

UCB

Société Anonyme / Naamloze Vennootschap

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RPM/RPR Brussels, 0403.053.608

Annual report of the Board of Directors for the financial year ended 31 December 2015

Dear Madam, Dear Sir,

In accordance with the legal requirements and those laid down in UCB SA/NV's Articles of Association, we are pleased to present you our report on the activities of our Company during the financial year and submit to you, for your approval, the annual accounts of UCB SA/NV for the financial year ended 31 December 2015.

UCB SA/NV is the parent company of the UCB Group and serves as a holding company, managing the activities of the UCB Group and its subsidiaries worldwide.

Please refer to the UCB Group 2015 Annual Report for an overview of the activities and results of the UCB Group.

1. Major events during the financial year 2015

1.1. Issuance of a new institutional Eurobond

In March 2015, UCB SA/NV completed the offering of € 350 million senior unsecured bonds, due April 2022, under its € 3 billion EMTN Program. The bonds were issued at 99.877 per cent on 2 April 2015 and will redeem at 100 per cent of their principal amount on 2 April 2022.

1.2. Acquisition of its Irish subsidiary

During 2015, the UCB Group continued its intention to align the overall IP structure at group level by assigning the Rotigotine IP (excluding Japan rights) from Ireland to Belgium (UCB Biopharma SPRL/BVBA). As a first step, UCB SA/NV acquired the shares of UCB Manufacturing Ireland Ltd. from UCB Pharma GmbH and Sanol GmbH for a total amount of € 414 million.

The second step involved the separation of the lines of business currently held by UCB Manufacturing Ireland Ltd. into two legal entities, UCB Manufacturing Ireland Ltd. holding the Irish manufacturing capabilities and UCB Biopharma Ireland Ltd. holding the Rotigotine IP.

Later on, UCB Biopharma Ireland Ltd was sold from UCB Manufacturing Ireland Ltd to UCB Biopharma SPRL/BVBA for € 587 million. The received funds are used by UCB Manufacturing Ireland Ltd. in order to settle its net debt position, and the remainder of the funds will be distributed to its shareholder UCB SA/NV as dividend in 2016. Since this dividend does not result from profits realized during the period from acquisition date to distribution of the dividend, this dividend will be accounted for as a reduction of the investment value.

1.3. Share swap transactions

On 27 April 2015, UCB SA/NV settled the share swap, entered into with two different bank counterparties on 20 June 2014, for a total of 500 000 and 640 000 UCB shares and an amount of € 70 million.

On 19 June 2015, UCB SA/NV sold a total of 1 200 000 UCB shares, in 3 tranches of each 400 000 shares, to 3 different bank counterparties, for an amount of € 77 million.

In combination with this spot transaction, UCB SA/NV repurchased 1 200 000 UCB shares, in 3 tranches of each 400 000 shares, from the same counterparties, for settlement on 23 March 2016 (subject to the exercise by UCB SA/NV of its early termination right in accordance with and pursuant to the underlying bilateral documentation), together a share swap transaction.

On 18 December 2015, UCB SA early terminated these share swaps, for a total of 1 200 000 UCB shares and an amount of € 77 million.

1.4. Transactions in Own Shares

During 2015, UCB SA/NV acquired 6 544 135 UCB shares (including the settlement of the share swap entered into in 2014 for a total of 1 140 000 UCB shares and the share swap entered into in 2015 for a total of 1 200 000 shares) and disposed 2 775 192 UCB shares.

As a result, on 31 December 2015, UCB SA/NV retained a total of 5 008 213 UCB securities representing, if exercised, 2.57% of the total number of UCB shares.

That holding of UCB securities consists of 4 008 213 shares and 1 000 000 assimilated financial instruments (outstanding options).

The 4 008 213 UCB shares represent 2.06% of the capital and a par value of € 12 million. The amount reported in the balance sheet under the section “own shares” represents € 190 million.

1.5. Long-term incentives (LTI) hedging program

During 2015, UCB SA/NV traded on 1 000 000 American style call options for a total premium of € 12 million, providing the right to purchase shares of UCB SA/NV at pre-defined strike prices and maturity dates. Those agreements were closed, in the context of UCB’s LTI hedging program, to cover the risk of share price changes of own shares being acquired to honor the exercise of share options and share awards granted to the Executive Committee and certain categories of employees.

1.6. Transfer of obligations under 2015 Performance Share Plan from UCB SA/NV to UCB Fipar SA/NV

Similar to 2014, UCB Fipar SA/NV has assumed the obligations of UCB SA/NV under the 2015 UCB Performance Share Plan. UCB Fipar SA/NV has received a compensation of € 12 million for assuming these plans and programs.

1.7. Divestment of shareholding in Biotie

In June 2015, UCB SA/NV decided to sell its shares in Biotie for a total value of € 6 million. The sale generated a total loss of € 2 million.

1.8. Capital increases of subsidiaries

In 2015, UCB SA/NV participated in several capital increases of its subsidiary UCB Farma Brasil Ltda for a total amount of € 48 million. After this increase the total shareholding amounts to € 137 million.

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

On 31 December 2015, an impairment testing has been performed on the shareholdings of UCB SA/NV; we can conclude that there is no risk and that there is no additional impairment to be considered.

1.10. Sale of bearer securities automatically by force of law

On 1 January 2014, the remaining UCB bearer shares were by force of law automatically converted into dematerialized shares.

During 2015, UCB SA/NV organized the sale of all unclaimed bearer shares on Euronext Brussels in accordance with the Law of 14 December 2005. The net proceeds of the sale amounting to € 6 million (representing 89 671 unclaimed bearer shares, valued at the net proceeds of the sales on Euronext Brussels between 16 and 18 June 2015) have been transferred to the Belgian Deposit and Consignments Fund (“Caisse des dépôts et consignations” / “Deposito- en Consignatiekas”). After 31 December 2015, the rightful owners of the underlying bearer shares will have the right to claim the payment of the corresponding net proceeds from the Belgian Deposit and Consignment Fund subject to evidence of their valid title to the shares.

2. Change in accounting policies

The Board of UCB SA/NV approved to modify the valuation rules in relation to the recognition of unrealized foreign exchange gains.

Under the valuation rules applied until last year, unrealized foreign exchange losses (corresponding to negative translation adjustments) were recognized into the income statement while unrealized foreign exchange gains (corresponding to the positive translation differences) were deferred on the balance sheet. This is in line with the prudence principle prescribed by Belgian Generally Accepted Accounting Principles (BEGAAP) and more specifically with article 32 of the Belgian Accounting Law (R.D. 30 January 2001).

However, advice 152-05 of the Belgian GAAP Committee - in its section VII under the littera C - also explicitly allows that unrealized foreign exchange gains can immediately be recognized into the income statement, if this methodology is consistently applied, its consequences are fully understood, and it is clearly justified in the notes to the financial statements.

In order to facilitate the administrative and accounting treatment of the unrealized foreign exchange gains and losses during the closing process and to align the statutory valuation rules under BEGAAP to

the group accounting policies under the international financial reporting standards (IFRS), and hence to facilitate the comparison with IFRS, the Board approved to change the current valuation rules, resulting in a full and immediate recognition of both unrealized gains and losses into the income statement.

The new accounting treatment is in the best interest of the Company and is not in contravention of the Company's objectives, Articles of Association and other constitutional documents, and any laws or other obligations of the Company.

As a result of this change, an unrealized gain of € 0.2 million has been recognized directly into the income statement. The impact will be disclosed as well in the notes to the statutory financial statements for the accounting year 2015. This disclosure will include the impact of this change on the total assets, the net assets and the result of the period.

3. Internal controls in place regarding the establishment of the annual accounts

The Audit Committee, on behalf of the Board of Directors of UCB SA/NV, assessed the adequacy and effectiveness of the internal control system in detecting fraud, irregularities or infringement of laws, rules and regulations or material control failures on a regular basis. This is included in the UCB Group 2015 Annual Report.

4. Major events after the balance sheet date

On 27 January 2016, the Company notified the bondholders of the € 300 million subordinated perpetual bond issued in March 2011 that it exercised his option to early redeem the securities in whole at the first call date, i.e. 18 March 2016. As a result of this notification, the total amount of the perpetual bond was moved from amounts payable over one year to amounts payable within one year on the balance sheet.

5. Conflicts of interest met during the financial year

There were no transactions or contractual relationships in 2015 between UCB SA/NV and a member of the Board of Directors giving rise to conflicts of interest, except as reported in Section 1.9 (Application of article 523 of the Belgian Companies Code) of the Corporate Governance Statement included in the UCB Group 2015 Annual Report.

Concerning the long term incentives, please see Section 1.4 (Remuneration report) of the Corporate Governance Statement included in the UCB Group 2015 Annual Report.

6. Financial information

Results at 31 December 2015

The operations of UCB SA/NV generated in 2015 a net profit of € 172 million after tax compared to € 102 million in 2014.

The evolution in the net profit (increase of € 70 million) is mainly due to:

- Increase in dividends received from its subsidiaries for a total amount of € 133 million, mainly from UCB Finance N.V. (€ 100 million) and UCB India Private Limited (€ 28 million).
- Increase in the provision, to cover risk of share price changes of long-term incentives granted to the Executive Committee and certain categories of employees, for a total amount of € 9 million.
- Decrease in the expatriates' workforce tax accrual.
- Increase in other operating income and services and other goods related to legal fees incurred in the framework of the divestment of Kremers Urban.
- Lower interest income for a total amount of € 41 million, mainly due to changes in the debt structure with its subsidiary UCB Lux SA after the redemption of the 2009 bond end of 2014, in total representing € 575 million.
- Exceptional one-off income of € 29 million last year as a result of the redemption of the convertible bond.

Result appropriation

After taking into account the profits carried forward of € 19 million, € 191 million is available for distribution. The Board of Directors proposes the following allocation:

- distribution to the shareholders of a gross dividend of € 1.10 per share;
- drawing on available reserves for € 19 million

We thus propose to pay, against delivery of coupon no 19, a gross dividend of € 1.10 per share (giving right to a dividend net of Belgian 27% withholding tax of € 0.803). The aggregate amount to be distributed to the shareholders may fluctuate depending on the number of UCB shares held by UCB SA/NV (own shares) and its direct subsidiaries on the dividend approval date, as the UCB shares held

by UCB SA/NV (own shares) and its direct subsidiaries are not entitled to a dividend. Per 1 January 2016, 190 497 445 UCB shares are entitled to a dividend, representing a total distribution of € 210 million. The Board of Directors will communicate at the General Meeting the total number of UCB shares entitled to the 2015 dividend and will submit the aggregate amount to be distributed to the shareholders for approval. The annual accounts of 2015 will be adapted accordingly.

Subject to the approval of the proposed dividend distribution by the General Meeting, coupon no 19 will be payable as from 3 May 2016 at KBC Bank NV/SA, Havenlaan 12 Avenue du Port, 1080 Brussels (Belgium).

In accordance with the law, we request you to grant discharge to the Directors and the Statutory Auditor for the performance of their duties during the financial year ended 31 December 2015.

Balance Sheet items at 31 December 2015

On the balance sheet of UCB SA/NV at 31 December 2015, the total assets and liabilities amount to € 9 164 million, as compared to € 9 133 million at 31 December 2014.

The evolution on the balance sheet is mainly driven by:

- Investment in UCB Manufacturing Ireland Ltd. for a total amount of € 414 million.
- Capital increase in its subsidiary UCB Farma Brasil Ltda for a total amount of € 48 million.
- Decrease in the long term intercompany receivable position with UCB Lux SA for a total amount of € 511 million.
- Divestment of Biotie shareholding valued at € 8 million.
- Transactions in own shares and share swap transactions resulted in an increase of our investments for a total amount of € 100 million.
- Increase in the provision, to cover risk of share price changes of long-term incentives granted to the Executive Committee and certain categories of employees, for a total amount of € 6 million.
- Issuance of a new institutional Eurobond amounting to € 350 million.
- Decrease in our short term bank commercial paper position of € 102 million.
- No outstanding liability anymore in relation to share swap transactions, which resulted in a decrease of the financial debts for a total amount of € 70 million.
- Decrease in the intercompany cash pooling position with UCB Lux SA for a total amount of € 476 million.

7. Changes to the composition of the Board

Please refer to the Corporate Governance Statement in the UCB Group 2015 Annual Report for the changes in the Board composition in 2015 as well as the proposals for changes to the composition for 2016.

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

Please refer to the UCB Group 2015 Annual Report, Financial Report, Notes to the Consolidated Financial Statements, Point 4 "Financial Risks Management".

9. Change of control

UCB SA/NV has entered into a Euro Medium Term Note Program dated 6 March 2013, with last update of the prospectus on 10 March 2015, for an amount of € 3 000 000 000 (the "EMTN Program"). The terms of the EMTN Program provide for a change of control clause (condition 5 (e) (i)) under which, for any of the Notes issued under the EMTN Program where a change of control put is included in the relevant final terms, any and all of the holders of such notes can, in certain circumstances, require UCB SA/NV, following a change of control at the level of UCB SA/NV, to redeem that Note upon exercise of the change of control put for a value equal to the put redemption amount increased with, if appropriate, interest accrued until the date of exercise of the change of control put, (all as more particularly described in the Base Prospectus of the EMTN Program). In accordance with article 556 of the Belgian Companies Code, this change of control clause has been approved at the General Meetings of 25 April 2013, 24 April 2014 and 30 April 2015 in respect of any series of Notes to be issued under the EMTN Program within the 12 months following such General Meeting of 25 April 2013, 24 April 2014 and 30 April 2015 respectively and to which such change of control has been made applicable, including the institutional bond 1.875% due 2 April 2022 in the amount of € 350 million issued on 2 April 2015.

A similar approval will be submitted to the General Meeting to be held on 28 April 2016 in respect of any series of Notes to be issued under the EMTN Program from 28 April 2016 until 28 April 2017, if any, and to which, as the case may be, such change of control would be made applicable.

On 15 December 2015, UCB SA/NV has entered into a loan facility (the "EIB Loan Facility") with the European Investment Bank ("EIB") for a loan with a maximum total principal amount of up to € 150 000 000 (or its equivalent in another currency), to partially fund an investment program for research and development. This Loan Agreement contains a change of control clause (clause 4.03A(3)), whereby the loan, together with accrued interest and all other amounts accrued and outstanding thereunder, could, in certain circumstances, become immediately due and payable – at the discretion of the European Investment Bank – following a change of control at the level of UCB SA/NV (as more particularly described in the Loan Agreement). This change of control clause will also be submitted for approval to the General Meeting to be held on 28 April 2016.

For a complete overview of all agreements including change of control provisions approved prior to 2015, please refer to section 1.8.9 of the of the Corporate Governance Statement included in the UCB Group 2015 Annual Report.

10. Activities in the area of research and development

The activities of UCB SA/NV are holding activities. There are no research and development activities at the level of UCB SA/NV.

11. Branches of UCB SA/NV

UCB SA/NV has no branches.

12. Corporate Governance Statement

The Corporate Governance Statement (including the Remuneration Report) is included in the UCB Group 2015 Annual Report.

Brussels, 25 February 2016,



Jean-Christophe Tellier
Chief Executive Officer and Director



Gerhard Mayr
Chairman of the Board