandate

- Member since 2012
- Member of the Audit Committee since 2015
- End of term: 2020

Experience

Over 20 years in operations, including UCB where he held several management positions, now managing private equity and impact investing activities

Main external appointments

- Member of the Board of Financière de Tubize SA*
- Managing Partner at Kois Invest
- Co-founder, Board member, CIO and IC member of several Kois impact funds and related private companies

Cyril Janssen

Director
1971 – Belgian

UCB Board mandate

- Member since 2015
- End of term: 2023

Experience

With over 20 years' experience as an independent advisor, Cyril has held positions in both the audiovisual and non-governmental field. A strong advocate for children's welfare, Cyril's main focus for the past 10 years has been on investing in initiatives with a strong societal impact and those aimed at making life easier for families

Main external appointments

- Member of the Board of Financière de Tubize SA*
- Member of the Board of FEJ SRL
- Member of the Steering Committee of the Caring Entrepreneurship Fund (King Baudouin Foundation)

Viviane Monges

Independent Director
1963 – French

UCB Board mandate

- Member since 2017
- Member of the Audit Committee since 2018
- End of term: 2021

Experience

30 years in finance functions mostly in the pharmaceutical industry (Wyeth, Novartis, Galderma, Nestlé)

Main external appointments

- Member of the Board of Novo Holdings
- Member of the Board of Idorsia*
- Member of the Board of Voluntis S.A.*
- Member of the Board of DBV Technologies*

Cédric van Rijckevorsel

Director
1970 – Belgian

UCB Board mandate

- Member since 2014
- End of term: 2022

Experience

Over 20 years in the banking and financial sector, mainly with IDS Capital

Main external appointments

- Member of the Board of Financière de Tubize SA*
- Member of the Board of Barnfin SA
- Managing Director and Founder of IDS Capital (Switzerland and U.K.)

Ulf Wiinberg

Independent Director
1958 – Danish/Swedish

UCB Board mandate

- Member since 2016
- Member of the Audit Committee since 2016
- End of term: 2020

Experience

Almost 20 years of senior leadership experience in pharmaceutical companies and healthcare industry associations

Main external appointments

- Member of the Board of Alfa Laval AB*
- Member of the Board of Agenus Inc.*
- Chairman of the Board of Hansa Medical*

At the General Meeting of 25 April 2019:

- the mandates of Evelyn du Monceau, Cyril Janssen and Alice Dautry (independent Director) were renewed for a term of 4 years;
- Jan Berger has been appointed as independent Director for a term of 4 years; and
- the mandate of Norman J. Ornstein, independent Director, has not been renewed as he had reached the age limit of 70.

Alice Dautry, Kay Davies, Albrecht De Graeve, Viviane Monges, Pierre Gurdjian, Jan Berger and Ulf Wiinberg all qualify as independent Directors and meet the independence criteria as set forth by the previous article 526ter of the Belgian Companies Code, by the Board and by the 2009 Code as well as by the new provisions of article 7:87 of the BCCA together with provision 3:5 of the 2020 Code.

Evelyn du Monceau, Charles-Antoine Janssen, Cyril Janssen and Cédric van Rijckevorsel are representatives of the Reference Shareholder and, as such, are not eligible to qualify as independent Director. Roch Doliveux was the CEO of UCB from 2005 until 31 December 2014. For this reason, he did not qualify as independent Director in accordance with the criteria set forth by the previous article 526ter of the previous Belgian Companies Code.

In 2019, the Board was therefore composed of a majority of independent Directors.

The mandates of Pierre Gurdjian, Charles-Antoine Janssen and Ulf Wiinberg will expire at the General Meeting of 30 April 2020.

Upon recommendation of the Governance, Nomination and Compensation Committee (the "GNCC"), the Board of Directors will propose to the General Meeting of 30 April 2020:

- the renewal of the mandates of Mr. Pierre Gurdjian and Mr. Ulf Wiinberg as independent Director for the statutory term of 4 years; and
- the renewal of the mandate of Mr. Charles-Antoine Janssen as Director for the statutory term of 4 years.

In accordance with the information provided to the Company, Pierre Gurdjian and Ulf Wiinberg each meet the independence criteria stipulated by article 7:87 of the BCCA, by provision 3:5 of the 2020 Code and by the Board.

Upon confirmation of the above renewals by the General Meeting of 30 April 2020, and in accordance with the Charter, Pierre Gurdjian will remain Vice-Chair of the Board and member of the GNCC and Mr. Charles-Antoine Janssen and Mr. Ulf Wiinberg will both continue to be members of the Audit Committee. All special Board Committees will also continue to be composed of a majority of independent Directors. Notably the Audit Committee is chaired by Albrecht De Graeve, independent Director. Jean-Christophe Tellier is the only executive Director (CEO).

The Board of Directors of UCB is currently composed of 5 women out of a total of 13 members, exceeding the minimum required by article 7:86 of the BCCA (previous article 518bis §1 of the Belgian Companies Code).[8]

[8] This provision sets the minimum required number of directors of the other gender to 1/3rd (i.e. women in the case of UCB). Such minimum number should be rounded up to the closest entire number (13/3 = 4.33), the closest entire number being therefore 4.

Functioning of the Board

In 2019, the Board met seven times, including for its annual off-site strategic meeting (October) and one additional ad hoc meeting relating to the acquisition of Ra Pharmaceuticals, Inc. The attendance rate of its members was as follows:

Evelyn du Monceau, Chair	100%
Pierre L. Gurdjian, Vice Chair	100%
Jean-Christophe Tellier, Executive Director	100%
Jan Berger[1]	100%
Alice Dautry	100%
Kay Davies	100%
Albrecht De Graeve	100%
Roch Doliveux	100%
Charles-Antoine Janssen	86%
Cyril Janssen	100%
Viviane Monges	100%
Norman J. Ornstein[2]	100%
Cédric van Rijckevorsel	100%
Ulf Wiinberg	71%

[1] Member as from 25 April 2019

[2] Member until 25 April 2019

During the year, the Board also had several calls to be informed or updated on important projects or matters. It also used the written procedure at one occasion.

During 2019, the Board's main areas of discussion, review and decisions included: the strategy of UCB and investments, strategic M&A (including the acquisition of Ra Pharmaceuticals, Inc.), the overall budget of the group, the follow up of the performance and execution of the strategy, the reports of the Audit Committee, the Scientific Committee and the GNCC, Corporate Governance (including the implementation of the BCCA and of the 2020 Code) and (re)organization of UCB (including the implementation of the new operational model), risk and risk management (including litigation regular update and a cyber security review), succession planning, the appointments reserved to the Board, the remuneration (including the remuneration policy and remuneration report) and Long-Term Incentives Plans policies, the financial statements and financial reporting, major finance transactions and corporate matters, business development and M&A projects, including but not limited to R&D contracts, investments, license agreements, as well as the reports and resolution proposals to the General Meeting.

UCB's sustainability strategy is embedded in the overall strategy of UCB as defined by the Board, upon proposal of the Executive Committee. The Head of Sustainability directly reports to the CEO.

The general oversight of the IT strategy as well as cyber security is part of the Boards' missions. Every year, the Board and its Audit Committee in particular have specific sessions dedicated to IT and cyber security strategies and operations. Digital transformation and strategy are also fully embedded in the overall strategy of UCB as defined by the Board, upon proposal of the Executive Committee.

There were no transactions or contractual relationships in 2019 between UCB, including its affiliated companies, and a member of the Board, giving rise to conflicts of interest, except as reported in section 3.12.

During 2019, the Board ensured an induction program for Jan Berger to cover UCB's organization and activities as well as the various areas of expertise required in a biopharmaceutical company. This program was also open to existing members of the Board as a refresher. Management continued to engage with the Board throughout the year to answer questions or ensure proper follow up and understanding of UCB's business and environment.

Since 2014 and twice a year (June and December Board meetings), the Board also holds a special session where the executive member (the CEO) is not present.

The secretary of the Board is Xavier Michel (Group Secretary General).

Assessment of the Board

In accordance with its Charter (section 3.5), the Board is to conduct an (internal) assessment on a regular basis and at least every other year. In 2019, the Board conducted a full Board assessment, carried out by an external consultant. The results of this assessment were analyzed by the GNCC and shared and discussed with the Board in December 2019. The evaluation overall showed that the functioning of the Board has strong fundamentals, aligned with clear processes and rules as per its Charter. Following this assessment, and while continuing to enrich its dynamics and engagement, the Board will further leverage on its strong fundamentals in the context of the acceleration of UCB's business with a focus on the strategy, an emphasis on stewardship of key talents and capabilities and a continued attention to its succession plan, taking into consideration the evolution of UCB's activities and business.

Honorary directors

The Board has nominated following directors as honorary directors:

- Karel Boone, Honorary Chair
- Mark Eyskens, Honorary Chair
- Georges Jacobs de Hagen, Honorary Chair

- Daniel Janssen, Honorary Deputy Chair
- Gerhard Mayr, Honorary Chair
- Prince Lorenz of Belgium
- Alan Blinken
- Arnoud de Pret
- Michel Didisheim(†)
- Peter Fellner
- Guy Keutgen
- Jean-Pierre Kinet
- Tom McKillop
- Gaëtan van de Werve
- Jean-Louis Vanherweghem
- Bridget van Rijckevorsel
- Norman J. Ornstein

3.4.2 Board committees

Audit Committee

The Board has set up an Audit Committee whose functioning and terms of reference are in accordance with the BCCA, the 2009 and 2020 Code and the Charter. It is composed of a majority of independent Directors, all non-executive Directors, and is chaired by Albrecht De Graeve, also an independent Director. All members have the competencies in audit and accounting matters as required in accordance with article 7:99 of the BCCA (previous article 526bis of the Belgian Companies Code).

	End of term of office	Independent Director	Attendance rate
Albrecht De Graeve, Chair	2021	x	100%
Charles-Antoine Janssen	2020		80%
Viviane Monges	2021	x	100%
Ulf Wiinberg[1]	2020	x	60%

[1] Unable to attend one of the Audit Committee meetings due to sickness reasons.

The Audit Committee met five times in 2019. Each Audit Committee meeting includes separate private sessions attended solely by the internal and external auditors respectively without management presence. As necessary, the external auditors attended all or part of each Audit Committee meeting.

The Audit Committee meetings were also attended by Detlef Thielgen (EVP, Chief Financial Officer & Corporate Development), Doug Gingerella (Global Internal Audit) and Xavier Michel (Group Secretary General), who acts as secretary of the Audit Committee.

The meetings were also partly attended on a regular basis by Jean-Christophe Tellier (CEO), Evelyn du Monceau (Chair of the Board) and other members of the management or staff depending on the topic (accounting, tax, risk, pensions, quality, IT, …).

In 2019, and in accordance with its terms of reference (see the Charter available on UCB website), the Audit Committee monitored the financial reporting process (including the financial statements); internal control and risk management systems of UCB and their effectiveness; the internal audit and its effectiveness; the Audit Plan and resulting achievements; the statutory audit of the annual and consolidated accounts; the review and monitoring of Pensions schemes and liability; and the independence of the external auditor including the provision of additional services to UCB, which the Audit Committee reviewed and for which it authorized the fees. The Audit Committee also focused on the mandatory rotation of the external auditor and the monitoring of cyber security & IT controls.

Governance, Nomination and Compensation Committee

The Board has set up a Governance, Nomination and Compensation Committee (the "GNCC"), whose composition, functioning and terms of reference are in accordance with the BCCA, the 2009 and 2020 Code and the Charter. The composition of the GNCC is currently as follows:

	End of term of office	Independent director	Attendance rate
Evelyn du Monceau, Chair	2023		100%
Kay Davies	2022	x	83%
Pierre L. Gurdjian	2020	x	100%

The GNCC met six times in 2019. The committee was attended by Jean-Christophe Tellier (CEO), except when discussing issues relating to him, and by Jean-Luc Fleurial (EVP & Chief Human Resources Officer), who has been acting as secretary of the GNCC, except when discussing issues relating to him and to CEO compensation.

In 2019, and in accordance with its terms of reference (see the Charter available on UCB website), the GNCC reviewed and made recommendations with respect to the appointments to be submitted to Board approval (Executive management as well as senior management positions), the performance of the Executive Committee members and their remuneration. It also proposed and reviewed the succession planning and new appointments of the members of the Board, the Executive Committee and senior executives, especially in the context of the implementation of the new operational model and related resizing of the Executive Committee. It reviewed and made relevant proposals or

recommendations to the Board with respect to the future composition of the Board, to be effective as of approval by the General Meeting of 30 April 2020. It reviewed and submitted to Board approval the remuneration policy, the long-term incentives to be granted to the management (including the CEO) and the performance criteria to which these grants were linked. The GNCC has reviewed the total reward strategy and approach, has made an overall review of the Corporate Governance at UCB (implementation of the BCCA and 2020 Code as well as the Shareholder's Right Directive), including the submission of an annual report on Corporate Governance to the Board. It also ensured the conduct of the full Board evaluation in Q4 2019 with the support of an external consultant.

A majority of the members of the GNCC is independent and meets the independence criteria stipulated by the previous article 526ter of the Belgian Companies Code, by the Board and by the 2009 Code, as well as by article 7:87 of the BCCA together with provision 3:5 of the 2020 Code.

All members have the competencies and the expertise required in matters of remuneration policies as required by article 7:100, §2 BCCA (previous article 526quater §2 of the Belgian Companies Code).

Scientific Committee

The Scientific Committee assists the Board in its review of the quality of UCB's R&D science and its competitive standing. The Scientific Committee is composed of members who have scientific and medical expertise and who are currently all independent. The Scientific Committee met three times in 2019.

	End of term of office	Independent director	Attendance rate
Kay Davies, Chair	2022	x	100%
Alice Dautry	2023	x	100%

They meet regularly with Dhaval Patel, EVP & Chief Scientific Officer. The members of the Scientific Committee are also closely involved in the activities of UCB's Scientific Advisory Board (SAB) composed of external leading scientific medical experts. The SAB, composed of ad hoc experts, will provide scientific appraisal and strategic input as to the best way for UCB to become a more robust and thriving biopharmaceutical leader and to advise the Executive Committee on the strategic choices related to early stage R&D. The Scientific Committee's main task is to report to the Board on the SAB's appraisal of UCB's research activities and strategic orientations.

3.5 Executive Committee

Composition of the Executive Committee

During 2019, the Executive Committee members were:

- Jean-Christophe Tellier: Chief Executive Officer
- Emmanuel Caeymaex: Executive Vice President & Immunology Patient Value Unit Head
- Jean-Luc Fleurial: Executive Vice President & Chief Talent Officer
- Iris Löw-Friedrich: Executive Vice President Chief Medical Officer & Head of Development and Medical Patent Value Practices
- Kirsten Lund-Jurgensen: Executive Vice President, Supply & Technology Solutions (joined in September 2019)
- Alexander Moscho: Executive Vice President & Chief Strategy Officer
- Dhaval Patel: Executive Vice President & Chief Scientific Officer
- Pascale Richetta: Executive Vice President & Bone Patient Value Unit Head
- Bill Silbey: Executive Vice President & General Counsel (joined in March 2019)
- Bharat Tewarie: Executive Vice President & Chief Marketing Officer
- Detlef Thielgen: Executive Vice President & Chief Financial Officer
- Charl van Zyl: Executive Vice President & Chief Operating Officer
- Jeff Wren: Executive Vice President & Neurology Patient Value Unit Head

As announced in July 2019, we evolved our organization and ways of working to ensure we become more agile and collaborate more transversally across our organization.This evolved organization is increasing our operational clarity and efficiency, and sets us up for truly patient-value focused launches. This evolution is reflected in the new composition of the UCB Executive Committee which became smaller, with more transversal roles across businesses and regions, and with more focus on the company's core activity areas.

As a result of these organizational changes, Jeff Wren and Bharat Tewarie have stepped down from the Executive Committee in Q4 2019, while Alexander Moscho and Pascale Richetta stepped down in January 2020.

As from 1 February 2020, the composition of the Executive Committee is as follows:

Jean-Christophe Tellier

Chief Executive Officer
1959 – French

Joined UCB in 2011
Appointed in 2011

Appointed CEO in 2015

Main external appointments

- President of the Board of EFPIA (European Federation of Pharmaceutical Industries and Associations)
- Member of the Board of PhRMA (Pharmaceutical Research and Manufacturers of America)
- Member of the Board of WELBIO (Walloon Institute for Life Lead Sciences)

Experience
Over 30 years in the pharmaceutical sector, with Ipsen and Novartis where he held several senior executive positions in different parts of the world

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Emmanuel Caeymaex

Executive Vice President Immunology Solutions & Head of U.S.
1969 – Belgian

Joined UCB in 1994
Appointed in 2015

No external appointments

Experience
25 years of broad experience in biopharmaceuticals commercialization, development and general management, across the world

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Jean-Luc Fleurial

Executive Vice President & Chief Human Resources Officer
1965 – French

Joined UCB in 2017
Appointed in 2017

No external appointments

Experience
Over 20 years of experience in building and implementing talent strategy across geographies and businesses, mainly with Procter&Gamble and Bristol Myers Squibb

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Iris Löw-Friedrich

Executive Vice President & Chief Medical Officer
1960 – German

Joined UCB in 2006
Appointed in 2008

Main external appointments

- Member of the Supervisory Board of Evotec AG
- Member of the Supervisory Board of Fresenius SE & Co. KGaA
- Member of the Board of TransCelerate
- Member of the Board of PhRMA Foundation

Experience
Physician, board-certified in internal medicine, with more than 20 years of experience in the development of medicines, with senior executive positions at Hoechst, Aventis, BASF Pharma/Knoll, Abbott and Schwarz Pharma

Kirsten Lund-Jurgensen

Executive Vice President, Supply & Technology Solutions
1959 – German

Joined UCB in 2019
Appointed in 2019

No external appointments

Experience
Pharmacist, with more than 32 years of experience in manufacturing and supply of pharmaceuticals, with senior executive positions at SmithKline Beecham and Pfizer in Germany, Australia, and the U.S.

Dhaval Patel

Executive Vice President & Chief Scientific Officer
1961 – American

Joined UCB in 2017
Appointed in 2017

Main external appointments

- Member of the Board of Inflazome
- Member of the Board of Anokion
- Clinical Professor at University of North Carolina at Chapel Hill

Experience
Over 30 years of experience in R&D and immunology, more specifically with Novartis and in the academic world at Duke University Medical Center and the University of North Carolina

Bill Silbey

Executive Vice President & General Counsel
1959 – American

Joined UCB in 2011
Appointed in 2019

No external appointments

Experience
Over 35 years of experience in biopharmaceuticals legal affairs, mergers and acquisitions, business development and venture capital activities but also as partner in various U.S. Law Firms

Detlef Thielgen

Executive Vice President, Chief Financial Officer & Corporate Development
1960 – German

Joined UCB in 2006
Appointed in 2007

No external appointments

Experience
More than 25 years in the pharma industry with Schwarz Pharma and UCB, where he held several senior executive positions

Charl van Zyl

Executive Vice President Neurology Solutions & Head of EU/International
1967 – British/South African

Joined UCB in 2017
Appointed in 2017

Main external appointments

- Member of the Board of BIO (Biotechnology Innovation Organization)

Experience
Almost 20 years of experience across the healthcare value chain, including business development and licensing, manufacturing, marketing and sales and research & clinical development

Xavier Michel, Group Secretary General, is acting as the secretary of the Executive Committee, ensuring the link between the Board of Directors, the Executive Committee and the broader organization.

Functioning of the Executive Committee

The Executive Committee met on a regular basis with an average of 2-3 days a month in 2019.

There were no transactions or contractual relationships in 2019 between UCB, including its affiliates, and a member of the Executive Committee.

The functioning, competences and authority of the Executive Committee are further described in the Charter.

Honorary chairmen of the Executive Committee

The following directors have been nominated as honorary chairman of the Executive Committee:

- Roch Doliveux
- Georges Jacobs de Hagen
- Daniel Janssen

3.6 Diversity at Board and Executive Committee level

This section includes the information required pursuant to articles 3:32, §2 and 3:6, §2, 6° of the BCCA (previous articles 119 §2 and 96, §2, 6° of the Belgian Companies Code).

Diversity at UCB is defined as the collective richness of people's unique backgrounds, life and cultural experiences.

At UCB, diversity and inclusion are intrinsically linked with UCB culture: it is consistent with UCB's sense of purpose, strategies and values. UCB's cultural intelligence is a critical enabler in the value we bring to our patients.

Whereas diversity in itself will not necessarily create greater value, bringing diverse thoughts and perspectives to work effectively together and to create an environment where diverse ideas and dialogue are welcome, enable UCB staff to fully contribute to the creation of patient value.

In recent years, UCB's commitment to diversity and inclusion has been accelerated by raising awareness across the organization. Specifically for leadership, the focus has been on:

- highlighting the importance of diversity and inclusion in UCB's key HR processes, such as recruitment and talent management;
- simulating gender balance scenarios in the management succession planning;
- measuring employee's opinions on UCB's diversity and inclusion culture through a regular Employee Engagement Survey; and
- ensuring a well-rounded senior leadership pipeline that has been exposed to diverse professional and cultural experiences.

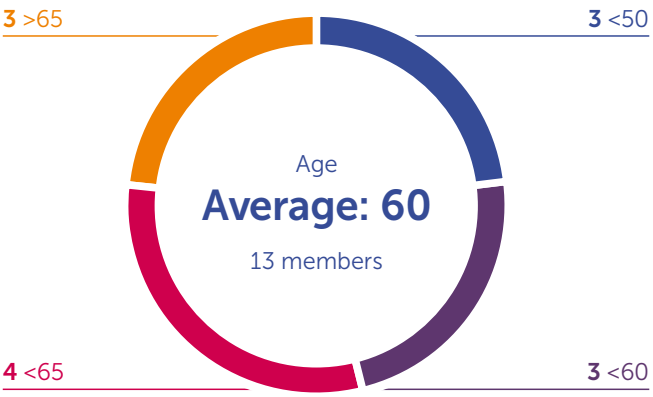
Diversity at the Board level

For the Board of Directors, all legal requirements in Belgium have been followed and have been integrated into the Board recruitment and nomination process. When replacements or appointments for the Board are considered, UCB systematically takes into account how it will enhance gender diversity of the Board.

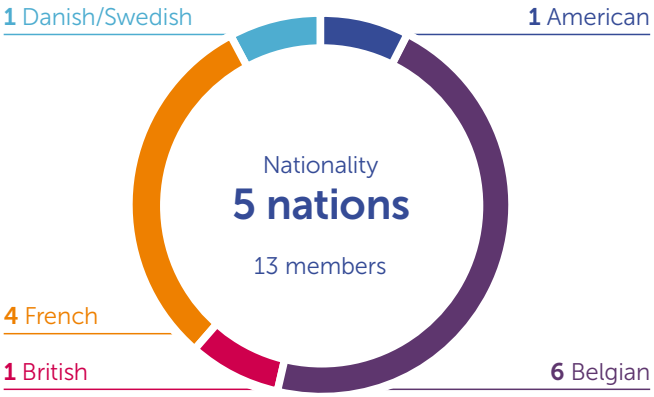
The Board is currently made up of 13 members of which 5 women and 8 men, with 5 nationalities represented. The chair of the Board is also a woman.

Following the General Meeting held on 25 April 2019, the diversity characteristics for the Board can be visualized as follows:

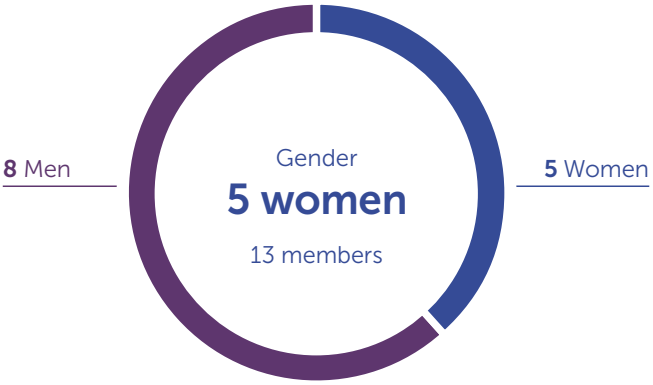
Age



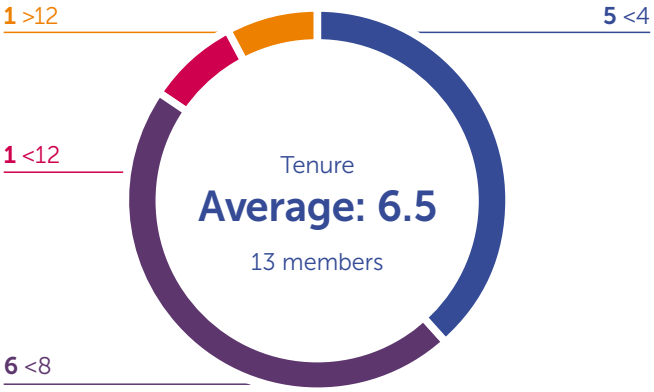
Nationality



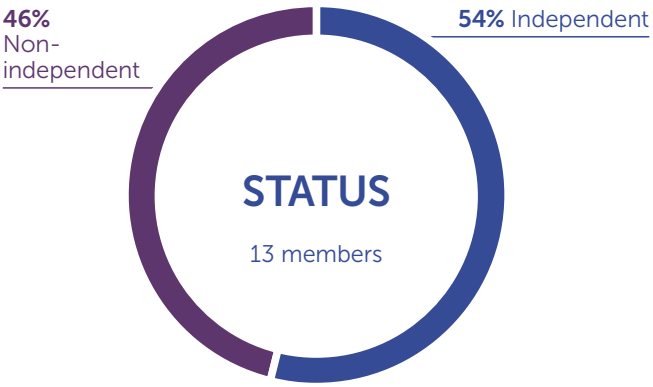
Gender



Tenure



Status



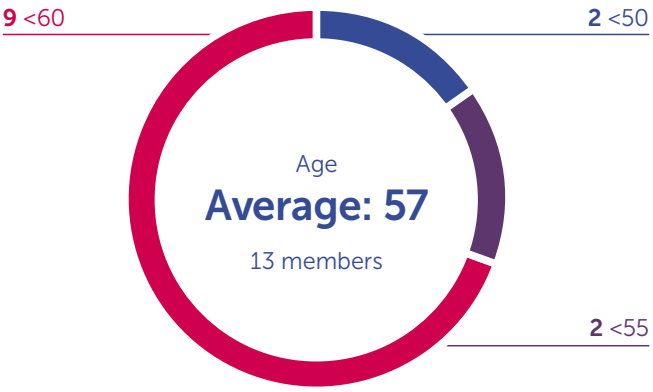
Diversity at Executive Committee level

For our Executive Committee roles, we do not have a formal diversity policy. We do monitor the talent pipeline from a diversity perspective, ensuring a robust and diverse succession plan is in place, and any recommendations for future composition are made firmly on this basis.

Today, UCB's executives come from a diverse education and multi-disciplinary professional backgrounds. During 2019, the committee was made up of 13 members of which 3 women and 10 men with 6 nationalities represented.

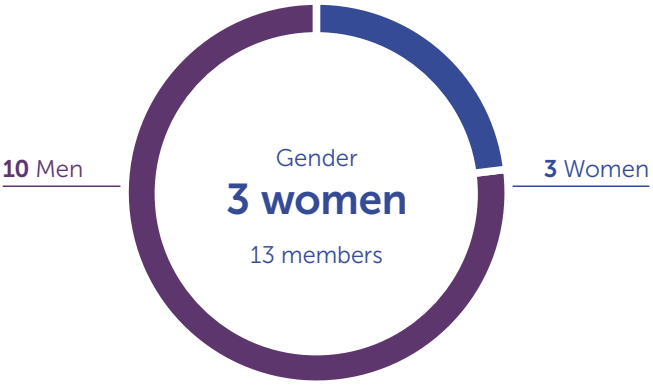
At the end of 2019, the diversity characteristics for the Executive Committee can be visualized as follows :

Age

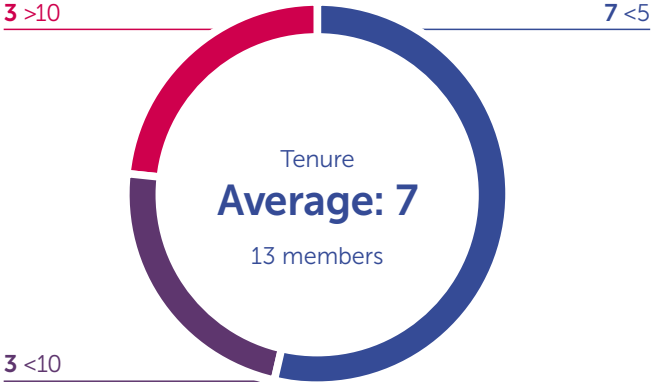


Nationality

Gender



Tenure



As of 1 February 2020, the committee is made up of 9 members of which 2 women and 7 men, with 5 nationalities represented. The size of the Executive Committee was adjusted to enhance the focus on the company's core activity areas with increased agility, allowing UCB to further evolve its patient value strategy.

The approach today is not to formalize diversity and inclusion in a set of policies, but to actively promote a culture and practice of diversity and inclusion.

To learn more about diversity and inclusion in general at UCB visit Diversity and inclusion section.

3.7 Remuneration report

The remuneration report describes UCB's executive and non-executive director remuneration philosophy and policies and how executive compensation levels are set considering individual and company performance. The Governance, Nomination and Compensation Committee (the 'GNCC') oversees our executive and non-executive director compensation policies and plans. The Committee's roles and responsibilities are described in the Corporate Governance Charter adopted by our Board of Directors.

Remuneration for non-executive Directors

UCB's Board members (non-executive directors) are compensated for their services through a cash-based compensation program. The level of pay has been set based on benchmarks which include the remuneration of Board members of comparable European biopharmaceutical companies. We look to attract diverse set of Board member profiles that represent our market footprint, so in terms of remuneration – we consider both European Biopharma as well as BEL 20 benchmarks, with European Biopharma data constituting the primary reference, given our need to attract experts with a deep knowledge of our industry. The median levels of this peer group are the target. The

proposal for the Chair is between the 25th percentile and median of the benchmark and at median level for the other Directors.

The Board members' pay consists of a fixed annual payment for the Board and committee membership which can vary based on the specific mandate. Board members also receive a fee per meeting attended except for the Chair of the Board who receives only a fixed annual payment. The annual payments are pro-rated according to the number of months served as an active Board member during the calendar year. No long-term equity incentives nor other form of variable pay are granted. Following a full benchmarking and adjustment of Board remuneration made in 2019, and the position that shareholding could create a conflict of interest for long-term mandates, there is no plan to introduce a portion of remuneration in shares of the company for non-executive directors. An update to the level of pay was approved at the general meeting of shareholders held on 25 April 2019. The remuneration levels for UCB Board members are set as follows:

	Board fees		Committee fees			Other
	Annual fees	Board Attendance fees (per meeting)	Audit	Scientific	GNCC	Travel Allowance
Chair of the Board	€ 240 000	–	€ 33 500	€ 33 500	€ 22 500	
Vice Chair	€ 120 000	€ 1 500				
Directors	€ 80 000	€ 1 000	€ 22 500	€ 22 500	€ 17 000	
Special Travel Allowance						€ 7 500

To take into consideration the considerable travel of some Board members, a special travel allowance was also approved with the updated fees, for those residing in a country where the time zone difference with Belgium is 5 hours or more (in addition to regular travel expense reimbursement).

The total remuneration of the members of the Board including committee fees for 2019 was as follows:

	Attendance rate	Fix remuneration as director	Board attendance fees	Remuneration as committee member			Travel allowance	Total[1]
				Audit Committee	GNCC	Scientific Committee		
Evelyn du Monceau, Chair	7/7	€ 240 000 (€ 210 000)			€ 22 500 (€ 20 000)			€ 251 667
Pierre L. Gurdjian, Vice Chair	7/7	€ 120 000 (€ 105 000)	€10 500		€ 17 000 (€ 15 000)			€ 141 833
Jan Berger[2]	5/7	€ 80 000 (€ 70 000)	€ 5 000				€ 22 500	€ 80 833
Alice Dautry	7/7	€ 80 000 (€ 70 000)	€ 7 000			€ 22 500 (€ 20 000)		€ 105 333
Kay Davies	7/7	€ 80 000 (€ 70 000)	€ 7 000		€ 17 000 (€ 15 000)	€ 33 500 (€ 30 000)		€ 132 333
Albrecht De Graeve	7/7	€ 80 000 (€ 70 000)	€ 7 000	€ 33 500 (€ 30 000)				€ 116 000
Roch Doliveux	7/7	€ 80 000 (€ 70 000)	€ 7 000					€ 83 667
Charles-Antoine Janssen	6/7	€ 80 000 (€ 70 000)	€ 6 000	€ 22 500 (€ 20 000)				€ 104 333
Cyril Janssen	7/7	€ 80 000 (€ 70 000)	€ 7 000					€ 83 667
Viviane Monges	7/7	€ 80 000 (€ 70 000)	€ 7 000	€ 22 500 (€ 20 000)				€ 105 333
Norman J. Ornstein[3]	2/7	€ 80 000 (€ 70 000)	€ 2 000					€ 25 333
Jean-Christophe Tellier, Executive Director	7/7	€ 80 000 (€ 70 000)	€ 7 000					€ 83 667
Cédric van Rijckevorsel	7/7	€ 80 000 (€ 70 000)	€ 7 000					€ 83 667
Ulf Wiinberg	5/7	€ 80 000 (€ 70 000)	€ 5 000	€ 22 500 (€ 20 000)			€ 22 500	€ 125 833

[1] Given the change in remuneration by General Meeting of 25 April 2019, new remuneration and fees are applied as from May 2019 (the previous policy amounts are shown in brackets above)

[2] Member of the Board as from 25 April 2019 (appointment by the General Meeting of 25 April 2019)

[3] Member of the Board until 25 April 2019

3.7.1 UCB's reward principles

To enable our culture to be deeply rooted, we continuously review how our reward tools and programs support our patient value strategy and long-term sustainable growth ambition. The following principles serve as a backbone to the design of our rewards offering across our entire workforce, so that it can supports us in:

- Stimulating sustainable high performance and supporting our Patient Value ambition in a dynamic talent landscape;
- Enabling an environment of innovation, collaboration and personal growth;
- Providing an optimal individual experience by caring about our employees as we do for our patients.

3.7.2 The UCB Executive Remuneration Policy

The remuneration policy for members of the Executive Committee is set by the Board of Directors based on recommendations by the GNCC. The GNCC meets at least twice per year during which time it:

- considers the market factors affecting the company's current and future pay practices;
- evaluates the effectiveness of our remuneration policies in recognizing performance and determines the appropriate evolution of the plans;
- reviews the financial and non-financial targets of the different performance-based compensation programs and

- determines the compensation levels of UCB's Executive Committee team in view of their individual roles, competencies and performance.

The GNCC ensures that the reward programs applicable to the members of the Executive Committee, including equity incentives, pension schemes and other benefits, are aligned to these principles, are consistent with the overall remuneration framework of the Company, and are fair and appropriate to attract, reward, retain and motivate the Executive Committee team.

All modifications to the remuneration policy proposed in the 2018 Integrated Annual Report have been implemented in financial year 2019.

3.7.3 Statement on the remuneration policy applied to the reported year: remuneration for executive directors

This section covers the competitive positioning strategy that UCB adopts against the market in which it operates. It also describes our executive compensation structure, the purpose of the different elements of pay and the link between pay and performance.

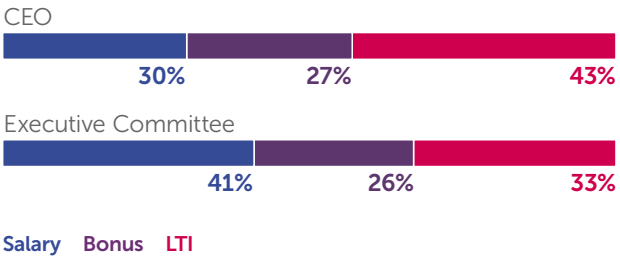
Benchmark for our reward program

In line with our total reward principles the form and level of our executive remuneration should be aligned to company performance, individual skills and performance and the relevant practices of comparable global biopharmaceutical companies with which we compete for talent. The GNCC regularly considers the appropriate mix and level of cash and equity awards to offer to its executives based on recommendations from the Talent and Company Reputation department. These recommendations are reviewed with our independent compensation consultant, Willis Towers Watson, to ensure the market competitiveness of our total direct compensation and to take into consideration market trends affecting our sector. An individual market assessment is typically conducted every other year to assess the competitiveness of the total direct compensation components for each executive.

The compensation package is composed of two main elements:

- a fixed compensation element: base salary
- a variable compensation element: consisting of a bonus and long-term incentives

The CEO and Executive Committee target total direct compensation mix is as follows:



UCB benchmarks its executive total compensation against a defined comparator group of international companies within the biopharmaceutical sector (companies with pharmaceutical and/or biotechnology activities). In the benchmark we take a focused approach to peer companies in Europe as well as the U.S. The companies in our peer group vary in size and therapeutic area. We prioritize peer companies that are fully-integrated biopharmaceuticals operating in a complex research-driven environment and including development and commercialization capabilities. Where possible we aim to include companies competing in the same therapeutic areas. While we target companies that broadly reflect UCB's size, given that this is a limited group which would not provide robust data, company size is not the primary factor as regression analysis is also used to adjust data to UCB's size. We currently have 14 companies in each of our European and U.S. peer groups.

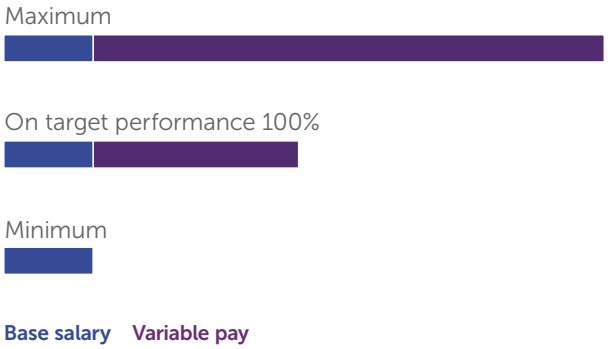
The composition of our compensation peer group is monitored regularly and adjusted when appropriate, for instance when industry consolidation leads to less robust benchmarking.

UCB's competitive positioning policy is to target median pay levels of this comparator group for all elements of total direct compensation. The LTI target levels are benchmarked against European biopharma levels. The actual compensation for each individual is determined considering their experience in relation to the benchmark as well as their impact on company performance.

Compensation elements and pay for performance

Our compensation program compensates executives for their responsibilities as well as individual and corporate performance. Both the short-term (bonus) and long-term incentives consider performance against targets which are set by the Board. Throughout the performance period, the ongoing achievements are monitored and at the moment of vesting or payout, the final results are validated by the corporate finance department before final approval by the Audit Committee and the Board.

The total direct compensation (base salary, bonus and long-term incentives) is highly variable depending on individual and corporate performance as illustrated below. A bonus will only be due if an acceptable threshold of company and/or individual performance is achieved. To reach 100% of bonus a stretched target must be met and only with very exceptional company and individual performance can the maximum be achieved. The pay for performance impact can be illustrated as follows for the CEO and is described in more detail later in this section.



In addition to the base salary and performance-related incentive pay, our executives are eligible for a range of benefits and perquisites. The remuneration structure is in line with market compensation practices as well as Belgian corporate governance legislation and European regulations on executive compensation.

The GNCC makes compensation proposals for the CEO to the Board. The CEO provides compensation recommendations for the other Executive Committee members to the GNCC for endorsement.

Below we describe how each element of remuneration is determined and how performance is embedded in the variable components.

Fixed compensation component: base salary

The target base salary is defined in relation to the specific job dimensions and the median level of base salary that the market typically pays for such a role. The actual base salary level of the individual depends on the extent to which he/she impacts the business and their level of skill and experience. The evolution of base salary depends on the individual's level of sustained performance and the evolution of the benchmark. Annual increases are largely in line with average salary movements across the wider workforce in the applicable geography.

Variable compensation components

Target variable compensation levels (bonus and long-term incentives or "LTI") are set considering the median market level of our compensation peer group. These targets are subject to the application of performance multipliers which consider company performance, individual results as well as individual behaviors and a holistic consideration of long-term value creation for patients.

Variable compensation: bonus

The bonus is designed to reward employees for the performance of the company and of the individual over a time horizon of one year. The bonus target is subject to a double performance multiplier which consists of corporate and individual performance multipliers. The mechanism provides a direct link between individual contribution and company performance which are interdependent. The calculation mechanism delivers significant value when both company and individual performance are excellent. Conversely if company and/or individual performance levels are lower than expectations this is reflected through significantly diminished value. As the bonus calculation is based on a double multiplier, a Corporate Performance Multiplier of 0% results in there being no bonus payout, regardless of individual performance. An Individual Performance Multiplier of 0% also results in there being no bonus payout, regardless of Corporate performance.

To drive a focus on revenue growth but also on underlying profitability, UCB considers annual Recurring Earnings Before Interest Tax Depreciation and Amortization ("REBITDA") as the short-term corporate performance metric for its executives and for the wider workforce. The Corporate Performance Multiplier ("CPM") is defined by the percentage of actual REBITDA versus the budget, at constant exchange rates, translated into a payout curve which ensures that only an acceptable range of performance is rewarded. The target is set at a level that the GNCC considers to be suitably challenging. A threshold is set at a level that is deemed to be the minimum acceptable level of performance, and as the target is stretched, the maximum can only be reached if truly exceptional performance is attained.

The payout curve for senior management is currently set as follows:

Recurring EBITDA vs. target	Payout
<85%	0%
85%	30%
93%	90%
100%	100%
106%	110%
113%	150%

The Individual Performance Multiplier ("IPM") is defined considering the extent to which annual objectives have been met as well as the behaviors demonstrated by the individual, evaluated against UCB's Patient Value principles.

The objectives for the CEO are proposed by the GNCC for approval by the Board of Directors. For the CEO as well as the Executive Committee, these objectives are set and agreed at the beginning of the year. Feedback is shared with each Executive Committee member throughout the year, to ensure a sharp focus on expected results and to provide essential input into areas of improvement and development. A final review is conducted at the end of the performance period. During the year-end review, the GNCC proposes the Individual Performance Multiplier ("IPM") for the CEO to the Board based on the performance assessment at the end of the cycle. The CEO proposes the IPM for each of the other Executive Committee members to the GNCC for endorsement. In discussing individual performance, the GNCC considers the achievement of the financial, quantitative objectives of the CEO as well as the non-financial aspects.

For the CEO and the Executive Committee, the review includes the extent to which the individuals have carried out their duties in line with UCB's Patient Value principles and expected leadership behaviors.

Non-financial criteria on which each Executive Committee member is evaluated include:

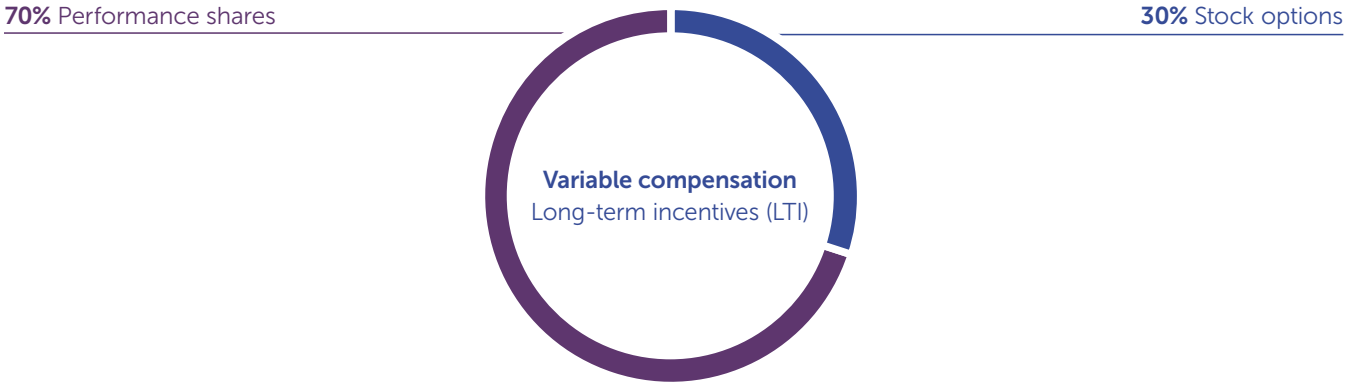
- Achievements in line with UCB's strategic priorities, both financial and non-financial
- Strategic input and impact
- Leadership in line with our Patient Value principles

The target bonus is set at 90% of base salary for the CEO and 65% for the other Executive Committee members in line with market practices. The overall bonus opportunity is capped at 175% of the target for the CEO and the Executive Committee.

Variable compensation: Long-Term Incentives (LTI)

To ensure sustainable performance, our Upper Management remuneration practice links a significant portion of equity-based compensation to mid-term and long-term company financial and non-financial strategic goals. The LTI program is benchmarked against European biopharmaceutical company practices. Our current program for our executive committee is a two-tiered incentive program which includes a stock option plan and a performance share plan. To ensure a high company performance driven focus, Stock awards, that vest based on time-based criteria, are part of our LTI mix for others in the organization, but not for our Executive Committee since 2019. Eligibility for participation in the LTI Plans is at the Board's discretion.

The long-term incentive target is expressed as a percentage of base pay. At target levels long-term incentives represent 140% of base pay for the CEO and 80% for the other Executive Committee members. The actual grant size is adjusted in view of individual performance considering a mix of short-term achievements and the impact on long-term value creation. The resulting value is translated into a number of long-term incentives using the binomial value of each award and spread across our long-term incentive vehicles based on the following allocation.



Stock options

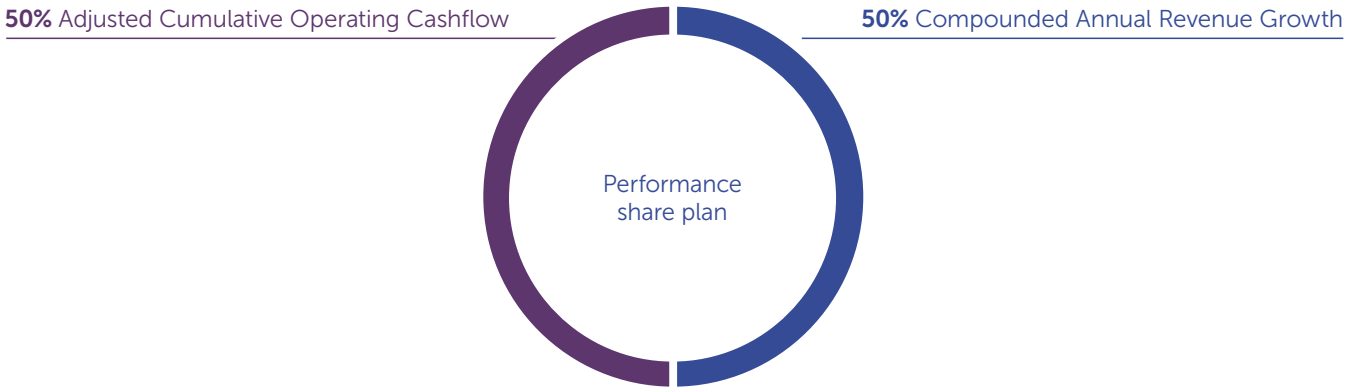
The Stock Option Plans allow the beneficiary to purchase a UCB share at a certain price following the defined vesting periods. The vesting period is typically three years from the date of grant but can be longer depending on local practices. Once vested, stock options can be exercised when the share price exceeds the grant price and thus executives are incentivized to increase the share price over the vesting period. Other vehicles which follow the same rules as the Stock Option Plans may be used outside of Belgium depending on local practices. UCB does not facilitate the entering into derivative contracts related to Stock Options, or hedge the risk attached, as this is not consistent with the purpose of the Stock Options. In the U.S., Stock Appreciation Rights are granted instead of stock options. These follow the same vesting rules as the Stock Option Plans but are settled in cash rather than in shares according to the appreciation in value of UCB stock. All stock options and stock appreciation rights expire on their tenth anniversary from the date of grant. The grant price is fixed on the grant date without further discount on the underlying UCB share price. For executives holding a Belgian contract taxes are due at the moment of grant based on the underlying value of the options.

Performance share plan

The Performance Share Plan aims at rewarding senior executives for specific achievements aligned with company strategic priorities. Performance shares are grants of UCB common stock to the executive group for which certain pre-established company-wide targets must be met at the time of vesting to trigger payout. The performance criteria and targets are defined by the Board upon proposal of the GNCC at the time of grant. The metrics used in this plan must be relevant to company and stakeholders' interests while being within the influence and control of our executives. They also must be measurable over the plan's time horizon of 3 years.

The number of shares awarded is adjusted at the end of the vesting period, 3 years later, based on the company's performance against its goals over its period. If actual company performance is below a specified threshold or the beneficiary leaves prior to vesting, then no shares are awarded. The maximum award is 150% of the original grant which is due if results are significantly above the original targets. The target is set at a level which is sufficiently stretched, and the maximum is linked to performance that would be considered exceptional.

The 2019 grant was based on the following performance criteria to be measured at the end of 2021:



With UCB's current mid-term strategic priorities, the plan currently has two criteria: Adjusted Cumulative Operating Cashflow and Compounded Revenue Growth, to ensure a continued emphasis on growth and sustainability, so that we can continue to invest in innovative solutions for patients.

Given that the current mix of LTI consists of performance shares that only vest upon meeting stretch performance goals, and stock options, which are by design long-term vehicles, UCB does not currently require the CEO or the Executive Committee member to hold a minimum threshold of shares. The weight of LTI in our overall pay mix results in our Executive Committee members having a meaningful stake in unvested (and vested) LTI at any moment. We continue to monitor emerging practices around shareholding guidelines to ensure alignment with shareholder interests.

Employee stock purchase plan (U.S. Only)

The Employee Stock Purchase Plan provides employees with an opportunity to purchase UCB common shares with a 15% discount. The plan has been established as a means of further aligning the interests of the employees with those of UCB's shareholders.

Other Comments on Variable Plans

The GNCC has considered the feasibility of applying claw-back and malus conditions in its variable pay plans. Given the uncertainties around the validity and interest of claw-back clauses under Belgian law, UCB has currently not introduced claw-back provisions in its variable pay programs.

The GNCC will continue to closely monitor the evolution of these practices in Belgium.

Pensions

As the Executive Committee is international in composition the members participate in the pension plans available in their country of contract. Each plan varies in line with the local competitive and legal environment. All defined benefit plans at UCB are either frozen or closed to new entrants to the extent feasible. Any new Executive Committee members would therefore automatically join either a defined contribution or cash balance plan.

Belgium

The Executive Committee members participate in a cash balance retirement benefit plan which is fully funded by UCB. This is the same plan as applicable to other Belgian eligible employees. The benefit at retirement age is the capitalization at a guaranteed rate of return of the employer's annual contributions during affiliation with the plan.

The Executive Committee members also participate in the UCB Executive supplementary defined contribution plan.

The CEO participates in the same plans applicable to the other Belgian-based Executive Committee members.

U.S.

Members participate in the UCB Retirement Savings Plan. The plan is composed of qualified and non-qualified components. UCB's total contribution under the plan ranges depending on annual pay and age. Contributions up to the Internal Revenue Services ("IRS") limits are made in the qualified part of the plan. Contributions above this IRS limit are made in the non-qualified component.

The Executive Committee members can also participate in a deferred compensation plan which is fully funded by the employees. Participants contribute on individual basis and can defer salary and/or bonus.

Germany

Detlef Thielgen and Iris Löw-Friedrich are covered by a closed defined benefit pension plan. The plan promises pensions in case of retirement, disability and death. Benefits in case of retirement and disability amount to 50% of the last annual base salary before retirement or disability. Alexander Moscho, who joined UCB in 2017, has a defined contribution pension plan.

Other remuneration elements

Members of the Executive Committee participate in an international healthcare plan and to an executive life insurance. Executive Committee members are also provided with certain executive perquisites such as a company car and other benefits in kind. All these elements are disclosed in the below section Compensation of the Chief Executive Officer and the Executive Committee. The remuneration policy for the members of the Executive Committee is extensively described in UCB's Charter of Corporate Governance (under 5.4.) available on the UCB website.

Termination arrangements

Given the international character of our Executive Committee as well as the dispersal of our various activities across different geographies our members have agreements governed by different legal jurisdictions.

A Belgian service contract was established during 2014 for Jean-Christophe Tellier and maintains similar termination conditions to those that were in place under his previous U.S. employment agreement comprising a lump sum equal to 18 months base compensation plus the average of the actual bonuses paid for the three previous years in case the contract is terminated by the company or in case of a change of control of UCB.

Several Executive Committee agreements (Emmanuel Caeymaex, Iris Löw-Friedrich and Detlef Thielgen) were signed before the entry into force of the Belgian Corporate Governance law of 6 April 2010 which limits the level of termination indemnities.

Detlef Thielgen and Emmanuel Caeymaex have no specific termination provisions in their Belgian contracts. In case of involuntary termination, local employment law and practices would apply.

Jean-Luc Fleurial, Dhavalkumar Patel, Pascale Richetta, Bharat Tewarie and Charl van Zyl have Belgian employment contracts and each has a termination clause which entitles them to a severance payment of 12 months base salary and bonus in case the contract is terminated by the company or in case of a change of control of UCB.

Iris Löw-Friedrich and Alexander Moscho both have a German employment agreement which provides a six months' notice period and a termination indemnity equal to one-year base salary and bonus.

Kirsten Lund-Jurgensen, who holds a U.S. employment agreement, has a termination clause which would entitle her to a severance payment of 12 months base salary in case the contract is terminated by the company.

Bill Silbey, who holds a U.S. employment agreement, has a termination clause which would entitle him to a severance payment of 12 months base salary and bonus should there be an involuntary termination of the employment agreement or in case of change of control in UCB.

Jeff Wren, who holds a U.S. employment agreement, has a termination clause which would entitle him to a severance payment of 12 months base salary in case the contract is terminated by the company.

Jeff Wren and Bharat Tewarie left UCB on 31 December 2019. Settlement agreements were concluded in line with UCB's practices for Executive Committee members, which are fully compliant with Belgian legislation, i.e. they did not exceed 12 months base salary and bonus.

3.7.4 Remuneration policy as of 2020

The GNCC will continue to monitor our Executive remuneration practices and make recommendations that align these to our reward strategy. No material changes are currently planned for 2020.

3.7.5 Compensation of the Chief Executive Officer and the Executive Committee

The remuneration of the CEO as described above is composed of base salary short-term and long-term incentives as well as perquisites and benefits. In addition, he is entitled to a director fees as Board member of UCB SA. The remuneration granted directly or indirectly to the CEO by UCB or any other of its affiliates in 2019 amounted to:

- Base salary: € 1 104 547;
- Short-term incentive (bonus) paid in 2020 and relating to the financial year 2019: € 1 368 750;
- Long-term incentives (number of UCB shares and options): see section below;
- Other components of the remuneration such as the cost of pension and insurance coverage, the value of fringe benefits and other contractual obligations: € 990 231 thereof € 366 056 being the retirement benefit (based on service cost).

The CEO's total compensation (base salary + bonus + LTI) for 2019 amounts to € 4 739 275 (excluding pension contributions and other benefits).

Other members of the Executive Committee

The amount of compensation stated below reflects the amount the Executive Committee members have earned in 2019 based on their effective period in service as Executive Committee members (see above section "Composition of the Executive Committee").

The remuneration and other benefits granted directly or indirectly on a global basis to all the other members of the Executive Committee by the company or any other affiliate belonging to the group in 2019 amount to:

- Base salaries (earned in 2019): € 6 085 970;
- Short-term incentive (bonus) paid in 2020 and relating to financial year 2019: € 4 365 964;
- Long-term incentive (number of UCB shares and options): see section below;
- Other components of the remuneration such as the cost of pension and insurance coverage, the value of other fringe benefits, termination payments and other contractual obligations: € 6 965 147 thereof € 2 899 511 being the amount of retirement benefit (based on service cost).

The aggregated Executive Committee compensation (base salary + bonus + LTI) for 2019 amounts to: € 19 566 387 (excluding pension contributions and other benefits).

Long-term incentives granted in 2019

	Stock options[1]	Binomial Value Stock Option[2]	Stock awards[3]	Binomial Value Stock Awards[4]	Performance shares[5]	Binomial Value Performance Shares[6]	**Total Binomial Value LTI[7]**
Jean-Christophe Tellier	39 623	726 686			27 735	1 539 293	2 265 979
Emmanuel Caeymaex	10 499	192 552			7 349	407 870	600 422
Jean-Luc Fleurial	8 405	154 148			5 883	326 507	480 655
Iris Löw-Friedrich	10 739	196 953			7 517	417 194	614 147
Kirsten Lund-Jurgensen[8]			21 000	1 432 620			1 432 620
Alexander Moscho	8 922	163 629			6 245	346 598	510 227
Dhaval Patel[9]	14 142	259 364			30 899	1 900 442	2 159 806
Pascale Richetta	10 700	196 238			7 489	415 640	611 878
Bill Silbey	8 947	164 088			6 263	347 597	511 685
Bharat Tewarie	6 337	116 221			4 436	246 198	362 419
Detlef Thielgen	11 084	203 281			7 759	430 625	633 906
Charl van Zyl	12 336	226 242			8 635	479 243	705 485
Jeff Wren	8 590	157 541			6 012	333 666	491 207

1 Number of rights to acquire one UCB share at a price of € 76.09 between 1 April 2022 and 31 March 2029 (between 1 January 2023 and 31 March 2029 for Jean-Christophe Tellier, Emmanuel Caeymaex, Jean-Luc Fleurial, Dhaval Patel, Pascale Richetta, Bharat Tewarie, Detlef Thielgen and Charl van Zyl). Number of rights to benefit from the increase in share price between grant and exercise with an exercise price of € 76.56 between 1 April 2022 and 31 March 2029 for Bill Silbey and Jeff Wren.

2 The value of the 2019 stock options has been calculated based on the binomial methodology at € 18.34 as defined by Willis Towers Watson.

3 Number of UCB shares (or phantom shares) to be delivered for free if still employed by UCB on the vesting date.

4 The value of the 1 August 2019 stock awards has been calculated based on the binomial methodology at € 68.22 per share award as defined by Willis Towers Watson.

5 Number of UCB shares (or phantom shares) to be delivered for free after a vesting period of three years if still employed by UCB and upon fulfillment of predefined performance conditions.

6 The value of the 2019 performance shares has been calculated based on the binomial methodology at € 55.50 per performance share.

7 Binomial valuation: an objective technique for pricing long-term incentives and which determines a fair value of the stock price over the life of a long-term incentive.

8 Kirsten Lund-Jurgensen was awarded 21 000 Sign On Awards when joining UCB. The value of the sign on awards has been calculated based on the binomial methodology at € 68.22 per share awards as defined by Willis Towers Watson. Kirsten joined after the yearly grant of LTI. The awards vest over multiple years upon condition of being in service on the dates of vesting.

9 Dhaval Patel was awarded 21 000 UCB phantom shares on 1 October 2019 with performance conditions, in addition to the annual grant of 1 April 2019. The value of the phantom performance shares has been calculated based on the binomial methodology at € 64.18 per performance share as defined by Willis Towers Watson. The award is scheduled to vest over multiple years upon condition of being in service on the dates of vesting and upon meeting performance criteria prior to each vesting.

Long-term incentives vesting in 2019

Below is a schedule showing the long-term incentives granted to the Executive Committee members in previous years (reported in previous annual reports) and which have vested or have been exercised during the calendar year 2019 (not to be aggregated with the information in the above table which details the long-term incentives granted in 2019).

	Stock options		Stock awards		Performance shares		
	Number vested (not exercised)[1]	Number exercised[2]	Number vested	Total value upon vesting (€)[3]	Total number of shares vested	Shares vested (% of granted shares)[4]	Total value upon vesting (€)
Jean-Christophe Tellier	46 800		9 488	732 189	19 660	84.5%	1 282 025
Emmanuel Caeymaex	9 191		2 423	186 983	5 020	84.5%	327 355
Jean-Luc Fleurial[5,6]			1 500	101 175			
Iris Löw-Friedrich	14 401	15 000	3 522	269 222	7 298	84.5%	471 405
Kirsten Lund-Jurgensen[5]							
Alexander Moscho[5,7]			3 000	197 280			
Dhaval Patel[5,7]			7 500	498 075			
Pascale Richetta			2 499	192 848	5 179	84.5%	337 696
Bill Silbey	2 126		520	40 128	1 078	84.5%	70 302
Bharat Tewarie	11 234		2 326	179 497	4 820	84.5%	314 313
Detlef Thielgen	17 621	45 000	3 691	284 834	7 649	84.5%	498 750
Charl van Zyl[5]							
Jeff Wren	10 581		2 588	199 716	4 532	84.5%	295 561

1 The stock options granted to Iris Löw-Friedrich on 1 April 2016 vested on 1 April 2019 and have an exercise price of € 67.24. The stock appreciation rights granted to Bill Silbey and Jeff Wren on 1 April 2016 vested on 1 April 2019 and have an exercise price of € 67.24. The stock options granted to Jean-Christophe Tellier, Detlef Thielgen, Bharat Tewarie and Emmanuel Caeymaex on 1 April 2015 vested on 1 January 2019 and have an exercise price of € 67.35.

2 Iris Loew-Friedrich exercised stock options granted to her on 1 April 2010 with an exercise price of € 31.62. Detlef Thielgen exercised stock options granted to him on 1 April 2010, 1 April 2011 and on 1 April 2012 with an exercise price of € 31.62, € 26.72 and € 32.36.

3 Upon vesting on 1 April 2019, the UCB share had a value of € 77.17, which represents the market value of the shares delivered on the vesting date determined as the average of the high and the low price of UCB shares on that date. For Iris Löw-Friedrich the UCB share had a value of € 76.44, which represents the low price of the UCB shares on that date (according to the German tax legislation).

4 The Performance Shares granted in 2016 were paid out at 84.5% based on the results achieved vs. the performance conditions set at grant.

5 Jean-Luc Fleurial, Charl van Zyl, Alexander Moscho, Dhaval Patel and Kirsten Lund-Jurgensen joined UCB after the 2016 LTI grant.

6 Upon vesting on 1 September 2019, of the sign on award granted to Jean-Luc Fleurial, the UCB share had a value of € 67.45, which represents the market value of the shares delivered on the vesting date determined as the average of the high and the low price of UCB shares on that date.

7 Upon vesting on 1 October 2019, of the sign on awards granted to Dhaval Patel, the UCB share had a value of € 66.41, which represents the market value of the shares delivered on the vesting date determined as the average of the high and the low price of UCB shares on that date. Upon vesting on 1 October 2019, of the sign on awards granted to Alexander Moscho, the UCB share had a value of € 65.76, which represents the market value of the shares delivered on the vesting date determined as the low price of UCB shares on that date (according to the German tax legislation).

2020 Long-term incentive grant

UCB's policy is to grant a number of long-term incentives based on the individual performance for the performance year while also considering individual impact on long-term value creation. The grant is made on 1 April, following the close of the performance year. The grant size is based on a valuation and share price defined in the policy. The actual grant value is only known on 1 April based on the share price on that day. Below can be found the number of options and performance shares to be granted on 1 April 2020. The resulting grant value will be reported in next year's remuneration report.

	Stock options 2020	Performance shares 2020
Jean-Christophe Tellier	40 214	27 024
Emmanuel Caeymaex	10 966	7 369
Jean-Luc Fleurial	8 695	5 843
Iris Löw-Friedrich	11 775	7 913
Kirsten Lund-Jurgensen	8 617	5 791
Dhaval Patel	13 328	8 957
Bill Silbey	10 858	7 297
Charl van Zyl	12 520	8 413

3.8 Main features of the internal control and risk management systems of UCB

3.8.1 Internal control

As the governing body of UCB, the Board provides entrepreneurial leadership to UCB and is responsible for approving the strategy, goals and objectives of the company. This includes overseeing the establishment, implementation and review of a prudent and effective system of internal controls, as described herein, as well as the risk management processes as further described in 3.8.2 below.

The Audit Committee assists the Board in its responsibility of monitoring the internal control and risk management processes established by the management of UCB and the UCB Group as a whole; the effectiveness of the overall internal control processes of UCB; the overall financial reporting process; the external auditor (including its appointment procedure); and the Global Internal Audit function and its effectiveness.

UCB management is responsible for establishing and maintaining adequate internal controls to provide reasonable assurance regarding the achievement of objectives of the reliable nature of financial information, compliance with relevant laws and regulations, and performance of the internal control processes (control environment, risk/control system and monitoring) within UCB in the most efficient manner. The internal controls process is monitored worldwide by the Internal Controls Department in an automated manner for system access and segregation of duties, process control-self assessment testing, and continuous controls monitoring. Information systems are developed to support UCB's long-term objectives and are managed by a professionally staffed Information Management team.

As an important component of managements system of internal controls, UCB updates its business plan on an annual basis and prepares a detailed annual budget for each financial year that is considered and approved by the Board. A management reporting system is in place, providing management with financial and operational performance measurement indicators. Management accounts are prepared monthly to cover each major area of the business. Variances from plan and previous forecasts are analyzed, explained and acted on in a timely manner. In addition to regular Board discussions, meetings are held at least monthly by the Executive Committee to discuss performance, with specific projects being discussed as and when required.

The Global Internal Audit function provides independent, objective assurance services designed to evaluate, add value and improve the internal control environment and operations of UCB by bringing a systematic, disciplined approach to the evaluation of, and recommending enhancements to the governance, compliance, internal control, and risk management processes of UCB.

The Global Internal Audit group undertakes an Audit Plan of financial, compliance and operational audits and reviews, as reviewed and approved by the Audit Committee and covering relevant company activities. The program includes independent reviews of the systems of internal control and risk management. The findings and the status of corrective actions taken to address these are regularly reported in writing to the Executive Committee, and the status of the completion of the Audit Plan as well as a summary of the findings and the status of corrective actions are reported in writing to the Audit Committee at least twice per year.

UCB has adopted formal procedures focused on internal controls over financial reporting, referred to as the Transparency Directive process. This process is intended to help minimize the risk of selective disclosure; to help ensure that all material information disclosures made by UCB to its investors, creditors and regulators are accurate, complete, timely and fairly present the condition of UCB; and to help ensure adequate disclosure of material financial and non-financial information and significant events, transactions and risks.

The process consists of a number of activities. Identified key contributors in the internal control process, which include all Executive Committee members, are required to certify in writing that they understand and have complied with the requirements of UCB related to the financial reporting process, including providing reasonable assurance of effective and efficient operations, reliable financial information and compliance with Laws and regulations. To promote their understanding of the broad range of potential issues, a detailed checklist is provided to them to complete and to assist them in their certification. In addition, a detailed worldwide desk review of Sales, Credits and related Gross-to-Net accounts, Accounts Receivables, Trade Inventories, Accruals, Provisions, Reserves and Payments is performed, and the Finance Directors/representatives of all individual entities are required to acknowledge in writing that their financial reporting in these areas is based on reliable data and that their results are properly stated in accordance with requirements.

These procedures are coordinated by the Global Internal Audit function in advance of the issuance of the half-year and annual

accounts. The results of the procedures are reviewed with the Chief Accounting Office, as well as Finance, the Legal Department and the External Auditors. Appropriate follow-up of any potential issues identified is performed and consideration of adjustments to reported financial information or disclosures is evaluated. The results of these procedures are reviewed with the CEO and the CFO, and subsequently with the Audit Committee, prior to the publication of the accounts.

3.8.2 Risk management

The whole UCB group and its affiliates worldwide are committed to providing an effective risk management system to minimize threats that may impact our ability to achieve our strategic plans and corporate objectives.

To this effect, the UCB Group incorporates Risk Management practices as follows:

A global Risk Management policy, applicable for the whole UCB Group and its affiliates worldwide, describes the commitment of UCB to provide an effective risk management system across the UCB Group and articulates the framework and architecture for managing key risks at UCB.

The Board is responsible for approving the strategy, goals and objectives of the UCB Group and overseeing the establishment, implementation and review of the risk management system of the UCB Group. The Board is assisted by the Audit Committee in its responsibility for the appreciation of risk management. The Audit Committee examines on a regular basis the areas where risks could significantly affect the financial situation or reputation of the UCB Group. The Audit Committee monitors the overall risk management process of UCB.

The Executive Committee is responsible for implementing the risk management strategy and objectives, as well as championing the prioritization, control and review of risks critical to UCB's success. The Global Internal Audit function is responsible for independently and regularly reviewing as well as validating the risk management process in UCB and jointly agreeing with the business functions on actions to mitigate and control assessed risks.

The Head of Enterprise Risk Management provides periodic status updates directly to the Executive Committee and, on a periodic basis, to the Audit Committee as well as to the Board. The Risk2Value Table, consisting of management representatives of all business functions, provides strategic leadership that endorses the enterprise level risk assessment, prioritization and response process, supported by an enterprise risk management system to effectively assess, report and manage actual or potential risks or exposures. The sources of risk information include the assessment from the business areas (bottom-up), input from executive leadership (top-down) and the external context for the organization (outside-in). Every top risk of the organization is owned by a member of the Executive Committee to ensure accountability and priority. The Enterprise Risk Management group continually assesses its governance structure and stakeholder alignment to ensure the most robust assessments, prioritization and responses are achieved.

To learn more on top risks and environmental and social risks visit the Risk Management section. To learn more on financial risks visit the financial note Financial Risk Management.

3.9 Private investment transactions and trading in UCB shares

The Board has approved a Dealing Code to prevent insider trading offences and market abuse, particularly during the periods preceding the publication of results or information that would likely have an effect on the price of UCB securities or, as the case may be, the price of the securities issued by a third-party company.

During 2016, a new Dealing Code has been approved by the Board to reflect the rules of the new EU Regulation No 596/2014 on Market Abuse, Directive 2014/57/EU on criminal sanctions for market abuse and the Belgian Law of 2 August 2002 on the supervision of the financial sector and on financial services, as amended by the Law of 27 June 2016, which entered into force on 3 July 2016. During 2017, UCB reviewed the Dealing Code and updated it to reflect new legislation and to include considerations relating to ethics in accordance with our Patient Value Strategy. In 2019, some practicalities have been updated in the Dealing Code.

The Dealing Code includes rules for Directors, executive management and key employees which prohibit the dealing in UCB shares or other financial instruments related to the UCB share for a designated period preceding the announcement of its financial results (so-called "closed periods"). It further prohibits trading in UCB shares or other related securities for persons who are, or may soon be, in possession of inside information.

The Board has appointed the Group General Counsel (Bill Silbey) and the Group Secretary General (Xavier Michel) as Insider Trading Compliance Officers whose duties and responsibilities are defined in the Dealing Code.

In accordance with the Dealing Code, the Company has further established the list of Persons Discharging Managerial Responsibilities (Directors and members of the Executive Committee) and the list of key employees, who have to inform and obtain prior clearance from the Insider Trading Compliance Officer(s) for the transactions on UCB shares and related securities they intend to make for their own account. Dealings in the Company securities by the Persons Discharging Managerial Responsibilities as well as the Persons closely associated therewith also need to be reported to the Financial Services and Market Authority (FSMA), the Belgian market supervisory authority. The procedure for such reporting and the duties relating thereto are also reflected in the UCB Dealing Code.

The Dealing Code is available on the UCB website.

3.10 External audit

The General Meeting held on 26 April 2018 renewed the mandate of PwC Bedrijfsrevisoren BV CVBA/Reviseurs d'Entreprises SC SCRL as External Auditors for UCB for the legal term of 3 years. The permanent representative designated by PwC for UCB in Belgium is Mr. Romain Seffer. PwC has been appointed as External Auditor in the affiliates of the UCB Group worldwide.

The 2019 fees paid by UCB to its External Auditors amounted to:

€	Audit	Other attestation related	Tax services	Other missions external to the audit	Total
PwC Belgium (Auditor)[1]	769 635[2]	175 822	–	66 180	1 011 637
PwC other related networks	1 589 917	64 516	94 786	211 758	1 960 977
Total	**2 359 552**	**240 338**	**94 786**	**277 938**	**2 972 614**

1 Services invoiced by PwC Bedrijfsrevisoren/Reviseurs d'Entreprises

2 The aggregate amount invoiced by "PwC Bedrijfsrevisoren/Reviseurs d'Entreprises" & its Belgian affiliates related to Non-Audit Services and Audit Related services for the Rest of the World does not exceed the amount of Audit Services Fees as per the UCB Governance Policy.

3.11 Information requested under article 34 of the Royal Decree of 14 November 2007

The following elements may have an impact in the event of a takeover bid:

3.11.1 UCB's capital structure, with an indication of the different classes of shares and, for each class of shares, the rights and obligations attached to it and the percentage of total share capital that it represents on 31 December 2019

As from 13 March 2014, the share capital of UCB amounts to € 583 516 974, represented by 194 505 658 shares of no-par value, fully paid up. All UCB shares are entitled to the same rights.

There are no different classes of UCB shares (see section 3.2.2).

3.11.2 Restrictions, either legal or prescribed by the articles of association, on the transfer of securities

Restrictions on the transfer of securities only apply to not fully paid up shares according to article 11 of UCB's Articles of Association (the "Articles of Association") as follows:

("…)

B) any shareholder holding shares not fully paid who wishes to transfer all or part of his shareholding, should notify his intention by registered letter to the Board of directors, indicating the name of the candidate to be approved, the number of shares offered for sale, the price and the proposed terms of sale.

The Board of directors may, by registered letter, oppose this sale within a month of such notification, by presenting another candidate as purchaser to the selling shareholder. The candidate proposed by the Board will have a right of pre-emption on the shares offered for sale, unless the proposed seller withdraws from the sale within 15 days.

The right of pre-emption will be exercisable at a unit price corresponding to the lower of the two following amounts:

- *The average closing price of a UCB ordinary share on the "continuous trading market" of Euronext Brussels in the 30 stock exchange working days preceding the notification under the preceding paragraph, reduced by the amount still to be paid up;*
- *The unit price offered by the third-party proposed for approval.*

The above-mentioned notification by the Board of directors shall be taken as notification of the exercise of the right of pre-emption in the name and for the account of the purchasing candidate presented by the Board. The price will be payable within the month of this notification without prejudice to any more favourable conditions offered by the third-party presented for approval.

C) if the Board does not reply within the period of a month from notification set out in the first paragraph of subsection b) above, the sale may take place on conditions no less favourable than those set out in the above-mentioned notification for the benefit of the candidate presented for approval.

(...")

To date, the capital of UCB is fully paid up.

3.11.3 Holders of any securities with special control rights and a description of those rights

There are no such securities.

3.11.4 System of control of any employee share scheme where the control rights are not exercised directly by the employees

There is no such system.

3.11.5 Restrictions, either legal or prescribed by the articles of association, on the exercise of voting rights

The existing UCB shares entitle holders thereof to vote at the General Meeting.

According to article 38 of the Articles of Association, the following restrictions apply:

"Each share gives the right to one vote.

Any person or entity who acquires or subscribes to beneficial ownership in shares, whether registered or not, in the capital of the company, conferring a right to vote, will be obliged to declare within the period required by law, the number of shares purchased or subscribed for, together with the total number of shares held, when such number in total exceeds a proportion of 3% of the total voting rights exercisable, before any possible reduction, at a General Meeting. The same procedure will have to be followed each time that the person obliged to make the initial declaration mentioned above increases his voting strength up to 5%, 7.5%, 10% And subsequently for each additional 5% of the total voting rights acquired as defined above or when following the sale of shares, his voting rights fall below one of the limits specified above. The same notification requirements will apply to any instrument, option, future swap, interest term agreement and other derivative granting its holder the right to acquire existing securities carrying voting rights pursuant to a formal agreement (i.e. an agreement that is binding pursuant to the applicable law) and only on the holders' own initiative. In order for the notification requirements to apply, the holder must either have an unconditional right to acquire existing securities carrying voting rights or be able to make free use of its right to acquire them. A right to acquire securities carrying voting rights is considered to be unconditional if it depends merely on an event that can be caused to happen or prevented from happening by the holder of the right. These notifications will occur according to the modalities described in the legislation applicable to the disclosure of large shareholdings in issuers whose securities are admitted to trading on a regulated market. Failure to respect this statutory requirement will be able to be penalized in the manner laid down by article 516 of the Belgian Companies Code. No one may at a General Meeting cast a greater number of votes than those relating to such shares as he has, in accordance with the above paragraph, declared himself to be holding, at least twenty days before the date of the Meeting."

The voting rights attached to UCB shares held by UCB or by its direct or indirect subsidiaries are, as a matter of law, suspended.

3.11.6 Agreements between shareholders which are known to UCB and may result in restrictions on the transfer of securities and/or the exercise of voting rights

UCB has no knowledge of agreements which may result in restrictions on the transfer of its securities and/or the exercise of voting rights.

3.11.7 A. Rules governing the appointment and replacement of Board members

Under the Articles of Association:

"The company shall be managed by a Board of directors having at least three members, whether shareholders or not, appointed for four years by the general meeting and at all times subject to dismissal by the General Meeting.

Outgoing directors are eligible for re-election.

The period of office of outgoing directors, who are not re-appointed, ceases immediately on the closing of the Ordinary General Meeting.

The General Meeting shall determine the fixed or variable remuneration of the directors and the value of their attendance vouchers, to be charged to operating expenses."

The General Meeting decides by a simple majority of votes on these matters.

The rules relating to the composition of the Board of directors are detailed in section 3.2 of the Charter (version applicable in 2019) as follows:

("…)

Composition of the Board of directors

The Board is of the opinion that a number of between ten and fifteen members is appropriate for efficient decision-making on the one hand, and contribution of experience and knowledge from different fields on the other hand. Such a number also allows for changes to the Board's composition to be managed without undue disruption. This is way within the provisions of the law and the Articles of Association of UCB from which the Board shall be composed of at least three members. The General Meeting of Shareholders decides on the number of Directors, upon proposal of the Board.

A large majority of the Board members are non-executive directors.

The curricula vitae of the directors and directorship candidates are available for consultation on the UCB's website (www.ucb.com). These curricula vitae mention, for each director, the directorships in other listed companies.

Appointment of Directors

The directors are appointed by the General Meeting of Shareholders, following a proposal by the Board, and upon recommendation of the GNCC.

In proposing candidates at the general meeting of shareholders, the Board takes particular account of the following criteria:

- *A large majority of the directors are non-executive Board members;*
- *At least three non-executive directors are independent in accordance with the legal criteria, and those adopted by the Board;*
- *No single director or group of directors may dominate decision-making;*
- *The composition of the Board guarantees diversity and contribution of experience, knowledge and ability required for UCB's specialist international activities; and*
- *Candidates are fully available to carry out their functions and do not take more than five directorships in listed companies.*

The GNCC gathers information, allowing the Board to ensure that the criteria set out above have been met at the time of the appointments and renewals and during the term of office.

For each new directorship appointment, the GNCC performs an assessment of existing and required abilities, knowledge and experience on the Board. The profile of the ideal candidate is drawn up on the basis of this assessment and proposed to the Board for discussion and definition.

When the profile is established, the GNCC selects candidates that fit the profile in consultation with the Board members (including the Chair of the Executive Committee) and possibly using a recruitment firm. Recommendation of final candidates is made by the GNCC to the Board. The Board decides on the proposals to be submitted to Shareholders' approval.

Duration of mandates and age limit

Directors are appointed by the General Meeting of Shareholders for a four-year term, and their terms may be renewed.

Moreover, an age limit of seventy has been stipulated. A director shall give up his/her current term the day of the Annual General Meeting of Shareholders following his/her 70th birthday. The Board may propose exceptions to that rule.

Procedure for appointment, renewal of terms

The process of appointment and re-election of directors is run by the Board, which strives to maintain an optimum level of abilities and experience within UCB and its Board.

The proposals for appointment, renewal, resignation or possible retirement of a director are examined by the Board based on a recommendation from the GNCC. The GNCC assesses for each of the directors who are candidate for re-election at the next General Meeting of Shareholders, their commitment and effectiveness and makes recommendations to the Board regarding their re-election.

Special attention is given to the evaluation of the Chair of the Board and the Chairs of the Board Committees.

The assessment is conducted by the Chair of the GNCC and the Vice-Chair of the Board or another member of the GNCC, who have meetings with each of the Directors in their capacity as a Director and, as the case may be, as Chair or member of a Board Committee. For the Chair of the Board and of the GNCC, the assessment is conducted by the Vice-Chair of the Board and a senior independent Director. The sessions are based on a questionnaire and cover the Director's role in the governance of the Company and the effectiveness of the Board, and, amongst others, how they evaluate their commitment, contribution and constructive involvement in the discussions and decision-making.

Feedback is given to the GNCC who then reports to the Board and makes recommendations as to the proposed re-election.

The Board submits to the General Meeting of Shareholders its proposals concerning the appointments, renewals, resignations or possible retirement of directors. These proposals are communicated to the general meeting of shareholders as part of the agenda of the relevant shareholders meeting.

The General Meeting of Shareholders resolves on the proposals of the Board in this area by a majority of the votes.

In the event of a vacancy during a term, the Board is empowered to fill the post and to allow its decision to be ratified at the next General Meeting of Shareholders.

Proposals for appointment state whether or not the candidate is proposed as an executive director, define the term proposed for the mandate (i.e., Not more than four years, in accordance with the articles of association), and indicate the place where all useful information in relation to the professional qualifications of the candidate, in addition to the main functions and directorships of the candidate, may be obtained or consulted.

The Board also indicates whether or not the candidate meets the independence criteria, in particular those stipulated in article 526ter Company Code, such as the fact that a director, in order to qualify as "independent" may not hold a mandate for more than three consecutive terms (with a maximum of twelve years). In case the director meets the independence criteria, a proposal will be submitted to the General Meeting of Shareholders to acknowledge such independent character. The proposals for appointment are available on UCB's website (www.ucb.com).

(...")

The Charter additionally stipulates that a Director qualifies as independent if he or she has not had business or other relations with the UCB group which could compromise his/her independent judgment. In the assessment of this criterion, significant status as customer, supplier or shareholder of the UCB group is taken into consideration by the Board on an individual basis.

3.11.7. B. Rules governing the amendment of UCB's articles of association

The rules governing the amendment of the Articles of Association are set by the Belgian Companies Code.

The decision to amend the Articles of Association has to be made by a general meeting, provided that at least 50% of the share capital of UCB is present or represented at the meeting, in principle with a majority of 75% of the votes cast.

If the attendance quorum is not met at the first Extraordinary General Meeting, a second General Meeting can be convened and will decide without any attendance quorum having to be reached.

In exceptional circumstances (for example amendment of the object of the company, changing of rights of securities), additional attendance and voting requirements may be applicable.

3.11.8 Powers of the Board of Directors, in particular to issue or buy back shares

Powers of the Board of Directors

The Board is UCB's governing body. It has the power to take decisions on all matters which the Law does not expressly attribute to the general meeting of shareholders.

The Board has kept responsibility for certain key areas for itself and has delegated the remainder of its powers to an Executive Committee (further detailed in the Charter). In all matters for which it has exclusive responsibility, the Board works in close cooperation with the Executive Committee, which in particular is responsible for preparing most of the proposals for decisions by the Board.

The Board's authorizations to issue or buy back shares

The Extraordinary General Meeting of 26 April 2018 decided to renew:

- the authorization of the Board (and to amend the Articles of Association accordingly), for another period of 2 years, to increase the share capital, amongst other by way of the issuance of shares, convertible bonds or warrants, in one or more transactions, within the limits and under the conditions as set out above under section 3.2.4 Authorized capital, and
- the authorization of the Board, for another period of 2 years (and 2 months) expiring on 30 June 2020, to acquire, directly or indirectly, whether on or outside of the stock exchange, by way of purchase, exchange, contribution or any other way, up to 10% of the total number of Company's shares as calculated on the date of each acquisition, within the limits and under the conditions as set out above under 3.2.3 Treasury shares.

A proposal to renew these authorizations, under the same terms and conditions and in accordance with the relevant dispositions of the BCCA will be submitted by the Board to the approval of the Extraordinary General Meeting to be held on 30 April 2020 (at the same time as the Annual General Meeting).

3.11.9 Significant agreements to which UCB is a party and which take effect, alter or terminate upon a change of control of UCB following a takeover bid, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to UCB; this exception shall not apply where UCB is specifically obliged to disclose such information on the basis of other legal requirements

- Facility agreement in the amount of € 1 billion between, amongst others, UCB SA/NV, BNP Paribas Fortis SA/NV, Commerzbank Aktiengesellschaft, filiale Luxembourg, ING Bank N.V. and Mizuho Bank Europe N.V. as coordinating bookrunners, Banco Santander, S.A., Bank of America Merrill Lynch International Limited, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Barclays Bank PLC, BNP Paribas Fortis SA/NV, Commerzbank Aktiengesellschaft, filiale Luxemburg, Crédit Agricole Corporate and Investment Bank, HSBC Bank PLC, Belgian branch, ING Bank N.V., Intesa SanPaolo Bank Luxembourg S.A., Amsterdam branch, KBC Bank NV, Mizuho Bank Europe N.V., Sumitomo Mitsui Banking Corporation and The Royal Bank of Scotland PLC, as mandated lead arrangers, and Wells Fargo Bank International Unlimited Company as lead arranger, dated 14 November 2009 (as amended and restated on 30 November 2010, on 7 October 2011, on 9 January 2014, on 9 January 2018 and for the last time on 5 December 2019), which change of control clause was last approved by the General Meeting of 26 April 2018, according to which any and all of the lenders can, in certain circumstances, cancel their commitments and require repayment of their participations in the loans, together with accrued interests and all other amounts accrued and outstanding thereunder, following a change of control of UCB SA/NV. The General Meeting of 30 April 2020 will be asked to approve this change of control clause as foreseen in the amended and restated facility agreement per 5 December 2019.
- Euro Medium Term Note Program dated 6 March 2013, with last update of the base prospectus per 22 October 2019, for an amount of up to € 3 billion (the "EMTN Program"), providing for a change of control clause (condition 5 (e) (i)) under which, for any Notes issued thereunder where a change of control put clause is included in the relevant final terms, any holder of such Note and following a change of control of UCB SA/NV, has a right to redeem that Note by exercising such put right, and as such change of control clause has been approved by the General Meetings of

25 April 2013, 24 April 2014, 30 April 2015, 28 April 2016, 27 April 2017, 26 April 2018 and 25 April 2019. The following notes have been issued under the EMTN Program by UCB NV/SA and are subject to the above described change of control clause:

- Retail bond 3.75% due 27 March 2020 in the amount € 250 million issued on 27 March 2013;
- Institutional bond 4.125% due 4 January 2021 in the amount of € 350 million issued on 4 October 2013;
- Institutional bond 1.875% due 2 April 2022 in the amount of € 350 million issued on 2 April 2015.

Pursuant to previous article 556 of the Belgian Companies Code, the above described change of control clause provided for in the EMTN Program of 6 March 2013 has been approved by the General Meetings of 25 April 2013, 24 April 2014, 30 April 2015, 28 April 2016, 27 April 2017, 26 April 2018 and 25 April 2019 in respect of any series of Notes to be issued under the EMTN Program within the 12 months following such General Meetings of 25 April 2013, 24 April 2014, 30 April 2015, 28 April 2016, 27 April 2017, 26 April 2018 and 25 April 2019 respectively and to which such change of control has been made applicable. A similar approval pursuant to article 7:151 of the BCCA will be submitted to the General Meeting of 30 April 2020 in respect of any series of Notes to be issued under the EMTN Program from 30 April 2020 until 29 April 2021, if any, and to which, as the case may be, such change of control would be made applicable.

- Senior unsecured retail bonds of UCB SA/NV issued on 2 October 2013 and maturing 2 October 2023 in the amount of € 175 717 000 bearing a 5.125% fixed rate, and which states that in case of change of control (as defined in the terms and conditions of the offering) the bondholders have the right to require the issuer to redeem such bonds. This change of control clause was approved at the general meeting of 24 April 2014.
- Facility agreement in the amount of € 75 million/USD 100 million between UCB SA/NV as borrower and the EIB, dated 16 June 2014, as amended and restated on 20 October 2016 with effect as of 21 October 2016, of which the change of control clause was approved by the General Meeting of 24 April 2014, and whereby the loan, together with accrued interests and all other amount accrued and outstanding thereunder, could in certain circumstances become immediately due and payable – at the discretion of the EIB – following a change of control of UCB SA/NV.
- EIB co-development agreement in the amount of € 75 million entered with the EIB and of which the change of control clause has been approved by the General Meeting of 24 April 2014 and whereby such agreement can be terminated by the EIB in the event of a change of control of UCB SA/NV and UCB SA/NV may be bound to pay a termination payment corresponding, depending on the circumstances, to all, part of or an increased amount (capped at up to 110%) of the funding received from the EIB.
- A term facility agreement in the amount of USD 2 070 million between, amongst others, UCB SA/NV and UCB Biopharma SRL, as borrowers, and BNP Paribas Fortis SA/NV and Bank of America Merrill Lynch International Designated Activity Company as bookrunners dated 10 October 2019 with a change of control clause, under which any and all of the lenders can, in certain circumstances, cancel their commitments and require repayment of their participations in the loans, together with accrued interests and all other amounts accrued and outstanding thereunder, following a change of control of UCB SA/NV. The General Meeting of 30 April 2020 will be asked to approve this change of control clause in accordance with article 7:151 of the BCCA.
- The UCB stock awards and performance share plans by which UCB shares are granted annually by UCB to certain employees according to grade and performance criteria, vest according to the rules of both plans after three years, upon condition that its beneficiary remains in continuous employment with the UCB group. They also vest upon change of control or merger. The General Meeting of 25 April 2019 has approved this change of control clause in all existing and future UCB LTI plans. On 31 December 2019, the following number of stock awards and performance shares are outstanding:
  - 2 274 104 Stock awards, of which 674 685 will vest in 2020;
  - 400 312 Performance shares, of which 115 288 will vest in 2020.

The change of control clauses in the Executive Committee members' contracts, as further described in the Remuneration Report (section 3.7.3).

3.11.10 Agreements between UCB and its Board members or employees providing for compensation if the Board members resign or are made redundant without valid reason or if the employment of the employees ceases because of a takeover bid

For more details, see section 3.7.3 on the main contractual terms on hiring and termination arrangements for the CEO and members of the Executive Committee. No other agreements provide for a specific compensation of Board members in case of termination because of a takeover bid.

In addition to the Executive Committee members identified in section 3.7.3, at the end of 2019 only one employee outside the U.S. benefited from a change of control clause that guarantees their termination compensation if their employment is terminated following a public takeover bid.

3.12 Conflicts of interest – Application of article 7:96 of the Belgian Code of Companies and Associations (previous article 523 of the Belgian Companies Code)

EXCERPT FROM THE MINUTES OF THE MEETING OF THE BOARD HELD ON 27 FEBRUARY 2019

Article 523 of the Belgian Companies Code was applied by the Board of 27 February 2019 in the context of the decisions relating to the CEO remuneration, the performance bonus and LTI grants (relevant excerpt from the minutes of the meeting):

("…)

Prior to any deliberation or decision by the Board of Directors concerning the approval of the 2018 bonus pay-out, the LTI vesting and the 2019 LTI plans, metrics and grants, the approval of the CEO bonus based on 2018 performance, the CEO 2019 base salary and the CEO 2019 LTI grant (including stock options, stock awards and performance shares), J.-C. Tellier stated that he had a direct financial interest in the implementation of said decisions. In accordance with Art. 523 of the Company Code, he withdrew from the meeting of the Board of Directors in order not to participate in the deliberation and the vote relating to these issues. The Board of Directors established that Art. 523 of the Company Code was applicable to these operations. J.-L. Fleurial also left the room before any deliberation or decision on these issues.

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CORPORATE RESULTS 2018 BONUS PAYOUT/LTI AWARD VESTING AND 2019 TARGETS

Decision: After review, the Board overall approved the recommendations of the Governance, Nomination and Compensation Committee ('GNCC') relating to (i) the 2018 bonus payout based on the year end 2018 results (REBITDA), (ii) the REBITDA target for 2019 bonus payout and (iii) the metrics used for the Performance Share Plan 2019-2021 (payout 2022). It further endorsed the vesting (and total payout) in 2019 relating to the 2016-2018 Performance Share Plan as well as the stock award vesting for the 2016-2018 plan (Payout 2019).

UCB LONG TERM INCENTIVES GRANTS IN 2019

Decision: Upon recommendation of the GNCC, the Board unanimously approved the following Long Term Incentive Plans and the main terms and conditions thereof:

- *UCB stock option plan 2019: issue of 906 000 stock options, in principle on 1 April 2019 unless exceptional circumstances, for approximately 393 employees (not taking into consideration employees hired or promoted to eligible levels between 1 January 2019 and 1 April 2019);*

  The exercise price of these options will be the lower of (i) the average of the closing price over the 30 calendar days preceding the offer (i.e. in principle from 2-31 March 2019) or (ii) the closing price of the day preceding the offer (in principle 31 March 2019).

  UCB will determine a different exercise price for those eligible employees subject to legislation which requires a different exercise price. Stock options will have a vesting period of 3-years as of the date of grant, except for countries where this is not allowed or is less favorable.
- *Stock awards and Performance Shares ("PSP") grants 2019-2021: allocation of an initial amount of 1 107 000 shares of which:*
  - *an estimated number of 943 000 shares to eligible employees, namely to about 1 845 employees (excluding new hires and promoted employees up to and including 1 April 2019), according to the applicable allocation criteria. These free shares will be allocated if and when the eligible employees are still employed with the UCB Group 3 years after the grant of awards;*
  - *an estimated number of 164 000 shares to Upper Management employees for the Performance Share Plan 2019, namely to about 50 individuals, according to the applicable allocation criteria. These free shares will be delivered after a 3-year vesting period and the number of shares actually allocated will vary from 0% to 150% of the number of shares initially granted depending on the level*

of achievement of the performance conditions set by the Board of UCB SA/NV prior to the moment of the grant.

- *It was acknowledged that the financial impact for the Company of the granting of options is linked to the difference between the acquisition cost of own shares by the Company (or the share price at vesting date for cash settled plans) on the one hand and the strike price of the options paid to the Company by the beneficiary upon exercise of the options on the other hand. For the stock awards and the PSP, the financial impact corresponds to the value of the UCB shares at the time of acquisition by the Company in view of delivery, or at the time of vesting for cash settled plans.*
- *The Board further decided to delegate all powers to the members of the Executive Committee, acting jointly two by two and with faculty of sub-delegation, to do whatever is necessary, required or useful to execute and implement the above decisions, including the finalization of all required documentation, the actual grant decision, the final terms and conditions and modalities of the plans and incentives.*

CEO COMPENSATION AND LTI

Decision: Upon recommendation of the GNCC, the Board unanimously approved the following:

- *CEO base salary as of 1 March 2019: € 1 109 935 (against € 1 077 607 in 2018);*
- *CEO bonus pay-out 2019 (performance 2018): € 1 246 446;*
- *CEO LTI 2019:*
  - *stock options: 39 623 (3-years and 9 months vesting);*
  - *performance shares: 27 735 (3-years vesting).*

(…")

3.13 Comply or explain principle (application of article 3:6, §2, 2° of the Belgian Code of Companies and Associations)

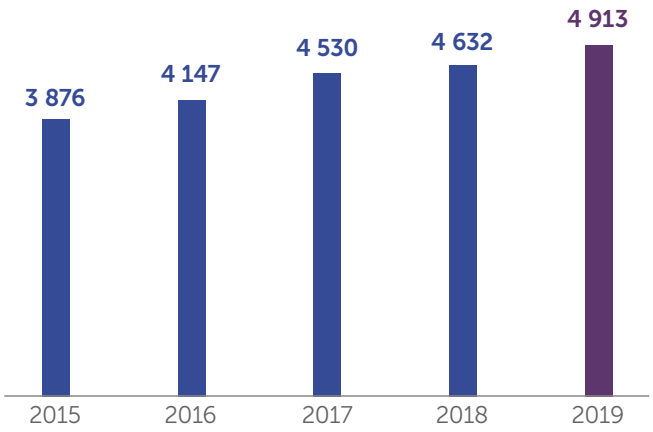
The Charter of UCB fully complies with the provisions of the 2009 Code.

Kristof, living with axial spondyloarthritis

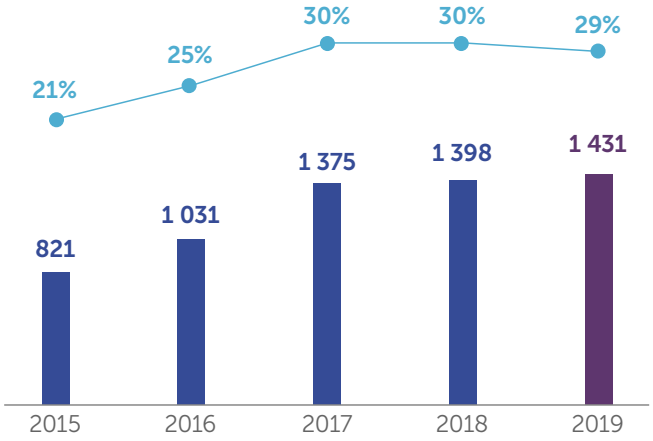
5 Our **financials**

2019 was a year of strong delivery and growth.
Hence, we updated the peak sales guidance for Cimzia® and Vimpat® and we will continue to accelerate our investments into future growth drivers.

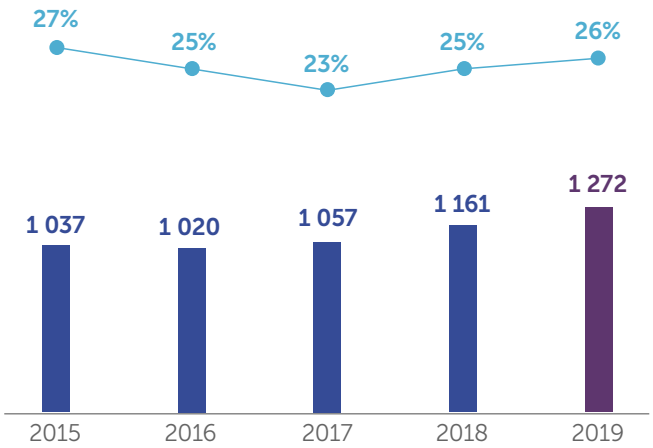
Revenue



Recurring EBITDA



R&D/revenue ratio



Increased peak sales guidance

Cimzia®
≥ € 2 billion
by 2024

Vimpat®
≥ € 1.5 billion
by 2022

2019 financial report

1 Business performance review

1.1 Key highlights

- In 2019 **revenue** increased by 6% (+7% at constant exchange rates (CER)) to € 4 913 million. Net sales also increased and reached € 4 680 million, a plus of 6% (+7% CER). Net sales before "designated hedging reclassified to net sales" were up by 11% (+7% CER). This growth was driven by the continued strong performance of the core products, accounting for more than 90% of the net sales before hedging. Royalty income and fees were € 78 million, other revenue € 155 million.
- **Recurring EBITDA** of € 1 431 million (+2%; +11% CER) was driven by higher marketing and selling expenses due to the Cimzia® launches, Evenity® launch preparation in Europe and higher research and development expenses due to the pipeline progress.
- **Profit** was stable at € 817 million after € 823 million (−1%; +15% CER), of which € 792 million is attributable to UCB shareholders and € 25 million to non-controlling interests.
- **Core earnings per share** reached € 5.20 (after € 4.78 in 2018) based on an average of 187 million shares outstanding.

	Actual[1]		Variance	
€ million	**2019**	2018	Actual rates	CER[2]
Revenue	**4 913**	**4 632**	**6%**	**7%**
Net sales	4 680	4 412	6%	7%
Royalty income and fees	78	92	−15%	−21%
Other revenue	155	128	22%	20%
Gross Profit	**3 645**	**3 434**	**6%**	**8%**
Marketing and selling expenses	−1 108	−964	15%	12%
Research and development expenses	−1 272	−1 161	10%	8%
General and administrative expenses	−195	−180	8%	7%
Other operating income/expenses (−)	48	−24	>100%	>100%
Recurring EBIT (rEBIT)	**1 118**	**1 105**	**1%**	**12%**
Impairment, restructuring and other income/expenses (−)	−50	4	>−100%	>−100%
EBIT (operating profit)	**1 068**	**1 109**	**−4%**	**7%**
Net financial expenses	−107	−93	15%	14%
Profit before income taxes	**960**	**1 015**	**−5%**	**6%**
Income tax expenses	−146	−200	−27%	−26%
Profit from continuing operations	**814**	**815**	**0%**	**16%**
Profit/loss (−) from discontinued operations	2	8	−71%	−73%
Profit	**817**	**823**	**−1%**	**15%**
Attributable to UCB shareholders	792	800	−1%	15%
Attributable to non-controlling interests	25	23	8%	2%
Recurring EBITDA	**1 431**	**1 398**	**2%**	**11%**
Capital expenditure (including intangible assets)	294	341	−14%	
Net financial cash/debt (−)	12	−237	>100%	
Operating cash flow from continuing operations	893	1 098	−19%	
Weighted average number of shares – non-diluted (million)	**187**	**188**	**−1%**	
EPS (€ per weighted average number of shares – non-diluted)	**4.23**	**4.24**	**0%**	**16%**
Core EPS (€ per weighted average number of shares – non-diluted)	**5.20**	**4.78**	**9%**	**24%**

[1] Due to rounding, some financial data may not add up in the tables included in this management report.

[2] CER: constant exchange rates and excluding hedging

This Business Performance Review is based on the consolidated financial statements for the UCB Group of companies prepared in accordance with IFRS. The separate statutory financial statements of UCB SA prepared in accordance with Belgian Generally Accepted Accounting Principles, together with the report of the Board of Directors to the General Assembly of Shareholders, as well as the auditors' report, will be filed at the National Bank of Belgium within the statutory periods, and be available upon request or on our website.

Scope change: As a result of the divestment of the activities Films (September 2004), Surface Specialties (February 2005), and the divestiture of Kremers Urban Pharmaceuticals Inc. (November 2015), UCB reports the results from those activities as a part of profit/loss from discontinued operations.

Recurring: Transactions and decisions of a one-time nature (impairment, restructuring and other income/expenses) that affect UCB's results, are shown separately (previously called non-recurring). Besides EBIT (earnings before interest and taxes or operating profit), a line for "recurring EBIT" (rEBIT or recurring operating profit), reflecting the on-going profitability of the company's biopharmaceutical activities, is included. The rEBIT is equal to the line "operating profit before impairment, restructuring and other income and expenses" reported in the consolidated financial statements.

Core EPS is the profit attributable to the UCB shareholders, adjusted for after-tax impact of impairment, restructuring, other income/expenses, financial one-offs; after-tax contribution from discontinued operations and the after-tax amortization of intangibles linked to sales, per non-dilutive weighted average number of shares.

1.2 Key events[1]

There have been a number of key events that have affected or will affect UCB financially:

1.2.1 Important agreements/initiatives

- February 2019 – The **UCB real estate 'Creative Campus Monheim' in Monheim (Germany) was divested** to the city of Monheim. The actual transfer of the site took place on 1 February 2019. The Creative Campus Monheim is the site for 10 companies in the life sciences sector, including UCB. UCB has now leased its respective space long-term. The city of Monheim plans to further develop and expand the campus.
- February 2019 – **UCB and the Epilepsy Society, the leading epilepsy medical charity in the UK, announced a pioneering UK Genomics R&D collaboration**. The five-year € 2.5 million R&D collaboration seeks to advance the current disease understanding and aims to progress treatment options by harnessing cutting edge science and data analysis to address a significant unmet need for patients living with epilepsy who do not respond to currently available medicines.
- February 2019 – **UCB expanded its global satellite research site strategy by signing a new three-year research and development collaboration agreement with King's College London (UK)**. This collaboration with King's also builds upon the recent successful execution of three satellite research sites in the U.S. resulting from acquisitions of Beryllium (Boston and Seattle) and Element Genomics (Durham, NC) which will boost UCB's capabilities in genomics, protein engineering and structural biology.
- March 2019 – **UCB divested its Niferex® (iron supplement) franchise in China**. Niferex® generated net sales of € 24 million in 2018 and € 6 million in 2019.
- July 2019 – **Consortium project grant agreement signed: SeizeIT** – a pan-European consortium under UCB's leadership – is currently developing a discrete, personalized epileptic seizure detection device, that paves the way for the continuous collection of real-world data with application for UCB's epilepsy clinical trial programs. A clinical trial-ready device is scheduled for incorporation in UCB's epilepsy studies from 2020 onwards. UCB is committed to transform Epilepsy treatment by leveraging the convergence of science and technology. The SeizeIT consortium secured a grant of € 2.75 million from EIT Health; a public-private partnership in health, which is supported by the European Institute for Innovation & Technology (EIT), a body of the European Union.
- October 2019 – **UCB agrees to acquire Ra Pharmaceuticals**: Under the terms of the agreement, Ra Pharma shareholders would receive USD 48 in cash for each Ra Pharma share at closing (approximately USD 2.5 billion / € 2.2 billion). Total transaction value of approximately USD 2.1 billion / € 2.0 billion (net of Ra Pharma cash). The Boards of Directors of both companies have unanimously approved the transaction, and at a special meeting which took place on 17 December 2019, the Ra Pharma shareholders approved a proposal to adopt the merger agreement. Closing remains subject to receipt of required antitrust clearances. UCB expects to receive all such antitrust clearances and to close the transaction by the end of Q1 2020.

[1] From 1 January 2019 up to the publication of date of this report.

Upon closing, this acquisition would enhance UCB's leadership potential in myasthenia gravis by adding *zilucoplan*, a peptide inhibitor of complement component 5 (C5) currently in Phase 3, to the UCB pipeline alongside to UCB's *rozanolixizumab*, an FcRn targeting antibody also in Phase 3. z*ilucoplan* is a novel, potentially best-in-class investigational molecule also being evaluated in other complement-mediated diseases including amyotrophic lateral sclerosis (ALS) and immune-mediated necrotizing myopathy (IMNM). UCB will develop and, if approved, plans to launch *zilucoplan* worldwide, accelerating and diversifying company growth. The acquisition of Ra Pharma will also accelerate UCB's long-term innovation capabilities through the addition of Ra Pharma's proprietary ExtremeDiversity™ technology platform. The acquisition will enable accelerated top and bottom line growth for UCB from 2024 onwards.

1.2.2 Regulatory update and pipeline progress

Neurology

- January 2019 – **Vimpat®** (***lacosamide***) was approved in Japan for the treatment of partial onset seizures in children 4 years of age and older. In addition, two new formulations were approved, IV (intravenous) and dry syrup.
  In June, the Vimpat® development program for the adjunctive treatment of primary generalized tonic-clonic seizures (PGTCS) in study participants 4 years of age and older achieved statistically significant positive results for both its primary (time to second seizure) and secondary efficacy (seizure freedom) endpoints. The novel primary endpoint "time-to-second-seizure" reduced placebo-exposure of patients substantially. Submissions of this new indication are planned in H1 2020 to multiple regulatory agencies.
- March 2019 – UCB started an international (U.S., EU, Japan and China) Phase 3 study with ***padsevonil*** in drug-resistant focal epilepsy patients. First headline results are expected in H2 2021 and will complement those from the ongoing Phase 2b, expected in H1 2020. p*adsevonil* is an innovative drug purposely designed with a novel dual mechanism of action to address the needs of uncontrolled patients.
- March 2019 – UCB started as planned a Phase 2, proof-of concept, study with its novel, subcutaneous FcRn (neonatal Fc receptor) monoclonal antibody, ***rozanolixizumab***, in patients with chronic inflammatory demyelinating polyneuropathy (CIDP). First headline results are expected in H1 2021.
  In June, UCB started as scheduled the confirmatory study (Phase 3) with *rozanolixizumab* in patients with myasthenia gravis. First headline results are expected in H1 2021.
  In January 2020, the Phase 3 study with *rozanolixizumab* in patients with immune thrombocytopenia (ITP) started, first headline results are expected in H2 2022.
- May 2019 – **Nayzilam®** (***midazolam***) nasal spray was approved in the U.S. to treat intermittent, stereotypic episodes of frequent seizure activity in people living with epilepsy. UCB acquired the rights to *midazolam* nasal spray from Proximagen in June 2018. UCB launched Nayzilam® Nasal Spray CIV, the first nasal rescue treatment for seizure clusters in the U.S., in December 2019.
- September 2019 – New data from a Phase 1 study indicated that **UCB0107** anti-Tau was well tolerated with an acceptable safety profile. UCB aims to initiate an adequate and well controlled study in Q2 2020. UCB0107 is currently being investigated as a potential treatment for patients with tauopathies, initially focusing on progressive supranuclear palsy (PSP).
- October 2019 – **Keppra®** (***levetiracetam***) was approved, in the U.S., for monotherapy in partial onset seizures. The new indication is intended for the use of Keppra® as monotherapy in treatment of partial-onset seizures in patients 1 month of age and older and with an updated labeling to comply with the Pregnancy and Lactation Labeling Rule (PLLR). An important driver for this submission was adding patient value, especially for pregnant women or women of childbearing age.

Immunology

- March 2019 – UCB announced the approval of **Cimzia®** (***certolizumab pegol***) in the U.S. to include a new indication for the treatment of adults with active non-radiographic axial spondyloarthritis (nr-axSpA) with objective signs of inflammation.
  In July, Cimzia® was approved in China in combination with methotrexate for the treatment of moderate to severe, active rheumatoid arthritis in adult patients.
  In December, Cimzia® for the treatment of psoriasis and psoriatic arthritis was approved in Japan.
- March & April 2019 – The Phase 3 programs with ***bimekizumab*** in psoriatic arthritis and axial spondyloarthritis were initiated. First headline results are expected at the end of 2021.
  During the course of the fourth quarter 2019, UCB reported positive results for three Phase 3 studies with *bimekizumab* in psoriasis:
  1. In October, the study BE VIVID, evaluating the efficacy and safety of *bimekizumab* in adults with moderate-to-severe chronic plaque psoriasis met all primary and ranked secondary endpoints, including significantly greater efficacy compared to *ustekinumab*.
  2. In November, the study BE READY, evaluating the efficacy and safety of *bimekizumab* versus placebo in adults with moderate-to-severe chronic plaque psoriasis, met all primary and ranked secondary endpoints.
  3. In December, the study BE SURE, comparing *bimekizumab* to *adalimumab* for the treatment of adults with moderate-to-severe plaque psoriasis, met all co-primary and ranked secondary endpoints, achieving significantly greater efficacy than *adalimumab*.

  UCB plans to submit applications to regulatory authorities for approval of *bimekizumab* to treat adults with moderate-to-severe plaque psoriasis in mid-2020.
  Based on the positive proof-of-concept study, UCB decided to move into late stage development with *bimekizumab* also in moderate to severe hidradenitis suppurativa (HS), a

severe inflammatory skin disease, affecting predominantly women. The Phase 3 program BE HEARD starts in Q1 2020. First headline results are expected in H1 2023.

- June 2019 – UCB and its partner Biogen initiated preparations for a Phase 3 program with ***dapirolizumab pegol*** in patients with active systemic lupus erythematosus despite standard-of-care treatment. The program is expected to start in H1 2020. This decision is based on the promising results of the Phase 2b clinical trial, of which interim results were presented at EULAR in June 2019.
- The Phase 1 project **UCB0159** was terminated.

Bone

- Early January 2019 – UCB and Amgen announced the approval of **Evenity® (*romosozumab*)** in Japan. Evenity® is approved to reduce the risk of fractures and increase bone mineral density in men and post-menopausal women with osteoporosis at high risk of fracture.
  In April, Evenity® was approved in the U.S. for the treatment of osteoporosis in post-menopausal women at high risk for fracture.
  In May, Evenity® was approved in South Korea followed by Canada and Australia in June.
- June 2019 – The Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency adopted a negative opinion for *romosozumab*. The companies sought the re-examination of the CHMP opinion. In October, following re-examination procedure, the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA), has adopted a positive opinion recommending Marketing Authorization. Evenity® was approved by the EMA in December for the treatment of severe osteoporosis in postmenopausal women at high risk of fracture.

All other clinical development programs are continuing as planned.

1.3 Revenue and recurring EBITDA

1.3.1 Net sales by product

Total net sales in 2019 increased to € 4 680 million, 6% higher than last year or +7% at constant exchange rates (CER). Net sales before "designated hedging reclassified to net sales" were up by 11% (+7% CER). Adjusted for divestitures in 2018 (mainly "Innere Medizin" – Germany), in Q1 2019, the iron supplement Niferex® and before hedging growth was +13% (+9% CER).

This was driven by the continued strong growth of the core products, Cimzia®, Vimpat®, Keppra®, Briviact® and Neupro®, to combined net sales of € 4 344 million (+14%; +10% CER) representing more than 90% of UCB's total net sales before hedging.

	Actual		Variance	
€ million	**2019**	2018	Actual rates	CER
Immunology				
Cimzia®	1 712	1 446	18%	14%
Neurology				
Vimpat®	1 322	1 099	20%	15%
Keppra® (including Keppra® XR/E Keppra®)	770	790	−3%	−5%
Neupro®	319	321	−1%	−3%
Briviact®	221	142	56%	49%
Established brands/Other products	440	514	−14%	−15%
Net sales before hedging	**4 784**	**4 312**	**11%**	**7%**
Designated hedges reclassified to net sales	−104	100	>−100%	
Total net sales	**4 680**	**4 412**	**6%**	**7%**

Core products

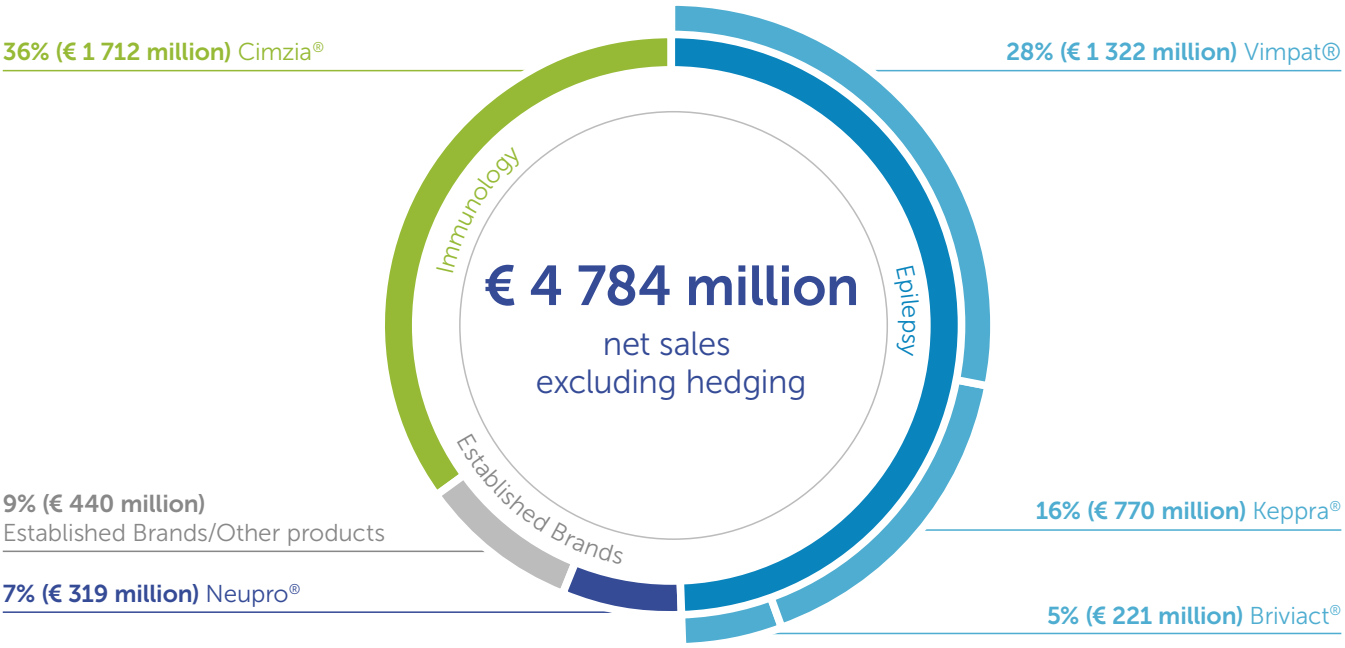
Cimzia® (***certolizumab pegol***), for patients living with inflammatory TNF mediated diseases, net sales went up to € 1 712 million (+18%; +14% CER), driven by continued, sustainable growth in all regions. Growth is also driven by new patient populations like women in childbearing age and people living with non-radio graphic axial spondyloarthritis and psoriasis.

Vimpat® (***lacosamide***) with net sales of € 1 322 million (+20%; +15% CER) shows continued strong growth in all regions thanks to reaching more and more people living with epilepsy. Treatment options available to patients cover mono- and adjunctive therapy as well as for pediatric use.

Keppra® (***levetiracetam***), available for patients living with epilepsy, reported net sales of € 770 million (−3%; −5% CER). The evolution reflects the established brand and the maturity of the product. In Europe, Keppra® net sales were affected by a local, one-time rebate adjustment in the first half 2019.

Briviact® (***brivaracetam***) available for people living with epilepsy, reached net sales of € 221 million, a plus of 56%, (+49% CER). This is driven by significant growth in all regions where Briviact® is available to patients. Briviact® has a different mode of action from Vimpat® and differentiates from Keppra®.

Neupro® (***rotigotine***), the patch for Parkinson's disease and restless legs syndrome, showed a slight decrease of net sales to € 319 million (−1%; −3% CER). Smaller declines in the U.S. and Europe were almost compensated by good growth in international markets.



Established brands/Other products

Overall, net sales went down by 14% (−15% CER) to € 440 million – due to the divestiture of products. Adjusted for the divestitures, the business was flat, reflecting the maturity of the portfolio and generic competition. "Establish brands" include UCB's allergy products **Zyrtec®** (***cetirizine***, including Zyrtec®-D/Cirrus®) and **Xyzal®** (***levocetirizine***), which together also showed overall stable net sales.

Designated hedges reclassified to net sales were negative with € 104 million (after € 100 million positive in 2018) reflecting UCB's realized transactional hedging activities which have to be recognized in the "net sales" line according to IFRS. These are mainly related to the U.S. Dollar, the Japanese Yen, the British Pound and the Swiss Franc.

1.3.2 Net sales by geographical area

	Actual		Variance actual rates		Variance CER	
€ million	2019	2018	€ million	%	€ million	%
Net sales U.S.	**2 546**	**2 158**	**388**	**18%**	**256**	**12%**
Cimzia®	1 088	896	192	21%	136	15%
Vimpat®	1 001	822	179	22%	127	15%
Keppra®	189	221	−32	−14%	−42	−19%
Briviact®	170	109	61	56%	52	48%
Neupro®	97	101	−4	−4%	−9	−9%
Established brands/Other products	1	9	−9	−95%	−9	−95%
Net sales Europe	**1 332**	**1 325**	**7**	**1%**	**8**	**1%**
Cimzia®	429	400	30	7%	29	7%
Keppra®	196	216	−20	−9%	−20	−9%
Vimpat®	236	206	29	14%	29	14%
Neupro®	170	174	−4	−2%	−4	−2%
Briviact®	45	29	16	53%	16	53%
Established brands/Other products	256	300	−43	−14%	−42	−14%
Net sales international markets	**906**	**829**	**76**	**9%**	**53**	**6%**
Keppra® (including E Keppra®)	385	352	32	9%	21	6%
Cimzia®	194	150	45	30%	42	28%
Vimpat®	86	70	15	22%	12	17%
Neupro®	52	46	6	12%	3	7%
Briviact®	6	4	2	57%	2	55%
Established brands/Other products	183	207	−23	−11%	−27	−13%
Net sales before hedging	**4 784**	**4 312**	**472**	**11%**	**317**	**7%**
Designated hedges reclassified to net sales	−104	100	−204	>−100%		
Total net sales	**4 680**	**4 412**	**268**	**6%**	**317**	**7%**

U.S. net sales reached € 2 546 million (+18%; +12% CER). Key driver was the double-digit growth of Cimzia® and Vimpat® as well as Briviact®. Keppra® is impacted by generic competition, while Neupro® showed good net sales in a generic market environment.

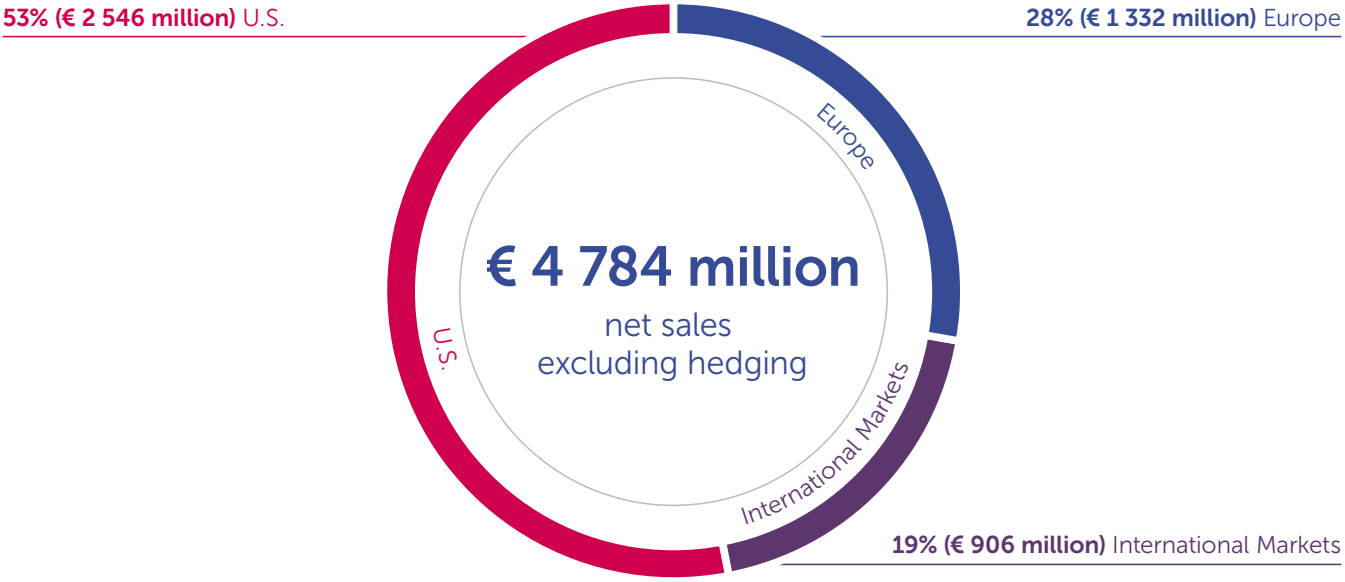
Net sales in Europe were € 1 332 million (+1%; +1% CER), due to sustainable growth of the core products reaching combined net sales of € 1 075 million – a plus of 5% and representing 81% of UCB's net sales in Europe. The established brands went down due to divestitures. Adjusted for the divestitures, total net sales in Europe were up by 3%.

International markets net sales increased to € 906 million (+9%; +6% CER). The core products reached combined net sales of € 723 million (+16%) representing 80% of UCB's net sales in this region. This was compensated by impacts from generic competition and divestitures within the established brands portfolio. Adjusted by divestitures, the growth in the International markets net sales was 13%.

With € 368 million, Japan represents the largest market and showed a growth of 21% (+13% CER) where Keppra® reported net sales of € 177 million (+14%; +7% CER), Cimzia® went up to € 44 million (+31%; +22% CER), Neupro® reached € 34 million (+10%; +3% CER) and Vimpat® increased to € 41 million (+86%; 74% CER).

Net sales in China, the second largest market, were € 139 million (−8%; −9% CER), due to divestitures.

Designated hedges reclassified to net sales were negative with € 104 million (after € 100 million positive in 2018) reflecting UCB's realized transactional hedging activities which have to be recognized in the "net sales" line according to IFRS. These are mainly related to the U.S. Dollar, the Japanese Yen, the British Pound and the Swiss Franc.



1.3.3 Royalty income and fees

	Actual		Variance	
€ million	**2019**	2018	Actual rates	CER
Biotechnology IP	38	56	−32%	−38%
Zyrtec® U.S.	11	12	−3%	−8%
Toviaz®	19	19	−3%	−8%
Other	11	5	>100%	85%
Royalty income and fees	**78**	**92**	**−15%**	**−21%**

In 2019, **royalty income and fees** reached € 78 million after € 92 million (−15%).

The **biotechnology IP** income is continuously impacted by patent expirations, however benefitted from a one-time improvement in 2018.

Royalties collected for **Zyrtec®** in the U.S. and for the overactive bladder treatment **Toviaz®** (***fesoterodine***) reflect a lower level of royalties due to maturity of the products.

1.3.4 Other revenue

	Actual		Variance	
€ million	**2019**	2018	Actual rates	CER
Contract manufacturing sales	109	83	32%	31%
Partnerships in Japan	20	8	>100%	>100%
Product profit sharing	0	11	−100%	−100%
Other	26	26	−1%	−6%
Other revenue	**155**	**128**	**22%**	**20%**

Other revenue increased to € 155 million from € 128 million (+22%).

Contract manufacturing sales went up to € 109 million from € 83 million, due to contract manufacturing of divested products.

Partnering activities in Japan (Otsuka for E Keppra® and Neupro®, Daiichi Sankyo for Vimpat® and Astellas for Cimzia®) reached a total of € 20 million after € 8 million, thanks to a sales milestone received for E Keppra®.

The revenue from **product profit sharing** agreements came down zero from € 11 million. This was related to the business of "Innere Medizin" which was divested in 2018.

"Other" revenue remained roughly stable at € 26 million and includes milestone and other payments from R&D partners.

1.3.5 Gross profit

	Actual		Variance	
€ million	**2019**	2018	Actual rates	CER
Revenue	**4 913**	**4 632**	**6%**	**7%**
Net sales	4 680	4 412	6%	7%
Royalty income and fees	78	92	−15%	−21%
Other revenue	155	128	22%	20%
Cost of sales	**−1 268**	**−1 198**	**6%**	**4%**
Cost of sales products and services	−816	−823	−1%	−1%
Royalty expenses	−298	−241	24%	18%
Amortization of intangible assets linked to sales	−154	−134	14%	13%
Gross Profit	**3 645**	**3 434**	**6%**	**8%**

In 2019, **gross profit** reached € 3 645 million or plus 6% – in line with the revenue evolution and reflecting a stable gross margin of 74% compared to 2018.

Cost of sales has three components: the cost of sales for products and services, royalty expenses, and the amortization of intangible assets linked to sales:

- The **cost of sales for products and services** decreased to € 816 million (−1%).
- **Royalty expenses** went up to € 298 million from € 241 million due to the growth of marketed core products.
- **Amortization of intangible assets linked to sales:** The amortization expenses of the intangible assets for products which have already been launched increased to € 154 million, mainly due to the new indication launches for Cimzia® and the launch of Nayzilam® in late 2019.
  Under IFRS 3 (Business Combinations), UCB has reflected on its balance sheet a significant amount of intangible assets relating to the Celltech and Schwarz Pharma acquisitions (in-process research and development, manufacturing know-how, royalty streams, trade names, etc.).

1.3.6 Recurring EBIT and recurring EBITDA

	Actual		Variance	
€ million	**2019**	2018	Actual rates	CER
Revenue	**4 913**	**4 632**	**6%**	**7%**
Net sales	4 680	4 412	6%	7%
Royalty income and fees	78	92	−15%	−21%
Other revenue	155	128	22%	20%
Gross Profit	**3 645**	**3 434**	**6%**	**8%**
Marketing and selling expenses	−1 108	−964	15%	12%
Research and development expenses	−1 272	−1 161	10%	8%
General and administrative expenses	−195	−180	8%	7%
Other operating income/expenses (−)	48	−24	>100%	>100%
Total operating expenses	**−2 527**	**−2 329**	**9%**	**6%**
Recurring EBIT (rEBIT)	**1 118**	**1 105**	**1%**	**12%**
Add: Amortization of intangible assets	190	170	12%	10%
Add: Depreciation charges	123	123	0%	−2%
Recurring EBITDA (rEBITDA)	**1 431**	**1 398**	**2%**	**11%**

Operating expenses, encompassing marketing and selling expenses, research and development expenses, general and administrative expenses and other operating income/expenses, reached € 2 527 million reflecting higher investments into marketing and selling as well as into research and development activities. Hence, total operating expenses in relation to revenue (operating expense ratio) went up to 51% after 50%, driven by:

- 15% higher **marketing and selling expenses** of € 1 108 million, focused on Cimzia®, here especially the launches in psoriasis in the U.S. and Europe and the launch in non-radiographic axial spondyloarthritis in the U.S, as well as Vimpat®, Briviact® and launch preparations for Evenity® in Europe.
- 10% higher **research and development expenses** of € 1 272 million, resulting in a R&D ratio of 26% in 2019 after 25% in 2018; and reflecting higher investments in UCB's late stage, progressing pipeline, including 11 confirmatory studies (last clinical studies before submission to authorities) ongoing in 2019.
- 8% higher **general and administrative expenses** of € 195 million, also driven by preparations and additional external resources for the new organization model implemented at UCB in 2019.
- **other operating income** of € 48 million after expenses of € 24 million, due to investment grants, the divestiture of the campus in Monheim (Germany) and the release of VAT provisions supported by an income of € 8 million (2018: expenses of € 10 million) from the collaboration with Amgen in connection of the development and commercialization of Evenity®.

Despite these investments, recurring EBIT reached € 1 118 million (+1%).

- total **amortization of intangible assets** (product related and other) amounted to € 190 million, an increase of 12% mainly driven by to the new indication launches for Cimzia® and the launch of Nayzilam® in late 2019.
- **depreciation charges** remained stable at € 123 million.

Recurring EBITDA reached € 1 431 million after € 1 398 million (+2%; +11% CER), driven by the strong net sales growth which compensated the higher operating expenses, reflecting the investments into the future of UCB, namely into product launches and product development. The recurring EBITDA ratio for 2019 (in % of revenue) was 29.1%, from 30.2% in 2018.

1.4 Net profit

	Actual		Variance	
€ million	**2019**	2018	Actual rates	CER
Recurring EBIT	**1 118**	**1 105**	**1%**	**12%**
Impairment charges	−2	0	N/A	N/A
Restructuring expenses	−47	−20	>100%	>100%
Gain on disposals	41	47	−12%	−12%
Other income/expenses (−)	−42	−23	86%	84%
Total impairment, restructuring and other income/ expenses (−)	**−50**	**4**	**>−100%**	**>−100%**
EBIT (operating profit)	**1 068**	**1 109**	**−4%**	**7%**
Net financial expenses (−)	−107	−93	15%	14%
Result from associates	−1	−1	−48%	−48%
Profit before income taxes	**960**	**1 015**	**−5%**	**6%**
Income tax expenses	−146	−200	−27%	−26%
Profit from continuing operations	**814**	**815**	**0%**	**16%**
Profit/loss (−) from discontinued operations	2	8	−71%	−73%
Profit	**817**	**823**	**−1%**	**15%**
Attributable to UCB shareholders	792	800	−1%	15%
Attributable to non-controlling interests	25	23	8%	2%
Profit attributable to UCB shareholders	**792**	**800**	**−1%**	**15%**

Total impairment, restructuring and other income/ expenses (−) amounted to € 50 million expenses (after an income of € 4 million in 2018) and include restructuring expenses, legal and litigation costs, partially offset with income resulting from gain on the divestitures. In 2019, UCB strengthened its operating model to ensure maximum agility to meet the growth expectations for the years ahead, hence the restructuring expenses.

Net financial expenses reached € 107 million from € 93 million in 2018.

Income tax expenses were € 146 million compared to € 200 million in 2018. The average effective tax rate was 15% compared to 20% in 2018. The 2019 effective tax rate is driven by the higher group revenue and the increasing impact of R&D related tax deductions in key countries.

Profit from discontinued operations was € 2 million after € 8 million.

The **profit of the Group** amounted to € 817 million (after € 823 million), of which € 792 million is attributable to UCB shareholders and € 25 million to non-controlling interests. For 2018, profit was € 823 million and of which € 800 million were attributable to UCB shareholders and € 23 million to non-controlling interests.

1.5 Core EPS

	Actual		Variance	
€ million	**2019**	2018	Actual rates	CER
Profit	**817**	**823**	**−1%**	**15%**
Attributable to UCB shareholders	792	800	−1%	15%
Attributable to non-controlling interests	25	23	8%	2%
Profit attributable to UCB shareholders	**792**	**800**	**−1%**	**15%**
Total impairment, restructuring and other income (−)/expenses	50	−4	>−100%	>−100%
Income tax on impairment, restructuring and other expenses (−)/credit	−1	7	>−100%	>−100%
Profit (−)/loss from discontinued operations	−2	−8	−71%	−73%
Amortization of intangibles linked to sales	154	134	14%	13%
Income tax on amortization of intangibles linked to sales	−17	−28	−39%	−39%
Core profit attributable to UCB shareholders	**974**	**901**	**8%**	**23%**
Weighted average number of shares (million)	187	188	−1%	
Core EPS attributable to UCB shareholders (€)	**5.20**	**4.78**	**9%**	**24%**

The **profit attributable to UCB shareholders**, adjusted for the after-tax impact of to be adjusted items, the financial one-offs, the after-tax contribution from discontinued operations and the net amortization of intangibles linked to sales, amounted to **core profit attributable to the UCB shareholders** of € 974 million (8%), leading to a **core earnings per share** (EPS) of € 5.20 compared to € 4.78 in 2018, per non-dilutive weighted average number of shares of 187 million (−1%).

1.6 Balance sheet and capital expenditure

1.6.1 Capital expenditure

In 2019, the **tangible capital expenditure** resulting from UCB biopharmaceutical activities amounted to € 99 million (2018: € 94 million). The 2019 capital are expenditures mainly related to manufacturing capacities in Belgium and Switzerland.

Acquisition of intangible assets reached € 195 million in 2019 (2018: € 247 million) and is related to in-licensing deals, capitalized eligible development costs and software. The main impact is the milestone payment (€ 113 million) related to the acquisition of *midazolam* upon approval of Nayzilam® by the FDA in the U.S.

In addition, as foreseen in the agreement between UCB and Lonza for the manufacturing by Lonza of PEGylated antibody fragment-based bulk active compounds, UCB has participated in the pre-financing of the related capital expenditure. Depreciation charges on this investment are recognized in the cost of goods sold and are added back for recurring EBITDA calculation purposes.

1.6.2 Balance sheet

The **intangible assets** decreased by € 31 million from € 870 million at 31 December 2018 to € 839 million at 31 December 2019. This includes the ongoing amortization of the intangible assets (€ 190 million), partially offset by additions stemming from the *midazolam* acquisition (€ 113 million), software and capitalized eligible development costs.

Goodwill at € 5 059 million, up € 88 million, mainly stemming from a stronger U.S. dollar and GBP compared to December 2018.

Other non-current assets increased by € 164 million, driven by property, plant and equipment (right of use asset recognition, increased and improved manufacturing capacities in Belgium and Switzerland, revamping of office facilities) and deferred taxes recognition.

The **current assets** increased from € 2 950 million as of 31 December 2018 to € 3 295 million as of 31 December 2019 and mainly relates to higher commercial and development inventory and increased trade receivables after strong Q4 2019 net sales.

UCB's shareholders' equity, at € 7 009 million, showed an increase of € 754 million between 31 December 2018 and 31 December 2019. The important changes stem from the net profit after non-controlling interests (€ 792 million), the cash-flow hedges (€ 55 million), the U.S. dollar and British pound currency translation (€ 96 million), offset with the dividend payments (€ −228 million) and the acquisition of own shares (€ −87 million).

The **non-current liabilities** amounted to € 1 678 million, a decrease of € 429 million mainly due to early repayment of long-term loan and Bond transfer to current liabilities.

The **current liabilities** amounted to € 2 394 million, up € 242 million, impacted by the Bond transfer from non-current liabilities and slightly higher payables.

Net financial cash of € 12 million as per end December 2019 compared to **net financial debt** of € −237 million as of end December 2018, and mainly relates to the underlying net profitability, offset by the acquisition of assets, the dividend payment on the 2018 results and the acquisition of own shares.

1.7 Cash flow statement

The evolution of cash flow generated by bio-pharmaceuticals activities is affected by the following:

- **Cash flow from operating activities** amounted to € 882 million, of which € 893 million from continuing operations, compared to € 1 098 million in 2018 and stemming from underlying net profitability, offset with a higher need of commercial and development inventory and higher trade receivables after a strong Q4 net sales performance.
- **Cash flow from investing activities** showed an outflow of € 235 million (continuing operations), compared to € 320 million in 2018. The outflow is related to investment in assets such as *midazolam* acquired from Proximagen, offset with the sale of non-core assets.
- **Cash flow from financing activities** has an outflow of € 605 million, which includes the dividend paid to UCB shareholders (€ 228 million), the acquisition of treasury shares (€ 77 million) and the repayment of borrowings (€ 118 million) and EMTN bonds (€ 75 million).

1.8 Outlook 2020

For 2020, UCB is are aiming for **revenues** in the range of € 5.05-5.15 billion – thanks to the current core product growth and new patient populations being served. UCB will continue to advance its strong development pipeline to offer potential new solutions for patients and complement with external opportunities.

Hence, the underlying profitability, **recurring EBITDA** in the range of 28-29% of revenue will reflect the high R&D investment level. **Core earnings per share** are therefore expected in the range of € 4.80-5.20 based on an average of 187 million shares outstanding.

The figures for the outlook 2020 as mentioned above are calculated on the same basis as the actual figures for 2019; they will be updated upon closing of the planned Ra Pharma acquisition.

2 Consolidated financial statements

2.1 Consolidated income statement

For the year ended 31 December € million	Note	2019	2018
Continuing operations			
Net Sales	5	4 680	4 412
Royalty income and fees		78	92
Other revenue	9	155	128
Revenue		**4 913**	**4 632**
Cost of sales		−1 268	−1 198
Gross profit		**3 645**	**3 434**
Marketing and selling expenses		−1 108	−964
Research and development expenses		−1 272	−1 161
General and administrative expenses		−195	−180
Other operating income/expenses (−)	12	48	−24
Operating profit before impairment, restructuring and other income and expenses		**1 118**	**1 105**
Impairment of non-financial assets	13	−2	0
Restructuring expenses	14	−47	−20
Other income/expenses (−)	15	−1	24
Operating profit		**1 068**	**1 109**
Financial income	16	18	16
Financial expenses	16	−125	−109
Share of loss of associates		−1	−1
Profit before income taxes		**960**	**1 015**
Income tax expense	17	−146	−200
Profit from continuing operations		**814**	**815**
Discontinued operations			
Profit/loss (−) from discontinued operations	8	**2**	**8**
Profit		**817**	**823**
Attributable to:			
Equity holders of UCB SA		792	800
Non-controlling interests		25	23
Basic earnings per share (€)			
from continuing operations	40	4.22	4.20
from discontinued operations	40	0.01	0.04
Total basic earnings per share		**4.23**	**4.24**
Diluted earnings per share (€)			
from continuing operations	40	4.22	4.20
from discontinued operations	40	0.01	0.04
Total diluted earnings per share		**4.23**	**4.24**

2.2 Consolidated statement of comprehensive income

For the year ended 31 December € million	Note	2019	2018
Profit for the period		**817**	**823**
Other comprehensive income			
Items to be reclassified to profit or loss in subsequent periods:			
- Net gain/loss (−) on financial assets at FVOCI		14	−35
- Exchange differences on translation of foreign operations		96	65
- Effective portion of gains/losses (−) on cash flow hedges		36	−194
- Income tax relating to the components of other comprehensive income to be reclassified to profit or loss in subsequent periods		19	53
Items not to be reclassified to profit or loss in subsequent periods:			
- Remeasurement of defined benefit obligation	32	28	12
- Income tax relating to the components of other comprehensive income not to be reclassified to profit or loss in subsequent periods		1	−3
Other comprehensive income/loss (−) for the period, net of tax		**194**	**−102**
Total comprehensive income for the period, net of tax		**1 011**	**721**
Attributable to:			
Equity holders of UCB SA		986	699
Non-controlling interests		25	22
Total comprehensive income for the period, net of tax		**1 011**	**721**

2.3 Consolidated statement of financial position

€ million	Note	2019	2018
Assets			
Non-current assets			
Intangible assets	19	839	870
Goodwill	20	5 059	4 970
Property, plant and equipment	21	840	805
Deferred income tax assets	31	873	760
Financial and other assets (including derivative financial instruments)	22	175	159
Total non-current assets		**7 786**	**7 564**
Current assets			
Inventories	23	780	647
Trade and other receivables	24	950	835
Income tax receivables		59	81
Financial and other assets (including derivative financial instruments)	22	163	105
Cash and cash equivalents	25	1 293	1 262
Assets of disposal group classified as held for sale	8.2	50	20
Total current assets		**3 295**	**2 950**
Total assets		**11 081**	**10 514**
Equity and liabilities			
Equity			
Capital and reserves attributable to UCB shareholders	26	7 039	6 310
Non-controlling interests	22.6	−30	−55
Total equity		**7 009**	**6 255**
Non-current liabilities			
Borrowings	28	79	198
Bonds	29	896	1 152
Other financial liabilities (including derivative financial instruments)	30	1	32
Deferred income tax liabilities	31	51	39
Employee benefits	32	382	419
Provisions	33	146	155
Trade and other liabilities	34	32	26
Income tax payables[1]	35	91	86
Total non-current liabilities		**1 678**	**2 107**
Current liabilities			
Borrowings	28	56	74
Bonds	29	250	75
Other financial liabilities (including derivative financial instruments)	30	70	133
Provisions	33	72	51
Trade and other liabilities	34	1 856	1 786
Income tax payables	35	81	33
Liabilities of disposal group classified as held for sale	8.2	9	0
Total current liabilities		**2 394**	**2 152**
Total liabilities		**4 072**	**4 259**
Total equity and liabilities		**11 081**	**10 514**

[1] Income tax payables for which it is expected that the settlement will be done at least 12 months after the balance sheet date, are classified as non-current liabilities as per 31 December 2019. Comparative amounts for 2018 have been adjusted.

2.4 Consolidated statement of cash flows

For the year ended 31 December € million	Note	2019	2018
Profit for the year attributable to UCB shareholders		**792**	**800**
Non-controlling interests		25	24
Adjustment for profit (−)/loss from discontinued operations	8	−1	−11
Adjustment for profit (−)/loss from associates		1	1
Adjustment for non-cash transactions	36	231	254
Adjustment for items to disclose separately under operating cash flow	36	144	202
Adjustment for items to disclose under investing and financing cash flows	36	−7	2
Change in working capital	36	−232	−35
Interest received	16	18	20
Cash flow generated from operations		**971**	**1 257**
Tax paid during the period		−89	−168
Net cash flow used in (−)/generated by operating activities:			
From continuing operations		893	1 098
From discontinued operations		−11	−9
Net cash flow generated by operating activities		**882**	**1 089**
Acquisition of property, plant and equipment	21	−99	−94
Acquisition of intangible assets	19	−195	−247
Acquisition of subsidiaries, net of cash acquired		0	−13
Acquisition of other investments		−20	−21
Sub-total acquisitions		**−314**	**−375**
Proceeds from sale of property, plant and equipment		31	1
Proceeds from sale of other activities, net of cash disposed		41	52
Proceeds from sale of other investments		7	2
Sub-total disposals		**79**	**55**
Net cash flow used in (−)/generated by investing activities:			
From continuing operations		−235	−320
From discontinued operations		0	0
Net cash flow used in (−)/generated by investing activities:		**−235**	**−320**
Repayment of bonds (−)	29.3	−75	0
Proceeds from borrowings	28	0	8
Repayments of borrowings (−)	28	−118	−177
Payment of lease liabilities	28	−48	−33
Acquisition (−) of treasury shares	26	−77	−51
Dividend paid to UCB shareholders, net of dividend paid on own shares	26.2, 41	−228	−222
Interest paid	16	−59	−63
Net cash flow used in (−)/generated by financing activities:			
From continuing operations		−605	−538
From discontinued operations		0	0
Net cash flow used in (−) financing activities		**−605**	**−538**
Net increase/decrease (−) in cash and cash equivalents		**42**	**231**
From continuing operations		53	240
From discontinued operations		−11	−9
Net cash and cash equivalents at the beginning of the period		**1 237**	**1 022**
Effect of exchange rate fluctuations		9	−16
Net cash and cash equivalents at the end of the period		**1 288**	**1 237**

2.5 Consolidated statement of changes in equity

2019	Attributed to equity holders of UCB SA									
€ million	Share capital and share premium	Treasury shares	Retained earnings	Other reserves	Cumulative translation adjustments	Financial assets at FVOCI	Cash flow hedges	**Total**	Non-controlling interests	**Total stock-holders' equity**
Balance at 1 January 2019	**2 614**	**−342**	**4 394**	**−146**	**−154**	**−5**	**−51**	**6 310**	**−55**	**6 255**
Profit for the period	–	–	792	–	–	–	–	792	25	817
Other comprehensive income/loss (−)	–	–	–	29	96	14	55	194	–	194
Total comprehensive income	**–**	**–**	**792**	**29**	**96**	**14**	**55**	**986**	**25**	**1 011**
Dividends (Note 41)	–	–	−228	–	–	–	–	−228	–	−228
Share-based payments (Note 27)	–	–	58	–	–	–	–	58	–	58
Transfer between reserves	–	52	−52	–	–	–	–	–	–	–
Treasury shares (Note 26)	–	−87	–	–	–	–	–	−87	–	−87
Balance at 31 December 2019	**2 614**	**−377**	**4 964**	**−117**	**−58**	**9**	**4**	**7 039**	**−30**	**7 009**

2018	Attributed to equity holders of UCB SA									
€ million	Share capital and share premium	Treasury shares	Retained earnings	Other reserves	Cumulative translation adjustments	Financial assets at FVOCI	Cash flow hedges	**Total**	Non-controlling interests	**Total stock-holders' equity**
Balance at 1 January 2018	**2 614**	**−357**	**3 811**	**−155**	**−220**	**30**	**90**	**5 813**	**−77**	**5 736**
Profit for the period	–	–	800	–	–	–	–	800	23	823
Other comprehensive income/loss (−)	–	–	–	9	66	−35	−141	−101	−1	−102
Total comprehensive income	**–**	**–**	**800**	**9**	**66**	**−35**	**−141**	**699**	**22**	**721**
Dividends (Note 41)	–	–	−222	–	–	–	–	−222	–	−222
Share-based payments (Note 27)	–	–	58	–	–	–	–	58	–	58
Transfer between reserves	–	53	−53	–	–	–	–	–	–	–
Treasury shares (Note 26)	–	−38	–	–	–	–	–	−38	–	−38
Balance at 31 December 2018	**2 614**	**−342**	**4 394**	**−146**	**−154**	**−5**	**−51**	**6 310**	**−55**	**6 255**

3 Notes to the consolidated financial statements

1 General information

UCB SA/NV (UCB or the Company) and its subsidiaries (together the Group) is a global biopharmaceutical company focused on severe diseases in three therapeutic areas namely Neurology, Immunology and Bone.

The consolidated financial statements of the Company as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries. Within the Group, UCB Pharma SA and UCB S.R.O, both wholly owned subsidiaries, have branches in the U.K. and Slovakia, respectively, that are integrated into their accounts.

UCB SA/NV, the parent company, is a limited liability company incorporated and domiciled in Belgium.

The registered office is at 60, Allée de la Recherche, B-1070 Brussels, Belgium. UCB SA is listed on the Euronext Brussels Stock Exchange.

The Board of Directors approved these consolidated financial statements and the statutory financial statements of UCB SA for issue on 20 February 2020. The shareholders will be requested to approve the statutory financial statements of UCB SA at their annual meeting on 30 April 2020.

2 Summary of significant accounting policies

The accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as endorsed by the European Union as of 31 December 2019.

The consolidated financial statements have been prepared using the historical cost convention, except that certain items including financial assets at fair value, derivative financial instruments and liabilities for cash-settled share-based payment arrangements are measured at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 New and amended standards adopted by the group

A number of amendments and annual improvements to standards are mandatory for the first time for the financial year beginning 1 January 2019. However, the Group does not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments and improvements to the standards. Note that the Group early adopted IFRS 16 Leases and the IFRIC 23 interpretation on the recognition and measurement of liabilities for uncertain tax positions as from 1 January 2018.

2.3 New standards and amendments to standards not yet adopted

There are no standards or amendments to standards that have been issued by the IASB or interpretations that have been issued by the IFRS IC that are not yet effective and that would be expected to have a material impact on the Group's consolidated financial statements.

The amendments to IFRS 3 Business Combinations (issued on 22 October 2018) that revise the definition of a business, would not have an impact on the Group's consolidated financial statements as per 31 December 2019 but will be considered for any future transactions.

2.4 Consolidation

2.4.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration

transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4.2 Changes in ownership interests in subsidiaries without change of control

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.4.3 Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.4.4 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20%–50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

When the Group ceases to equity account for an investment because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. The fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are classified to profit or loss where appropriate.

The Group share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

The carrying amount of investments in associates is tested for impairment in accordance with the policy described in

note 2.10. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognized in the income statement.

2.4.5 Interests in joint operations

A joint operation is a joint arrangement whereby the parties, or joint operators that have joint control of the arrangement, have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

When conducting activities under joint operations, the Group recognizes in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liability incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operations;
- its share of the revenue from the sale of the output by the joint operation;
- its expenses, including its share of any expenses incurred jointly.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator, the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Group's consolidated financial statements only to the extent of the other parties' interests in the joint operation.

2.5 Segment reporting

The Group's activities are in one segment, Biopharmaceuticals. There are no other significant classes of business, either singularly or in aggregate. The Chief Operating Decision Makers, being the Executive Committee, review the operating results and operating plans, and make resource allocation decisions on a company-wide basis; therefore UCB operates as one segment.

2.6 Foreign currency translation

The following important exchange rates were used in preparing the consolidated financial statements:

	Closing rate		Average rate	
	2019	2018	**2019**	2018
USD	1.123	1.145	1.119	1.180
JPY	121.960	125.620	121.993	130.363
GBP	0.847	0.898	0.877	0.885
CHF	1.085	1.126	1.112	1.155

The closing rates represent spot rates as at 31 December 2019 and 31 December 2018.

2.6.1 Functional and presentation currency

Items included in the individual financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euro (€), which is the functional currency of the Company, and the presentation currency of the Group.

2.6.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement under Financial income or Financial expenses, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges or when attributable to part of the net investment in a foreign operation.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets such as

equities classified as available-for-sale financial assets are recognized in other comprehensive income.

2.6.3 Group companies

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income (referred to as "cumulative translation adjustments").

On consolidation, exchange difference arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially or wholly disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.7 Revenue

Revenue is recognized when control of a good or service transfers to a customer.

2.7.1 Net sales

Net sales encompass revenue recognized resulting from transferring control over products to the customer.

The amount of revenue recognized is the amount allocated to the satisfied performance obligation taking into account variable consideration. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration that is included in the transaction price relates to sales returns, rebates, trade and cash discounts, charge-backs granted to various customers that are part of commercial and governmental contractual arrangements or other reimbursement programs, including the U.S. Medicaid Drug Rebate program, the U.S. Federal Medicare program and others as well as the U.S. Branded Prescription Drug Fee. A liability is recognized for expected sales returns, rebates, trade and cash discounts, charge-backs or other reimbursements payable directly or indirectly to customers in relation to sales made until the end of the reporting period. Payment terms can differ from contract to contract but no element of financing is deemed present. Therefore, the transaction price is not adjusted for the effects of a significant financing component. A receivable is recognized as soon as control over the products is transferred to the customer as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The transaction price is adjusted for any consideration payable to the customer (directly or indirectly) that is economically linked to the revenue contract unless the payment is for distinct services received from the customer. In the latter case, the fair value of the services received is estimated and accounted for as part of marketing and selling expenses.

The amount of variable consideration is estimated on the basis of historical experience and the specific terms in the individual agreements.

Net sales are presented net of value added tax, other sales related taxes or any other amounts collected on behalf of third parties such as the government or governmental institutions.

2.7.2 Royalty income

Sales-based royalties resulting from the out-licensing of IP are recognized as the subsequent underlying sales occur provided that the related performance obligation has been satisfied by then.

2.7.3 Other revenue

Other revenue comprises revenue generated through out-licensing and profit-sharing agreements as well as contract manufacturing agreements. The underlying performance obligations can be satisfied at a point in time or over time depending on the specific situation.

For performance obligations satisfied over time, revenue is recognized based on a pattern that best reflects the transfer of control of the service to the customer. Usually this progress

is measured by an input method whereby costs incurred and hours expended relative to total costs expected to be incurred and total hours expected to be expended are used as a basis.

Any variable consideration that is promised in exchange of a license of IP and that is based upon achieving certain sales targets, is accounted for in the same way as sales-based royalties i.e. at the moment the related sales occur provided that the related performance obligation has been satisfied.

Any variable consideration such as a development milestone payment that is promised in exchange for development services or the license of IP, is only included in the transaction price as from the moment the achievement of the related milestone event is highly probable, which then results in a catch up of revenue at that moment for any performances up till that moment.

Any upfront payments or license fees for which there are subsequent performance obligations, are initially reported as deferred revenue and are recognized as revenue when performance obligations are satisfied over the period of the development collaboration or manufacturing obligation.

2.7.4 Interest income

Interest is recognized on a time proportion basis that takes into account the effective yield on the asset.

2.7.5 Dividend income

Dividends are recognized when the shareholder's right to receive the payment is established.

2.8 Cost of sales

Cost of sales includes primarily the direct production costs, related production overheads and the amortization of the related intangible assets as well as services rendered. Start-up costs are expensed as incurred. Royalty expenses directly linked to goods sold are included in "cost of goods sold".

2.9 Research and development

2.9.1 Internally-generated intangible assets, research and development expenditure

All internal research costs are expensed as incurred. Internal development expenditure is capitalized only if it meets the recognition criteria of IAS 38 Intangible Assets. Due to long development periods and significant uncertainties related to the development of new products (such as the risks related to the outcome of clinical trials as well as the likelihood of regulatory approval), internal development costs generally do not qualify for capitalization as intangible assets. At 31 December 2019, no internal development expenditures have met the recognition criteria.

2.9.2 Acquired intangible assets

Payments for acquired in-process research and development projects obtained through in-licensing arrangements, business combinations or separate asset purchases are capitalized as intangible assets provided that they are separately identifiable, controlled by the Group and expected to provide future economic benefits. As the probability criterion in IAS 38 is always considered to be satisfied for separately acquired research and development assets and the amount of the payments is determinable, upfront and milestone payments to third parties for pharmaceutical products or compounds for which regulatory marketing approval has not yet been obtained are recognized as intangible assets, and amortized on a straight line basis over their useful lives from the date on which the products are launched for sale.

2.10 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its intangible assets, goodwill, property, plant and equipment and investments in associates to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Irrespective of whether there is an indication of impairment, an impairment assessment of the intangibles not yet available for use and goodwill is carried out annually. These assets are not amortized. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. To determine the value in use, the Group uses estimates of future cash flows generated by the asset or the CGU, using the same methods as those used in the initial measurement of the asset or the CGU on the basis of the medium-term plans of each business activity. Estimated cash flows are discounted using an appropriate rate that reflects current market assessments of the time value of money and the risks specific to the asset or the CGU.

An impairment loss is recognized directly in the income statement under the "impairment of non-financial assets" caption. Non-financial assets other than goodwill that suffered

an impairment are reviewed for possible reversal of the impairment at each reporting date. The reversal of the impairment is recognized in the income statement. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Impairment losses on goodwill are never reversed.

Intangible assets are assessed for impairment either on a compound by compound basis or by indication where applicable.

2.11 Restructuring expenses, other income and expenses

The expenses made by the Group in order to be better positioned to face the economic environment in which it operates are presented in the income statement as "restructuring expenses".

The gains and losses arising upon the sale of intangible assets other than development stage assets or property, plant and equipment as well as increases or reversals of provisions for litigations, other than tax litigations or litigations related to discontinued operations, are presented in the income statement as "other income and expenses".

2.12 Income taxes

The tax expense for the period comprises current and deferred income taxes. Tax expense is recognized in the income statement except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In the case of items recognized in other comprehensive income or in equity, the tax is also recognized in other comprehensive income or directly in equity, respectively.

For the accounting policies related to R&D tax credits we refer to 2.13.2 under Government grants.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income.

Current tax assets and tax liabilities are offset if there is a legally enforceable right to offset and intention either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income tax liabilities are generally recognized for all taxable temporary differences and deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences, carried forward tax credits or carried forward losses can be utilized. Deferred income tax is not accounted for if it arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction (other than in a business combination) that at the time of the transaction affects neither accounting nor taxable profit.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. The Group only considers substantively enacted tax laws when estimating the amount of deferred taxes to be recognized. Deferred tax assets and liabilities are not discounted.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are only offset if there is a legally enforceable right to offset current tax liabilities and assets and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2.13 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

2.13.1 Recoverable cash payments received from the government

The Group receives cash payments from the government to partially finance certain research and development projects. The cash payments received from the government are repayable in cash only if the Group decides to exploit and commercialize the results of the research phase of the related project. If the Group decides not to proceed with the results from the research phase, the cash payments are not repayable. In this case the rights to the research need to be transferred to the government. When the Group receives these cash payments, these are accounted for as other non-current liabilities. Only at the moment when there is reasonable assurance that the Group will not have to reimburse the cash payments, these cash payments are accounted for as government grants and taken up in "other operating income". More specifically, this is at the moment the government confirms the receipt of the research results and its agreement with the Group's decision not to proceed with the research.

2.13.2 R&D Tax credit

The R&D tax credit is considered as a government grant related to assets if no additional relevant requirements are to be met that are not directly related to the asset. The tax credit is taken in profit and loss in line with the costs it is intended to compensate. If the tax credit is received to compensate research and development expenses that are not capitalized, the R&D tax credit is recognized in P&L at the same moment as the research and development expenses as a credit to the line "Research and development expenses". If the tax credit is received to compensate amortizations on intangible assets e.g. licenses, the R&D tax credit is recognized in profit and loss over the (remaining) useful life of the asset and reported as "Other operating income".

The part of the R&D tax credit that cannot be deducted from the taxable income is accounted for as a deferred tax asset. The part of the R&D tax credit that can be deducted from taxable income is debited to the current income tax liability. If the R&D tax credit is not refundable by the tax authorities, the recoverability of the deferred tax asset is assessed on a regular basis as for the other deferred tax assets.

2.14 Intangible assets

2.14.1 Patents, licenses, trademarks and other intangible assets

Patents, licenses, trademarks and other intangible assets (collectively referred to as "intangible assets") are shown at historical cost. Intangible assets acquired in a business combination are recognized at fair value at the acquisition date.

Intangible assets (except for goodwill) are amortized over their useful lives on a straight-line basis as from the moment they are available for use (i.e., in case of a license related to a compound or product, when the product (containing the compound) is launched for sale). Estimated useful life is based on the lower of the contract life or the economic useful life (generally between 5 to 20 years). Intangible assets (except for goodwill) are considered to have a finite economic useful life; therefore no intangible assets with an indefinite life have been identified.

2.14.2 Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3 to 5 years) on a straight-line basis.

2.15 Goodwill

Goodwill arises on the acquisition of subsidiaries and associates and represents the excess of the consideration transferred over the Group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

Goodwill is initially recognized as an asset at cost and is subsequently carried at cost less accumulated impairment losses. Goodwill related to the acquisition of subsidiaries is presented separately on the face of the balance sheet, whereas goodwill arising upon acquisition of associated companies is included in the investment in associated companies.

UCB operates as one segment and has one cash generating unit for the purpose of impairment testing.

As goodwill is considered to have an indefinite life, it is tested for impairment annually, and whenever there is an indication that it may be impaired, by comparing its carrying amount with its recoverable amount. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the

impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Impairment losses on goodwill are not reversed.

On disposal of a subsidiary or an associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the entity.

In the event that the fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess remaining after reassessment is recognized directly in profit or loss.

2.16 Property, plant and equipment

All property, plant and equipment are carried at cost less accumulated depreciation and impairment losses except for property, plant and equipment under construction, which is carried at cost less accumulated impairment losses.

Cost includes all directly attributable costs of bringing the asset to its working condition for its intended use.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed as they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of assets, other than land and properties under construction, to their residual values over their estimated useful lives. Depreciation commences when the asset is ready to be used. Land is not depreciated.

The residual value and the useful life of an asset are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) is(are) accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The following useful lives are applicable to the main property, plant and equipment categories:

- Buildings 20-33 years
- Machinery 7-15 years
- Laboratory equipment 7 years
- Prototype equipment 3 years
- Furniture and fixtures 7 years
- Vehicles 5-7 years
- Computer equipment 3 years
- Right-of-use assets Shorter of asset's useful life and leasing term

Gains and losses on disposals are determined by comparing the proceeds from disposal with the carrying amount and are recognized under "other income and expenses" in the income statement.

Investment property is indicative of land and buildings held to earn rentals. Such assets are initially carried at cost and depreciated on a straight-line basis over their estimated useful lives. The underlying useful lives correspond to those of self-used tangible assets. Given the insignificant amount of investment property, it is not separately presented in the balance sheet.

2.17 Leases

The Group leases various properties, equipment and cars and the rental contracts are typically made for a fixed, short or long-term period. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate.

There are no leases for which it is expected that the Group would need to pay a residual value guarantee or a certain amount to exercise a purchase option whereby it is reasonably certain that the Group will exercise this option or any penalties for terminating the lease in case the lease term reflects that the Group will exercise this option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs (except for the leases already existing at transition date), and
- restoration costs.

Right-of-use assets are presented as part of property, plant and equipment and lease liabilities as part of borrowings in the statement of financial position. All lease payments that are due within 12 months are classified as current liabilities. All lease payments that are due at least 12 months after the balance sheet date are classified as non-current liabilities.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise mainly IT-equipment (laptops, tablets, mobile phones, pc's) and small items of office equipment and furniture.

Some of the car leases contain variable lease payments. It concerns car lease agreements that contain a Terminal Rental Adjustment Clause (TRAC): a final settlement calculation is made at termination of the lease to determine the final rental adjustment. This final rent adjustment is a rent payment (or credit) that reflects actual usage of the vehicle while under lease. This final amount is not known at lease commencement. The rental adjustment amount is not a specified amount but depends upon known factors such as monthly depreciation and initial acquisition cost, and several unknown factors at lease commencement, such as mileage, condition of the vehicle, wear and tear, damage, geography of operation, disposal channel, and other factors. Together, these factors generally represent "use" of the vehicle. Payments that vary due to use of the underlying asset and vehicle mileage specifically are variable lease payments. The final rental adjustment is recognized as expense or, in case of a credit, as a reduction of expenses when realized.

Extension options are included in a number of property and car leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The extension options held are exercisable only by the Group and not by the respective Lessor.

There are no material lease agreements whereby the Group is lessor.

2.18 Financial assets: investments

2.18.1 Classification

The Group classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value through profit or loss (FVPL), those to be measured subsequently at fair value through other comprehensive income (FVOCI), those to be measured at amortized cost. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Investments are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (OCI). For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI (FVOCI).

2.18.2 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

The Group currently does not have any investments in debt instruments.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as financial income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Changes in the fair value of financial assets at FVPL are recognized in financial income/expenses in the income statement.

The fair value of listed investments is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques.

2.19 Derivative financial instruments and hedging activities

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The Group does not engage in speculative transactions.

Derivative financial instruments are initially recorded at fair value and attributable transaction costs are recognized in the income statement when incurred. Derivative financial instruments are subsequently remeasured at their fair value.

The Group includes the credit and the nonperformance risks into its valuation techniques leading to non-material impact on derivative valuation resulting from credit or debit margin adjustments made on counterparts with who financial market transactions are contracted.

The method of recognizing the resulting gains or losses depends on whether the derivative financial instrument is designated as a hedging instrument and if so, the nature of the item being hedged. The Group designates derivative financial instruments as either cash flow hedges, fair value hedges or net investment hedges.

The Group documents at inception of the transaction the economic relationship between the hedging instrument and the hedged item, as well as its risk management objectives and strategy for undertaking the hedging transaction. The Group updates this assessment when required for example when the hedge ratio is rebalanced or when the analysis of sources of hedge ineffectiveness is updated.

The full fair value of a hedging derivative financial instrument is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Derivative financial instruments embedded in financial liabilities are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative financial instrument are not closely related, a separate instrument with the same terms as the embedded derivative financial instrument would meet the definition of a derivative financial instrument, and the combined instrument is not measured at fair value through profit or loss.

2.19.1 Cash flow hedges

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within "Financial income/ Financial expenses".

When option contracts are used to hedge a firm commitment or forecast transaction, the group designates only the intrinsic value of the options as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognized in other comprehensive income. The changes in the time value of the options that relate to the hedged item ('aligned time value') are also recognized within

OCI. These will be moved to the income statement (financial income/expenses) when the hedged transaction affects the P&L (in case of transaction related hedges) or over the period of the hedge (in case of time-period related hedges).

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognized in OCI. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognized in the income statement (financial income/expenses).

Gains or losses relating to the effective portion of the change in intrinsic value of the options or relating to the effective portion of the change in the spot component of the forward contracts accumulated in other comprehensive income are reclassified to profit or loss in the periods when the hedged item affects profit or loss on the same line of the income statement where the designated hedged item affects profit or loss. However, if the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of a non-financial asset or a non-financial liability, then, at the time the asset or liability is recognized, the associated gains or losses on the derivative financial instrument that had previously been recognized in other comprehensive income are included in the initial measurement of the asset or liability.

When hedging with forwards and financial instruments with foreign currency basis spreads, the Group decides on a hedging-relationship-by-hedging-relationship basis to account for the changes in the currency basis spread by applying either the same accounting as for the time value of options or by recognizing these changes in value in the income statement (financial income/expenses).

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss in other comprehensive income at that time remains in other comprehensive income until the forecast transaction occurs, resulting in the recognition of a non-financial asset or liability. When the forecast transaction is no longer expected to occur, the cumulative gains or losses that were reported in other comprehensive income are immediately reclassified to the income statement (financial income/expenses).

2.19.2 Fair value hedges

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in the income statement under "Financial income/Financial expenses", together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

2.19.3 Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in the cumulative translation adjustments reserve; the gain or loss relating to the ineffective portion is recognized immediately in the income statement within "Financial income/Financial expenses". Gains and losses accumulated in equity are recycled to the income statement when the foreign operation is partially disposed of or sold.

2.19.4 Derivative financial instruments that do not qualify for hedge accounting

Certain derivative financial instruments do not qualify for hedge accounting. Changes in the fair value of any derivative financial instruments that do not qualify for hedge accounting are recognized immediately in the income statement within "Financial income/Financial expenses".

2.20 Inventories

Raw materials, consumables, goods purchased for resale, work in progress and finished goods are valued at the lower of cost and net realizable value.

Cost is determined using the weighted average cost method. The cost of work in progress and finished goods comprises all the costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The conversion costs include the cost of production and the related fixed and variable production overhead costs (including depreciation charges).

Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.21 Trade receivables

Trade receivables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest rate method, less provision for expected credit losses.

For determining the expected credit losses, the Group applies the simplified approach permitted by IFRS 9, which requires lifetime losses to be recognized from initial recognition of the receivables. The Group identified 2 categories of trade

receivables: receivables on private customers and receivables on public sector customers. For each of these categories, the Group makes use of a provision matrix in order to determine lifetime expected credit losses.

In case there is an indication or evidence of impairment for a specific receivable, this receivable will be impaired for the amount of lifetime expected credit losses.

For all receivables that are covered by a credit insurance or by a factoring agreement without recourse, the lifetime expected credit losses will be calculated taking into account this cover.

2.22 Cash and cash equivalents

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.23 Non-current assets (or disposal groups) held for sale and discontinued operations

A discontinued operation is a component of the company that either has been disposed of, or that is classified as held for sale. It must either: represent a major separate line of business or geographical area of operations; be part of a single coordinated disposal plan; or be a subsidiary acquired exclusively with a view to resale.

Intercompany transactions between continuing and discontinued operations are eliminated against continuing operations.

Non-current assets or a disposal group are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Non-current assets and disposal groups are measured at the lower of the carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Impairment losses upon initial classification as held for sale are recognized in the income statement. Non-current assets classified as held for sale are neither depreciated nor amortized.

2.24 Share capital

2.24.1 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. The Company did not issue any preference or mandatory redeemable preference shares.

2.24.2 Treasury shares

When any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including attributable direct costs (net of income taxes) is deducted from the equity attributable to the Company's equity holders until the shares are cancelled or sold. Where such shares are subsequently sold, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.24.3 Hybrid capital

The perpetual subordinated bonds issued by the Company in 2011 meet the conditions of an equity instrument as defined under IAS 32 Financial Instruments: Presentation and therefore, these instruments are accounted for as "Hybrid capital" which is part of the equity of the Group.

The interests on these bonds are reflected as a "dividend" to shareholders in the statement of changes in equity.

2.25 Bonds and borrowings

Bonds, borrowings and overdrafts are initially measured at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Group accounting policy.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.26 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted into ordinary shares at the option of the Issuer. The number of shares to be issued does not vary with changes in their fair value. In the past, due to the existence of the option by the Issuer to redeem in

cash, such convertible bonds were separated into a debt and a derivative component.

Upon initial recognition of the bond, the fair value of the debt component was determined based on the present value of the contractually determined stream of cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option.

Subsequent to initial recognition, the debt component is measured based on its amortized cost, using the effective interest method.

The remainder of the proceeds was allocated to the conversion option and recognized within "other derivatives". Subsequent to initial recognition, the derivative component was measured at fair value, with all gains and losses upon re-measurement being recognized in the income statement.

As a result of the Board's decision in 2010 to revoke UCB's rights related to the cash settlement option, the derivative component was reclassified to equity based on its fair value at the date of revocation. The equity component was reclassified to share premium upon the conversion of the remaining convertible bonds in 2014.

Transaction costs that are directly attributable to the bond offering and incremental, are included in the calculation of the amortized cost, using the effective interest method, and are amortized through the income statement over the life of the instrument.

2.27 Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortized cost using the effective interest method.

2.28 Employee benefits

2.28.1 Pension obligations

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligations to pay further contributions in the event that the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the consolidated income statement when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation less the fair value of plan assets. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

The defined benefit obligation is calculated by independent actuaries using the Projected Unit Credit Method. A full actuarial valuation based on updated personnel information is performed at least every three years. Additionally, if the net fluctuation recognized on the balance sheet is more than 10% from one-year to the next due to plan circumstances (significant membership changes, modification to plan, etc.), a full actuarial valuation is also required. For years where a full actuarial valuation is not required, projections (known as "roll-forwards") from the previous year with updated assumptions (discount rate, salary increase, turnover) is used. For these "roll-forward" valuations, the individual employee data from the last full valuation date are used taking into account assumptions for salary increases and possibly turnover.

All valuations measure liabilities at the applicable balance sheet date and the market value of retirement plan assets are also reported at this date regardless of whether a full or a "roll-forward" valuation is performed.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using yields on high-quality corporate bonds that have maturity dates approximating the terms of the related Group obligations and that are denominated in the same currency in which the benefits are expected to be paid.

Remeasurement comprising of actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognized immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Remeasurement recorded in other comprehensive income is not recycled. However, the entity may transfer those amounts

recognized in other comprehensive income within equity. Past service cost is recognized in profit or loss in the period of plan amendment. Net-interest is calculated by applying the discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- service cost, past-service cost, gains and losses on curtailments and settlements;
- net-interest expense or income;
- remeasurement.

The Group presents the first two components of defined benefit costs in the line item "employee benefits expense" in its consolidated income statement (by nature of expenses aggregation). Net-interest expense or income is presented as part of the Operating profit. Curtailments gains and losses are accounted for as past-service cost. Remeasurements are recorded in other comprehensive income.

2.28.2 Other post-retirement employee benefits

Some Group companies provide post-retirement healthcare benefits to their retirees. The Group's net obligation is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The expected costs of these benefits are accrued over the period of employment using the same methodology used for defined benefit plans.

2.28.3 Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2.28.4 Other long-term employee benefits

The liabilities for jubilee premiums and long service awards are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using yields on high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognized in profit or loss.

2.28.5 Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

2.28.6 Share-based payments

The Group operates several equity-settled and cash-settled share-based compensation plans.

The fair value of the employee services received in exchange for the grant of stock options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the stock options granted, excluding the impact of any service and non-market performance vesting conditions (for example profitability, remaining an employee of the entity over a specified time period).

Service and non-market vesting conditions are included in the assumptions about the number of options that are expected to vest. The total amount expensed is recognized over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied.

The fair value of the stock option plan is measured at the grant date using the Black-Scholes valuation model which takes into account the expected life and cancellation rate of the options. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The fair value of the amount payable to employees in respect of share appreciation rights, phantom share option, share award and performance share plans, which are settled in cash, is recognized as an expense, with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each balance sheet date and at settlement date.

Any changes in the fair value of the liability are recognized as personnel expenses in the income statement.

2.29 Provisions

Provisions are recognized in the balance sheet when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

A restructuring provision is recognized when the Group has a detailed formal plan and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

3 Critical judgements and accounting estimates

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical judgements in applying the group accounting policies

Revenue recognition

The Group is party to out-licensing agreements, which can involve upfront payments, development milestones, sales milestones and royalties that may occur over several years and involve certain future contract liabilities. For all out-licensing agreements whereby a license is transferred with other goods or services, the Group first makes an assessment about whether or not the license is to be considered as a distinct performance obligation or not. If the transfer of the license is considered to be a separate performance obligation, revenue relating to the transfer of the license is recognized at a point in time or over time depending on the nature of the license. Revenues are only recognized over time if the Group is performing development, manufacturing or other activities that could significantly affect the IP transferred, hereby exposing the licensee to the effects of these activities when these activities do not represent a separate service. If the Group assesses that these conditions are not fulfilled, revenue resulting from out-licensing agreements is recognized at the moment control over the license is transferred.

If revenues are recognized over time and in case the input method is assessed as the best method to reflect the transfer of control of the service to the customer, some judgement may be required in applying this method especially in estimating the total costs and hours to be incurred. In this case the Group uses its best estimate based on past experience and actual knowledge and progress of the service to be provided. Estimates are reassessed on a continuous basis. Seen the activities of the Group, in most cases, the input method provides the most faithful depiction of the transfer of the service to the customer.

For licenses that are bundled with other services (e.g. development or manufacturing services) the Group will apply judgment to assess whether the combined performance obligation is satisfied at a point in time or over time. If revenue is recognized over time, the Group will apply judgment in determining the period over which the services are provided. The Group will also apply judgment when allocating the components of the transaction price to the different performance obligations in case the out-licensing agreement includes other performance obligations in addition to the transfer of the license.

Revenue recognition for out-licensing agreements is therefore based on the specific conditions of each out-licensing agreement. This might result in cash receipts being initially recognized as contract liabilities and then released to revenue in subsequent accounting periods based on the different conditions specified in the agreement.

Discontinued operations

Operations that are classified as held for sale or have been disposed of, are presented as discontinued operations in the consolidated income statement when the operations represent a major separate line of business or geographical area of operations, are part of a single coordinated disposal plan or represent a subsidiary acquired exclusively with a view to resale. The assessment on what is a major separate line of business is done on a case by case basis and depends on the

size of the operations in terms of revenues, gross profit or total value of assets and liabilities compared to the total operations of the Group.

Leases

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension or termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment. During the current financial year, there was no material financial effect of revising lease terms to reflect the effect of exercising extension or termination options.

3.2 Critical accounting estimates and assumptions

The preparation of the financial statements in conformity with IFRS as adopted for use by the European Union requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Management bases its estimates on historical experience and various other assumptions that are reasonable under the circumstances, the results of which form the basis for making the reported amounts of revenue and expenses that may not be readily apparent from other sources. Actual results will by definition not equal those estimates. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary.

3.2.1 Sales allowances

The Group has accruals for expected sales returns, chargebacks and other rebates, including the U.S. Medicaid Drug Rebate program and the U.S. Federal Medicare program, and similar rebates in other countries. Such estimates are based on analyzes of existing contractual obligations or legislation, historical trends and the Group experience. After assessment of the Management, the total accruals for these items are adequate, based upon currently available information and interpretation of relevant regulations. As these deductions are based on management estimates, the actual deductions might differ from these estimates.

Such differences could impact the accruals recognized in the balance sheet in future periods and consequently the level of sales recognized in the income statement in future period, as there is often a time lag of several months between the recording of the estimate and the final accounting of the sales allowances. In general, the discounts, rebates and other deductions shown on the invoice are accounted for as an immediate deduction from gross sales in the income statement. The sales returns, chargebacks, rebates and discounts that are not mentioned on the invoice are estimated, deducted from sales and presented on the balance sheet in the appropriate accrual account and deducted from sales.

All sales allowances are considered as being part of the variable consideration included in the transaction price. The amount of variable consideration included in the transaction price is determined so that the total transaction price is the price estimated by management as not being constrained.

3.2.2 Intangible assets and goodwill

The Group has intangible assets with a carrying amount of € 839 million (Note 19) and goodwill with a carrying amount of € 5 059 million (Note 20). Intangible assets are amortized over their useful lives on a straight-line basis as from the moment they are available for use (*i.e.* when related products are launched for sale).

Management estimates that the useful life for acquired in-progress R&D compounds equates to the period these compounds benefit from patent protection or data exclusivity. For the intangible assets acquired through a business combination and which comprises compounds that are marketed but for which no patent protection or data exclusivity exists, management estimates that the useful life equates to the period in which these compounds will realize substantially all the cash contributions.

These intangible assets and goodwill are regularly reviewed for impairment and whenever there is an indication that an impairment might exist. The intangible assets that are not yet available for use and goodwill are subject to at least annual impairment testing.

To assess if there is any impairment, estimates are made of the future cash flows expected to result from the use of these assets and their eventual disposal. These estimated cash flows are then adjusted to the present value using an appropriate discount rate that reflects the risks and uncertainties associated with the forecasted cash flows.

Actual outcomes could vary significantly from such estimates of discounted future cash flows. Factors such as the entrance or absence of competition, technical obsolescence or lower than expected rights could result in shortened useful lives and impairments.

The Group applied the following key assumptions for the "value in use" calculations required for the impairment testing of intangible assets and goodwill at year-end:

- growth rate for terminal value 3.0%
- discount rate in respect of goodwill and Intangibles related to marketed products 6.54%
- discount rate in respect of Intangibles related to pipeline products 6.54%

Since the cash flows also take into account tax expenses, a post-tax discount rate is used in the impairment testing.

Management estimates that the use of the post-tax discount rate approximates the results of using a pre-tax rate applied to pre-tax cash flows.

3.2.3 Environmental provisions

The Group has provisions for environmental remediation costs, which are disclosed in Note 33. The most significant elements of the environmental provisions consist of costs to fully clean and refurbish contaminated sites and to treat contamination at certain other sites, mainly related to the discontinued chemical and films activities of the Group.

Future remediation expenses are affected by a number of uncertainties that include, amongst others, the detection of previously unknown contaminated sites, the method and extent of remediation, the percentage of waste attributable to the Group, and the financial capabilities of the other potentially responsible parties. Given the inherent difficulties in estimating the liabilities in this area, it cannot be guaranteed that additional costs will not be incurred beyond the amounts currently accrued. The effect of resolution of environmental matters on results of operations cannot be predicted due to uncertainty concerning both the amount and timing of future expenditures and the results of future operations. Such changes that arise could impact the provisions recognized in the balance sheet in the future.

3.2.4 Employee benefits

The Group currently has many defined benefit plans, which are disclosed in Note 32. The calculation of the assets or liabilities related to these plans is based upon statistical and actuarial assumptions. This is in particular the case for the present value of the defined benefit obligation which is impacted by assumptions on discount rates used to arrive at the present value of future pension liabilities, and assumptions on future increases in salaries and benefits.

Furthermore, the Group uses statistically-based assumptions covering areas such as future withdrawals of participants from the plans and estimates of life expectancy. The actuarial assumptions used might differ materially from actual results due to changes in market and economic conditions, higher or lower employee turnover, longer or shorter life spans of participants, and other changes in the factors being assessed.

These differences could impact the assets or liabilities recognized in the balance sheet in future periods.

3.2.5 Tax positions

The Group operates in multiple jurisdictions with often complex legal and tax regulatory environments. The income tax positions taken are considered by the Group to be supportable and are intended to withstand challenge from tax authorities. However, it is acknowledged that some of the positions are uncertain and include interpretations of complex tax laws as well as transfer pricing considerations which could be disputed by tax authorities. The Group judges these positions on their technical merits and this on a regular basis using all the information available (legislation, case law, regulations, established practice, authoritative doctrine as well as the current state of discussions with tax authorities, where appropriate).

A liability is recorded for each item that is not probable of being sustained on examination by the tax authorities and after using all legal remedies of defending the position before Court, based on all relevant information. The liability is calculated taking into account the most likely outcome or the expected value, depending on which is thought to give a better prediction of the resolution of each uncertain tax position in view of reflecting the likelihood of an adjustment being recognized upon examination. These estimates are based on facts and circumstances existing at the end of the reporting period. The tax liability and income tax expense include expected penalties and late payment interests arising from tax disputes.

An asset for tax audit adjustments is recorded when the Group considers it probable, based on the technical merits of the tax case, that a Mutual Agreement or Arbitration Procedure may provide for relief in one or more jurisdictions. The asset is calculated as the expected value of the recoverability in corporate income taxes in the concerning jurisdiction upon completion of the Mutual Agreement or Arbitration procedure.

The Group has recognized net deferred tax assets of € 822 million (Note 31). The recognition of deferred tax assets is based upon whether it is probable that sufficient taxable profits will be available in the future against which the reversal of temporary differences can be used. Where the temporary differences relate to losses, the availability of the losses to offset against forecast taxable profits is also considered.

Significant items on which management has exercised judgement include recognition on the balance sheet of deferred tax assets relating to losses in jurisdictions where losses have been made in prior periods but where profits now arise or are forecast to do so for the foreseeable future. Management has used its best estimate of the correct value of asset to recognize in such cases, which includes a judgement on the length of the future time period to use in such assessments. These judgments are made on a case by case basis taking into account the origin and nature of the expected revenues on an entity-by-entity basis, but this time period in most cases does not exceed five years.

Differences in forecasted taxable profits and actual profitability or a downgrade in future forecasted taxable profits could impact the deferred tax assets recognized in future periods.

No material deferred tax assets are recognized for entities that are currently still lossmaking. Significant items on which the Group has exercised accounting estimation and judgement include also tax liabilities related to audits arising in key jurisdictions. The Group engages constructively with the tax authorities. Where appropriate, we engage advisors and legal counsel to obtain opinions on tax legislation and principles.

4 Financial risk management

The Group is exposed to various financial risks arising from its underlying operations and corporate finance activities.

These financial risks are market risk (including currency risk, interest risk and price risk), credit risk and liquidity risk.

This note presents information about the Group exposure to the above-mentioned risks, the Group policies and processes for managing these risks and Group management of capital. Risk management is carried out by the Group Treasury department under policies approved by the Financial Risk Management Committee (FRMC).

The FRMC has been established and includes the Chief Financial Officer, Chief Accounting Officer and the heads of the Financial Control, Global Internal Audit, Tax, Treasury and Insurance. The FRMC is responsible for:

- reviewing the results of UCB risk assessment;
- approval of the recommended risk management strategies;
- monitoring compliance with the financial market risk management policy;
- approval of policy changes; and
- reporting to the Audit Committee.

The Group financial risk management policies established by the FRMC need to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed by the FRMC on a semi-annual basis to reflect changes in market conditions and the Group's activities.

The FRMC has also identified and assessed the Brexit-related risks that apply to the Group's business and concluded that Brexit should not have a major impact on the Group's operations. In order to avoid delays in supply chain, the inventory level will be slightly increased for UK operations. Other business critical Brexit-related risks have been mitigated.

4.1 Market risk

Market risk is the risk that changes in market prices (foreign exchange rates, interest rates and equity prices) will affect the Group income statement or the value of its assets and liabilities. The objective of market risk management is to manage and control market risk exposures. The Group enters into derivative financial instruments and also incurs financial liabilities or holds financial assets in order to manage market risk. Where possible, the Group seeks to apply hedge accounting in order to manage volatility in the income statement. It is the Group policy and practice not to enter into derivative transactions for speculative purposes.

4.1.1 Foreign exchange risk

The Group operates across the world and is exposed to movements in foreign currencies affecting its net income and financial position, as expressed in euro. The Group actively monitors its currency exposures, and when appropriate, enters into transactions with the aim of preserving the value of existing assets and liabilities, as well as anticipated transactions. The Group uses forward contracts, foreign exchange options and cross-currency swaps to hedge certain committed and anticipated foreign exchange flows and financing transactions.

The instruments purchased to hedge transactional exposure are primarily denominated in U.S. dollar, GB pound, Japanese yen and Swiss franc, the currencies where the Group has its most important exposures. The Group's financial risk management policy is to hedge for the impact from the translation of foreign currency assets and liabilities into the

functional currency of the relevant group subsidiaries, as well as the impact of currency fluctuations on the Group's anticipated net foreign currency cash flows for a period of minimum 6 and maximum 26 months.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

The effect of translational exposure arising from the consolidation of the foreign currency denominated financial statements of the Group foreign subsidiaries as well as from assimilated net foreign investment positions and net investment hedges is shown as a cumulative translation adjustment in the Group consolidated statement of changes in equity.

4.1.2 Effect of currency fluctuations

At 31 December 2019, if the euro had strengthened or weakened by 10% against the following currencies with all other variables being held constant, the impact on equity and post-tax profit for the year, based on the outstanding currency balances and hedge instruments at that date, would have been as follows:

At 31 December 2019

€ million	Change in rate: strengthening/ weakening (−) EUR	Impact on equity: loss (−)/gain	Impact on income statement: Loss (−)/gain
USD	+10%	−75	−15
	−10%	172	18
GBP	+10%	−45	1
	−10%	56	−1
CHF	+10%	−63	0
	−10%	77	0
JPY	+10%	15	3
	−10%	−18	−4

At 31 December 2018

€ million	Change in rate: strengthening/ weakening (−) EUR	Impact on equity: loss (−)/gain	Impact on income statement: loss (−)/gain
USD	+10%	−119	−16
	−10%	146	19
GBP	+10%	−40	0
	−10%	49	0
CHF	+10%	−58	−1
	−10%	71	1
JPY	+10%	13	0
	−10%	−16	0

4.1.3 Interest rate risk

Changes in interest rates may cause variations in interest income and expenses resulting from interest-bearing assets and liabilities. In addition, they can affect the market value of certain financial assets, liabilities and instruments as described in the following section on market risk of financial assets. The interest rates on the Group's major debt instruments are both fixed and floating, as described in Notes 28 and 29. The Group uses interest rate derivatives to manage its interest rate risk, as described in Note 38.

The Group designates derivative financial instruments (interest rate swaps) as hedging instruments, under fair value hedges, to fixed rate financial assets and liabilities. Both the derivative financial instrument and the hedged item are accounted for at fair value through profit or loss.

In 2019, changes in fair value resulting from interest rate derivatives designated to the floating rate liabilities of the Group have been accounted for through equity under IFRS 9.

4.1.4 Effect of interest rate fluctuations

A 100 basis points increase in interest rates at balance sheet date would have increased equity by € 0 million (2018: € 1 million); a 100 basis points decrease in interest rates would have decreased equity by € 0 million (2018: € 1 million).

A 100 basis points increase or decrease in interest rates at balance sheet date would have no impact on profit and loss (2018: € 0 million).

4.1.5 Other market price risk

Changes in the market value of certain financial assets and derivative financial instruments can affect the income or the financial position of the Group. Financial long-term assets, if any, are held for contractual purposes, and marketable securities, if any, are mainly held for regulatory purposes. The risk of loss in value is managed by reviews prior to investing and continuous monitoring of the performance of investments and changes in their risk profile.

Investments in equities, bonds, debentures and other fixed income instruments are entered into on the basis of guidelines with regard to liquidity and credit rating.

Amounts subject to market price risk are rather immaterial and therefore the impact on equity or the income statement of a reasonable change of this market price risk is assumed to be negligible.

Similar to 2018, during 2019 the Group traded on treasury shares, which were accounted for through equity.

4.2 Credit risk

Credit risk arises from the possibility that the counterparty to a transaction may be unable or unwilling to meet its obligations causing a financial loss to the Group. Trade receivables are subject to a policy of active risk management, which focuses on the assessment of country risk, credit availability, on-going credit evaluation and account monitoring procedures. There are certain concentrations within trade receivables of counterparty credit risk, particularly in the U.S., due to the sales via wholesalers (Note 24).

For some credit exposures in critical countries, such as certain Southern European countries, the Group has obtained credit insurance.

In the U.S. and China, the Group entered into a trade receivable financing agreement that qualifies for derecognition. According to the terms and conditions of the agreement UCB does not retain any non-payment or further late payment risk relating to the transferred trade receivables.

The exposure of other financial assets to credit risk is controlled by setting a policy for limiting credit exposure to high-quality counterparties, regular reviews of credit ratings, and setting defined limits for each individual counterparty. The criteria set by Group Treasury for their investment policy are based on generally considered high-quality long-term credit ratings and 5 years Credit Default Swap rate.

Where appropriate to reduce exposure, netting agreements under an ISDA (International Swaps and Derivatives Association) master agreement are signed with the respective counterparties. The maximum exposure to credit risk resulting from financial activities, without considering netting agreements, is equal to the carrying amount of financial assets plus the positive fair value of derivative instruments.

4.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal circumstances without incurring unacceptable losses or risking damage to the Group reputation.

The Group maintains sufficient reserves of cash and readily realizable marketable securities to meet its liquidity requirements at all times. In addition, the Group has certain unutilized revolving committed facilities at its disposal.

At the balance sheet date, the Group had the following sources of liquidity available:

- cash and cash equivalents (Note 25): € 1 293 million (2018: € 1 262 million)
- unutilized credit facilities and undrawn available amount under finance contract (Note 28): € 55 million (2018: € 64 million), linear digressive since 2016 until 2025
- unutilized revolving credit facilities (Note 28): € 1 billion (2018: € 1 billion): the existing syndicated committed revolving credit facility of the Group, maturing in 2025 was undrawn per end 2019

The table below analyzes the contractual maturities of the Group financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date, excluding the impact of netting. The amounts mentioned below with respect to the financial derivatives are indicative of the contractual undiscounted cash flows.

At 31 December 2019

€ million	Note	Total	Contractual cash flow	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank Borrowings and other long-term loans	28	31	31	17	14	0	0
Debentures and other short-term loans	28	0	0	0	0	0	0
Lease liabilities	28	99	106	35	23	27	21
Retail bond maturing in 2023	29	189	212	9	9	194	0
Institutional Eurobond maturing in 2022	29	352	371	7	7	357	0
Institutional Eurobond maturing in 2021	29	355	378	14	364	0	0
Retail bond maturing in 2020	29	250	259	259	0	0	0
EMTN notes maturing in 2019	29	0	0	0	0	0	0
Trade and other liabilities	34	1 888	1 888	1 856	9	10	13
Bank overdrafts	28	5	5	5	0	0	0
Interest rate swaps		38	38	15	12	11	0
Forward exchange contracts and other derivative financial instruments used for hedging purposes							
Outflow		3 919	3 919	3 919	0	0	0
Inflow		3 876	3 876	3 876	0	0	0
Forward exchange contracts and other derivative financial instruments at fair value through profit and loss							
Outflow		1 236	1 236	1 236	0	0	0
Inflow		1 236	1 236	1 236	0	0	0

At 31 December 2018

€ million	Note	Total	Contractual cash flow	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank Borrowings and other long-term loans	28	146	146	11	121	14	0
Debentures and other short-term loans	28	0	0	0	0	0	0
Lease liabilities	28	101	105	38	29	32	6
Retail bond maturing in 2023	29	188	221	9	9	203	0
Institutional Eurobond maturing in 2022	29	351	377	7	7	363	0
Institutional Eurobond maturing in 2021	29	361	392	14	14	364	0
Retail bond maturing in 2020	29	252	268	9	259	0	0
EMTN notes maturing in 2019	29	75	77	77	0	0	0
Trade and other liabilities	34	1 812	1 812	1 786	8	17	1
Bank overdrafts	28	25	25	25	0	0	0
Interest rate swaps		51	51	15	14	22	0
Forward exchange contracts and other derivative financial instruments used for hedging purposes							
Outflow		3 120	3 120	3 120	0	0	0
Inflow		3 006	3 006	3 006	0	0	0
Forward exchange contracts and other derivative financial instruments at fair value through profit and loss							
Outflow		399	399	399	0	0	0
Inflow		399	399	399	0	0	0

4.4 Capital risk management

The Group policy with respect to managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to patients and to reduce the Group external debt further, in order to obtain a capital structure that is consistent with others in the industry.

€ million	2019	2018
Total borrowings (Note 28)	135	272
Bonds (Note 29)	1 146	1 227
Less: cash and cash equivalents (Note 25), available for sale debt securities (Note 22) and cash collateral related to the financial lease obligation	−1 293	−1 262
Net financial debt/cash (−)	−12	237
Total equity	7 009	6 255
Total financial capital	6 997	6 492
Gearing ratio	**N/A**	**4%**

4.5 Fair value estimation

The fair value of financial instruments traded in active markets (such as financial assets at fair value through OCI) is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined by using established valuation techniques such as option pricing models and estimated discounted values of cash flows. The Group uses a variety of methods and makes assumptions that are based on market conditions and the credit and the non-performance risks existing at each balance sheet date.

Quoted market prices are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of the interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of the forward exchange contract is determined using discounted value of the exchanged amounts in currencies, converted at the prevailing spot rate at the balance sheet date.

The carrying amount less impairment provision of trade receivables and trade payables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rates that is available to the Group for similar financial instruments.

4.5.1 Fair value hierarchy

IFRS 7 requires disclosure of fair value measurements by level of the following hierarchy:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

All fair value measurements disclosed are recurring.

4.5.2 Financial assets measured at fair value

31 December 2019 € million	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVOCI (Note 22)				
Quoted equity securities	106	0	0	106
Quoted debt securities	0	0	0	0
Derivative financial assets (Note 38)				
Forward foreign exchange contracts – cash flow hedges	0	9	0	9
Forward exchange contracts – fair value through profit and loss	0	13	0	13
Foreign exchange options – net investment hedges	0	2	0	2
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	26	0	26

31 December 2018 € million	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVOCI (Note 22)				
Quoted equity securities	69	0	0	69
Quoted debt securities	0	0	0	0
Derivative financial assets (Note 38)				
Forward foreign exchange contracts – cash flow hedges	0	4	0	4
Forward exchange contracts – fair value through profit and loss	0	7	0	7
Interest rate derivatives – cash flow hedges	0	1	0	1
Interest rate derivatives – fair value through profit and loss	0	37	0	37

4.5.3 Financial liabilities measured at fair value

31 December 2019 € million	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial assets (Note 38)				
Forward foreign exchange contracts – cash flow hedges	0	30	0	30
Forward exchange contracts – fair value through profit and loss	0	11	0	11
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	1	0	1
Other financial liabilities excluding derivatives (Note 30)				
Warrants	0	0	29	29

31 December 2018 € million	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial assets (Note 38)				
Forward foreign exchange contracts – cash flow hedges	0	97	0	97
Forward exchange contracts – fair value through profit and loss	0	10	0	10
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	3	0	3
Other financial liabilities excluding derivatives (Note 30)				
Warrants	0	0	55	55

During the reporting period ending 31 December 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Fair value measurements categorized within Level 2 of the fair value hierarchy are calculated using either the “Discounted cash flow” or the “Black-Scholes” method (for FX options only) and market data publicly available.

The fair value of the warrants issued by a subsidiary is determined using a discounted net present value model of the probabilized cash outflows. There has not been any change in valuation technique compared to last year. The valuation is prepared by the Finance Team on a monthly basis and reviewed by the Executive Committee. The value of the warrants is based on the profitability of the subsidiary and the key assumptions used in the valuation model include unobservable inputs for forecasted net sales, milestone events and discount rate. The discount rate used amounts to 8.2%. An increase/decrease in net sales of 10% or in the discount rate with 1% would not have an impact on the fair value of the warrants (2018: 0%). The change in fair value, recognized in profit and loss, amounts to € 4 million (2018 € 6 million) and is accounted for in other financial expenses (Note 16).

The following table presents the changes in Level 3 instruments:

€ million	Warrants	Total
1 January 2018	**76**	**76**
Cash purchase of additional warrants	0	0
Cash settlement of warrants	−30	−30
Effect of changes in fair value recognized in profit and loss	6	6
Effect of movements in exchange rates	3	3
31 December 2018	**55**	**55**
Cash purchase of additional warrants	0	0
Cash settlement of warrants	−31	−31
Effect of changes in fair value recognized in profit and loss	4	4
Effect of movements in exchange rates	2	2
31 December 2019	**29**	**29**

4.6 Offsetting financial assets and financial liabilities

While the Group has amounts subject to an enforceable master netting arrangement or similar agreements, financial assets and financial liabilities are reported gross on the statement of financial position as the requirements are not met to report them net. The reconciliations below depict the amounts subject to an enforceable master netting arrangement or similar agreement that have not been netted on the statement of financial position.

The tables below show financial assets and liabilities subject to enforceable master netting arrangements:

31 December 2019

€ million	Gross financial assets in the statement of financial position	Related amounts not set off in the statement of financial position		Net amounts
		Financial instruments	Cash collateral received	
Derivatives	50	18	0	32
Other	0	0	0	0
Total	**50**	**18**	**0**	**32**

31 December 2019

€ million	Gross financial liabilities in the statement of financial position	Related amounts not set off in the statement of financial position		Net amounts
		Financial instruments	Cash collateral received	
Derivatives	42	18	0	24
Other	0	0	0	0
Total	**42**	**18**	**0**	**24**

ISDA master agreements (International Swaps and Derivatives Association) have been signed with the respective counterparties allowing offsetting of financial assets and liabilities. This is applicable to the fair value settlement in case of default, but it is not applicable at the closing date 31 December 2019.

The tables below show financial assets and liabilities subject to enforceable master netting arrangements:

31 December 2018				
		Related amounts not set off in the statement of financial position		
€ million	Gross financial assets in the statement of financial position	Financial instruments	Cash collateral received	Net amounts
Derivatives	49	27	0	22
Other	0	0	0	0
Total	**49**	**27**	**0**	**22**

31 December 2018				
		Related amounts not set off in the statement of financial position		
€ million	Gross financial liabilities in the statement of financial position	Financial instruments	Cash collateral received	Net amounts
Derivatives	110	27	0	83
Other	0	0	0	0
Total	**110**	**27**	**0**	**83**

5 Segment reporting

The Group's activities are in one segment, Biopharmaceuticals.

There are no other significant classes of business, either singularly or in aggregate. The Chief Operating Decision Makers, that being the Executive Committee, review the operating results and operating plans, and make resource allocation decisions on a company-wide basis, therefore UCB operates as one segment.

Enterprise-wide disclosures about product sales, geographic areas and revenues from major customers are presented below.

5.1 Product sales information

Net Sales consist of the following:

€ million	2019	2018
Cimzia®	1 712	1 446
Vimpat®	1 322	1 099
Keppra® (including Keppra® XR)	770	790
Neupro®	319	321
Briviact®	221	142
Xyzal®	101	90
Zyrtec® (including Zyrtec-D®/Cirrus®)	89	101
Other products	250	323
Designated hedges reclassified to net sales	−104	100
Total net sales	**4 680**	**4 412**

5.2 Geographic information

The table below shows net sales in each geographic market in which customers are located:

€ million	2019	2018
U.S.	2 546	2 158
Japan	368	305
Germany	333	334
Europe – other (excluding Belgium)	332	331
Spain	189	179
France (including French territories)	171	163
Italy	150	149
China	139	151
U.K. and Ireland	115	131
Belgium	42	39
Other countries	399	372
Designated hedges reclassified to net sales	−104	100
Total net sales	**4 680**	**4 412**

The table below illustrates the property, plant and equipment in each geographic market in which the assets are located:

€ million	2019	2018
Belgium	337	296
Switzerland	283	295
U.K. and Ireland	65	68
U.S.	57	54
Japan	26	30
China	22	24
Germany	21	4
Other countries	29	34
Total	**840**	**805**

5.3 Information about major customers

UCB has 1 customer which individually accounts for more than 17% of the total net sales at the end of 2019.

In the U.S., sales to 3 wholesalers accounted for approximately 76% of U.S. sales (2018: 75%).

6 Revenue from contracts with customers

The Group has recognized the following amounts relating to revenue in the consolidated income statement:

€ million	2019	2018
Revenue from contracts with customers	4 895	4 603
Revenue from agreements whereby risks and rewards are shared	18	29
Total revenue	**4 913**	**4 632**

6.1 Disaggregation of revenue from contracts with customers

	Actual		Timing of revenue recognition			
			2019		2018	
€ million	2019	2018	At a point in time	Over time	At a point in time	Over time
Net sales U.S.	**2 546**	**2 158**	**2 546**	**0**	**2 158**	**0**
Cimzia®	1 088	896	1 088	0	896	0
Vimpat®	1 001	822	1 001	0	822	0
Keppra®	189	221	189	0	221	0
Briviact®	170	109	170	0	109	0
Neupro®	97	101	97	0	101	0
Established brands/Other products	1	9	1	0	9	0
Net sales Europe	**1 332**	**1 325**	**1 332**	**0**	**1 325**	**0**
Cimzia®	429	400	429	0	400	0
Keppra®	196	216	196	0	216	0
Vimpat®	236	206	236	0	206	0
Neupro®	170	174	170	0	174	0
Briviact®	45	29	45	0	29	0
Established brands/Other products	256	300	256	0	300	0
Net sales international markets	**906**	**829**	**906**	**0**	**829**	**0**
Keppra®	385	352	385	0	352	0
Cimzia®	194	150	194	0	150	0
Vimpat®	86	70	86	0	70	0
Neupro®	52	46	52	0	46	0
Briviact®	6	4	6	0	4	0
Established brands/Other products	183	207	183	0	207	0
Net sales before hedging	**4 784**	**4 312**	**4 784**	**0**	**4 312**	**0**
Designated hedges reclassified to net sales	−104	100	−104	0	100	0
Total net sales	**4 680**	**4 412**	**4 680**	**0**	**4 412**	**0**
Royalty income and fees	**78**	**92**	**78**	**0**	**92**	**0**
Contract manufacturing revenues	109	83	109	0	83	0
Income from licensing deals (upfront payments, development milestones, sales milestones)	24	12	11	13	2	10
Revenue resulting from services & other deliveries	4	4	3	1	1	3
Total other revenue	**137**	**99**	**123**	**14**	**86**	**13**
Total revenue from contracts with customers	**4 895**	**4 603**	**4 881**	**14**	**4 590**	**13**

6.2 Contract assets and liabilities

The group has recognized the following revenue-related contract liabilities:

€ million	Note	2019	2018
Contract liabilities resulting from out-licensing agreements			
Non-current	34	2	6
Current	34	7	16
Total revenue-related contract liabilities		**9**	**22**

The Group does not have any revenue-related contract assets.

Revenue-related contract liabilities relate to unsatisfied performance obligations resulting from out-licensing agreements with Otsuka, Daiichi, GSK and Pfizer (see below). These liabilities have decreased because of the recognition of revenue during the year resulting from performance obligations that were satisfied in 2019.

The following table shows how much of the revenue recognized in the current reporting period was included in the contract liability balance at the beginning of the period and how much relates to performance obligations that were satisfied in previous periods.

€ million	2019	2018
Revenue recognized that was included in the contract liability balance at the beginning of the period	**13**	**9**
Revenue resulting from out-licensing agreements	13	9
Revenue recognized that relates to performance obligations that were satisfied in a prior year	**107**	**196**
Product sales	20	104
Revenue resulting from out-licensing agreements	87	92

The following table shows unsatisfied performance obligations resulting from out-licensing agreements:

€ million	Note	2019	2018
Aggregate amount of the transaction price allocated to development agreements that are partially or fully unsatisfied as at 31 December	34	3	12
Upfront payments received for out-licensing agreements to be taken in revenue as performance obligations are satisfied over time	34	6	10
Unsatisfied performance obligations resulting from out-licensing agreements		**9**	**22**

Management expects that 62% of the transaction price allocated to the unsatisfied development agreements as of 31 December 2019 will be recognized as revenue during the next reporting period. The remaining 38% will be recognized in financial years 2021 till 2026. The amount disclosed above does not include variable consideration which is constrained. The performance obligations still to be satisfied concern development activities to be performed over the next years (€ 3 million) as well as providing access to IP rights owned by the Group (€ 6 million).

All other development, manufacturing or other service agreements are for periods of one-year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied agreements is not disclosed.

No assets are recognized from costs to fulfill a contract.

7 Business combination

7.1 Acquisition of Element Genomics Inc.

On 30 March 2018, UCB acquired Element Genomics Inc. Element Genomics Inc. is a small-size biotech spin-off from Duke University with cutting-edge expertise in the area of functional genomics. The Company that was originally incorporated on 13 August 2015, is driven by a team of 12 scientists based in downtown Durham, North Carolina, in the U.S. Element's proven technologies and expertise will enhance UCB's own research capabilities thereby bringing more value to UCB's early pipeline. At the core of the Element Genomics platform is a suite of methods to improve the understanding of genome structure and function. This includes 'CRISPR editing technologies' which can be used to analyze how mutations affect key pathways and disease as well as investigate and modulate regulatory elements, chromatin structure, and epigenetics to determine effects on gene expression and disease.

UCB acquired 100% of the issued and outstanding shares of Element Genomics Inc. for a total consideration of € 24 million of which € 10 million is contingent on future milestones. The fair value of the contingent consideration is estimated at € 9 million. The estimate takes into account the assumed likelihood and timing of achieving the arrangement's milestones. No changes were necessary to this estimate since acquisition date. The liability is presented within non-current 'Trade and other liabilities'. Upon acquisition, an amount of € 6 million was paid by UCB to the holders of a convertible note. As this reimbursement was triggered by a change-in-control clause as foreseen in the terms of the convertible note agreement when the notes were issued by Element Genomics Inc. in 2016, this payment is not considered as being part of the consideration transferred to the sellers in exchange for control of Element in accordance with the provisions in IFRS 3 Business combinations.

UCB has finalized the purchase price allocation. The table below shows the final amounts for the net assets acquired and goodwill. The goodwill is attributable to expected synergies with UCB's biotech research activities as well as skilled workforce. Goodwill is not expected to be tax deductible. Adjustments due to the purchase price allocation mainly relate to identification of intangible assets such as the technology platform, research knowledge, standard operating procedures, existing IP projects as well as deferred tax assets resulting from tax losses carried forward by Element. No material receivables were acquired as part of the business combination. No contingent liabilities have been identified. No material acquisition related costs have been recorded in the period ending 31 December 2019.

€ million	Initial opening balance sheet	Adjustments due to initial purchase price allocation	Adjusted opening balance sheet
Total acquisition value	**17**	**0**	**17**
Cash consideration paid	13		13
Amount paid to holders of convertible note	−6		−6
Closing indemnity hold back amount	1		1
Contingent consideration	9		9
Recognized amounts of identifiable assets acquired and liabilities assumed	**6**	**−1**	**5**
Non-current assets		−1	−1
Current assets	−1		−1
Non-current liabilities			0
Current liabilities	1		1
Convertible note	6		6
Goodwill	**23**	**−1**	**22**

7.2 Investment in innovative technologies to treat neurodegenerative diseases

On October 4, 2019, UCB signed an option agreement for an investment in neurological diseases.

Although the option has not been exercised yet, UCB has assessed, based upon the guidance in IFRS 10, that it has control over the investment from the date of entering the option agreement through its potential voting rights. Therefore, the investment accounts have been consolidated in UCB's consolidated financial statements as from the date of signing the option agreement.

The total consideration in case the option will be exercised by UCB, amounts to € 20 million of which € 18 million is contingent on future milestones. The fair value of the contingent consideration is estimated at € 12 million. The estimate takes into account the assumed likelihood and timing of achieving the arrangement's milestones. No changes were necessary to this estimate since investment date. The total liability is presented within Non-current 'Trade and other liabilities' for an amount of € 11 million and within Current 'Trade and other liabilities' for an amount of € 3 million. UCB has finalized the purchase price allocation. The table below shows the final amount for the goodwill acquired. The goodwill is attributable to expected synergies with UCB's biotech research activities as well as skilled workforce. Goodwill is not expected to be tax deductible. No other assets or (contingent) liabilities were identified. Investment related costs for an amount of € 1 million were recorded in the period ending 31 December 2019.

€ million	Initial opening balance sheet	Adjustments due to purchase price allocation	Adjusted opening balance sheet
Total investment value	**14**	**0**	**14**
Cash consideration to be paid	2		2
Contingent consideration	12		12
Recognized amounts of identifiable assets and liabilities	**0**	**0**	**0**
Goodwill	**14**	**0**	**14**

8 Discontinued operations and assets and liabilities of disposal group classified as held for sale

8.1 Discontinued operations

On 2 September 2015, UCB concluded an agreement with Lannett Company, Inc. ("Lannett") for the sale of its U.S. specialty generics subsidiary, Kremers Urban Pharmaceuticals Inc. ("KU"). The sale was closed on 25 November 2015.

The profit from discontinued operations of € 2 million for 2019 mainly relates to profit resulting from the sale of KU. The profit from discontinued operations of € 8 million for 2018 includes a € 9 million profit relating to the sale of KU as well as additional costs for an environmental provision related to the legacy films and chemical activities for € 1 million.

The cash flows from discontinued operations have been separately disclosed in the cash flow statement. In 2019 there was a total cash outflow of € 11 million, partly related to the settlement of a claim relating to activities of KU (€ 8 million) and partly to payments for environmental remediation related to the legacy films and chemical activities (€ 3 million).

8.2 Assets and liabilities of disposal group classified as held for sale

Assets and liabilities of disposal group classified as held for sale as per 31 December 2019 mainly relate to the divestment of non-core established brand products. As per year-end, divestment negotiations were ongoing. No impairment loss has been accounted for on the assets. Assets consist mainly of intellectual property rights and inventory. Liabilities relate to deferred tax liabilities.

Assets of disposal group classified as held for sale as per 31 December 2018 mainly related to the Monheim site in Germany (€ 16 million).

Detail of assets and liabilities of disposal group classified as held for sale as per 31 December 2019 and 2018:

€ million	2019	2018
Intangible assets	35	0
Property, plant and equipment	0	16
Inventories	15	4
Assets classified as held for sale	**50**	**20**
Deferred income tax liabilities	9	0
Liabilities associated with assets classified as held for sale	**9**	**0**
Net assets classified as held for sale	**41**	**20**

9 Other revenues

€ million	2019	2018
Revenue generated by means of profit-sharing agreements	0	11
Upfront payments, milestone payments and reimbursements	46	34
Contract manufacturing revenues	109	83
Total other revenue	**155**	**128**

During 2019, UCB received milestone payments and reimbursements from different parties, mainly:

- Otsuka for co-development of E Keppra® and Neupro® in Japan;
- Daiichi Sankyo for Vimpat® in Japan;
- Astellas for Cimzia® in Japan;
- Biogen for co-development of antibody *dapirolizumab pegol*.

The revenue from contract manufacturing activities is mainly linked to the entering into toll manufacturing agreements after divestiture of established brands.

In 2018, the revenue generated through profit-sharing agreements relates mainly to revenue from the co-promotion of Dafiro®. This was related to the business of "Innere Medizin" which was divested in 2018.

10 Operating expenses by nature

The table below illustrates certain items of expense recognized in the income statement using a classification based on their nature within the Group:

€ million	Note	2019	2018
Employee benefit expenses	11	1 293	1 180
Depreciation of property, plant and equipment	21	123	117
Amortization of intangible assets	19	190	170
Impairment of non-financial assets (net)	13	2	0
Total		**1 608**	**1 467**

11 Employee benefit expense

€ million	Note	2019	2018
Wages and salaries		862	807
Social security costs		124	123
Post-employment benefits – defined benefit plans	32	60	61
Post-employment benefits – defined contribution plans		48	18
Share-based payments to employees and directors	27	69	65
Insurance		71	51
Other employee benefits		59	55
Total employee benefit expense		**1 293**	**1 180**

The total employee benefit expense has been allocated along functional lines within the income statement.

Other employee benefits consist mainly of termination benefits, severance payments, and other long-term/short-term disability benefits.

Headcount at 31 December	2019	2018
Hourly Paid	0	0
Monthly Paid	2 891	3 024
Management	4 715	4 471
Total	**7 606**	**7 495**

Further information regarding post-employment benefits and share-based payments can be found in Notes 27 and 32.

12 Other operating income/expenses

€ million	2019	2018
Provisions	15	−19
Impairment trade receivable	−4	−4
Gain/Loss (−) on disposal of non-current assets	7	−7
Reimbursement by third parties for development expenses	4	1
Grants received	15	15
Collaboration agreement for the development and commercialization of Evenity®	8	−10
Other income/expenses (−)	3	0
Total other operating income/expenses (−)	**48**	**−24**

The result of the collaboration agreement with Amgen for the development and commercialization of Evenity® amounted to € 8 million income (compared to € −10 million expenses in 2018). All recharges of development and commercialization expenses to/from Amgen are classified as other operating income/expenses. The equivalent total net recharges as per 31 December 2019 consisted of € 14 million marketing and selling income (€ 2 million in 2018) and € −6 million development expenses (€ −12 million in 2018).

The provisions are mainly related to VAT risks and grant recoverability risks.

13 Impairment of non-financial assets

A review of the recoverable amounts of the Group's assets resulted in the recognition of impairment charges amounting to € 2 million (2018: € 0 million), relating to the micro RNA targeting platform acquired from Beryllium LLC.

No impairment charges for Group property, plant and equipment were recognized in 2019 (2018: € 0 million).

No reasonably possible change in a key assumption on which management has based its determination of the assets recoverable amounts would cause the assets carrying amount to exceed its recoverable amount.

14 Restructuring expenses

The restructuring expenses for the year ended 31 December 2019 amount to € 47 million (2018: € 20 million) and are related to new organization models and business discontinuation.

15 Other income/expenses

Total other income/expenses amounted to an expense of € 1 million (2018: income of € 24 million) and is comprised of the following items:

- Gain on disposal: € 41 million in 2019 and is related to the divestment of Niferex® (iron supplement) franchise in China (€ 47 million in 2018 related to the sale of Innere Medizin and non-core Established Brand products)
- Other expenses: € 42 million in 2019, relate mainly to Distilbène provision and intellectual property fees (2018: € 59 million and mainly relate to intellectual property fees and Distilbène provision)
- In 2018 other income of € 36 was recognized related to the recognition of the cumulative amount of exchange differences for legal entities liquidated in 2018. These exchange differences were previously carried forward in other comprehensive income.

16 Financial income and financial expenses

The net financial expenses for the year amounted to € 107 million (2018: € 93 million). The breakdown of the financial expenses and financial income is as follows:

€ million	2019	2018
Interest expenses on:		
Retail bonds	−25	−25
Institutional Eurobonds	−17	−17
Other borrowings	−15	−17
Financial charges on leases	−3	−3
Net fair value losses on foreign exchange derivatives	0	−3
Net foreign exchange losses	−59	−38
Net other financial income/expenses (−)	−6	−6
Total financial expenses	**−125**	**−109**

€ million	2019	2018
Interest income on:		
Bank deposits	1	1
Interest rate derivatives	16	15
Net fair value gain on foreign exchange derivatives	1	0
Total financial income	**18**	**16**

The net other financial income/expenses include € 4 million expenses related to the changes in fair value of the warrants linked to the structured entity Edev Sàrl (€ –6 million in 2018) (Note 4.5.3.).

17 Income tax expense (–)/credit

€ million	2019	2018
Current income taxes	−225	−145
Deferred income taxes	80	−55
Total income tax expense (−)/credit	**−146**	**−200**

The Group operates internationally, implying being subject to income taxes in many different tax jurisdictions.

The income tax expense on the Group's profit before tax differ from the theoretical amount that would arise using the weighted average tax rate applicable to profits (losses) of the consolidated companies.

Income taxes recognized in the income statement can be detailed as follows:

€ million	2019	2018
Profit before income taxes	960	1 015
Income tax expense (−) calculated at domestic tax rates applicable in the respective countries	**−210**	**−213**
Theoretical income tax rate	22%	21%
Reported current income tax	−225	−145
Reported deferred income tax	80	−55
Total reported tax charge	**−146**	**−200**
Effective income tax rate	15%	20%
Difference between theoretical and reported tax	**64**	**13**
Expenses non-deductible for tax purposes	−28	−27
Non-taxable income	19	15
Increase (−)/decrease of liabilities for uncertain tax positions	−53	−33
Effect of previously unrecognized tax credits and losses used in the period	3	4
Tax credits	89	73
Variation in tax rates	42	59
Effect of reversal of previously recognized DTA on tax losses	0	0
Current tax adjustments related to prior years	17	6
Deferred tax adjustments related to prior years	6	8
Net effect of previously unrecognized DTA and non-recognition of current year deferred tax assets	−38	−95
Withholding tax	−2	−1
Other taxes	9	4
Total difference between theoretical and reported income tax	**64**	**13**

The theoretical income tax rate remained stable compared to the prior year.

The effective tax rate of 15% is below the prior year effective tax rate and is composed of a current tax charge and a deferred tax credit. The key drivers for the rate can be summarized as follows:

Current Tax:

- The increasing impact of R&D related tax incentives in key jurisdictions.
- An increase of reserves for uncertain tax positions reflecting the tax-technical merits of the positions and the current state of discussions with tax inspectors in key jurisdictions. These reserves are partially offset through further recognition of assets for Mutual Agreement Procedures.
- The impact of certain one-off reorganization transactions in the framework of the legal entity rationalization and centralization of intellectual property.

Deferred Tax:

- In line with prior years, although less pronounced due to the increase of UCB's profitability, there was an increase to the tax rate in respect of tax losses and carry-forward innovation income deduction generated in the period for which no deferred tax asset could be recognized.
- Deferred tax assets linked to U.K., Swiss and Belgian operations needed to be remeasured based on recently enacted changes to the applicable corporate income tax rate.
- Recognition of additional deferred tax assets on R&D tax credits which will be offset against future taxable income.

Factors affecting the tax charge in future years

The Group is aware of many factors that could impact the future effective tax rate of the Group, in particular the profit/losses mix between different territories in which the Group operates, the amount of unrecognized losses and other tax attributes that in future can be recognized as a deferred tax asset on the balance sheet and the outcome of ongoing and future tax audits.

Corporate restructuring, acquisitions, disposals and future planning may also impact the Group's future tax charge.

Changes to tax legislation in jurisdictions where the Group operates as well as the impact of international tax rules such as the European Union's Common Consolidated Corporate Tax Base (CCCTB) and the OECD's initiatives on the tax challenges arising from the digitalization of the economy may also have a major impact.

Next to the EU and OECD developments, the Group is specifically paying attention to the upcoming elections or government negotiations in Belgium and the U.S.

Finally, UCB management is closely following up on the effective Brexit arrangements post leave agreement on 31 January 2020 and any impact this could have from a corporate income tax perspective.

18 Components of other comprehensive income (including NCI)

€ million	1 January 2018	Movements 2018 net of tax	31 December 2018	Movements 2019 net of tax	31 December 2019
Items of OCI to be reclassified to profit or loss in subsequent periods:	**−101**	**−110**	**−211**	**165**	**−45**
Cumulative translation adjustments	−220	66	−154	96	−58
Financial assets at FVOCI	29	−35	−6	14	9
Cash flow hedges	90	−141	−51	55	4
Items of OCI not to be reclassified to profit or loss in subsequent periods:	**−344**	**9**	**−335**	**29**	**−306**
Remeasurement of defined benefit obligation	−344	9	−335	29	−306
Total other comprehensive income attributed to equity holders	**−445**	**−101**	**−546**	**194**	**−351**

19 Intangible assets

2019 € million	Trademarks, patents and licenses	Other	Total
Gross carrying amount at 1 January	**2 737**	**358**	**3 095**
Additions	149	24	173
Disposals	−25	−3	−28
Business Combinations	1	0	1
Transfer from one heading to another	0	17	17
Transfer to Assets Held for Sale	−147	0	−147
Effect of movements in exchange rates	45	1	46
Gross carrying amount at 31 December	**2 760**	**397**	**3 157**
Accumulated amortization and impairment losses at 1 January	**−1 992**	**−233**	**−2 225**
Amortization charge for the year	−155	−35	−190
Disposals	25	1	26
Impairment losses recognized in the income statement	−1	0	−1
Transfer from one heading to another	0	0	0
Transfer to Assets Held for Sale	112	0	112
Effect of movements in exchange rates	−39	−1	−40
Accumulated amortization and impairment losses at 31 December	**−2 050**	**−268**	**−2 318**
Net carrying amount at 31 December	**710**	**129**	**839**

2018 € million	Trademarks, patents and licenses	Other	Total
Gross carrying amount at 1 January	**2 525**	**342**	**2 867**
Additions	194	15	209
Disposals	−4	−16	−20
Business Combinations	0	0	0
Transfer from one heading to another	1	20	21
Divestments	−14	−5	−19
Effect of movements in exchange rates	35	2	37
Gross carrying amount at 31 December	**2 737**	**358**	**3 095**
Accumulated amortization and impairment losses at 1 January	**−1 837**	**−213**	**−2 050**
Amortization charge for the year	−136	−34	−170
Disposals	−2	14	12
Impairment losses recognized in the income statement	0	0	0
Transfer from one heading to another	0	0	0
Divestments	13	2	15
Effect of movements in exchange rates	−30	−2	−32
Accumulated amortization and impairment losses at 31 December	**−1 992**	**−233**	**−2 225**
Net carrying amount at 31 December	**745**	**125**	**870**

The Group amortizes all intangible assets once they are placed in service. The amortization of intangible assets is allocated to cost of sales for all intangible assets that are related to compounds. The amortization charges related to software are allocated to the functions that use this software.

The majority of the Group intangible assets arose from previous acquisitions. During 2019, the Group acquired intangible assets totaling € 173 million (2018: € 209 million). These additions are related to in-licensing deals, software and capitalized eligible development costs, the most significant being additional milestone payments for the acquisition of Nayzilam® (*midazolam*) (€ 113 million) upon approval by the FDA in the U.S. There were also additions totaling € 17 million relating to the capitalization of external development expenses for post approval studies.

Disposals in 2019 mainly relate to an old license not used anymore. For 2018, disposals were mainly in respect of software.

During the year, the Group recognized total impairment charges of € 1 million (2018: € 0 million). The impairment charges are detailed in Note 13 and have been presented in the income statement under the caption "Impairment of non-financial assets".

The intellectual property rights relating to non-core established brand products were transferred to assets held for sale (see Note 8.2) as per 31 December 2019.

In 2018, divestments with a net book value of € 4 million relate to the intangibles of UCB Innere Medizin GmbH & Co. KG.

Other intangible assets are primarily comprised of software and in process development projects. The in-process development project assets are not amortized until they are available for use (i.e. when related products are launched for sale) and transferred to the licenses caption.

20 Goodwill

€ million	2019	2018
Net book value at 1 January	**4 970**	**4 838**
Acquisition	14	22
Effect of movements in exchange rates	75	110
Net book value at 31 December	**5 059**	**4 970**

The Group tests goodwill for impairment annually or more frequently if there are indications that goodwill might be impaired. For the purpose of the impairment testing, the Group operates as one segment, Biopharmaceuticals, and has one single cash generating unit (CGU), which represents the lowest level at which the goodwill is monitored.

The recoverable amount of the CGU is determined based on the value-in-use calculations and the methodology applied for performing the impairment testing has not been modified compared to 2018.

Key assumptions

The calculations performed are based on the cash flow projections as derived from the financials underlying the 10-year strategic plan approved by management and Board of Directors. Given the nature of the industry, the long-term projections are used to fully model the appropriate product lifecycles based on the patent expiry and therapeutic area. These long-term projections, which are based on past performance and management's expectations of market developments, are adjusted for specific risks and include:

- the revenue growth rates of newly launched products;
- the probability of reaching commercial stage for new products and or indications;
- the probability of success of future product launches and the expected dates thereof;
- the post-patent expiry erosion.

There were no significant changes to these key assumptions when comparing to 2018 except for the assumptions relating to launch probabilities, which were adapted taking into account latest developments.

Cash flows beyond the projected forecasted period (terminal value) are extrapolated using an estimated growth rate of 3% (2018: 3%). The growth rate does not exceed the long-term average growth rate for the relevant territories in which the CGU operates.

The Group has most of its revenue and expenses in EUR and USD based countries. The following important exchange rates were used in preparing the future cash flows:

	10 years Projection	2018
USD	1.16-1.23	1.23-1.32
GBP	0.87-1.04	0.90-1.02
JPY	112-130	130-133
CHF	1.07-1.12	1.12-1.16

Starting from risk-free short-term LIBOR EUR 6 months and long-term EU generic government bonds 20 years (2018: 20 years), the discount rates applied are determined based on the weighted average cost of capital for DCF models, including the 20-year (2018: 20-year) benchmark cost of debt and equity, adjusted to reflect the specific asset and country risks associated with the CGU. Given the industry, the Group used a discount rate for marketed products of 6.54% (2018: 6.41%) and for pipeline products 13.0% (2018: 13.0%). Marketed products are products that are sold in the market as per year-end, these comprise our products Cimzia®, Vimpat®, Neupro®, Keppra®, Briviact®, Evenity®, Nayzilam® and other products

(Zyrtec®, Xyzal® and others). Pipeline products are products that are not sold yet in the market as per year-end (e.g. *bimekizumab*, *padsevonil*). A different discount rate is used for pipeline products as the risks related to these products are higher than for the products that are already in the market. The discount rates are reviewed at least annually.

Since after-tax cash flows are incorporated into the calculation of the value-in-use of the CGU, a post-tax discount rate is used in order to remain consistent.

The use of the post-tax discount rate approximates the result of using a pre-tax rate applied to pre-tax cash flows. A tax rate up to 20% was used (2018: 1%–25%).

Sensitivity analysis

Based on the above, management assessed that no reasonable change in any of the key assumptions for the determination of the recoverable amount would cause the carrying value of the CGU to materially exceed its recoverable amount. For information purposes, the sensitivity analysis using a 0% perpetual growth rate combined with an overall discount rate below 20% would not result in an impairment of the goodwill.

21 Property, plant and equipment

2019

€ million	Land and buildings	Plant and machinery	Office, computer equipment, vehicles and other	Assets under construction	Total
Gross carrying amount at 1 January	**582**	**885**	**170**	**109**	**1 746**
Additions	28	20	22	96	166
Disposals	−28	−88	−34	−2	−152
Transfers from one heading to another	11	18	6	−52	−17
Effect of movements in exchange rates	15	19	2	1	37
Gross carrying amount at 31 December	**608**	**854**	**166**	**152**	**1 780**
Accumulated depreciation at 1 January	**−294**	**−518**	**−127**	**−2**	**−941**
Depreciation charge for the year	−43	−56	−24	0	−123
Disposals	24	86	32	2	144
Effect of movements in exchange rates	−7	−11	−2	0	−20
Accumulated depreciation at 31 December	**−320**	**−499**	**−121**	**0**	**−940**
Net carrying amount at 31 December	**288**	**355**	**45**	**152**	**840**

2018

€ million	Land and buildings	Plant and machinery	Office, computer equipment, vehicles and other	Assets under construction	Total
Gross carrying amount at 1 January	**475**	**768**	**117**	**134**	**1 494**
Additions	97	38	49	80	264
Disposals	−2	−9	−3	−1	−15
Transfers from one heading to another	4	73	5	−105	−23
Effect of movements in exchange rates	8	15	2	1	26
Gross carrying amount at 31 December	**582**	**885**	**170**	**109**	**1 746**
Accumulated depreciation at 1 January	**−250**	**−464**	**−105**	**−2**	**−821**
Depreciation charge for the year	−40	−54	−23	0	−117
Disposals	2	8	2	0	12
Transfers from one heading to another	−2	0	0	0	−2
Effect of movements in exchange rates	−4	−8	−1	0	−13
Accumulated depreciation at 31 December	**−294**	**−518**	**−127**	**−2**	**−941**
Net carrying amount at 31 December	**288**	**367**	**43**	**107**	**805**

None of the Group property, plant and equipment is subject to restrictions on title nor has it been pledged as security for liabilities.

During 2019, the Group acquired property, plant and equipment totaling € 166 million (2018: € 264 million). These additions include right-of-use assets for an amount of € 40 million (2018: € 140 million), mainly related to the leaseback of the building in Monheim (Germany) and the renewal of the fleet in the U.S. Other additions mainly relate to the new biological production unit and the revamping of a plant on the UCB Braine site (Belgium), upgrade of the biological and manufacturing lines in Bulle (Switzerland), revamping of the office environment and building facilities, IT hardware and other plant and equipment.

During the year, the Group did not recognize any impairment expenses (2018: impairment of € 0 million).

The depreciation charge for the year amounts to € 123 million (2018: € 117 million) and includes the depreciation on the right-of-use assets (€ 39 million).

Capitalized borrowing costs

No borrowing costs were capitalized during 2019 (2018: € 0 million).

22 Financial and other assets

22.1 Non-current financial and other assets

€ million	2019	2018
Financial assets at FVOCI (refer below)	81	52
Investments in Associates	2	3
Cash deposits	12	9
Derivative financial instruments (Note 38)	26	38
Reimbursement rights with respect to German defined benefit plans	23	23
Other financial assets	30	34
Non-current financial and other assets	**175**	**159**

22.2 Current financial and other assets

€ million	2019	2018
Clinical trial materials	114	77
Financial assets at FVOCI (refer below)	25	17
Derivative financial instruments (Note 38)	24	11
Current financial and other assets	**163**	**105**

22.3 Financial assets at fair value through other comprehensive income (FVOCI)

The current and non-current financial assets at FVOCI comprise the following:

€ million	2019	2018
Equity securities	106	69
Financial assets at FVOCI	**106**	**69**

The movement in the carrying values of the financial assets at FVOCI is as follows:

	2019		2018	
€ million	Equity securities	Debt securities	Equity securities	Debt securities
At 1 January	**69**	**0**	**83**	**0**
Additions	30	0	23	0
Disposals	−7	0	0	0
Fair value gains/losses (−) going through OCI	14	0	−37	0
At 31 December	**106**	**0**	**69**	**0**

For the financial assets that are valued at amortized cost, the carrying amount approximates the fair value.

The Group does not have any investments in debt instruments.

The equity securities mainly include investments in Dermira Inc., Heidelberg Pharma AG, Ceribell Inc. and investments by UCB Ventures that have been classified as financial assets at FVOCI. These investments are measured at fair value. All fair value gains and losses are presented in OCI.

As at the end of 2019, UCB's stakes in Dermira Inc., Heidelberg Pharma AG and Ceribell Inc. were 3.38%, 4.02% and 2.44% (2018: 4.45%, 4.03%, and 4.41%) respectively. As UCB does not have significant influence in these companies, the equity investments are classified as financial assets at FVOCI.

The additions to financial assets at FVOCI in the year include € 22 million investments made by UCB Ventures, UCB's corporate venture fund.

The fair value gains going through OCI mainly relate to the increase in value of UCB's holding in Dermira Inc. (€ 13 million).

The current financial assets at FVOCI (€ 25 million) relate to vested long-term incentives granted to employees. These are held in custody for the account of the relevant participants on a separate securities account of UCB. There is a corresponding liability which is recorded in Other Payables (Note 34).

22.4 Investment in associates

In December 2017, the Group made an investment in Syndesi Therepeutics SA, a Belgian company. This investment is considered as an investment in an associate as UCB has significant influence via its equity holding (18.1%) and Board seat. The Group's share of the investee's loss for 2019 is € 1 million and there are no amounts of other comprehensive income related to the Group's investment in this associate. The investment is included in the non-current financial and other assets on the balance sheet.

22.5 Joint operations

No joint operations were entered into by the Group in 2019.

22.6 Subsidiaries with material non-controlling interests

The accumulated non-controlling interest as of 31 December 2019 is € −30 million and relates mainly to Edev S.à.r.l. ("Edev"). No dividends have been paid to non-controlling interests during either 2019 or 2018.

Based in Luxembourg, Edev is 100% owned by the non-controlling interests.

Summarized financial information for non-controlling interest is shown in the tables below before intercompany eliminations.

Summarized statement of financial position:

€ million	2019	2018
Non-current assets	0	0
Current assets	5	1
Total assets	**5**	**1**
Non-current liabilities	6	29
Current liabilities	29	27
Total liabilities	**35**	**56**
Non-controlling interest	**−30**	**−55**

Summarized income statement:

€ million	2019	2018
Revenue	30	29
Expenses	−5	−6
Profit (loss) attributable to the non-controlling interests	25	**23**
Total comprehensive income (loss) attributable to the non-controlling interests	**25**	**22**

Summarized cash flow statement:

€ million	2019	2018
Net cash inflow (outflow) from operating activities	−1	0
Net cash inflow (outflow) from investing activities	0	0
Net cash inflow (outflow) from financing activities	6	0
Net cash inflow (outflow)	**5**	**0**

23 Inventories

€ million	2019	2018
Raw materials and consumables	98	83
Work in progress	538	441
Finished goods	145	123
Inventories	**780**	**647**

The cost of inventories recognized as an expense and included in “cost of sales” amounted to € 672 million (2018: € 685 million). There are no inventories pledged for security, nor is there any inventory stated at net realizable value. The write-down on inventories amounted to € 9 million in 2019 (2018: € 37 million) and has been included in cost of sales. Total inventory increase of € 133 million is related to Core products.

24 Trade and other receivables

€ million	2019	2018
Trade receivables	700	625
Less: provision for impairment	−14	−9
Trade receivables – net	686	616
VAT receivable	40	43
Interest receivables	12	11
Prepaid expenses	129	95
Accrued income	0	0
Other receivables	62	54
Royalty receivables	21	16
Trade and other receivables	**950**	**835**

The carrying amount of trade and other receivables approximates their fair values. With respect to trade receivables, the fair value is estimated to be the carrying amount less the provision for impairment and for all other receivables the carrying value approximates fair value given the short-term maturity of these amounts.

There is some concentration of credit risk with respect to trade receivables. For some credit exposures in critical countries, such as the Southern European countries, the Group obtained credit insurance. The Group co-operates with dedicated wholesalers in certain countries. The largest outstanding trade receivable in 2019 from a single customer is 15% (2018: 18%) from McKesson Corp. U.S.

The aging analysis of the Group trade receivables at year-end is as follows:

	2019		2018	
€ million	Gross carrying amounts	Impairment	Gross carrying amounts	Impairment
Not past due	669	0	556	0
Past due – less than one month	7	0	43	0
Past due more than one month and not more than three months	9	0	6	0
Past due more than three months and not more than six months	0	0	4	0
Past due more than six months and not more than one-year	4	−5	9	−3
Past due more than one-year	11	−9	7	−6
Total	**700**	**−14**	**625**	**−9**

Based on historical default rates, the Group believes that no provision for impairment is necessary in respect of trade receivables not past due. This concerns 96% (2018: 89%) of the outstanding balance at the balance sheet date.

The movement in the provision for impairment in respect of trade receivables is shown below:

€ million	2019	2018
Balance at 1 January	**−9**	**−8**
Impairment charge recognized in the income statement	−4	−1
Utilization/reversal of provision for impairment	0	−1
Effects of movements in exchange rates	−1	1
Balance at 31 December	**−14**	**−9**

The other classes within trade and other receivables do not contain impaired assets.

The carrying amounts of the Group trade and other receivables are denominated in the following currencies:

€ million	2019	2018
EUR	296	264
USD	359	318
JPY	66	58
GBP	57	40
CNY	39	30
CHF	14	20
KRW	9	3
Other currencies	110	102
Trade and other receivables	**950**	**835**

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

The Group does not hold any collateral as security.

25 Cash and cash equivalents

€ million	2019	2018
Short-term bank deposits	964	1 035
Cash at bank and on hand	329	227
Cash and cash equivalents (excluding bank overdrafts)	**1 293**	**1 262**

Cash and short-term deposits of € 23 million are held in countries with restrictive regulations on exporting capital from the country other than *via* normal dividends, such as Brazil, China, India, South Korea and Thailand. A cash balance of € 5 million is restricted for use in settling obligations of subsidiaries with non-controlling interest.

For the purposes of the statement of cash flows, cash and cash equivalents are comprised of the following:

€ million	2019	2018
Cash and cash equivalents	1 293	1 262
Bank overdrafts (Note 28)	−5	−25
Cash and cash equivalents (excluding bank overdrafts)	**1 288**	**1 237**

26 Capital and reserves

26.1 Share capital and share premium

The issued share capital of the Company amounted to € 584 million (2018: € 584 million) and is represented by 194 505 658 shares (2018: 194 505 658 shares). The Company's shares are without par value. At 31 December 2019, 68 872 003 shares were registered and 125 633 655 were dematerialized shares. The holders of UCB shares are entitled to receive dividends as declared and are also entitled to one vote per share at the shareholders' meeting of the Company. There is no authorized, unissued capital.

At 31 December 2019, the share premium reserves amounted to € 2 030 million (2018: € 2 030 million).

26.2 Treasury shares

The Group acquired, through UCB SA and UCB Fipar SA, 1 085 000 treasury shares (2018: 780 013) for a total amount of € 77 million (2018: € 51 million) and transferred 759 546 treasury shares (2018: 1 477 506) for a total amount of € 36 million (2018: € 62 million). Net acquisition of 325 454 treasury shares for a net amount of € 41 million.

During 2019, the Group did not acquire or dispose of any treasury shares as part of share swap transactions (2018: 0 acquired and 0 disposed). At 31 December 2019, the Group retained 5 922 638 treasury shares of which none related to share swap deals (2018: 5 597 184). These treasury shares have been acquired in order to honor the exercise of stock options and share awards granted to the Executive Committee members and certain categories of employees.

In the current year, no call options on UCB shares have been acquired (2018: 0) nor have any call options been exercised (2018: 0). 435 000 options on UCB shares have been sold back to the bank counterparties. At 31 December 2019, the Group did not hold any options on UCB shares (31 December 2018: 435 000).

26.3 Other reserves

Other reserves amount to € −117 million (2018: € −146 million) and consist of the following items:

- the IFRS acquisition value surplus that arose during the Schwarz Pharma business combination for € 232 million (2018: € 232 million);
- the remeasurement value of the defined benefit obligation for € −315 million (2018: € −344 million);
- the purchase of the remaining 25% non-controlling interest in Schwarz Pharma Zhuhai Ltd for € −11 million (2018: € −11 million);
- the purchase of the remaining 30% non-controlling interest in Meizler Biopharma: € −23 million (2018: € −23 million). UCB acquired 51% of the shares of Meizler Biopharma (subsequently renamed "Meizler UCB") in 2012. The

purchase agreement granted a put option to the selling shareholders and a call option to UCB on the remaining shares. In 2013 some amendments were made to the original purchase agreement whereby the ownership percentage of UCB was adjusted to 70% and the terms of the put and call options were amended. In 2014 UCB acquired the remaining 30% interest in the common and preference shares of Meizler UCB. After the completion of the transaction in 2014, the put and call options are no longer outstanding.

26.4 Cumulative translation adjustments

The cumulative translation adjustments reserve represents the cumulative currency translation differences relating to the consolidation of Group companies that use functional currencies other than the euro as well as any unrealized cumulative foreign exchange gains or losses resulting from net investment hedges.

27 Share-based payments

The Group operates several equity-based and cash-based compensation plans, including a stock option plan, a stock appreciation rights plan, a stock award plan and a performance share plan to compensate employees for services rendered.

The stock option plan, the stock award plan and the performance share plan are equity-settled, whereas the stock appreciation rights plan is a cash-settled plan. Besides these plans, the Group also operates employee stock purchase plans in the U.K. and the U.S. and phantom share plans. The expenses incurred for these plans are immaterial.

27.1 Stock option plan and stock appreciation rights plan

The Governance, Nomination and Compensation Committee (GNCC) granted options on UCB SA shares to the Executive Committee members, the senior executives and the senior directors of the UCB Group. The exercise price of the granted options under these plans is equal to the lowest of the following two values:

- the average of the closing price of the UCB shares on Euronext Brussels, during the 30 days preceding the offer; or
- the closing price of the UCB shares on Euronext Brussels the day before the grant.

A different exercise price is determined for those eligible employees subject to legislation which requires a different exercise price in order to benefit from reduced taxation. The options become exercisable after a vesting period of three years, except for those eligible employees subject to legislation which requires a longer vesting period in order to benefit from reduced taxation. If an employee leaves the Group, his/her options usually lapse upon expiry of a period of six months. Options do not lapse in case of death or retirement and in case of involuntary termination when taxes have been paid upon grant. The Group has no obligation to repurchase or settle the options in cash.

The options are not transferable (except in case of death).

The Stock Appreciation Rights (S.A.R.'s) plan has similar characteristics to the stock option plan, except that it is reserved for UCB employees in the U.S. This plan is cash-settled.

27.2 Stock award plan

The GNCC granted free UCB SA shares to the Executive Committee members, the senior executives and the senior and middle management of the UCB Group. The free shares have service conditions attached to them whereby beneficiaries are required to remain in service for three years post grant date. Stock awards lapse upon leaving the Group, except upon leaving on retirement or death in which case they vest immediately. The beneficiary is not entitled to dividends during the vesting period.

27.3 Performance share plan

The GNCC granted performance shares to senior executives for specific achievements aligned with company strategic priorities. The performance shares are conditional on the beneficiary completing three years of service (the vesting period) and the number of shares award is adjusted at the end of the vesting period based on the company's performance against its goals.

Performance Shares lapse upon leaving the Group, except upon leaving on retirement or death in which case they vest immediately. The beneficiary is not entitled to dividends during the vesting period.

27.4 Phantom stock option, stock award and performance share plans

The Group also has phantom stock option, phantom stock award and phantom performance share plans (collectively referred to as phantom plans). These phantom plans apply to certain employees who have an employment contract with certain affiliates of the Group and are governed under similar rules to the Group stock option, stock award and performance share plans except for their settlement. As of 31 December 2019, these plans had 220 participants (2018: 238) and the share-based payment expense incurred for these plans is immaterial.

27.5 Employee stock purchase plans in the U.S.

The plan is intended to provide employees of UCB affiliates in the U.S. with an opportunity to purchase common stock of the Group. Shares are acquired at a discount of 15% which is funded by UCB. Employees save a defined percentage of their salary through payroll deduction and shares will be purchased with after-tax employee contributions. The shares are held by an independent third-party banking institution in an account in the employee's name.

The limit placed on employees' participation in the plan is as follows:

- between 1% and 10% of each participant's compensation;
- USD 25 000 per year per participant;
- maximum of USD 5 million total ownership by U.S. employees in all forms of share plans over a rolling period of 12 months.

As of 31 December 2019, the plan had 632 participants (2018: 559). There are no specific vesting conditions and the share-based payment expense incurred for this plan is immaterial.

27.6 Stock savings plan in the U.K.

The purpose of this plan is to encourage the holding of UCB shares by employees in the U.K. Participants save a certain portion of their salary through payroll deductions and UCB matches every 5 shares bought by each participant with 1 free share. Shares are held in an account in the employee's name by an independent company that acts as a trustee. Employee contributions to the plan are limited to the lower of:

- 10% of each participant's compensation;
- GBP 1 500 per year per participant.

As of 31 December 2019, the plan had 254 participants (2018: 238) and the share-based payment expense incurred for this plan is immaterial.

27.7 Share-based payment expense

The total share-based payment expense incurred for the Group amounted to € 69 million (2018: € 65 million), and has been included in the relevant functional lines within the income statement as follows:

€ million	2019	2018
Cost of sales	3	5
Marketing and selling expenses	38	25
Research and development expenses	14	25
General and administrative expenses	14	10
Other operating expenses	0	0
Total operating expense	**69**	**65**
Of which, equity-settled:		
Stock option plans	7	7
Stock award plans	51	43
Performance share plan	8	7
Of which, cash-settled:		
Stock appreciation rights plan	1	4
Phantom stock option, stock award and performance share plans	2	4

27.8 Stock option plans

The movements in the number of stock options outstanding and their related weighted average exercise prices as at 31 December are:

	2019			2018		
€ million	Weighted average fair value (€)	Weighted average exercise price (€)	Number of stock options	Weighted average fair value (€)	Weighted average exercise price (€)	Number of stock options
Outstanding at 1 January	**10.53**	**52.95**	**4 197 434**	**10.01**	**47.91**	**4 807 210**
+ New options granted	10.73	76.10	518 216	11.55	66.18	563 267
(−) Options forfeited	11.69	69.43	52 795	11.79	65.38	47 382
(−) Options exercised	8.75	38.14	405 935	8.88	37.82	1 103 701
(−) Options expired	5.38	21.38	15 200	4.33	22.01	21 960
Outstanding at 31 December	**10.73**	**57.07**	**4 241 720**	**10.53**	**52.95**	**4 197 434**
Number of options fully vested:						
At 1 January			2 362 106			3 011 624
At 31 December			2 414 922			2 362 106

The stock options outstanding as at 31 December 2019 with the following last exercise dates and exercise prices are:

Last exercise date	Range of exercise prices (€)	Number of stock options
31 March 2020	31.62	118 600
31 March 2021	[25.32-26.80]	274 800
31 March 2022	32.36	517 519
31 March 2023	[48.69-49.80]	644 656
31 March 2024	58.12	330 817
31 March 2025	67.35	406 860
31 March 2026	67.24	436 224
31 March 2027	[70.26-72.71]	467 561
31 March 2028	66.18	536 792
31 March 2029	76.09	507 891
Total outstanding		**4 241 720**

The fair value has been determined based on the Black-Scholes valuation model.

The volatility was determined primarily by reference to historically observed share prices of UCB over the last five years. The probability of early exercise is reflected in the expected life of the options. The expected forfeiture rate is based on actual turnover of employees for categories eligible for stock option compensation.

The significant assumptions used in the measurement of the fair value of the stock options granted in 2019 and 2018 are:

		2019	2018
Share price at grant date	€	77.78	65.98
Weighted average exercise price	€	76.10	66.18
Expected volatility	%	25.49	25.78
Expected option life	Years	5.00	5.00
Expected dividend yield	%	1.56	1.79
Risk free interest rate	%	−0.17	−0.05
Expected annual forfeiture rate	%	7.00	7.00

27.9 Stock appreciation rights (S.A.R.'S) plan

The movements of the S.A.R.'s and the model inputs as at 31 December 2019 can be found in the table below.

The fair value of the S.A.R.'s at grant date is determined using the Black-Scholes model. The fair value of the liability is remeasured at each reporting date.

		2019	2018
Outstanding rights as of 1 January		**976 960**	**1 142 697**
+ New rights granted		161 493	163 378
(−) Rights forfeited		51 176	77 422
(−) Rights exercised		98 318	249 193
(−) Rights expired		0	2 500
Outstanding rights as of 31 December		**988 959**	**976 960**
The significant assumptions used in the measurement of the fair value of the stock appreciation rights are:			
Share price at year end	€	70.90	71.30
Exercise price	€	76.56	66.18
Expected volatility	%	25.64	25.59
Expected option life	Years	5.00	5.00
Expected dividend yield	%	1.71	1.65
Risk free interest rate	%	−0.32	−0.03
Expected annual forfeiture rate	%	7.00	7.00

27.10 Stock award plans

The share-based payment expense related to these stock awards is spread over the vesting period of three years.

The beneficiaries are not entitled to dividends during the vesting period. The movement in the number of stock awards outstanding at 31 December is as follows:

	2019		2018	
	Number of stock awards	**Weighted average fair value (€)**	Number of stock awards	Weighted average fair value (€)
Outstanding at 1 January	**2 081 529**	**68.60**	**1 965 445**	**69.59**
+ New stock awards granted	860 515	77.51	851 379	66.08
(−) Awards forfeited	203 476	70.67	165 637	69.15
(−) Awards vested and paid out	584 862	67.77	569 658	67.00
Outstanding at 31 December	**2 153 706**	**72.18**	**2 081 529**	**68.60**

27.11 Performance share plans

The movement in the number of performance shares outstanding at 31 December is as follows:

	2019		2018	
	Number of shares	**Weighted average fair value (€)**	Number of shares	Weighted average fair value (€)
Outstanding at 1 January	**366 875**	**68.84**	**334 967**	**69.66**
+ New performance shares granted	166 556	77.75	137 785	65.99
(−) Performance shares forfeited	56 018	69.56	14 717	70.29
(−) Performance shares vested	78 994	67.95	91 160	67.30
Outstanding at 31 December	**398 419**	**72.63**	**366 875**	**68.84**

28 Borrowings

The carrying amounts and fair values of borrowings are as follows:

		Cash flows		Non-cash changes			
€ million	2018	From financing activities	increase/ decrease in cash	Transfer non-current to current	Foreign exchange movement	Other	2019
Non-current							
Bank borrowings	135	−100	0	−18	1	0	18
Other long-term loans	0	0	0	0	0	0	0
Leases	63	−34	0	−1	1	32	61
Total non-current borrowings	**198**	**−134**	**0**	**−19**	**2**	**32**	**79**
Current							
Bank overdrafts	25	0	−20	0	0	0	5
Current portion of bank borrowings	11	−18	0	18	1	1	13
Debentures and other short-term loans	0	0	0	0	0	0	0
Leases	38	−14	0	1	1	12	38
Total current borrowings	**74**	**−32**	**−20**	**19**	**2**	**13**	**56**
Total borrowings	**272**	**−166**	**−20**	**0**	**4**	**45**	**135**

On 31 December 2019 the Groups weighted average interest rate was 3.49% (2018: 3.32%) prior to hedging. The floating interest rate payments are subject to designated cash flow hedges and fixed interest rate payments are subject to designated fair value hedges, thereby fixing the weighted average interest rate for the Group at 2.33% (2018: 2.31%) post hedging. The fees paid for the arrangement of the bonds (Note 29), and the amended facilities agreement are amortized over the life of the instruments.

Where applicable under hedge accounting, the fair value of the non-current borrowings is determined based on the present value of the payments associated with the debt instruments, using the applicable yield curve and UCB credit spread for the various different currencies.

Since the bank borrowings are at a floating interest rate that is reset every six months, the carrying amount of the bank borrowings equates to its fair value.

With respect to the current borrowings, the carrying amounts approximate their fair values as the effect of discounting is considered to be insignificant.

On 9 January 2018 the Group amended and extended its € 1 billion revolving credit facility then maturing on 9 January 2021 into a € 1 billion revolving credit facility with maturity in 2023 (including the option to request further extensions of the maturity date by two additional years). In December 2019, the Group extended the maturity of its credit facility to 9 January 2025 (no further extension option is available). Per 31 December 2019 there were no outstanding amounts under the revolving credit facility (2018: € 0 million).

On 10 October 2019, the Group entered into a USD 2.1 billion bullet term loan facility agreement, maturing in 2025, to finance the Ra Pharma acquisition. Per 31 December 2019 there were no amounts outstanding under this term facility.

The Group has access to certain committed and non-committed bilateral credit facilities. In this respect, per end of 2019 an aggregated amount of € 55 million was undrawn on the committed bilateral facility (2018: € 64 million).

Please refer to Note 4.3 for the maturity analysis of the Group borrowings (excluding other financial liabilities).

The carrying amounts of the Group borrowings are denominated in the following currencies:

€ million	2019	2018
USD	57	90
EUR	36	124
GBP	19	25
CNY	5	7
JPY	4	7
Other	14	19
Total borrowings	**135**	**272**

29 Bonds

The carrying amounts and fair values of bonds are as follows:

			Carrying amount					Fair value	
€ million	Coupon rate	Maturity date	2018	Cash Flows	Fair Value changes	Other movements	2019	2018	2019
Retail Bond	5.125%	2023	188	0	−1	1	189	206	204
Institutional Eurobond	1.875%	2022	351	0	0	1	352	362	361
Institutional Eurobond	4.125%	2021	361	0	−6	1	355	376	363
Retail Bond	3.750%	2020	252	0	−2	0	250	260	252
EMTN Note[1]	3.284%	2019	20	0	0	−20	0	20	0
EMTN Note[1]	3.292%	2019	55	0	0	−55	0	55	0
Total bonds			**1 227**	**0**	**−9**	**−72**	**1 146**	**1 279**	**1 180**
Of which:									
Non-current			1 152	0	−9	−248	896	1 204	928
Current			75	0	0	175	250	75	252
Derivatives used for hedging			**−32**	**0**	**9**	**0**	**−23**		
Of which:									
Non-current assets (−)			−34	0	11	0	−23		
Current assets (−)			0	0	−1	0	−1		
Non-current liabilities (+)			2	0	−2	0	0		
Current liabilities (+)			0	0	1	0	1		

[1] EMTN: Euro Medium Term Note. The fair value of the EMTN Notes cannot be accurately determined given the limited liquidity in secondary market trading for these notes, and is for reporting purposes replaced by the carrying value.

29.1 Retail bonds

Maturing in 2020:

In March 2013, UCB completed a public offering of € 250 million bonds, in the form of a retail public offering in Belgium under its established EMTN program. The bonds were issued at 101.875% of the nominal value. The retail bond has a coupon of 3.75% per annum and an effective interest rate of 3.444% per annum. The bonds have been listed on the regulated market of Euronext Brussels.

Maturing in 2023:

During October 2009, UCB completed a public offering of € 750 million fixed rate bonds, carrying a coupon and an effective interest rate of 5.75% per annum, and aimed at retail investors.

During September 2013, UCB launched an unconditional public exchange offer for a maximum of € 250 million out of the € 750 million retail bonds maturing in November 2014 and having a gross coupon of 5.75%. The existing bondholders had the opportunity to exchange their existing bonds against newly issued bonds maturing October 2023 in an exchange ratio of 1 to 1. These bonds carry a coupon of 5.125% per annum while their effective interest rate is 5.398% per annum.

At the end of the exchange period, 175 717 existing bonds were tendered in the exchange offer, representing a nominal amount of € 176 million.

The 175 717 new bonds were issued in October 2013 and have been listed on Euronext Brussels. The existing bonds exchanged in the exchange offer were cancelled by UCB. The outstanding 574 283 of the retail bonds matured and have been redeemed in November 2014.

29.2 Institutional Eurobonds

Maturing in 2021:

In September 2013, UCB completed an offering of € 350 million senior unsecured bonds, due January 2021, issued under its EMTN program. The Bonds were issued at 99.944% in October 2013 and will be redeemed at 100% of their principal amount. These bonds carry a coupon of 4.125% per annum while their effective interest rate is 4.317% per annum. The bonds have been listed on Euronext Brussels.

Maturing in 2022:

In April 2015, UCB completed an offering of € 350 million senior unsecured bonds, due April 2022, issued under its EMTN program. The Bonds were issued at 99.877% in April 2015 and will be redeemed at 100% of their principal amount. These bonds carry a coupon of 1.875% per annum while their effective interest rate is 2.073% per annum. The bonds have been listed on Euronext Brussels.

29.3 EMTN notes

Matured in 2019:

In November and December 2019 UCB repaid the € 55 million notes and € 20 million notes respectively in full.

29.4 Fair value hedges

The Group designates derivative financial instruments under fair value hedges to the Retail Bonds and Institutional Eurobonds. The change in the carrying amount of the bonds is fully attributable to the change in the fair value of the hedged portion of the bonds and is almost fully offset by a change in fair value of the corresponding derivative financial instrument.

30 Other financial liabilities

	Carrying amount		Fair value	
€ million	**2019**	2018	**2019**	2018
Non-current				
Derivative financial instruments (Note 38)	1	3	1	3
Other financial liabilities	0	29	0	29
Total non-current other financial liabilities	**1**	**32**	**1**	**32**
Current				
Derivative financial instruments (Note 38)	41	107	41	107
Other financial liabilities	29	26	29	26
Total current other financial liabilities	**70**	**133**	**70**	**133**
Total other financial liabilities	**71**	**165**	**71**	**165**

The other financial liabilities include a liability of € 29 million (2018: € 55 million) resulting from the issuance of warrants to the shareholders of Edev Sàrl (note 4.5.3).

31 Deferred tax assets and liabilities

31.1 Recognized deferred tax assets and liabilities

€ million	2018	Acquisition/ disposals	R&D adjustment	Current year movement	OCI – cash flow hedges	OCI – pensions	Effect of movements in exchange rate	2019
Intangible assets	−52	0	0	19	0	0	0	−33
Property, plant and equipment	−21	0	0	3	0	0	0	−18
Inventories	200	0	0	74	0	0	0	274
Trade and other receivables	36	0	0	22	0	0	0	58
Employee benefits	48	0	0	−5	0	1	0	44
Provisions	3	0	0	3	0	0	0	6
Other short-term liabilities	−222	0	0	38	−19	0	0	−203
Net lease assets/ liabilities	0	0	0	0	0	0	0	0
Unused tax losses	291	0	0	−58	0	0	6	239
Unused tax credits	438	0	26	−9	0	0	0	455
Total net deferred tax assets/ liabilities (−)	**721**	**0**	**26**	**87**	**−19**	**1**	**6**	**822**

€ million	2017	Acquisition/ disposals	R&D adjustment	Current year movement	OCI – cash flow hedges	OCI – pensions	Effect of movements in exchange rate	2018
Intangible assets	−73	0	0	21	0	0	0	−52
Property, plant and equipment	−20	0	0	−1	0	0	0	−21
Inventories	166	0	0	34	0	0	0	200
Trade and other receivables	33	0	0	3	0	0	0	36
Employee benefits	52	0	0	0	0	−4	0	48
Provisions	15	0	0	−12	0	0	0	3
Other short-term liabilities	−264	0	0	−12	52	0	2	−222
Net lease assets/ liabilities	0	0	0	0	0	0	0	0
Unused tax losses	382	0	0	−90	0	0	0	291
Unused tax credits	371	0	65	2	0	0	0	438
Total net deferred tax assets/ liabilities (−)	**662**	**0**	**65**	**−55**	**52**	**−4**	**1**	**721**

Total deferred tax assets of € 822 million have been recognized as at 31 December 2019. Based upon the level of past taxable income and projected future taxable profits over the periods in which the deductible temporary differences are estimated to reverse, the Group believes it is probable that the benefits of the recognized deferred tax assets will be realized.

The Group saw an overall increase of the deferred tax asset recognized, in spite of the substantial tax loss carry-forward utilization. This is driven by the movement of UCB's balance sheet items and reassessment following tax law changes.

Tax Reforms

Impact of tax law and tax rate changes, mainly in Switzerland, the UK and Belgium were assessed by management and remeasurement of the deferred tax balances took place as appropriate.

Tax Credits

The group recorded increased deferred tax assets on tax credits. The total deferred tax asset in respect of R&D tax credits at year end is € 439 million (2018: € 424 million) which

will result in an actual cash tax benefit in future periods. Other tax credits for € 16 million were also recorded.

Deferred tax assets on losses

UCB has seen a substantial utilization of tax losses carried forward, partially compensated by a decrease of deferred tax liabilities. A deferred tax asset of € 239 million (2018: € 291 million) was recognized in respect of tax losses carried forward totaling € 1.09 billion (2018: € 1.33 billion) as the Group has concluded that the relevant entities will continue to generate taxable profits in the foreseeable future against which these losses can be used. These losses have arisen in jurisdictions in which UCB operates and do not expire. This period has seen no further recognition of losses and tax credits previously unrecognized. Undiscounted forecasts have been used to assess the availability of future taxable profits.

31.2 Unused tax losses

As of 31 December 2019, the Group also had € 2 792 million (2018: € 2 506 million) of gross unused tax losses for which no deferred tax asset is recognized in the balance sheet. These tax losses carried forward do not expire.

Based on current forecasts and current legislation, the majority of these losses is expected to be fully utilized within the next 10 years, but it has been decided to not recognize a deferred tax asset on these losses for now given the long-term nature of these forecasts.

31.3 Temporary differences for which no deferred tax asset or deferred tax liability is recognized

Deferred tax assets are recognized on temporary differences carried forward that represent income likely to be realized in the foreseeable future. Deferred tax assets amounting to € 360 million (2018: € 392 million) in respect of dividend received deduction and intangible assets have not been recognized in view of the uncertain character of the recovery.

No deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries as 100% participation exemption is available for any future equity upstream.

There is an additional unrecognized deferred tax liability of € 176 million (2018: € 220 million) in respect of an internal reorganization which occurred in 2014. The tax liability will only materialize on disposal of the relevant asset, an event which is controlled by UCB and for which there are no concrete plans in the foreseeable future.

31.4 Deferred tax directly recognized in OCI

€ million	2019	2018
Deferred tax on pensions	1	−3
Deferred tax on effective portion of changes in fair value of cash flow hedges	−19	53
Deferred tax directly recognized in OCI	**−18**	**50**

32 Employee benefits

Most employees are covered by retirement benefit plans sponsored by Group companies. The nature of such plans varies according to legal regulations, fiscal requirements and economic conditions of the countries in which the employees are employed. The Group operates both defined contribution plans and defined benefit plans.

32.1 Defined contribution plans

Post-employment benefit plans are classified as “defined contribution” plans if the Group pays fixed contributions into a separate fund or to a third-party financial institution and has no further legal or constructive obligation to pay further contributions. Therefore, no assets or liabilities are recognized in the Group balance sheet in respect of such plans, apart from regular prepayments and accruals of contributions. For the Belgian defined contribution plans, UCB is required by law to guarantee a minimum return on employee and employer contributions. As a consequence, these plans are considered defined benefit plans. Where reliable estimates can be made for material plans, they are valued using the projected unit credit method under IAS 19. These plans are aggregated with the results for other defined benefit plans.

32.2 Defined benefit plans

The Group operates several defined benefit plans. The benefits granted mainly include pension benefits and jubilee premiums. The benefits are granted according to local market practice and regulations.

These plans are either unfunded or funded via outside pension funds or insurance companies. For (partially) funded plans, the assets of the plans are held separately in funds under the control of the trustees. Where a plan is unfunded, notably for the major defined benefit plans in Germany, a liability for the obligation is recorded in the Group balance sheet. For funded plans, the Group is liable for the deficits between the fair value of the plan assets and the present value of the benefit obligations. Accordingly, a liability (or an asset when the plan is over-funded) is recorded in the Group consolidated statement of financial position. Independent actuaries assess all main plans annually.

The Group analyzes the Value at Risk on its balance sheet and profit and loss accounts linked to its defined benefits plans. Target risk level in terms of a one-year consolidated balance sheet and profit and loss Value at Risk measures are defined annually based on UCB risk tolerance thresholds.

For UCB, the main risks linked to its defined benefit obligations are discount rate and inflation. The majority of the risks lays within Belgium, Germany, Switzerland and the U.K.

Over the last years, UCB has performed various de-risking projects.

- For the U.K. Celltech Pension and Insurance Scheme, the focus, since 2012, is on de-risking progressively from a 50% growth/50% bonds allocation to a 10% growth/90% bonds allocation. Today the growth/bonds allocation is around 25%/75%.
- In Belgium, the Belgian pension plan has been closed to new entrants and a new cash balance pension plan has been implemented as from 1 January 2020 addressing some risk features inherent to its design. An ALM study has also been conducted in 2019 to reassess the investment portfolio in line with the liability profiles. While the allocation of 40% in bonds or other defensive investments and 60% in equities or other more aggressive investments has been retained, some slight adjustments to the asset classes have been made.
- In Switzerland, the focus has been on the diversification of the assets. This resulted in the implementation of the Mercer "Global Investment Solution" in 2019 with a view to improve the diversification of the assets and investment managers while keeping a close control on risk.

The amount recognized in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plan is as follows:

€ million	2019	2018
Present value of defined benefit obligation	1 076	996
Fair value of plan assets	−715	−600
Funded status – Deficit	**361**	**396**
Effect of asset ceiling	1	0
Net liability arising from defined benefit obligation	**362**	**396**
Add: Liability with respect to cash settled share-based payments (Note 27)	20	23
Total employee benefit liabilities	**382**	**419**
Of which:		
Portion recognized in non-current liabilities	382	419
Portion recognized in non-current assets	0	0

90% of the net liability arising from defined benefit obligations is related to defined benefit pension obligations in Belgium, Germany and the U.K.

Movements in the present value of the defined benefit obligation in the current year were as follows:

€ million	2019	2018
At 1 January	**996**	**1 040**
Current service cost	58	58
Interest expense	20	18
Remeasurement gain/loss (−)		
Effect of changes in demographic assumptions	−14	−12
Effect of changes in financial assumptions	30	−46
Effect of experience adjustments	3	18
Past service cost and gain(−)/loss on settlements	−2	−6
Effect of change in foreign exchange rates	20	1
Benefit payments from the plan	−26	−22
Benefit payments from the employer	−5	−6
Settlement payments	0	−40
Plan participants contributions	3	3
Other	−7	−6
At 31 December	**1 076**	**996**

Movements in the fair value of plan assets in the current year were as follows:

€ million	2019	2018
At 1 January	**600**	**629**
Interest income	14	12
Remeasurement gain/loss(−)		
Return on plan assets (excl. interest income)	51	−29
Changes in asset ceiling (excl. interest income)	0	0
Effect of change in foreign exchange rates	16	1
Plan participants contributions	3	2
Employer contributions	71	62
Benefit payments from the plan	−31	−28
Settlement payments	0	−40
Expenses, taxes and premiums paid	−9	−8
Change in scope	0	−1
At 31 December	**715**	**600**

The fair value of plan assets amounts to € 715 million (2018: € 600 million), representing 66% (2018: 60%) of the defined benefit obligation. The total deficit of € 361 million (2018: € 396 million) is expected to be eliminated over the estimated remaining average service period of the current membership.

The amounts recognized in the consolidated income statement and in the consolidated statement of comprehensive income in respect of those defined benefit plans are as follows:

€ million	2019	2018
Total service cost (incl. past service cost and gain (−)/loss from settlements)	56	52
Net interest cost	7	6
Remeasurement of other long-term benefits	−4	1
Administrative expenses and taxes	1	2
Components of defined benefit costs recorded in income statement	**60**	**61**
Remeasurements gain (−)/loss		
Effect of changes in demographic assumptions	−13	−11
Effect of changes in financial assumptions	33	−46
Effect of experience adjustments	3	16
Return on plan assets (excluding interest income)	−51	29
Changes in the asset ceiling (excluding interest income)	0	0
Components of defined benefit costs recorded in OCI	**−28**	**−12**
Total components of defined benefit cost	**32**	**49**

The total service cost, the net interest expense, the remeasurement of other long-term benefits, administrative expenses and taxes for the year are included in the employee benefit expenses in the consolidated income statement. 81% of the defined benefit costs recorded in the income statement are relating to defined benefit pension plans in Belgium and U.K. The remeasurement on the net defined benefit liability is included in the statement of comprehensive income as part of other comprehensive income. Total remeasurements amount to a gain of € 28 million in 2019 compared to a gain of € 12 million in 2018. The gain in 2019 is mainly resulting from a higher return on plan assets and change in salary increase assumptions offset by a decrease in discount rates. The gain in 2018 is mainly resulting from an increase in discount rates and an update of the mortality table in the U.K. offset by a lower return on plan assets.

The split of the recognized expense by functional line is as follows:

€ million	2019	2018
Cost of sales	16	12
Marketing and selling expenses	7	12
Research and development expenses	22	30
General and administrative expenses	15	7
Total	**60**	**61**

The actual return on plan assets is € 51 million (2018: € −29 million) and the actual return on reimbursement rights is € 0 million (2018: € 0 million).

The major categories of plan assets at the end of the reporting period, are as follows:

€ million	2019	2018
Cash and cash equivalent	**15**	**20**
Equity instruments	**173**	**143**
Europe	52	46
U.S.	13	14
Rest of the World	108	83
Debt instruments	**240**	**224**
Corporate bonds	79	110
Government bonds	41	52
Other	120	62
Properties	**17**	**11**
Qualifying insurance policies	**96**	**90**
Investment funds	**156**	**94**
Other	**18**	**18**
Total	**715**	**600**

Virtually all equity and debt instruments have quoted prices in active markets. Properties can be classified as Level 3 instruments based on the definitions in IFRS 13 *Fair Value Measurement*.

The assets held in the funds do not contain any direct investment in UCB Group shares, nor any property occupied by, or other assets used by the Group, though this does not exclude UCB shares being included in mutual investment fund type investments. The principal weighted average actuarial assumptions used for the purposes of the actuarial valuations were as follows:

	Eurozone		U.K.		Other	
	2019	2018	2019	2018	2019	2018
Discount rate	1.26%	1.94%	2.05%	2.90%	0.16%	0.83%
Inflation	1.75%	1.75%	3.00%	3.30%	N/A	N/A

Significant actuarial assumptions for the determination of the defined obligation are discount rate and inflation. The sensitivity analyzes below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period.

- If the discount rate would be 50 basis points higher (lower), the defined benefit obligation would decrease by € 82 million (increase by € 92 million) if all other assumptions were held constant.
- If the inflation rate would increase (decrease) by 25 basis points, the defined benefit obligation would increase by € 21 million (decrease by € 20 million) if all other assumptions were held constant.

The figures above do not take account of any interrelationship between the assumptions, especially between the discount rate, expected salary increases and inflation rates.

The Group's subsidiaries should fund the entitlements expected to be earned on a yearly basis. Funding usually follows local actuarial requirements and, in this framework, the discount rate is set on a risk-free rate.

Underfunding linked to past service are met by setting up recovery plans and investment strategies based on plan's demographics, appropriate time periods for amortization of past service liability, projected salary increase and the financial capabilities of the local company.

The average duration of the benefit obligation at the end of the reporting period is 16.22 years (2018: 15.74 years). This number can be subdivided into the duration related to:

- Eurozone: 14.55 years (2018: 14.16 years);
- U.K.: 18.48 years (2018: 18.71 years);
- Other: 19.73 years (2018: 18.39 years).

The Group expects to make a contribution of € 73 million to the defined benefit plans during the next financial year.

ALM (asset-liability matching) studies are typically performed every 3 years. Within those studies, investment strategies are analyzed in terms of risk-and-return profiles. An ALM study was completed in Switzerland in 2018. In Belgium, the last ALM study was performed in 2019.

In setting up the long-term investment strategy of the scheme, the investment committee focuses on some key principles defined by the Group such as:

- maintaining a balance between the level of contributions acceptable to UCB and the level of investment risk relative to the liabilities;
- reducing the volatility through investment diversification; and
- the degree of investment risk should depend on the financial state of the schemes and liability profiles.

33 Provisions

The movements in provisions have been disclosed below:

€ million	Environment	Restructuring	Other	Total
At 1 January 2019	**19**	**8**	**179**	**206**
Arising during the year	1	25	58	84
Unused amounts reversed	0	−1	−34	−35
Transfer from one heading to another	0	0	0	0
Effect of movements in exchange rates	0	0	2	2
Utilized during the year	−4	−7	−28	−39
At 31 December 2019	**16**	**25**	**177**	**218**
Non-current portion	15	0	131	146
Current portion	1	25	46	72
Total provisions	**16**	**25**	**177**	**218**

33.1 Environmental provisions

UCB has retained certain environmental liabilities which were mainly related to the divestiture of Films and Surface Specialties in the past. These liabilities relate to the divested sites on which UCB has retained full responsibility in accordance with the contractual terms agreed upon with Cytec Industries Inc. In 2019 an additional environmental provision related to the Films business was set up and part of the provision was used to cover for actual expenses incurred.

33.2 Restructuring provisions

The restructuring provisions arising during 2019 are related to further European optimization and reorganization. The utilization is also mainly related to earlier reorganizations in Europe.

33.3 Other provisions

Other provisions relate mainly to:

- provisions for litigations that comprise mainly provisions where UCB or a subsidiary is or might be a defendant against claims of previous employees;
- product liability provisions that pertain to the risks related to the normal course of business and for which the Group might be liable by selling these kinds of drugs. UCB is currently defendant in several product liability cases in France in respect of Distilbène, a former product of the UCB Group. The claimants in these actions claim that their mothers took Distilbène during their pregnancy and that as a result of this they suffered bodily injuries. The provision in respect of Distilbène increased by € 13 million to a total of € 112 million to reflect the net estimated future cash outflows. The provision was discounted using a discount rate of 0.07%. If the discount rate would be 25 basis points higher, the provision would decrease by € 3 million; if the discount rate would be 0 %, the provision would increase with € 1 million.

- provisions for restoration costs for leased buildings in line with the guidance under IFRS 16 (€ 10 million) (Note 39);
- provisions in respect of the recoverability of non-income tax receivables. In 2019, provisions for an amount of € 21 million were reversed.

An assessment is performed with respect to the above-mentioned risks together with the Group legal advisers and experts in the different domains.

34 Trade and other liabilities

€ million	2019	2018
Other payables	32	26
Total non-current trade and other liabilities	**32**	**26**

€ million	2019	2018
Trade payables	403	364
Invoices to receive	100	117
Taxes payable, other than income tax	43	57
Payroll and social security liabilities	198	184
Other payables	66	37
Deferred income linked to development agreements	3	12
Other deferred income	35	51
Royalties payables	105	91
Rebates/discounts and other sales allowances payable	673	569
Accrued interest	32	32
Other accrued expenses	198	272
Total current trade and other liabilities	**1 856**	**1 786**

The vast majority of the trade and other liabilities are classified as current and consequently the carrying amounts of the total trade and other liabilities is assumed to be a reasonable approximation of fair value.

“Rebates/discounts and other sales allowances payable” include rebates, chargebacks, discounts and accruals for product returns relating to products sold in the U.S. to various customers that are part of commercial and governmental contractual arrangements or other reimbursement programs, including the U.S. Medicaid Drug Rebate program, the U.S. Federal Medicare program and others. The sales returns and allowances are recorded in the same period as the underlying sales as a deduction to sales.

Per management assessment, the total accruals for these items are adequate, based upon currently available information and interpretation of relevant regulations.

As these deductions are based on management estimates, the actual deductions might differ from these estimates. Such differences could impact the accruals recognized in the balance sheet in future periods and consequently the level of sales recognized in the income statement in future periods, as there is often a time lag of several months between the recording of the estimate and the final accounting of the sales deductions.

The accruals are reviewed and adjusted regularly in light of contractual and legal obligations, historical trends, past experience and projected market conditions.

All returns, chargebacks, rebates and discounts that are not mentioned on the invoice are estimated, deducted from sales and presented on the balance sheet in the appropriate accrual account. The estimate for future product returns is based on several factors, including: historical return rates, expiration date by product, return rate by closed batches, actual returns processed among others, as well as any other specifically-identified anticipated returns due to known factors such as the loss of patent exclusivity, product recalls and discontinuances, or a changing competitive environment. Adjustments to these accruals may be required in the future based on revised estimates to our assumptions, which would have an impact on our consolidated results of operations. The U.S. sales return and allowance liability that is included as part of the rebates and discounts payable liability balance amounts to € 549 million as per 31 December 2019 (31 December 2018: € 460 million).

35 Income tax payables

Income tax payables include liabilities for uncertain tax positions for an amount of € 145 million (2018: € 91 million). There has been a net increase in 2019 of liabilities resulting from remeasurement and roll-forward of existing tax risks, reversal of tax risks based on expiry of statutes of limitation and recognition of new liabilities all reflecting the tax-technical merits of the case and the state of discussions with tax authorities upon tax audit (where appropriate). Liabilities for uncertain tax positions are recorded when the Group considers it probable that a tax position taken is unlikely to be sustained if challenged by the tax authorities and after exhausting all legal remedies.

The income tax receivable includes assets for tax relief following Mutual Agreement procedures for an amount of € 18 million (2018: € 17 million). Assets for relief following Mutual Agreement procedures are recorded when the Group considers it probable that a Mutual Agreement procedure may provide for a corresponding adjustment in one or more jurisdictions.

The assessment for both the uncertain tax positions and corresponding adjustments is calculated taking into account the most likely outcome or the expected value, where appropriate and in line with IFRIC 23. See Note 3.2.5 for more details on the Group's assessment of uncertain tax positions. This means that, on a net basis, the group has provided for a reserve of € 127 million to cover for uncertain tax positions and engages into the necessary procedures to secure tax relief where possible.

UCB faces tax audits in a number of countries where activities are deployed. The issues under discussion are in some cases complex and such audits can take a number of years to resolve. The Group strictly follows up on the liabilities for uncertain tax positions which are recorded per end 2019, also reflecting the status of the ongoing tax audits.

36 Note to the consolidated statement of cash flows

The cash flow statement identifies operating, investing and financing activities for the period.

UCB uses the indirect method for the operating cash flows. The net profit and loss is adjusted for:

- the effects of non-cash transactions such as depreciation and amortization, impairment losses, provisions, mark-to-market, etc., and the variance in working capital;
- items of income or expense associated with investing or financing cash flows.

Important non-cash transactions for 2019 mainly relate to tax credits (€ 69 million) for which the cash benefit will be received in later years.

Important non-cash transactions for 2018 mainly relate to CTA adjustments on liquidated entities that were transferred to the income statement (€ 32 million) and to tax credits (€ 74 million) for which the cash benefit will be received in later years.

€ million	Note	2019	2018
Adjustment for non-cash transactions		**231**	**254**
Depreciation and amortization	10, 21, 19	313	288
Impairment/reversal (−) charges	10, 13	1	1
Equity settled share-based payment expense		6	12
Other non-cash transactions in the income statement		−68	−110
Adjustment IFRS 9	16	−1	4
Unrealized exchange gain (−)/losses		−9	8
Change in provisions and employee benefits		−6	26
Change in inventories and bad debt provisions		−5	25
Adjustment for items to disclose separately under operating cash flow		**144**	**202**
Tax charge of the period from continuing operations	17	145	199
Tax charge of the period from discontinued operations		−1	3
Adjustment for items to disclose under investing and financing cash flow		**−7**	**2**
Gain (−)/loss on disposal of fixed assets		−48	−41
Interest income (−)/charge		41	43
Change in working capital			
Inventories movement per consolidated balance sheet		−134	−53
Trade and other receivable and other assets movement per consolidated balance sheet		−147	−32
Trade and other payable movement per consolidated balance sheet		60	69
As it appears in the consolidated balance sheet and corrected by:		**−221**	**−16**
Non-cash items		−15	33
Change in inventories and bad debt provisions disclosed separately under operating cash flow		5	−25
Currency translation adjustments		−1	−27
As it appears in the consolidated cash flow statement		**−232**	**−35**

[1] Non-cash items are mainly linked to transfers from one heading to another, non-cash movements linked to affiliate's revaluation from Fx currencies and other movements linked to entry/exit in consolidation scope or merge of entities.

37 Financial instruments by category

31 December 2019

€ million	Note	Assets at amortized cost	Assets at fair value through the profit and loss (FVPL)	Assets used for hedging	Assets at fair value through other comprehensive income (FVOCI)	Total
Assets as per balance sheet						
Financial assets and other assets (excluding derivative financial instruments and associates)	22	180	0	0	106	286
Derivative financial assets	38	0	39	11	0	50
Trade and other receivables (including prepaid expenses)	24	950	0	0	0	950
Cash and cash equivalents	25	1 293	0	0	0	1 293
Total		**2 423**	**39**	**11**	**106**	**2 579**

31 December 2019

€ million	Note	Liabilities at fair value through the profit and loss (FVPL)	Liabilities used for hedging	Liabilities at amortized cost	Total
Liabilities as per balance sheet					
Borrowings	28	0	0	135	135
Bonds	29	23	0	1 123	1 146
Derivative financial liabilities	38	12	30	0	42
Trade and other liabilities	34	0	0	1 888	1 888
Other financial liabilities (excluding derivative financial instruments)	30	29	0	0	29
Total		**64**	**30**	**3 146**	**3 240**

31 December 2018

€ million	Note	Assets at amortized cost	Assets at fair value through the profit and loss (FVPL)	Assets used for hedging	Assets at fair value through other comprehensive income (FVOCI)	Total
Assets as per balance sheet						
Financial assets and other assets (excluding derivative financial instruments and associates)	22	143	0	0	69	212
Derivative financial assets	38	0	44	5	0	49
Trade and other receivables (including prepaid expenses)	24	835	0	0	0	835
Cash and cash equivalents	25	1 262	0	0	0	1 262
Total		**2 240**	**44**	**5**	**69**	**2 358**

31 December 2018 € million	Note	Liabilities at fair value through the profit and loss (FVPL)	Liabilities used for hedging	Liabilities at amortized cost	Total
Liabilities as per balance sheet					
Borrowings	28	0	0	272	272
Bonds	29	32	0	1 195	1 227
Derivative financial liabilities	38	13	97	0	110
Trade and other liabilities	34	0	0	1 812	1 812
Other financial liabilities (excluding derivative financial instruments)	30	55	0	0	55
Total		**100**	**97**	**3 279**	**3 476**

38 Derivative financial instruments

	Assets		Liabilities	
€ million	**2019**	2018	**2019**	2018
Forward foreign exchange contracts – cash flow hedges	9	4	30	97
Forward foreign exchange contracts – fair value through profit and loss	13	7	11	10
Foreign exchange options – net investment hedges	2	0	0	0
Interest rate derivatives – cash flow hedges	0	1	0	0
Interest rate derivatives – fair value through profit and loss	26	37	1	3
Total	**50**	**49**	**42**	**110**
Of which:				
Non-current (Notes 22 and 30)	26	38	1	3
Current (Notes 22 and 30)	24	11	41	107

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability, if the maturity of the hedged item is less than 12 months.

The cash flow hedges entered into by the Group were assessed to be highly effective and over 2019, a net unrealized gain of € 55 million (2018: net unrealized loss of € 141 million) after deferred taxes was included in equity in respect of these contracts. These gains/losses will be recycled to the profit or loss in the period during which the hedged forecast transactions affect the profit or loss.

The ineffective portion recognized in the profit or loss that arises from cash flow hedges amounts to € 0 million (2018: € 0 million).

38.1 Foreign currency derivatives

The Group policy with respect to the use of financial derivative contracts is described in Note 4 “Financial Risk Management”.

The Group entered into several forward foreign exchange contracts in order to hedge a portion of highly probable future sales and royalty income, expected to occur in 2020 and 2021.

The fair values of the foreign currency derivative contracts are as follows:

	Assets		Liabilities	
€ million	**2019**	2018	**2019**	2018
USD	14	4	35	93
GBP	3	0	0	1
JPY	2	1	3	10
CHF	4	3	0	0
RUB	0	1	0	0
Other currencies	1	2	3	3
Total foreign currency derivatives	**24**	**11**	**41**	**107**

The net foreign currency derivatives maturity analysis is noted below:

€ million	**2019**	2018
1 year or less	−17	−96
1-5 years	0	0
Beyond 5 years	0	0
Total foreign currency derivatives – net asset/net liability (−)	**−17**	**−96**

The following table shows the split of foreign currency derivatives by currency of denomination (currencies sold view) as at 31 December 2019:

Notional amounts in € million	USD	GBP	EUR	JPY	CHF	Other currencies	Total
Forward contracts	234	1	345	211	0	181	972
Currency swaps	1 935	26	1 107	144	6	120	3 338
Option/collar	0	0	845	0	0	0	845
Total	**2 169**	**27**	**2 297**	**355**	**6**	**301**	**5 155**

38.2 Interest rate derivatives

The Group uses various interest rate derivative contracts to manage its exposure to interest rate movements on its borrowings. The re-pricing dates and amortization characteristics are aligned with those of the fixed rate bonds. The outstanding interest rate derivative contracts are as follows:

Contract type	Nominal values of contracts (million)	Average rate (− is payer/ + is receiver)	Plus margin of points (− is payer/ + is receiver)	For periods from/to		Floating interest receipts
IRS	EUR 200	1.53%		04-Oct-13	04-Jan-21	−EURIBOR 3M
IRS	EUR 150	1.59%		04-Oct-13	04-Jan-21	−EURIBOR 3M
IRS	EUR 250	1.36%		27-Nov-13	27-Mar-20	−EURIBOR 3M
IRS	EUR 175	1.91%		27-Nov-13	02-Oct-23	−EURIBOR 3M
IRS	EUR 150	−1.12%		27-Mar-14	27-Mar-20	EURIBOR 3M
IRS	USD 100	−1.97%		20-Nov-14	22-Nov-21	USD LIBOR 3 Months
IRS	EUR 100	0.44%		17-Dec-15	02-Apr-22	−EURIBOR 6M
IRS	EUR 100	0.45%		17-Dec-15	02-Apr-22	−EURIBOR 6M
CCIRS	USD 230	−USD LIBOR 3 Months	−0.16%	27-Nov-13	02-Oct-23	EURIBOR 3M
CCIRS	EUR 205	USD LIBOR 3 Months	0.45%	02-Apr-16	02-Oct-23	−EURIBOR 3M

38.3 Hedge of net investment in a foreign entity

Any unrealized cumulative foreign exchange gains or losses resulting from net investment hedges are taken up under Cumulative Translation Adjustments. These unrealized gains and losses will remain in equity and will only be recycled to profit or loss when the Group no longer holds the underlying assets.

39 Leases

39.1 Amounts recognized in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

€ million	Note	2019	2018
Buildings	21	93	97
Plant and machinery	21	2	3
Office equipment and vehicles	21	26	28
Total right-of-use assets		**121**	**128**
Non-current	28	61	63
Current	28	38	38
Total lease liabilities		**99**	**101**

Additions to the right-of-use assets during the 2019 financial year were € 40 million and mainly relate to the leaseback of the building in Monheim (Germany) and the renewal of the fleet in the U.S.

As per 31 December 2019, no residual value guarantees are included in the lease liabilities.

As per 31 December 2019, lease commitments for leases not yet commenced amounted to € 14 million.

39.2 Amounts recognized in the income statement

The income statement shows the following amounts relating to leases:

€ million	Note	2019	2018
Depreciation charge of right-of-use assets	21	44	43
Buildings	21	28	27
Plant and machinery	21	1	1
Office equipment and vehicles	21	15	15
Interest expense (included in Financial expenses)	16	3	3
Expense relating to short-term leases		6	3
Expense relating to leases of low-value assets that are not short-term leases		6	3
Expense/Income (−) relating to variable lease payments not included in lease liabilities		−1	0
Total expense related to leases		**58**	**52**

The total cash outflow for leases in 2019 was € 48 million.

In 2019 there was no material income from subleasing.

40 Earnings per share

40.1 Basic earnings per share

€	2019	2018
From continuing operations	4.22	4.20
From discontinued operations	0.01	0.04
Basic earnings per share	**4.23**	**4.24**

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares.

40.2 Diluted earnings per share

€	2019	2018
From continuing operations	4.22	4.20
From discontinued operations	0.01	0.04
Diluted earnings per share	**4.23**	**4.24**

40.3 Earnings

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

Basic profit attributable to shareholders of UCB SA

€ million	2019	2018
Profit/loss (−) from continuing operations attributable to shareholders of UCB SA	789	792
Profit/loss (−) from discontinued operations	2	8
Profit attributable to shareholders of UCB SA	**792**	**800**

Diluted profit attributable to shareholders of UCB SA

€ million	2019	2018
Profit/loss (−) from continuing operations attributable to shareholders of UCB SA	789	792
Profit/loss (−) from discontinued operations	2	8
Profit attributable to shareholders of UCB SA	**792**	**800**

40.4 Number of shares

In thousands of shares	2019	2018
Weighted average number of ordinary shares for basic earnings per share	187 217	188 484
Weighted average number of ordinary shares for diluted earnings per share	187 217	188 484

41 Dividend per share

The gross dividends paid in 2019 (in respect of the year ended 31 December 2018) and 2018 (in respect of the year ended 31 December 2017) were € 233 million (€ 1.21 per share) and € 226 million (€1.18 per share) respectively.

A dividend in respect of the year ended 31 December 2019 of € 1.24 per share, amounting to a total dividend of € 239 million, is to be proposed at the annual general meeting of the shareholders on 30 April 2020.

In accordance with IAS 10, events after the reporting period, the proposed dividend has not been recognized as a liability at year-end.

42 Commitments and contingencies

42.1 Capital and other commitments

At 31 December 2019, the Group has committed to spend € 62 million (2018: € 43 million) mainly with respect to expected capital expenditures for the new biological production unit, the *bimekizumab* production line and the new development building on the Braine site as well as for revamping of offices in Braine and Anderlecht.

UCB has entered into long-term development agreements with various pharmaceutical enterprises, clinical trial operators and financial investors. Such collaboration agreements may include milestone payments which are dependent on successful clinical development or on meeting specified sales targets. The table below sets out the maximum that would be paid if all milestones, however unlikely, are achieved but excludes variable royalty payments based on unit sales and amounts accrued for milestones already achieved. The amounts are not risk-adjusted or discounted and the timing of the payments is based on the Group's current best estimate of achievement of the relevant milestones.

€ million	2019	2018
Less than 1 year	29	133
Between 1 and 5 years	171	156
More than 5 years	642	527
Total	**842**	**816**

UCB has concluded several agreements with Contract Manufacturing Organizations for the supply of its products. Total outstanding commitments towards these CMOs amount to € 482 million as per end of 2019 (2018: € 415 million).

As part of UCB's innovation strategy, UCB has established a corporate venture fund, UCB Ventures. The main objectives of the fund are to add breadth to UCB's innovation ecosystem, to create a window on new technologies, products, platforms and channels to augment or complement UCB's existing activities,

to develop network and strategic relationships in the venture capital investor community to identify opportunities that UCB might not otherwise see. Within this framework UCB has outstanding commitments at the end of 2019 for a total amount of USD 8 million relating to investments in venture capital funds.

42.2 Guarantees

Guarantees arising in the normal course of business are not expected to result in any material financial loss.

42.3 Contingencies

The Group continues to be actively involved in litigations, claims and investigations. The on-going matters could result in liabilities, civil and criminal penalties, loss of product exclusivity and other costs, fines and expenses associated with findings adverse to UCB's interests. Potential cash outflows reflected in a provision might take into account the full or partial off-set by insurance in certain circumstances. UCB has not established provisions for potential damage awards for certain additional legal claims against our subsidiaries if UCB currently believes that a payment is either not probable or cannot be reliably estimated.

42.3.1 Intellectual property matters (selected matters)

Vimpat®

- **Accord and Teva German Litigation**: In the third quarter of 2017, Accord Healthcare and Teva filed nullity actions in the German Patent Court, seeking to invalidate the German part of the European Vimpat® patent/supplementary protection certificate (SPC). Accord has withdrawn its appeal. Teva is continuing its action against the SPC. A hearing in the Federal Patent Court took place on 12 September 2019 after which the panel confirmed the validity of the SPC. Teva can appeal the decision until 17 February 2020. No appeal has been received as of 18 February 2020.
- **Laboratorios Normon, Spanish Litigation**: In October 2017, UCB was notified by the Court of Barcelona that a nullity action against the Spanish part of the European Vimpat® patent was filed by Laboratorios Normon, S.A. Trial took place in July 2019, and a decision is expected in 2020.

Neupro®

- **Watson (Actavis) Delaware District Court Abbreviated New Drug Application (ANDA) Litigation**: In June 2019 the Court of Appeals for the Federal Circuit affirmed the District Court decision upholding the validity of the Orange Book (OB) listed 6,884,434 patent. UCB has filed a follow-on paragraph IV ANDA suit against Actavis on the basis of its newly granted '589 reformulation patent. Trial is set to take place in October 2020.
- **Zydus Delaware District Court ANDA litigation**: In November 2016, UCB filed suit in the District Court against Zydus Pharmaceuticals, who is seeking approval of its generic version of Neupro®. Zydus filed a paragraph IV certification challenging, among other things, the validity of certain patents pertaining to Neupro®. The case was stayed until August 2019, UCB required Zydus to convert into Paragraph III, i.e. to wait for expiry of UCB's Orange Book listed patents.
- **Mylan Delaware District Court ANDA Litigation**: In March 2017, UCB filed suit in the district court against Mylan Pharmaceuticals, who is seeking approval of its generic version of Neupro®. Mylan filed a paragraph IV certification challenging, among other things, the validity of certain patents pertaining to Neupro®. UCB has also now asserted UCB's newly granted and Orange Book listed reformulation patents '589 and '174. The case has now been transferred to the District Court of Vermont. The trial is scheduled for November 2020 and the Markman hearing will take place on 10 March 2020. In parallel, an opposition proceeding instigated by Luye and Mylan against UCB's European reformulation patent is pending; oral proceedings will take place in May 2020.

Xyzal®

- **Xyzal® and Xyzal Allergy 24HR® ANDA litigation:** UCB is engaged in ANDA litigation with Apotex for Xyzal® oral solution. Apotex had previously filed a petition for Inter Partes Review (IPR) with the United States Patent and Trademark Office (USPTO) of the Xyzal® patent relating to a Xyzal® children formulation. The ANDA litigation has been stayed pending resolution of the IPR. The USPTO instituted trial in July 2019 and UCB filed its response in October 2019.

42.3.2 Product liability matters

- **Distilbène product liability litigation – France:** France Entities of the UCB Group have been named as defendants in several product liability cases in France. The claimants in these actions claim that their mothers took Distilbène, a former product of the UCB Group, during their pregnancy, and that as a result of this they suffered bodily injuries. The Group has product liability insurance in place but as this insurance cover will likely not be sufficient, the Group has accounted for a provision. (See Note 33).
- **Opioid Litigation:** UCB, Inc. ("UCB") has been named as a defendant in thirteen state and federal lawsuits in connection with the national opioid litigation. The litigation began

several years ago, when plaintiffs – primarily state and local governments – began filing suit against manufacturers and distributors of opioids, alleging generally that: (1) manufacturers worked in concert to perpetuate a false marketing scheme by overstating the safety and efficacy, and understating the risks, of long-term opioid use for chronic pain; and (2) all defendants failed to prevent diversion, and failed to monitor, report and prevent suspicious orders. Plaintiffs assert claims for public nuisance, RICO, civil conspiracy, negligence, fraud/ fraudulent misrepresentation, strict products liability, and various state-specific claims.

In December 2017, the Judicial Panel on Multidistrict Litigation created a multidistrict litigation (MDL) in the Northern District of Ohio to address the cases pending in federal courts. There are currently more than 2,600 cases pending in the MDL.

In the spring of 2018, UCB was named in two opioid cases – one filed by the Arkansas Prosecuting Attorney in Arkansas state court, and one purported class action filed by third-party payors in the Southern District of Alabama. UCB was dismissed from the Arkansas action in January 2019, after the court concluded the allegations against it were insufficient to establish the court's personal jurisdiction. The Alabama case was subsequently transferred to the MDL, where it has been stayed.

In March 2019, four Kentucky plaintiffs amended their complaints to add UCB as a defendant. Three of the cases were brought by hospital plaintiffs and the fourth was brought on behalf of Clay County, Kentucky. These cases have been stayed in the MDL.

In July 2019, eight Utah counties amended their complaints, adding UCB and other opioid manufacturers as defendants. These actions were consolidated in the Third District Court of Summit County, Utah, where they remain pending.

In addition, a UCB contract manufacturer, Unither, was named in three MDL cases. One of the cases was brought by hospital plaintiffs, and the two others by municipalities in Puerto Rico. UCB has certain indemnity obligations to Unither. These cases have been stayed.

None of the complaints contain specific allegations against UCB. The only direct allegation made against UCB is that it manufactures, markets, and distributes opioids in the U.S. While one UCB product is identified in one complaint, there are no other references to any UCB product in any of the other complaints.

UCB's overall market share of opioid products remained low throughout the time period at issue. During the 2006-2012 time period, UCB had 0.2% of the nationwide manufacturer market share for hydrocodone and oxycodone pills.

42.3.3 Investigations

- **CIMZIA Investigation:** In March 2019, UCB Inc. received a Civil Investigative Demand (CID) from the U.S. Department of Justice (DOJ) and a subpoena from the Department of Health and Human Services (HHS) Office of Inspector General (OIG) both seeking information relating to the sales and marketing practices and pricing of Cimzia® for the periods from 2011 and 2008, respectively, to date. The Company is cooperating fully with DOJ and OIG.
- **BRIVIACT Investigation:** In November 2019, UCB, Inc. was served with a CID by DOJ seeking information relating to Briviact® for the period from 2011 to date. The Company is cooperating fully with DOJ.

42.3.4 Other matters

Cimzia® CIMplicity® Lawsuit: In March 2018, UCB, Inc. was served with a lawsuit alleging that since 2011, the Cimzia® CIMplicity® program, namely the nurse educator services and reimbursement services provided by a UCB vendor, violated federal and state false claims act and anti-kickback statutes. In December 2018, the DOJ moved to dismiss the case. The Court denied the motion, as well as DOJ's motion for reconsideration. In May 2019, the whistleblower filed an amended complaint. In June, UCB filed a motion to dismiss the case on the basis that its activities did not violate the law. In July 2019, DOJ appealed the denial of its motion to dismiss to the Seventh Circuit Court of Appeals. The case has been stayed pending appeal. The Company has fully cooperated with DOJ in its efforts to dismiss the complaint.

42.3.5 Concluded legal matters

Vimpat®

- **Delaware District Court Litigation**: In June 2013, UCB filed suit in the District Court of Delaware, against 16 defendants, who were seeking approval of their generic versions of Vimpat®. The defendants filed certifications challenging, among other things, the validity of the RE38,551 ('551) Vimpat patent. In August 2016, the court ruled in UCB's favor and upheld the validity of the patent. The defendants appealed and May 2018, the Court of Appeals for the Federal Circuit affirmed the decision. In October 2018, Accord Healthcare and Intas

Pharmaceuticals filed a petition for certiorari in the U.S. Supreme Court, which was denied in November 2018. In November 2018, Mylan, Sun and Alembic, filed another petition for certiorari to the U.S. Supreme Court. In April 2019, the U.S. Supreme Court denied the petition for certiorari.

- **Additional Delaware District Court Litigation**: In 2016, UCB filed suit in the District Court of Delaware against three defendants, Hetero, Zydus and Aurobindo, who were seeking approval of a second generic version of Vimpat®. The parties stipulated that the outcome of the initial Delaware litigation controlled and terminated these second wave cases.
- **Inter Partes Review (IPR):** In November 2015, Argentum Pharmaceuticals filed a petition for an IPR before the U.S. Patent and Trademark Office (USPTO) and Patent Trial and Appeal Board (PTAB), seeking to invalidate the Vimpat® '551 patent. In May 2016, the PTAB instituted the review. Mylan, Breckenridge, and Alembic have joined the IPR. In March 2017, the PTAB upheld the validity of the '551 patent. Argentum did not appeal the decision, but Mylan, Breckenridge, and Alembic have appealed the decision to the Court of Appeals for the Federal Circuit. In February 2019, the Federal Circuit affirmed the PTAB's earlier finding that the Vimpat patent is valid. None of the appellants has timely requested a rehearing and/or a review by the U.S. Supreme Court.
- **Accord U.K. Litigation**: In July 2016, Accord Healthcare filed a legal action before the United Kingdom High Court, requesting a declaration of invalidity and revocation of European Patent (U.K.) 0 888 829, disclosing and claiming *lacosamide*. In November 2017, the Court ruled in UCB's favor, confirming the validity of the UK part of the European patent. Accord initially appealed the decision to UK Court of Appeal, but recently withdrew its appeal.

Toviaz®

- **Mylan Inter Partes Review (IPR):** In January 2016, Mylan Pharmaceuticals filed a petition for an IPR before the USPTO, seeking to invalidate all of the Orange Book listed patents pertaining to Toviaz®. In July 2016, the PTAB instituted the review. Alembic, Torrent and Amerigan have filed joinder motions. In July 2017, the PTAB upheld the validity of all of the Orange Book listed patents. Mylan has appealed the PTAB ruling at the Federal Circuit together with the ruling of the District Court of Delaware in UCB's favor. Amerigan joined the appeal. In January 2019, the Federal Circuit ruled in UCB's favor. None of the appellants timely filed an appeal.
- **Adair Patent Litigation – Chugai:** On 14 December 2016, Chugai Pharmaceuticals filed a legal action in the United Kingdom Patents Court, seeking a declaration that the sale of their product Actemra® does not infringe UCB's U.S. patent 7 556 771. Trial was held in March 2018. The Court found in favor of Chugai in a decision rendered in August 2018. UCB has withdrawn its appeal.

It is not anticipated that any other material liabilities will arise from the contingent liabilities other than those provided for (see Note 33 of the 2019 Annual Report).

43 Related party transactions

43.1 Intra-group sales and services

During the financial years ended 31 December 2019 and 2018, all intra-UCB Group transactions were carried out based on assessments of mutual economic benefit to the parties involved, and the applicable conditions were established in accordance with criteria of at arm's length negotiations and fair dealing, and with a view to creating value for the entire UCB Group. Conditions governing intra-UCB Group transactions were similar to conditions governing third-party transactions.

With regard to the sale of intermediary and finished products, these criteria were in most cases achieved by increasing each party's respective production cost by an at arm's length profit margin. With regard to intra-UCB Group services rendered, these criteria are accompanied by the principle of charging fees sufficient to cover each party's respective incurred costs and an at arm's length mark-up. Intra-Group transactions carried out within the UCB Group constitute standard transactions for a biopharmaceutical Group. These transactions include the purchase and sale of intermediary and finished medical products, deposits and loans for UCB Group affiliates as well as functions and activities carried out by the UCB Group in order to optimize operations.

43.2 Financial transactions with related parties other than UCB SA affiliates

During 2019 there have been no financial transactions with other related parties other than affiliates of UCB SA.

43.3 Key management compensation

Key management compensation as disclosed below comprises compensation recognized in the income statement for members of the Board of Directors and the Executive Committee, for the portion of the year where they exercised their mandate.

	2019	2018
Short-term employee benefits	18	17
Termination benefits	2	0
Post-employment benefits	4	3
Share-based payments	11	8
Total key management compensation	**35**	**28**

Short-term employee benefits include salaries (including social security contributions), bonuses earned during the year, car leasing and other allowances where applicable. Share-based compensation includes the amortization over the vesting period of the fair value of equity instruments granted, and comprises share options, share awards and performance shares further explained in Note 27. The termination benefits contain all compensated amounts, including benefits in kind and deferred compensation. There have been no loans granted by the Company or a subsidiary of the Group to any Director or officer of the Group, nor any guarantees given with respect hereto.

43.4 Shareholders and shareholders structure

The main shareholder of UCB is Financière de Tubize SA (also referred to herein as the "Reference Shareholder" or "Tubize"), a Belgian company listed on Euronext Brussels, holding 68 076 981 UCB shares on a total number of 194 505 658 (i.e. 35.00%) as at 31 December 2019.

Based on the transparency declarations received by Tubize and, as the case may be, more recent public disclosures, the shareholder structure of Tubize per 31 December 2019 can be summarized as follows:

	Concert		Outside concert		**Total**	
	Voting rights	%	Voting rights	%	**Voting rights**	**%**
FEJ SRL (previously Financière Eric Janssen SPRL)	8 525 014	19.15%	1 988 800	4.47%	10 513 814	23.62%
Daniel Janssen	5 881 677	13.21%	–	–	5 881 677	13.21%
Altaï Invest SA	4 969 795	11.16%	26 468	0.06%	4 996 263	11.22%
Barnfin SA	3 903 835	8.77%	–	–	3 903 835	8.77%
Jean van Rijckevorsel	11 744	0.03%	–	–	11 744	0.03%
Total voting rights held by the reference shareholders	**23 292 065**	**52.33%**	**2 015 268**	**4.53%**	**25 307 333**	**56.85%**
Other shareholders	–	–	19 205 265	43.15%	19 205 265	43.15%
Total voting rights	**23 292 065**	**52.33%**	**21 220 533**	**47.67%**	**44 512 598**	**100.00%**

Altaï Invest SA is controlled by Evelyn du Monceau, born Evelyn Janssen. Barnfin SA is controlled by Bridget van Rijckevorsel, born Paule Bridget Janssen.

The reference shareholders of Tubize, belonging to the Janssen family, act in concert, i.e. they have entered into a shareholders' agreement concerning the concerted exercise of their voting rights in order to pursue a sustainable common policy with regard to Tubize and concerning the possession, acquisition or transfer of voting securities cf. article 3, §1, 13°, a), b) and c) of the Law on the disclosure of large shareholdings and article 3, §1, 5°, a) and b) of the Law on public takeover bids.

With respect to its shareholding in UCB, Tubize was acting in concert with Schwarz, i.e. they have entered into an agreement concerning the concerted exercise of their voting rights in order to pursue a sustainable common policy with regard to UCB and concerning the possession, acquisition or transfer of voting securities (cf. article 3, §1, 13°, b) and c) of the Law on the disclosure of large shareholdings and article 3, §1, 5°, b) of the Law on public takeover bids).

UCB received on 25 January 2018 a transparency notification from Tubize mentioning that Tubize received confirmation on 19 January 2018 of the termination of the agreement to act

in concert with Schwarz, and a transparency notification from Schwarz confirming this information on 29 January 2018.

UCB and its subsidiaries also hold UCB shares (see below for an overview of their shareholdings at 31 December 2019). The remaining UCB shares are held by the public.

Please find below an overview of the large shareholdings of UCB (including assimilated financial instruments) on the basis of the transparency notifications received pursuant to the law of 2 May 2007, on the disclosure of large shareholdings (situation as at 31 December 2019):

				Latest update
	Share capital	**€ 583 516 974**		13 March 2014
	Total number of voting rights (= denominator)	**194 505 658**		
1	**Financière de Tubize SA ('Tubize')**			
	securities carrying voting rights (shares)	**68 076 981**	**35.00%**	19 January 2018
2	**UCB SA/NV**			
	securities carrying voting rights (shares)	1 749 680	0.90%	31 December 2019
	assimilated financial instruments (options)[1]	0	0.00%	06 March 2017
	assimilated financial instruments (other)[1]	0	0.00%	18 December 2015
	Total	**1 749 680**	**0.90%**	
3	**UCB Fipar SA**			
	securities carrying voting rights (shares)	4 172 958	2.15%	31 December 2019
	assimilated financial instruments (options)[1]	0	0.00%	04 March 2019
	assimilated financial instruments (other)[1]	0	0.00%	25 December 2015
	Total	**4 172 958**	**2.15%**	
	UCB SA/NV + UCB Fipar SA[2]			
	securities carrying voting rights (shares)	5 922 638	3.04%	
	assimilated financial instruments (options)[1]	0	0.00%	
	assimilated financial instruments (other)[1]	0	0.00%	
	Total	**5 922 638**	**3.04%**	
	Free float[3] (securities carrying voting rights (shares))	**120 506 039**	**61.96%**	
4	**BlackRock, Inc.**			
	securities carrying voting rights (shares)	9 647 211	4.96%	31 December 2019
5	**Wellington Management Group LLP**			
	securities carrying voting rights (shares)	15 575 749	8.01%	01 October 2019

(all percentages are calculated on the basis of the current total number of voting rights)

1 Assimilated financial instruments within the meaning of article 6, §6 of the Law of 2 May 2007 on the disclosure of large shareholdings.

2 UCB SA/NV indirectly controls UCB Fipar SA | art. 6, §5, 2° and art. 9, §3, 2° of the Law of 2 May 2007 on the disclosure of large shareholdings.

3 Free float being the UCB shares not held by the reference shareholder (Tubize), UCB SA/NV or UCB Fipar SA. Only securities carrying voting rights (shares) held by these entities are taken into account for this calculation; assimilated financial instruments are excluded.

44 Events after the balance sheet date

There have been no events after the balance sheet date.

On 10 October 2019, UCB announced its entry into a merger agreement pursuant for which UCB will acquire Ra Pharmaceuticals Inc (NASDAQ: RARX, Ra Pharma). Under the terms of the agreement, Ra Pharma shareholders will receive USD 48 in cash for each Ra Pharma share at closing. This would bring the total transaction value to approximately USD 2.1 billion (net of Ra Pharma cash). The Boards of Directors of both companies have unanimously approved the transaction, which remains subject to approval by Ra Pharma shareholders and to obtaining antitrust clearance and other customary closing conditions. UCB and Ra Pharma expect to complete the transaction by the end of Q1 2020.

45 UCB companies (fully consolidated)

Name and office	Holding	Controlling partner
Australia		
UCB Australia Pty. Ltd. – Level 1, 1155 Malvern Road – 3144 Malvern, Victoria	100%	UCB SA
Austria		
UCB Pharma Gesellschaft m.b.H. – Twin Tower, Wienerbergstrasse 11/12a, 1100 Wien	100%	UCB Finance NV
Belgium		
UCB Fipar SA – Allée de la Recherche, 60 – 1070 Brussels (BE0403.198.811)	100%	UCB Belgium SA
UCB Biopharma SRL – Allée de la Recherche, 60 – 1070 Brussels (BE0543.573.053)	100%	UCB Pharma SA
UCB Belgium SA – Allée de la Recherche, 60 – 1070 Brussels (BE0402.040.254)	100%	UCB Pharma SA
UCB Pharma SA – Allée de la Recherche, 60 – 1070 Brussels (BE0403.096.168)	100%	UCB SA
Sifar SA – Allée de la Recherche, 60 – 1070 Brussels (BE0453.612.580)	100%	UCB Finance NV
UCB Ventures SA – Allée de la Recherche, 60 – 1070 Brussels (BE0667 816 096)	100%	UCB SA
UCB Ventures Belgium SA – Allée de la Recherche, 60 – 1070 Brussels (BE0668 388 891)	100%	UCB Ventures SA
Handl Therapeutics BV[3] – Cardenberch 1 – 3000 Leuven	0%	N/A
Brazil		
UCB Biopharma Ltda – Av. Presidente Juscelino Kubitschek, nº 1327, 5° andar, Condominio Edificio Intemacional Plaza II – CEP: 04543-011 Sao Paulo	100%	UCB SA
Bulgaria		
UCB Bulgaria EOOD – 2B Srebarna street, fl. 9, office 8B, Lozenetz, Sofia 1407	100%	UCB SA
Canada		
UCB Canada Inc. – 2060 Winston Park Drive, Suite 401 – ON L6H5R7 Oakville	100%	UCB Holdings Inc.
China		
UCB Trading (Shanghai) Co Ltd – Suite 317, 439 No.1 Fu Te Road West, Shanghai (Pilot Free Trade Zone)	100%	UCB SA
UCB Pharma (Hong Kong) Ltd – Rooms 156 & 157, 20/F, Cityplaza Three, 14 Taikoo Wan Road, Tai Koo, Hong Kong	100%	UCB Pharma GmbH
UCB Pharma (Zhuhai) Company Ltd – Section A., Workshop, No.3 Science & Technology 05th Road, Innovation Coast, National Hi-Tech Industrial Development Zone – Zhuhai Guangdong Province	100%	UCB Pharma GmbH
Czech Republic		
UCB S.R.O. – Thámova 289/13 – 186 00 Praha 8	100%	UCB SA
Denmark		
UCB Nordic AS – Edvard Thomsens Vej 14, 7 – 2300 Copenhagen	100%	UCB Finance NV
Finland		
UCB Pharma Oy Finland – Bertel Jungin aukio 5, 6.krs – 02600 Espoo	100%	UCB Finance NV
France		
UCB Pharma SA – Défense Ouest 420, rue d'Estienne d'Orves – 92700 Colombes	100%	UCB SA
Germany		
UCB Pharma GmbH – Alfred-Nobel-Strasse 10 – 40789 Monheim am Rhein	100%	UCB GmbH
UCB GmbH – Alfred-Nobel-Strasse 10 – 40789 Monheim am Rhein	100%	UCB Finance NV
UCB BioSciences GmbH – Alfred-Nobel-Strasse 10 – 40789 Monheim am Rhein	100%	UCB Pharma GmbH
Greece		
UCB A.E. – 63 Agiou Dimitriou Street – 17456 Alimos – Athens	100%	UCB SA
Hungary		
UCB Hungary Ltd – Obuda Gate Building Arpád Fejedelem ùtja 26-28 – 1023 Budapest	100%	UCB SA
India		
UCB India Private Ltd – Building No. – P3, Unit No. − 103, 1st Floor, Prithvi Complex, Kalher Pipe Line, Kalher, Bhiwandi, Thane, 421302 Maharashtra	100%	UCB SA

[1] These companies have merged with other companies of the Group and are included in the Consolidated Income Statement for 2018 and 2019 (up till their effective merge date).

[2] UCB Trading (SG) Pte. Ltd. has been liquidated as per 11 November 2019. This company is included in the Consolidated Income Statement for 2018 and 2019 (up till its liquidation date).

[3] Handl Therapeutics is included in the Consolidated Financial Statements as of 04 October 2019, following application of IFRS 10.

[4] New company incorporated in the UCB group as of 08 October 2019.

Name and office	Holding	Controlling partner
Uni-Mediflex Private Ltd – Building No. – P3, Unit No. − 103, 1st Floor, Prithvi Complex, Kalher Pipe Line, Kalher, Bhiwandi, Thane, 421302 Maharashtra	100%	UCB SA
Ireland		
UCB (Pharma) Ireland Ltd – United Drug House Magna Drive, Magna Business Park, City West Road – Dublin 24	100%	UCB SA
UCB Manufacturing Ireland Ltd – Shannon Industrial Estate – Shannon, County Clare	100%	UCB SA
Italy		
UCB Pharma SpA – Via Varesina 162 – 20156 Milano	100%	UCB SA
Japan		
UCB Japan Co Ltd – Shinjuku Grand Tower, 8-17-1 Nishi-Shinjuku 160-0023 Shinjuku, Tokyo	100%	UCB SA
Luxembourg		
Edev Sàrl – Rue Eugène Ruppert, 5C – 2453 Luxembourg	0%	N/A
Malaysia		
UCB Trading (Malaysia) Sdn. Bhd. – Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur	100%	UCB SA
Mexico		
UCB de Mexico SA de C.V. – Calzada Mariano Escobedo 595, Piso 3, Oficina 03/100, Colonia Rincón del Bosque, Bosque de Chapultepec I sección, Alcaldía Miguel Hidalgo, 11589 Mexico D.F.	100%	UCB SA
Vedim SA de C.V. – Calzada Mariano Escobedo 595, Piso 3, Oficina 03/100, Colonia Rincón del Bosque, Bosque de Chapultepec I sección, Alcaldía Miguel Hidalgo, 11589 Mexico D.F.	100%	Sifar SA
Netherlands		
UCB Finance N.V. – Hoge Mosten 2 – 4822 NH Breda	100%	UCB SA
UCB Pharma B.V. (Netherlands) – Hoge Mosten 2 – 4822 NH Breda	100%	UCB Finance NV
Norway		
UCB Pharma A.S. – Haakon VIIs gate 6 – 0161 Oslo	100%	UCB Finance NV
Poland		
Vedim Sp. z.o.o. – Ul. L. Kruczkowskiego, 8, 00-380 Warszawa	100%	Sifar SA
UCB Pharma Sp. z.o.o. – Ul. L. Kruczkowskiego, 8, 00-380 Warszawa	100%	UCB SA
Portugal		
UCB Pharma (Produtos Farmaceuticos) Lda – Estrada de Paço de Arcos, 58, 2770-130 Paço de Arcos	100%	UCB SA
Romania		
UCB Pharma Romania S.R.L. – 40-44 Banu Antonache, 4th fl., district 1 – 011665 Bucharest	100%	UCB SA
Russia		
UCB Pharma LLC – Shturvaluaya 5 bldg 1 – 125364 Moscow	100%	UCB SA
UCB Pharma Logistics LLC – 1st Krasnogvardeyskiy proezd 15, floor 13 , office 2, room 35, premises 1 – 123100 Moscow	100%	UCB SA
Singapore		
UCB Trading (SG) Pte. Ltd. [2] – 8 Marina Boulevard #05-02, Marina Bay Financial Centre Tower 1, 18981 Singapore	100%	UCB SA
South Korea		
UCB Korea Co Ltd. – 4th Fl., A+ Asset Tower, 369 Gangnam-daero, Seocho-gu, 06621 Seoul	100%	UCB SA
Spain		
UCB Pharma SA – Plaza de Manuel Gómez Moreno, s/n, Edificio Bronce, 5th floor – 28020 Madrid	100%	Vedim Pharma SA
Sweden		
UCB Pharma AB (Sweden) – Klarabergsgatan 29 – 111 21 Stockholm	100%	UCB Finance NV
Switzerland		
UCB Farchim SA (A.G. – Ltd.) – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Finance NV
UCB Investissements SA[1] – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Finance NV
Doutors Réassurance SA – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Farchim SA

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[2] UCB Trading (SG) Pte. Ltd. has been liquidated as per 11 November 2019. This company is included in the Consolidated Income Statement for 2018 and 2019 (up till its liquidation date).

[3] Handl Therapeutics is included in the Consolidated Financial Statements as of 04 October 2019, following application of IFRS 10.

[4] New company incorporated in the UCB group as of 08 October 2019.

Name and office	Holding	Controlling partner
UCB-Pharma AG – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Farchim SA
Medeva Pharma Suisse SA[1] – Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Investissements SA
UCB Medical Devices SA – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Farchim SA
Taiwan		
UCB Pharmaceuticals (Taiwan) Ltd – 12F.-2, No.88, Dunhua N. Rd., Songshan Dist, 10551 Taipei	100%	UCB SA
Thailand		
UCB Trading (Thailand) Ltd – No. 984/79 PM Riverside Condominium, 25th fl., Rama 3 Road, Kwaeng Bang Phong Pang, Khet Yannawa – 10500 Bangkok	100%	UCB SA
Turkey		
UCB Pharma A.S. – Palladium Tower, Barbaros Mah., Kardelen Sok. No.2, Kat.24/80, 34746 Istanbul	100%	UCB SA
U.K.		
UCB (Investments) Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB SA
Celltech Group Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB (Investments) Ltd
Celltech R&D Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Celltech Group Ltd
Darwin Discovery Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Celltech Group Ltd
UCB Pharma Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Celltech Group Ltd
Schwarz Pharma Ltd – Hill House 1, Little New Street – EC4A 3TR London	100%	Celltech Group Ltd
Ukraine		
UCB Ukraine LLC – 19 Grygoriya Skovorody Str., Business – center “Podol Plaza” – 04070 Kiev	100%	UCB Pharma GmbH
U.S.		
UCB Holdings Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	UCB Finance NV
UCB Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	UCB Holdings Inc.
UCB Biosciences Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	UCB Inc.
UCB Manufacturing Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	UCB Inc.
Upstate Pharma LLC[1] – C T Corporation System, 111 Eight Avenue, NY, 10011 New York	100%	UCB Inc.
Beryllium Discovery Corp.[1] – 3 Preston Court –01730 Bedford, Massachusetts	100%	UCB Biosciences Inc.
The RNA Medicines Company Inc.[1] – 2711 Centerville Road, Suite 400 – 19808 Wilmington, Delaware	100%	UCB Biosciences Inc.
Element Genomics Inc – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	UCB Biosciences Inc.
Franq Merger Sub, Inc[4] – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	UCB Holdings Inc.

[1] These companies have merged with other companies of the Group and are included in the Consolidated Income Statement for 2018 and 2019 (up till their effective merge date).

[2] UCB Trading (SG) Pte. Ltd. has been liquidated as per 11 November 2019. This company is included in the Consolidated Income Statement for 2018 and 2019 (up till its liquidation date).

[3] Handl Therapeutics is included in the Consolidated Financial Statements as of 04 October 2019, following application of IFRS 10.

[4] New company incorporated in the UCB group as of 08 October 2019.

4 Responsibility statement

We hereby confirm that, to the best of our knowledge, the consolidated financial statements as of 31 December 2019, prepared in accordance with International Financial Reporting standards (IFRS), as adopted by the European Union, and with the legal requirements applicable in Belgium, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation as a whole, and that the management report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed by Jean-Christophe Tellier (CEO) and Detlef Thielgen (CFO) on behalf of the Board of Directors.

5 Statutory auditor's report

Statutory auditor's report to the General Shareholders' Meeting of UCB SA/NV for the year ended 31 December 2019

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated accounts of UCB SA (the "Company") and its subsidiaries (jointly "the Group"). This report includes our report on the audit of the consolidated accounts, as well as the report on other legal and regulatory requirements. These reports form part of an integrated whole and are indivisible.

We have been appointed as statutory auditor by the general meeting d.d. 25 April 2018, following the proposal formulated by the Board of Directors and following the recommendation by the Audit Committee and the proposal formulated by the works' council. Our mandate will expire on the date of the general meeting which will deliberate on the consolidated accounts prepared on 31 December 2020. We started the statutory audit of the consolidated accounts of the Company before 1990.

5.1 Report on the consolidated accounts

5.1.1 Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated statement of financial position total of EUR 11 081 million and a profit for the year (attributable to equity holders) of EUR 792 million.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

5.1.2 Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing (ISAs) as approved by the IAASB for the years ending as from 31 December 2019, which are not yet approved at the national level. Our responsibilities under those standards are further described in the "Statutory auditor's responsibilities for the audit of the consolidated accounts" section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the requirements related to independence.

We have obtained from the Board of Directors and Company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

5.1.3 Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated accounts of the current period. These matters were addressed in the context of our audit of the consolidated accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Significant judgements and estimates in sales rebates, discounts and returns adjustments recognised in the U.S. (refer to Notes 2.7.1, 3.2.1 and 34)

Description of the Key Audit Matters

In the U.S., the UCB Group sells products to various customers that are part of commercial and governmental contractual arrangements or other reimbursement programmes (Medicaid, Medicare or equivalent scheme). This process leads to significant adjustments to the gross sales in the form of rebates, chargebacks, discounts and product returns. At year-end significant amounts of these unsettled adjustments are recorded as accruals in the balance sheet. The process for determining these accruals is complex and depends on contract terms and regulation, as well as forecasts of sales volumes by channel and estimates on expected returns of products. As disclosed in Note 34, the amount of the accruals at 31 December 2019 is EUR 549 million (EUR 460 million as per 31 December 2018). We also evaluated whether appropriate revenue recognition policies were consistent with IFRSs as adopted by the European Union.

How our audit addressed the Key Audit Matter

Our testing focused on the accruals for sales rebates, chargebacks, discounts and product returns recognised at the year-end as the process for these accruals involves the use of large volumes of data, regarding sales volumes and discounts from multiple sources, which, taken together, require significant management judgement in a complex U.S. healthcare environment.

We obtained management's calculations of the accruals for sales rebates, chargebacks, discounts and product returns and tested the inputs into the accrual calculations. We performed the following procedures:

- We assessed the completeness and accuracy of the accruals by understanding and testing the process management used to calculate and record the year-end balances.
- We tested the mathematical accuracy of the year-end balances and compared such amounts to our own independently developed expectations (substantive analytics). Our independent expectations were developed based on sales figures, historical rebate invoices received, adjusted for current volumes, rebate rates as included in sales contracts and agreements with third parties and adjusted for any Company or industry specific factors.
- We assessed the key judgements and assumptions within management's analysis and we considered other known factors such as generic entrants and government, legal or regulatory information, as applicable. We assessed the assumptions used to determine the standard lag times for commercial rebates, Medicare rebates, Medicaid rebates, cash discounts, chargebacks and returns.
- We examined third party statements and data such as external data, we sampled rebate and chargeback invoices processed subsequently to year end and we assessed management's estimates of channel inventory.
- We performed look back tests that compared accruals recognised in previous periods to actual rebates, chargebacks, discounts or returns received in order to test management's historical accuracy in calculating these accruals.

In determining the appropriateness of the revenue recognition policy in accordance with IFRS 15 applied by management in calculating sales rebates, chargebacks, discounts and product returns under contractual and regulatory requirements, there is room for judgement. We did not identify any material differences between our independent expectations and the accruals and we found the judgements made by management to be reasonable. Also, the policies applied are consistent in all material respects with IFRSs as adopted by the European Union.

Carrying value of goodwill and intangible assets (refer to Notes 2.10, 2.14, 2.15, 3.2.2, 13, 19 and 20)

Description of the Key Audit Matters

The UCB Group has EUR 839 million of intangible assets (31 December 2018 – EUR 870 million), comprising significant licenses, patents and acquired trademarks. In addition, the Group has EUR 5 059 million of goodwill at 31 December 2019 (31 December 2018 – EUR 4 970 million).

The carrying values of goodwill and intangible assets are contingent on future cash flows and if these cash flows do not meet the Group's expectations, there is risk that the assets will be impaired. The impairment reviews performed by the Group contain a number of significant judgements and estimates including revenue growth, the success of new product launches, patent expiry dates, profit margins, terminal values and discount rate. Changes in these assumptions might lead to a change in the carrying value of intangible assets and goodwill. The Group has one cash generating unit ("CGU"), Biopharmaceuticals, for goodwill impairment testing purposes.

How our audit addressed the Key Audit Matter

We obtained the UCB Group's impairment evaluation analyses and tested the reasonableness of the methodology and the key assumptions, including profit and cash flow growth, terminal values, the impact of the expiry of patents, pricing impacts, potential product obsolescence, the probability of success for pipeline products and the selection of discount rates. We have assessed management's substantiation of its assumptions, including comparing relevant assumptions to industry and economic forecasts. In doing this, we worked with our internal valuation specialists. We have also evaluated the process to prepare the Groups strategic plan that was approved by UCB's Board of Directors.

We obtained and evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions and we performed our own independent sensitivity calculations to quantify the downside changes to management's models required to result in impairment. We also assessed the reasonability of the forecasted discounted cash flows by comparing those to the Group's market capitalisation.

Management's review of the recoverable amounts of the Group's assets resulted in the recognition of impairment charge of charges amounting to EUR 2 million (see Note 13). As a result of our work, we concur with this position. In addition, we found that management's judgements were supported by reasonable assumptions that would require unreasonable downside changes before any material impairment was necessary.

In respect of the Biopharmaceuticals CGU, we confirmed that this is the lowest level at which management monitors goodwill for internal purposes, that it is consistent with how the Group's results and financial position are reported to the Executive Committee and the Board of Directors and that it thus complies with IFRS as adopted by the European Union.

Recognition of deferred tax assets and uncertain tax positions (refer to Notes 2.12, 3.2.5, 31 and 35)

Description of the Key Audit Matters

The UCB Group has significant tax losses from past business performance. There is inherent uncertainty involved assessing both the availability of losses and tax credits and in forecasting future taxable profits, which determines the extent to which deferred tax assets are recognised. Additionally, the availability and the amount of the tax losses and tax credits can be impacted by ongoing tax audits. At 31 December 2019, the Group has recognised EUR 873 million of deferred tax assets (31 December 2018 – EUR 760 million). The process for the determination of deferred tax assets is complex and involves a significant amount of judgement.

The group operates in a complex multinational tax environment and there are open tax and transfer pricing matters with tax authorities. Judgement is required in assessing the level of provisions required in respect of uncertain tax positions. At 31 December 2019, the Group has recognised provisions of EUR 145 million in respect of uncertain tax positions (31 December 2018 – EUR 91 million). The increase in provisions for uncertain tax positions is explained by a combination of an increase in the number of tax matters identified in various countries and uncertain tax positions identified in previous years that required an update. Liabilities for uncertain tax positions are recorded when the Group considers it probable that a tax position taken is unlikely to be sustained if challenged by the tax authorities and after exhausting all legal remedies. In respect of uncertain tax positions, the Group has recorded income tax receivables for tax relief following Mutual Agreement procedures for an amount of EUR 18 million (31 December 2018 – EUR 17 million). Assets for relief following Mutual Agreement procedures are recorded when the Group considers it probable that a Mutual Agreement procedure may provide for a corresponding adjustment in one or more jurisdictions. This means that, on a net basis, the group has provided for a reserve of EUR 127 million (31 December 2018 – EUR 74 million) to cover for uncertain tax positions.

How our audit addressed the Key Audit Matter

We evaluated the appropriateness of the management's key assumptions and estimates, in particular the likelihood of generating sufficient future taxable profits to support the recognition of deferred tax assets.

We evaluated the possible effects of tax audit outcomes on the availability of tax losses and tax credits (and the need for recognizing a provision for uncertain tax positions, if deemed necessary).

We considered the status of recent and current tax authority audits, the outcome of previous audits, the judgemental positions taken in tax returns and current year estimates and developments in the tax environment.

In conjunction with our own specialists in International Tax, we assessed and evaluated the correspondence with the relevant tax authorities and certain third-party tax opinions. Based on this information, we analysed and challenged the assumptions used by management to determine tax provisions. We conclude that the provisions for uncertain tax positions are recognized in accordance with IFRIC 23.

We assessed whether the UCB Group's disclosures about the sensitivity of the recognition of deferred tax assets to reasonably possible changes in key assumptions reflected the associated inherent risks and the disclosures in respect of tax and uncertain tax positions.

As a result of our work, we determined that management's conclusions on the recognition of deferred tax assets and its recoverability are appropriate. We also determined that the provisions for uncertain tax positions and the related disclosures are acceptable.

Ongoing litigation, claims and regulatory investigations (refer to Notes 2.29, 3.2.3, 33 and 42)

Description of the Key Audit Matters

The pharmaceutical industry is a highly regulated industry, which increases the inherent risk for litigation, claims and regulatory investigations. The UCB Group is engaged in a number of legal actions, including product liability, commercial litigation and regulatory investigations, which could have a material impact on the financial statements.

We focused on this area because the outcome of such legal actions is uncertain and the positions taken by the management are based on the application of material judgement and estimation. Accordingly, unexpected adverse outcomes of such legal actions could materially impact the Group's reported profits and balance sheet position or future cash flows.

At 31 December 2019, the Group held provisions of EUR 218 million (31 December 2018 – EUR 206 million) among others in respect of actual legal actions brought against the Group and disclosures have been made in Note 33 in relation to these provisions, as well as the disclosure of contingent liabilities in Note 42 relating to ongoing regulatory investigations or legal claims where the directors believe to have meritorious defences against the claims.

As disclosed in Notes 33 and 42, the Group is involved in several product liability cases related to the product Distilbène. In 2015, a provision was recognised for EUR 50 million representing the expected future cash flows exceeding the insurance coverage and is considered as a significant estimate. This provision amounted to EUR 99 million as at 31 December 2018 and was further increased to EUR 112 million as at 31 December 2019.

How our audit addressed the Key Audit Matter

We discussed actual or pending legal and regulatory claims with the Group's General Counsel to update our understanding of the status of each case.

We established our own expectation of the likely outcome and tested substantively the amount provided (e.g. Distilbène) by evaluating the assumptions used in measuring the provision by discussion and by reference to the actual (similar) court decisions, to available documentation such as correspondence with external legal counsels and by obtaining independent confirmations from the external legal counsels.

We considered the completeness of legal and regulatory matters through inquiry with the Group's General Counsel and by reading minutes of meetings of the Executive Committee and the Board of Directors, and did not identify any other legal matters that had not already been disclosed to us.

We evaluated the assumptions regarding the measurement of the provision related to the Distilbène product liability of EUR 112 million (31 December 2018 – EUR 99 million) by reference to the actual court decisions for closed Distilbène cases and the effect of newly initiated cases in the course of 2019. We discussed with UCB's management and assessed the assumptions used.

Our testing did not identify any material misstatements in the provisions recorded. We found that in the context of the Group financial statements, the judgements made by management and the provisions recorded are reasonable and the disclosures relating to legal and regulatory matters, provisions and contingent liabilities in Notes 33 and 42 were in accordance with the requirements of IFRSs as adopted by the European Union.

5.1.4 Responsibilities of the Board of Directors for the preparation of the consolidated accounts

The Board of Directors is responsible for the preparation of consolidated accounts that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

5.1.5 Statutory auditor's responsibilities for the audit of the consolidated accounts

Our objectives are to obtain reasonable assurance about whether the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated accounts.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium. A statutory audit does not provide any assurance as to the Company's future viability nor as to the efficiency or effectiveness of the Board of Directors' current or future business management.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

5.2 Other legal and regulatory requirements

5.2.1 Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and the content of the director's report on the consolidated accounts, the non-financial information and the other information included in the annual report.

5.2.2 Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard (Revised) which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated accounts and the other information included in the annual report, and to report on these matters.

5.2.3 Aspects related to the directors' report on the consolidated accounts and to other information included in the annual report

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts and the other information included in the annual report, this report is consistent with the consolidated accounts for the year under audit, and is prepared in accordance with the article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

The non-financial information required by virtue of of article 3:32, §2 of the Companies' and Associations' Code is included in the directors' report on the consolidated accounts. The Company has prepared the non-financial information, based on GRI standards. However, in accordance with article 3:80, §1, 5° of the Companies' and Associations' Code, we do not express an opinion as to whether the non-financial information has been prepared in accordance with the GRI standards as disclosed in the consolidated accounts.

5.2.4 Statement related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated accounts, and our registered audit firm remained independent of the Group in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the consolidated accounts referred to in article 3:65 of the Companies' and Associations' Code are correctly disclosed and itemized in the notes to the consolidated accounts.

5.2.5 Other statements

- This report is consistent with the additional report to the Audit Committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Sint-Stevens-Woluwe, 19 February 2020

The Statutory Auditor
PwC Reviseurs d'Entreprises SRL / PwC Bedrijfsrevisoren BV
Represented by

Romain Seffer
Registered Auditor

6 Abbreviated statutory financial statements of UCB SA

6.1 Introduction

In accordance with the Belgian Companies Code, it has been decided to present an abbreviated version of the statutory financial statements of UCB SA.

The statutory financial statements of UCB SA are prepared in accordance with Belgian Generally Accepted Accounting Principles. For 2018, the equity is shown after final appropriation of the profit.

It should be noted that only the consolidated financial statements as presented above, present a true and fair view of the financial position and performance of the UCB Group.

The statutory auditor has issued an unqualified audit opinion and certifies that the non-consolidated financial statements of UCB SA for the year ended 31 December 2019 give a true and fair view of the financial position and results of UCB SA in accordance with all legal and regulatory dispositions.

In accordance with the legislation, these separate financial statements, together with the management report of the Board of Directors to the general assembly of shareholders, as well as the auditor's report will be filed at the National Bank of Belgium within the statutory periods.

These documents are available on our website www.ucb.com or on simple request, addressed to:

UCB SA
Corporate Communication
Allée de la Recherche 60
B-1070 Brussels (Belgium)

6.2 Balance sheet

€ million	2019	2018
Assets		
Formation expenses	9	11
Intangible assets	1	0
Tangible assets	27	18
Financial assets	4 438	4 128
Fixed assets	**4 475**	**4 157**
Amounts receivable after more than one-year	894	1 596
Amounts receivable within one-year or less	1 248	883
Short-term investments	98	113
Cash at bank and on hand	21	122
Deferred charges and accrued income	132	177
Current assets	**2 393**	**2 890**
Total assets	**6 867**	**7 047**
Liabilities		
Capital	584	584
Share premium	1 999	1 999
Reserves	2 515	2 754
Profit brought forward	242	–
Equity	**5 340**	**5 337**
Provisions	41	38
Provisions and deferred taxes	**41**	**38**
Amounts payable after more than one-year	894	1 261
Amounts payable within one-year or less	551	372
Accrued charges and deferred income	41	39
Current liabilities	**1 486**	**1 672**
Total liabilities	**6 867**	**7 047**

6.3 Income statement

€ million	2019	2018
Operating income	70	74
Operating charges	−119	−128
Operating result	**−49**	**−55**
Financial income	379	258
Financial charges	−87	−181
Financial result	**292**	**77**
Profit before income taxes	**242**	**22**
Income taxes	0	0
Profit for the year available for appropriation	**242**	**22**

Following the Royal Decree of 18 December 2015 holding implementation of Directive 2013/34/EU of 26 June 2013 on the annual and consolidated financial statements and related reports of certain types of undertakings, that amended the RD of 30 January 2001 implementing the Companies Code, the exceptional results are now shown as part of operating result or financial result depending on the nature of the amounts.

6.4 Appropriation account

€ million	2019	2018
Profit for the period available for appropriation	242	22
Profit brought forward from previous year	0	0
Profit to be appropriated	**242**	**22**
To legal reserve	0	0
To other reserves	0	0
Withdrawal from capital and reserves	**0**	**213**
From capital and share premium account	0	0
From reserves	0	213
Appropriation to capital and reserves	**0**	**0**
Profit to be carried forward	3	0
Result to be carried forward	**3**	**0**
Dividends	−239	−233
Profit to be distributed	**−239**	**−233**
If the proposed allocation of the profit is approved, the total gross dividend will be fixed at:	€ 1.24	€ 1.21
If the proposed allocation of profit is approved and taking into account the tax regulations, the total net dividend off withholding tax per share will be fixed at:	€ 0.868	€ 0.847

The activities of UCB SA generated in 2019 a net profit of € 242 million after income taxes. The amount available for distribution is € 242 million.

The issued share capital of UCB SA is represented by 194 505 658 shares without par value as per 31 December 2019.

Per 31 December 2019, UCB SA owns 1 749 680 own shares in order to honor the exercise of share options and share awards granted to the Board of Directors and certain categories of employees.

The Board of Directors proposes to pay a gross dividend of € 1.24 per share. If this dividend proposal is approved by the General Meeting on 30 April 2020, the net dividend of € 0.868 per share will be payable as of 6 May 2020 delivery of coupon #23. The shares held by UCB SA 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. This amount may fluctuate depending on the number of UCB shares held by UCB SA on the dividend approval date. The Board of Directors will communicate at the general meeting the total number of UCB shares entitled to a dividend and will

submit the aggregate amount to be distributed for approval. The annual accounts of 2019 will be adapted accordingly.

6.5 Summary of significant accounting principles

The Board of Directors made the following decisions in accordance with the Article 28 of the Royal Decree of 30 January 2001 on implementing the company code.

6.5.1 Tangible assets

Tangible assets purchased from third parties have been included in the balance sheet at purchase price; assets manufactured by the company itself have been valued at cost. The purchase price or cost is depreciated on a straight-line basis considering “pro rata temporis”. The depreciation rates are as follows:

- Administrative buildings 3%
- Industrial buildings 5%
- Tools 15%
- Furniture and office machinery 15%
- Vehicles 20%
- Computer equipment and office machines 33.3%
- Prototype equipment 33.3%

6.5.2 Financial assets

UCB shareholdings have been valued in accordance with the proportion held in shareholders’ equity of the UCB companies concerned.

Shareholdings not part of the UCB companies are valued at cost. An impairment is booked whenever the valuation shows a permanent loss in realizable value.

6.5.3 Receivables and liabilities

They are shown at their book value. Receivables have been written down if their repayment, when due, is entirely or partly uncertain and doubtful.

6.5.4 Assets and commitments expressed in foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions.

Non-monetary assets and liabilities (intangible and tangible assets, shareholdings), denominated in foreign currencies, are translated at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at balance sheet date rate. Realized and unrealized exchange differences on foreign currency transactions are recognized in the income statement.

6.5.5 Provisions

All the risks born by the company have been the subject of provisions reviewed each year, in accordance with the rules of prudence, good faith and sincerity. Provisions are recorded at normal value.

6.5.6 Foreign currencies

Derivatives are accounted for at fair value through P&L unless the derivative has no offsetting exposure in the stand-alone financial statements, in which case, the derivative will only be disclosed as off-balance sheet commitment not affecting the balance sheet and/or income statement accounts. The amount disclosed as off-balance sheet commitment will be in line with the IFRS methodology. Additionally, the effective portion of changes in the fair value of the derivative financial instruments that are designated and qualify as cash flow hedges, are classified on the same line in the income statement or balance sheet as the hedged item once the hedged item affects profit or loss or results in the recognition of a non-financial asset or liability.

6.5.7 Fair value adjustments on loans being acquired

Loans that have been acquired are recognized in the balance sheet at nominal value. All differences between the nominal value and the acquisition value are recognized on an accrual account and taken in the income statement pro rata temporis on a linear basis over the remaining duration of the loans.

Alison, living with rheumatoid arthritis

6 Data & reporting

People data

Patient Value Pillars

	2019
Patient Value Solutions	**6 890**
PV Early Solutions	628
PV Development Solutions	926
PV Immunology Solutions	1 058
PV Neurology Solutions	2 066
PV Supply and Technology Solutions	2 212
Patient Value Support Functions	**700**
PV Corporate Development and Finance	362
PV Legal and Risk	141
PV Talent and Company Reputation	197
CEO Office	**16**
Total	**7 606**

Permanent and fixed-term contracts by gender

	2018			2019		
	Women	Men	Total	**Women**	**Men**	**Total**
Fixed-term contract	344	323	667	243	203	446
Permanent contract	3 353	3 475	6 828	3 568	3 592	7 160
Total	**3 697**	**3 798**	**7 495**	**3 811**	**3 795**	**7 606**

Permanent and fixed-term contracts by region

	2018				2019			
	Europe	International Markets	U.S.	Total	**Europe**	**Inter-national Markets**	**U.S.**	**Total**
Fixed-term contract	131	528	8	667	101	345	–	446
Permanent contract	4 245	1 273	1 310	6 828	4 482	1 275	1 403	7 160
Total	**4 376**	**1 801**	**1 318**	**7 495**	**4 583**	**1 620**	**1 403**	**7 606**

Part-time and full-time contracts by gender

	2018			2019		
	Women	Men	Total	**Women**	**Men**	**Total**
Part-time contract	418	104	522	402	95	497
Full-time contract	3 279	3 694	6 973	3 409	3 700	7 109
Total	**3 697**	**3 798**	**7 495**	**3 811**	**3 795**	**7 606**

Employees by region and gender

	2018			2019		
	Women	Men	Total	**Women**	**Men**	**Total**
Europe	**2 129**	**2 247**	**4 376**	**2 268**	**2 315**	**4 583**
Belgium	992	1 197	2 189	1 059	1 259	2 318
Germany	260	178	438	267	175	442
U.K.	326	316	642	378	336	714
Switzerland	191	323	514	189	320	509
Rest of Europe	360	233	593	375	225	600
International Markets (IM)	**854**	**947**	**1 801**	**745**	**875**	**1 620**
China	370	277	647	264	183	447
Japan	96	315	411	104	365	469
Rest of IM	388	355	743	377	327	704
U.S.	**714**	**604**	**1 318**	**798**	**605**	**1 403**
Grand Total	**3 697**	**3 798**	**7 495**	**3 811**	**3 795**	**7 606**

Employees by subgroup and age group, women

	2018				2019			
	≤ 29y	30-49y	≥ 50y	Total	**≤ 29y**	**30-49y**	**≥ 50y**	**Total**
Administration/support	58	294	169	521	54	278	177	509
Executives	–	12	31	43	–	14	35	49
Managers/professionals	142	1 567	479	2 188	160	1 643	563	2 366
Sales force	91	594	178	863	54	556	194	804
Technical staff	23	46	13	82	23	47	13	83
Total	**314**	**2 513**	**870**	**3 697**	**291**	**2 538**	**982**	**3 811**

Employees by subgroup and age group, men

	2018				2019			
	≤ 29y	30-49y	≥ 50y	Total	**≤ 29y**	**30-49y**	**≥ 50y**	**Total**
Administration/support	39	169	105	313	42	158	106	306
Executives	–	38	66	104	–	38	63	101
Managers/professionals	81	1 427	628	2 136	91	1 445	675	2 211
Sales force	70	598	224	892	52	538	234	824
Technical staff	34	244	75	353	31	244	78	353
Total	**244**	**2 476**	**1 098**	**3 798**	**216**	**2 423**	**1 156**	**3 795**

New hires by region

	2018	2019
Europe	**466**	**569**
Belgium	211	279
Germany	37	44
U.K.	100	130
Switzerland	57	55
Rest of Europe	62	61
International Markets (IM)	**303**	**261**
China	130	75
Japan	43	106
Rest of IM	130	80
U.S.	**336**	**239**
Grand Total	**1 105**	**1 069**

New hires by region and age group, women

	2018				2019			
	≤ 29y	30-49y	≥ 50y	Total	≤ 29y	30-49y	≥ 50y	Total
Europe	**63**	**145**	**19**	**228**	**70**	**198**	**35**	**303**
Belgium	29	59	5	93	36	86	16	138
Germany	3	10	3	16	2	21	2	25
U.K.	12	42	3	57	21	44	7	72
Switzerland	10	8	1	19	6	15	2	23
Rest of Europe	9	26	7	43	5	32	8	45
International Markets (IM)	**45**	**113**	**5**	**163**	**25**	**93**	**9**	**127**
China	31	47	–	78	9	38	–	47
Japan	–	8	2	10	5	12	5	22
Rest of IM	14	58	3	75	11	43	4	58
U.S.	**24**	**116**	**37**	**177**	**9**	**102**	**35**	**146**
Grand Total	**132**	**374**	**61**	**567**	**104**	**393**	**79**	**576**

New hires by region and age group, men

	2018				2019			
	≤ 29y	30-49y	≥ 50y	Total	≤ 29y	30-49y	≥ 50y	Total
Europe	**56**	**150**	**33**	**239**	**62**	**179**	**25**	**266**
Belgium	29	76	13	118	36	96	9	141
Germany	4	13	4	21	4	13	2	19
U.K.	9	25	9	43	13	37	8	58
Switzerland	12	23	3	38	9	20	3	32
Rest of Europe	2	13	4	19	–	13	3	16
International Markets (IM)	**19**	**106**	**15**	**140**	**17**	**105**	**12**	**134**
China	14	36	2	52	10	18	–	28
Japan	1	25	7	33	4	70	10	84
Rest of IM	4	45	6	55	3	17	2	22
U.S.	**29**	**104**	**26**	**159**	**8**	**62**	**23**	**93**
Grand Total	**104**	**360**	**74**	**538**	**87**	**346**	**60**	**493**

Departures by region

	2018	2019
Europe	**458**	**350**
Belgium	99	147
Germany	211	46
U.K.	61	59
Switzerland	24	46
Rest of Europe	63	52
International Markets (IM)	**431**	**440**
China	226	273
Japan	45	47
Rest of IM	160	120
U.S.	**135**	**154**
Grand Total	**1 024**	**944**

Departures by region and age group, women

	2018				2019			
	≤ 29y	30-49y	≥ 50y	Total	≤ 29y	30-49y	≥ 50y	Total
Europe	**28**	**130**	**90**	**248**	**20**	**98**	**41**	**159**
Belgium	6	24	9	39	7	41	17	65
Germany	8	60	61	129	2	14	9	25
U.K.	8	18	8	34	3	17	4	24
Switzerland	6	4	–	10	7	6	3	16
Rest of Europe	–	24	12	36	1	20	8	29
International Markets (IM)	**26**	**172**	**11**	**209**	**42**	**182**	**14**	**238**
China	19	92	1	112	37	114	2	153
Japan	1	10	4	15	2	10	2	14
Rest of IM	6	70	6	82	3	58	10	71
U.S.	**3**	**67**	**14**	**84**	**4**	**36**	**21**	**61**
Grand Total	**57**	**369**	**115**	**541**	**66**	**316**	**76**	**458**

Departures by region and age group, men

	2018				2019			
	≤ 29y	30-49y	≥ 50y	Total	≤ 29y	30-49y	≥ 50y	Total
Europe	**14**	**111**	**85**	**210**	**14**	**108**	**69**	**191**
Belgium	5	34	21	60	6	40	36	82
Germany	4	32	46	82	1	10	10	21
U.K.	3	14	10	27	3	25	7	35
Switzerland	2	10	2	14	3	22	5	30
Rest of Europe	–	21	6	27	1	11	11	23
International Markets (IM)	**38**	**157**	**27**	**222**	**24**	**154**	**24**	**202**
China	28	85	1	114	21	97	2	120
Japan	1	16	13	30	–	20	13	33
Rest of IM	9	56	13	78	3	37	9	49
U.S.	**–**	**30**	**21**	**51**	**5**	**51**	**37**	**93**
Grand Total	**52**	**298**	**133**	**483**	**43**	**313**	**130**	**486**

Training hours by gender

Number training hours women/men	2018	2019
Administration/support staff	16/32	20/31
Executives	15/7	16/7
Managers/professionals	17/17	20/20
Sales force	22/22	17/15
Technical staff	58/55	49/48
Average training hours	20.79	20.92
Total hours	**159 045**	**169 753**

Mandatory trainings compliance rate

	Code of Conduct[1]	Safety Reporting Obligations	Data Protection at UCB	Malware Awareness	Phishing Awareness	Anti-Bribery and Anti-Corruption[1]
Audience	All employees	All employees	All employees	All employees	All employees	Selected employees
Frequency	Every year	Every 2 years	Every 2 years	Every 2 years	Every 2 years	Every 2 years
Compliance rate 2019	**96%**	**95%**	**92%**	**96%**	**96%**	**97%**
Compliance rate 2018	85%	92%	89%	90%	91%	91%

[1] The Ethics and Compliance team collaborates with the Talent and Company Reputation team to promote timely completion of this training and significant improvement has been noted since last year. For 2020, these efforts will continue and line managers will be engaged to ensure that their team members complete training on schedule.

GRI standards

Universal standards

Organization profile

Disclosure		External assurance		Report reference	SDG
102-1	Name of the organization	●		Scope of reporting	
102-2	Activities, brands, products, and services	●		Letter to our stakeholders Our business	3
102-3	Location of headquarters	●		We are UCB	
102-4	Location of operations	●	β	We are UCB	
102-5	Ownership and legal form	●		Corporate governance statement Shareholders and shareholders structure	
102-6	Markets served	●	β	We are UCB	
102-7	Scale of the organization				
	Total number of employees	●	β	Our people	
	Total number of operations	●	β	We are UCB	
	Net sales (for private sector organizations) or net revenues (for public sector organizations)	●	β	Letter to our stakeholders Our performance Our financials	8
	Total capitalization (for private sector organizations) broken down in terms of debt and equity	●	β	Our financials	
	Quantity of products or services provided	●		Letter to our stakeholders Our Patient Value Strategy We are UCB	
102-8	Information on employees and other workers				
	Total number of employees by employment contract (permanent and temporary), by gender	●	β	People data	
	Total number of employees by employment contract (permanent and temporary), by region	●	β	People data	
	Total number of employees by employment type (full-time and part-time), by gender	●	β	People data	
	Whether a significant portion of the organization's activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees	●	β	People data	8
	Any significant variations in the numbers reported in Disclosures 102-8-a, 102-8-b, and 102-8-c (such as seasonal variations in the tourism or agricultural industries)	●		No significant variations	
	An explanation of how the data have been compiled, including any assumptions made	●	β	Our people – committed to bringing value to patients	
102-9	Supply chain	●		Manufacturing & Supply: connecting development sciences with patient experience	3 9 12 17

Disclosure		External assurance	Report reference	SDG
102-10	Significant changes to the organization and its supply chain	●	Manufacturing & Supply: connecting development sciences with patient experience	
102-11	Precautionary Principle or approach	●	Risk management	
102-12	External initiatives	●	Engaging with industry associations Partnering to deliver our ambition for patients Engaging with local communities	 
102-13	Membership of associations	●	Engaging with industry associations	 

Strategy

Disclosure		External assurance	Report reference	SDG
102-14	Statement from senior decision-maker	●	Letter to our stakeholders	
102-15	Key impacts, risks, and opportunities	●	Risk management	

Ethics and integrity

Disclosure		External assurance	Report reference	SDG
102-16	Values, principles, standards, and norms of behavior	● β	Our ambition for patients Business conduct	
102-17	Mechanisms for advice and concerns about ethics	●	Promoting and embracing ethical behaviors across the organizations	

Governance

Disclosure		External assurance	Report reference	SDG
102-18	Governance structure	● β	Our governance	
102-20	Executive-level responsibility for economic, environmental, and social topics	●	Strengthened organizational model Board of Directors and Board committees	16
102-21	Consulting stakeholders on economic, environmental, and social topics	●	Our 2019 materiality assessment	16
102-22	Composition of the highest governance body and its committees	●	Board of Directors and Board committees	5 16
102-23	Chair of the highest governance body	●	Board of Directors and Board committees	16
102-24	Nominating and selecting the highest governance body	◖	Board of Directors and Board committees	16
102-26	Role of highest governance body in setting purpose, values, and strategy	◖	Executive Committee	
102-30	Effectiveness of risk management processes	●	Risk management	
102-32	Highest governance body's role in sustainability reporting	●	Strengthened organizational model	
102-40	List of stakeholder groups	●	Our 2019 materiality assessment Engaging with industry associations	
102-41	Collective bargaining agreements	◖	Collective bargaining agreements are country-specific	

Stakeholder engagement

Disclosure		External assurance	Report reference	SDG
102-42	Identifying and selecting stakeholders	●	Our 2019 materiality assessment	
102-43	Approach to stakeholder engagement	●	Our 2019 materiality assessment	
102-44	Key topics and concerns raised	●	Our 2019 materiality assessment	

Reporting principles

Disclosure		External assurance		Report reference	SDG
102-45	Entities included in the consolidated financial statements	●		Our financials	
102-46	Defining report content and topic Boundaries	●		About this report Our 2019 materiality assessment	
102-47	List of material topics	●		Our commitments to stakeholders Our 2019 materiality assessment	
102-48	Restatements of information	●		Our progress against Green Goals	
102-49	Changes in reporting	●		Engaging and partnering with our stakeholders Data & reporting	
102-50	Reporting period	●	β	Our performance	
102-51	Date of most recent report	●	β	Our performance	
102-52	Reporting cycle	●	β	Our performance	
102-53	Contact point for questions regarding the report	●	β	Contact details	
102-54	Claims of reporting in accordance with the GRI Standards	●	β	About this report Our 2019 materiality assessment	
102-55	GRI content index	●	β	GRI standards	
102-56	External assurance	●	β	Assurance report	

Topic specific standards

Economic

Economic performance

Disclosure		External assurance		Report reference	SDG
GRI 201: Economic performance 2019					
201-1	Direct economic value generated and distributed	●	β	Our financials	8
201-3	Defined benefit plan obligations and other retirement plans	●	β	Our financials	

Market presence

Disclosure		External assurance		Report reference	SDG
GRI 202: Market presence 2019					
202-2	Proportion of senior management hired from the local community	●		Fostering an inclusive and diverse organization	8 10

Anti-corruption

Disclosure		External assurance		Report reference	SDG
The progress of the actions and mitigation of potential risks relative to the very relevant material aspect 'Personal and Confidential Information, Business Ethics and Anti-Bribery and Anti-Corruption' are being managed by the Ethics and Compliance department, within the Legal Patient Value Function.					
GRI 205: Anti-corruption 2019					
205-1	Operations assessed for risks related to corruption	◖		Anti-Bribery and Anti-Corruption	16
205-2	Communication and training about anti-corruption policies and procedures	◖		Business conduct Anti-Bribery and Anti-Corruption People data	
	Total number and percentage of governance body members that the organization's anti-corruption policies and procedures have been communicated to, broken down by region			No disclosure	
	Total number and percentage of employees that the organization's anti-corruption policies and procedures have been communicated to, broken down by employee category and region			No disclosure	
	Total number and percentage of business partners that the organization's anti-corruption policies and procedures have been communicated to, broken down by type of business partner and region. Describe if the organization's anti-corruption policies and procedures have been communicated to any other persons or organizations			No disclosure	16
	Total number and percentage of governance body members that have received training on anti-corruption, broken down by region			No disclosure	
	Total number and percentage of employees that have received training on anti-corruption, broken down by employee category and region	◖	β	Anti-Bribery and Anti-Corruption People data	
205-3	Confirmed incidents of corruption and actions taken	◖		Anti-Bribery and Anti-Corruption	16

Environmental

Energy

Disclosure		External assurance		Report reference	SDG
GRI 302: Energy 2019					
103-1	Explanation of the material topic and its Boundary	●		Minimizing our environmental footprint	
103-2	The management approach and its components	●		Minimizing our environmental footprint	
103-3	Evaluation of the management approach	●		Minimizing our environmental footprint	
302-1	Energy consumption within the organization	●	β	Minimizing our environmental footprint	3, 7, 8, 12, 13
302-4	Reduction of energy consumption	●		Minimizing our environmental footprint	3, 7, 8, 12, 13

Water

Disclosure		External assurance		Report reference	SDG
GRI 303: Water and effluents 2019					
103-1	Explanation of the material topic and its Boundary	●		Minimizing our environmental footprint	
103-2	The management approach and its components	●		Minimizing our environmental footprint	
103-3	Evaluation of the management approach	●		Minimizing our environmental footprint	
303-1	Water withdrawal by source	●	β	Reducing water withdrawal by 20% by 2030 Environmental data	3, 6, 12

Emissions

Disclosure		External assurance		Report reference	SDG
GRI 305: Emissions 2019					
103-1	Explanation of the material topic and its Boundary	●		Minimizing our environmental footprint	
103-2	The management approach and its components	●		Minimizing our environmental footprint	
103-3	Evaluation of the management approach	●		Minimizing our environmental footprint	
305-1	Direct (Scope 1) GHG emissions	●	β	Minimizing our environmental footprint	
305-2	Energy indirect (Scope 2) GHG emissions	●	β	Minimizing our environmental footprint	
305-3	Other indirect (Scope 3) GHG emissions	◖		Minimizing our environmental footprint	

Effluents and waste

Disclosure		External assurance		Report reference	SDG
GRI 306: Effluents and waste 2019					
103-1	Explanation of the material topic and its Boundary	●		Minimizing our environmental footprint	
103-2	The management approach and its components	●		Minimizing our environmental footprint	
103-3	Evaluation of the management approach	●		Minimizing our environmental footprint	
306-2	Waste by type and disposal method	●	β	Minimizing our environmental footprint	3, 6, 12
306-3	Significant spills	●	β	Minimizing our environmental footprint	3, 6, 12, 14, 15
306-4	Transport of hazardous waste	●	β	Minimizing our environmental footprint	3, 12

Social

Employment

Disclosure		External assurance		Report reference	SDG
The progress of the actions and mitigation of potential risks relative to the very relevant material aspects 'People Management and People Development' are being managed by the Talent and Company Reputation Patient Value Function.					
GRI 401: Employment 2019					
401-1	New employee hires and employee turnover	●	β	Our talent acquisition process People data	5, 8

Occupational health and safety

Disclosure		External assurance		Report reference	SDG
The progress of the actions and mitigation of potential risks relative to the very relevant material aspects 'People Management and People Development' are being managed by the Talent and Company Reputation Patient Value Function.					
GRI 403: Occupational health and safety 2019					
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	◖		Offering support for health and well-being, promoting safe behaviors	3, 8
403-3	Workers with high incidence or high risk of diseases related to their occupation	◖		Offering support for health and well-being, promoting safe behaviors	3, 8

Training and education

Disclosure		External assurance		Report reference	SDG
The progress of the actions and mitigation of potential risks relative to the very relevant material aspects 'People Management and People Development' are being managed by the Talent and Company Reputation Patient Value Function.					
GRI 404: Training and education 2019					
404-1	Average hours of training per year per employee	●	β	Our learning and personalized development process	4, 5, 8
404-3	Percentage of employees receiving regular performance and career development reviews	◖		Our learning and personalized development process	5, 8

Diversity and equal opportunity

Disclosure		External assurance		Report reference	SDG
The progress of the actions and mitigation of potential risks relative to the very relevant material aspects 'People Management and People Development' are being managed by the Talent and Company Reputation Patient Value Function.					
GRI 405: Diversity and equal opportunity 2019					
405-1	Diversity of governance bodies and employees	●	β	Fostering an inclusive and diverse organization Our governance People data	5, 8, 10

Non-discrimination

Disclosure		External assurance	Report reference	SDG
The progress of the actions and mitigation of potential risks relative to the very relevant material aspect 'Personal and Confidential Information, Business Ethics and Anti-Bribery and Anti-Corruption' are being managed by the Ethics and Compliance department, within the Legal Patient Value Function.				
GRI 406: Non-discrimination 2019				
406-1	Incidents of discrimination and corrective actions taken	●	Diversity and inclusion	5, 8, 10, 16

Child labor

Disclosure		External assurance	Report reference	SDG
GRI 408: Child labor 2019				
408-1	Operations and suppliers at significant risk for incidents of child labor	◖	Human rights	8

Human rights assessment

Disclosure		External assurance		Report reference	SDG
GRI 412: Human rights assessment 2019					
412-2	Employee training on human rights policies or procedures	◖		Business conduct People data	
	Total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations			No disclosure	8
	Percentage of employees trained during the reporting period in human rights policies or procedures concerning aspects of human rights that are relevant to operations	●	β	Responsible Business Conduct People data	8

Local communities

Disclosure		External assurance	Report reference	SDG
The progress of the actions and mitigation of potential risks relative to the very relevant material aspects 'Access to Health and Medicines, Pricing and Disease Awareness and Education' are being managed by the Marketing and Patient Access Patient Value Practice and Talent and Company Reputation Patient Value Function, supported by other departments.				
GRI 413: Local communities 2019				
413-1	Operations with local community engagement, impact assessments, and development programs	●	Engaging with local communities	

Customer health and safety

Disclosure		External assurance	Report reference	SDG
GRI 416: Customer health and safety 2019				
416-1	Assessment of the health and safety impacts of product and service categories	●	Patient and drug safety	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	●	Product responsibility	

Marketing and labeling

Disclosure		External assurance	Report reference	SDG
GRI 417: Marketing and labeling 2019				
417-1	Requirements for product and service information and labeling	◖	Patient and drug safety	

Customer privacy

Disclosure		External assurance	Report reference	SDG
The progress of the actions and mitigation of potential risks relative to the very relevant material aspect 'Personal and Confidential Information, Business Ethics and Anti-Bribery and Anti-Corruption' are being managed by the Ethics and Compliance department, within the Legal Patient Value Function.				
GRI 418: Customer privacy 2019				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	●	Risk management	

Employee engagement

Disclosure		External assurance	Report reference	SDG
GRI 501: Employee engagement 2019				
501-1	Percentage of colleagues engaging in Employee survey	●	Employee Insights	
501-2	Percentage of colleagues completing the mandatory training programs	●	Responsible Business Conduct Anti-Bribery and Anti-Corruption	4 16

Innovation

Disclosure		External assurance	Report reference	SDG
GRI 601: Innovation 2019				
103-1	Explanation of the material topic and its Boundary	●	Research and Development	
103-2	The management approach and its components	●	Research and Development	
103-3	Evaluation of the management approach	●	Research and Development	
601-1	Percentage of the revenue invested in R&D	●	Our performance	3
601-2	Number of assets in Pipeline (FIH, Label)	●	Our performance Research and Development	3 17
601-3	Number of first approvals	●	Our performance	3 17

Access to Medicines

Disclosure		External assurance	Report reference	SDG
GRI 701: Access to Medicines 2019				
103-1	Explanation of the material topic and its Boundary	●	Patient access	
103-2	The management approach and its components	●	Patient access	
103-3	Evaluation of the management approach	●	Patient access	
701-1	Access to Medicines	●	Patient access	3

Health and well-being

Disclosure		External assurance	Report reference	SDG
GRI 801: Health and well-being 2019				
103-1	Explanation of the material topic and its Boundary	●	Offering support for health and well-being	
103-2	The management approach and its components	●	Offering support for health and well-being	
103-3	Evaluation of the management approach	●	Offering support for health and well-being	
801-1	Health and well-being	●	Offering support for health and well-being	

Independent limited assurance report on the UCB Integrated Annual Report 2019

This report has been prepared in accordance with the terms of our three year engagement contract dated 22 October 2018, whereby we have been engaged to issue an independent limited assurance report in connection with selected ESG data, marked with a Greek small letter beta (β), of the Integrated Report as of and for the year ended 31 December 2019 (the "Report").

Responsibility of Board of Directors

The Board of Directors of UCB SA ("the Company") is responsible for the preparation of the selected ESG indicators for the year 2019 marked with a Greek small letter beta (β) in the Report of UCB and its subsidiaries and the declaration that its reporting meets the requirements of the Global Reporting Initiative (GRI) Standards – Core (the "Subject Matter Information"), in accordance with the criteria disclosed in the Report and with the recommendations of the GRI Standards (the "Criteria").

This responsibility includes the selection and application of appropriate methods for the preparation of the Subject Matter Information, for ensuring the reliability of the underlying information and for the use of assumptions and estimates for individual sustainability disclosures which are reasonable in the circumstances. Furthermore, the responsibility of the Board of Directors includes the design, implementation and maintenance of systems and processes relevant for the preparation of the Subject Matter Information that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an independent conclusion about the Subject Matter Information based on the procedures we have performed and the evidence we have obtained. Our assurance report has been prepared in accordance with the terms of our engagement contract.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information". This standard requires that we comply with ethical requirements and that we plan and perform the engagement to obtain limited assurance as to whether the Subject Matter Information has been prepared, in all material respects, in accordance with the Criteria issued by the Company.

The objective of a limited-assurance engagement is to perform the procedures we consider necessary to provide us with sufficient appropriate evidence to support the expression of a conclusion in the negative form on the Subject Matter Information.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

The selection of such procedures depends on our professional judgment, including the assessment of the risks of management's assertion being materially misstated. The scope of our work comprised the following procedures:

- assessing and testing the design and functioning of the systems and processes used for data-gathering, collation, consolidation and validation, including the methods used for calculating and estimating the Subject Matter Information as of and for the year ended 31 December 2019 presented in the Report;
- conducting interviews with responsible officers including site visits;
- inspecting internal and external documents.

We have evaluated the Subject Matter Information against the Criteria. The accuracy and completeness of the Subject Matter Information are subject to inherent limitations given their nature and the methods for determining, calculating or estimating such information. Our Limited Assurance Report should therefore be read in connection with the Criteria.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental

principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Conclusion

Based on the procedures performed, as described in this Independent Limited Assurance Report, and the evidence obtained, nothing has come to our attention that causes us to believe that the selected ESG indicators for the year 2019 marked with a Greek small letter beta (β) in UCB's Integrated Report 2019, and UCB's assertion that the report meets the requirement GRI Standards – Core, is not fairly stated, in all material respects, in accordance with the Criteria.

Restriction on Use and Distribution of our Report

Our report is intended solely for the use of the Company, in connection with their Report as of and for the year ended 31 December 2019 and should not be used for any other purpose. We do not accept or assume and deny any liability or duty of care to any other party to whom this report may be shown or into whose hands it may come.

Sint-Stevens-Woluwe, 19 February 2020

PwC Bedrijfsrevisoren BV
Represented by

Marc Daelman
Registered auditor

Glossary of terms

CER

Constant exchange rates

Core EPS/Core earnings per share

Profit attributable to UCB shareholders, adjusted for the after-tax impact of non-recurring items, the financial one-off items, the non-recurring income taxes, the after-tax contribution from discontinued operations and the after-tax amortization of intangibles linked to sales, divided by the non-dilutive weighted average number of shares.

Core products

Cimzia®, Vimpat®, Keppra®, Briviact® and Neupro®

CPM

The Corporate Performance Multiplier is one of the 2 multipliers defining the bonus payout. It is based on the company's meeting corporate targets.

EBIT/Earnings Before Interest and Taxes

Operating profit as mentioned in the consolidated financial statements

EMA/European Medicines Agency

Agency responsible for the evaluation of medicinal products designed to protect and promote human and animal health. www.emea.europa.eu

EPS

Earnings per share

Established brands

Portfolio of 150 post-patent, high-quality medicines, with proven value for patients and doctors since many years

FDA/U.S. Food and Drug Administration

Agency within the U.S. Department of Health and Human Services is responsible for protecting and promoting the nation's health www.fda.gov

Financial one-off items

Gains and losses arising upon the sale of non-current financial assets (other than derivatives and reimbursement rights with respect to defined benefit plans) as well as impairment losses accounted for on these financial assets are considered as financial one-off items.

FRMC

Financial Risk Management Committee

Global Reporting Initiative

An international independent standards organization that helps businesses, governments and other organizations to understand and report the most important social, environmental and governance aspects raised by internal and external stakeholders

IPM

Individual Performance Multiplier, one of the 2 multipliers defining the bonus payout. It considers a combination of individual results achieved and behaviors demonstrated.

KU

Kremers Urban, specialty generic pharmaceutical company in the U.S., divested in November 2015

LTI

Long-Term Incentives aim at motivating and retaining key talent over a period of at least 3 years. They align employee rewards with company and patient goals, providing increased financial benefits as the company grows. At UCB, this includes Stock Awards, Stock Options and Performance Shares.

Net dividend

The amount a shareholder of UCB will receive after principal deduction of Belgian withholding tax, which is currently 30%. Lower withholding tax rates may be applicable for certain categories of investors.

Net financial debt

Non-current and current borrowings, bonds and bank overdrafts less available for sale debt securities, restricted cash deposit with respect to financial lease agreements, cash and cash equivalents

OCI

Other comprehensive income

PBM

Pharmacy Benefit Manager

PGTCS

Primary generalized tonic-clonic seizures

PMDA/Pharmaceuticals and Medical Devices Agency

Japanese regulatory agency in charge of protecting the public health by assuring safety, efficacy and quality of pharmaceuticals and medical devices. http://www.pmda.go.jp/english

POS

Partial onset seizures, also known as focal seizures

PSP

Performance Share Plan which awards a grant of UCB common stock to qualifying executives. The awards vest three years after grant, pending certain conditions, including meeting pre-established companywide targets.

Recurring EBIT (rEBIT)

Operating profit adjusted for impairment charges, restructuring expenses, and other income and expenses

Recurring EBITDA (rEBITDA/Recurring Earnings Before Interest, Taxes, Depreciation and Amortization charges)

Operating profit adjusted for amortization, depreciation, impairment charges, restructuring expenses and other income and expenses

Sustainable Development Goals

Collection of 17 global goals set by the United Nations General Assembly in 2015 defined as a call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity

Weighted average number of ordinary shares

Number of ordinary shares outstanding at the beginning of a given period, adjusted by the number of shares bought back or issued during the period, multiplied by a time-weighting factor

Working capital

Includes inventories, trade and other receivables and trade and other payables, both due within and after 12 months.

References

We are UCB

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2. https://clinicaltrials.gov/ct2/show/NCT03971422, accessed on 18 January 2019.

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3. Kiessling, P., R. Lledo-Garcia, S. Watanabe et al. The FcRn inhibitor rozanolixizumab reduces human serum IgG concentration: A randomized Phase 1 study. Sci Transl Med. 2017; 9(414).
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Our people

34. Scope of reporting: This number represents all UCB regular active employees. Students, apprentices, trainees, employees on leave and contractors are not included in the headcount data.
35. Reporting period up to 31 December 2019.
36. Scope of reporting: The calculation for leaders who are from within the country excludes the leadership team based in U.S. as according to local regulations this sort of data cannot be stored. The U.S. leadership team is considered for the leadership gender balance calculation.
37. Scope of reporting: Occupational, Health and Safety data relate to 99.5% of people working at UCB.

Communities & environment

38. Scope of reporting: In the GRI Sustainability Indicators section is stated for each (environmental) indicator whether UCB's level of reporting covers the GRI reporting requirements in full or in part.
39. Scope of reporting: Planet data are consolidated for all research, development and manufacturing sites, HQ, and affiliates from Brazil, China, India, Italy, Japan, Germany, Mexico, Russia, and the U.S. This scope covers 90% of UCB's workforce, compared to 86% in 2015 (benchmark year).
40. Scope changes in the last years:
    2015: Start of the bioplant in Bulle (Switzerland) and divestiture of the Kremers Urban operations including production site in Seymour, (the U.S.).
    2016: Divestiture of the production site in Shannon (Ireland).
    2017: Consolidation of 2 additional affiliates: Brazil & Russia.
    2019: Divestiture of the site in Monheim (Germany). Facilities are currently rented at the site.
41. Scope of reporting: In Atlanta (the U.S.) facilities are rented to third parties and there are no separate utility meters installed. As a result, consumption is overestimated for which the impact cannot be reliably measured.
42. Scope of reporting: Scope 1 CO_2 emissions do not (yet) include emissions from UCB's car fleet.
43. Scope of reporting: Direct CO_2 emissions for natural gas consumption is calculated considering the high or low heating value. As of 2016, conversion factors published in the Bilan Carbone guidelines, version 8.2 are used. Previously, conversion factor published in the intergovernmental panel on Climate Change 2006 Guidelines for national Greenhouse Gas inventories and the U.K. Department of Environment, Food and Rural Affairs 2013 Government GHG Conversion Factors for Company Reporting: Methodology Paper for Emission Factors were used. The new factors were chosen in order to be consistent with a CO_2 mapping exercise completed by UCB in 2015 and based upon the Bilan Carbone methodology.
44. Scope of reporting: Considering the growing percentage of electricity being generated from renewable sources, CO_2

emissions resulting from electricity consumption were calculated on market-based CO_2 equivalents of the electricity mix consumed as reported by the UCB sites. When for a given site a specific ratio was not available, location-based ratios published by the International Energy Agency (IEA) 2019 were applied. In the GRI Sustainability Indicators section location and market-based emissions are both reported. Conversion factors used to calculate the CO_2 emissions caused by business travel by air take radiative forcing into account.

45. Scope of reporting: The other indirect GHG emissions (scope 3) reported under GRI indicator 305-3 relate to domestic and international air travel performed by UCB employees working in 30 countries: Australia, Austria, Belgium, Bulgaria, Brazil, Canada, China (including Hong Kong), Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, India, Italy, Japan, Mexico, Netherlands, Norway, Poland, Portugal, South-Korea, Spain, Sweden, Switzerland, Taiwan, Turkey, the U.K. and the U.S.

46. Our partner also provides the local population with energy efficient cook stoves and sustainably produced charcoal, over a period of 10 years. This helps to prevent the illegal harvesting of wood in the Virunga park currently used to prepare daily meals. Through this initiative, the emission of approximately 400 000 tons of CO_2 will be avoided.

47. Scope of reporting: A total of 91% of waste generated by UCB is recovered and the methods by which waste is recovered are classified according to Annex B to the EU directive 2008/98/EU.

48. Scope of reporting: Waste generated at our offices in Mumbai (India), Milan (Italy), Polanco (Mexico), Shanghai (China), Tokyo (Japan) and Moscow (Russia) are not included in the reporting scope as waste tonnages that were generated are not known.

Forward-looking statements

This integrated annual report release contains forward-looking statements including, without limitation, statements containing the words “believes”, “anticipates”, “expects”, “intends”, “plans”, “seeks”, “estimates”, “may”, “will”, “continue” and similar expressions. These forward-looking statements are based on current plans, estimates and beliefs of management. All statements, other than statements of historical facts, are statements that could be deemed forward-looking statements, including estimates of revenues, operating margins, capital expenditures, cash, other financial information, expected legal, arbitration, political, regulatory or clinical results or practices and other such estimates and results. By their nature, such forward-looking statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and assumptions which might cause the actual results, financial condition, performance or achievements of UCB, or industry results, to differ materially from those that may be expressed or implied by such forward-looking statements contained in this integrated annual report. Important factors that could result in such differences include: changes in general economic, business and competitive conditions, the inability to obtain necessary regulatory approvals or to obtain them on acceptable terms or within expected timing, costs associated with research and development, changes in the prospects for products in the pipeline or under development by UCB, effects of future judicial decisions or governmental investigations, safety, quality, data integrity or manufacturing issues; potential or actual data security and data privacy breaches, or disruptions of our information technology systems, product liability claims, challenges to patent protection for products or product candidates, competition from other products including biosimilars, changes in laws or regulations, exchange rate fluctuations, changes or uncertainties in tax laws or the administration of such laws, and hiring and retention of its employees. There is no guarantee that new product candidates will be discovered or identified in the pipeline, or that new indications for existing products will be developed and approved. Movement from concept to commercial product is uncertain; preclinical results do not guarantee safety and efficacy of product candidates in humans. So far, the complexity of the human body cannot be reproduced in computer models, cell culture systems or animal models. The length of the timing to complete clinical trials and to get regulatory approval for product marketing has varied in the past and UCB expects similar unpredictability going forward. Products or potential products which are the subject of partnerships, joint ventures or licensing collaborations may be subject to disputes between the partners or may prove to be not as safe, effective or commercially successful as UCB may have believed at the start of such partnership. UCB’ efforts to acquire other products or companies and to integrate the operations of such acquired companies may not be as successful as UCB may have believed at the moment of acquisition. Also, UCB or others could discover safety, side effects or manufacturing problems with its products and/or devices after they are marketed. The discovery of significant problems with a product similar to one of UCB’s products that implicate an entire class of products may have a material adverse effect on sales of the entire class of affected products. Moreover, sales may be impacted by international and domestic trends toward managed care and health care cost containment, including pricing pressure, political and public scrutiny, customer and prescriber patterns or practices, and the reimbursement policies imposed by third-party payers as well as legislation affecting biopharmaceutical pricing and reimbursement activities and outcomes. Finally, a breakdown, cyberattack or information security breach could compromise the confidentiality, integrity and availability of UCB’s data and systems.

Given these uncertainties, you should not place undue reliance on any of such forward-looking statements. There can be no guarantee that the investigational or approved products described in this integrated annual report will be submitted or approved for sale or for any additional indications or labelling in any market, or at any particular time, nor can there be any guarantee that such products will be or will continue to be commercially successful in the future.

UCB is providing this information, including forward-looking statements, only as of the date of this integrated annual report and expressly disclaims any duty to update any information contained in this integrated annual report, either to confirm the actual results or to report or reflect any change in its forward-looking statements with regard thereto or any change in events, conditions or circumstances on which any such statement is based, unless such statement is required pursuant to applicable laws and regulations.

Additionally, information contained in this document shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any offer, solicitation or sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of such jurisdiction.

Report language

Pursuant to Belgian Law, UCB is required to prepare its integrated annual report in French and Dutch. UCB has also made this report available in English.

Availability of the Integrated Annual Report

The integrated annual report is available on the investor website of UCB (https://www.ucb.com/investors).

Other information on the website of UCB or on any other website, does not form part of this integrated annual report.

Financial calendar

30 April 2020	Annual general meeting
27 July 2020	2020 half-year financial results

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GL-N-BK-PSO-2000001