Louisa, living with epilepsy

Annual Report **2017**

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

AT UCB, we aspire to be the patient-preferred biotech leader.

To achieve this goal, UCB has become an innovation-driven global biopharmaceutical company creating value for patients, the company, its shareholders and society in general.

Our work has an impact on the lives of many people. Every UCB employee is committed to follow the strict regulatory standards for research, development, manufacturing and distribution of our products to ensure we meet all safety, quality, regulatory, legal and environmental requirements.

In an ever-changing and more complex environment, UCB's patient value strategy is the best route to achieve this ambition and long-term success.

MORE THAN

2 935 000

PATIENTS USED OUR CORE MEDICINES CIMZIA®, VIMPAT®, KEPPRA®, BRIVIACT® & NEUPRO®

7 478

EMPLOYEES FOCUSED ON CREATING VALUE FOR PATIENTS

OF THESE, **87%** ARE PROUD TO WORK FOR UCB

WE INVESTED

1 057 MILLION

IN R&D, 23% OF OUR REVENUE

WE CONDUCTED

OVER **95** CLINICAL TRIALS

INVOLVING **6 400** PATIENTS

EVEN THOUGH PRODUCTION INCREASED, OUR ECOLOGICAL

FOOTPRINT

CONTINUES TO DECREASE

WE REACHED OUR

FINANCIAL TARGETS

€ 4.53 BILLION REVENUE

€ 1.38 BILLION RECURRING EBITDA

Quality & Assurance Summit 2017

Dressed in white (like bones), the Quality Assurance Department gathered to "Find our Common Ground" and learned about exciting cutting edge technology taking place at UCB to have *romosozumab* reaching patients living with osteoporosis.

Kenichiro, living with rheumatoid arthritis

01

LETTER TO OUR STAKEHOLDERS

Dear shareholders, partners, colleagues and those living with severe diseases,

In an increasingly constrained external world where innovation is essential, we confirm our patient value strategy to drive UCB's future success and sustainable growth.

UCB achieved strong results in 2017. On top of our fourth consecutive year of revenue and earnings growth, we also achieved our recurring EBITDA/revenue target of 30% - one year earlier. Our ability to build an increasingly differentiated pipeline was demonstrated with key results for Cimzia® in women of child bearing age, Evenity™, *padsevonil* and *bimekizumab*. We further strengthened our scientific platforms. However, 2017 also delivered both external and internal challenges that led to share price volatility during 2017.

Externally, the shift from volume to value is translating at differing speed and in heterogeneous ways across health systems. In addition, several advances in science led to increasing numbers of innovative products being launched, which further pressures healthcare system costs, resulting in decreasing return on pharmaceutical R&D investment.

Internally, Evenity™ results confirmed unprecedented efficacy although a numeric safety imbalance in ARCH presented an unforeseen challenge. The positive *bimekizumab* Phase 2b results and *padsevonil* proof of concept results lead to accelerated Phase 3 programs. While supporting UCB's long-term sustainability, at the same time, it put pressure on resources in the short-term.

UCB achieved strong results in 2017

In the last year, UCB delivered 9% revenue growth, i.e. € 4.53 billion, the recurring EBITDA amounted to € 1.38 billion, and we achieved - one year earlier than originally planned - our objective of a 30% recurring EBITDA/revenue margin.

Our key medicines continued to grow. Based on its differentiated profile, Cimzia® is keeping up well in a competitive environment. Vimpat®, Keppra® and Briviact® reached more and more patients living with epilepsy, thanks to new indications and launches in new countries. Based on its strong performance, we increased our peak sales guidance for Briviact® in the year before patent expiry (2026) from € 450 to € 600million. Neupro® in Parkinson's disease performed as planned.

In 2017, key R&D results demonstrated our focus on increasingly differentiated solutions that show the promise of advancing the standard of care: Evenity™ results confirmed unprecedented efficacy; *bimekizumab* achieved positive and competitive Phase 2b results in psoriasis, psoriatic arthritis and ankylosing spondylitis patients, and we started the Phase 3 program in psoriasis; *padsevonil* achieved positive proof of concept in highly refractory epilepsy patients and started Phase 2b in February 2018; Cimzia® now offers a unique solution to women of child-bearing age.

In May, the ARCH results completed the set of data proving Evenity™ efficacy superiority over the current standard-of-care. It also presented an unforeseen challenge: a numeric imbalance in cardiovascular

events. To understand this safety signal which was not observed in the FRAME study, a comprehensive evaluation is underway. Filing of the marketing authorization application with the European authorities occurred as planned at the end of 2017.

To continuously enhance our research capabilities, UCB acquired Beryllium LLC, a small-size research-based company in Boston, MA (U.S.) specializing in protein expression and structural biology. UCB also created a venture fund to support promising but very early or higher risk assets, approaches or technologies underlining UCB's ability to deeply connect with external science and to complement our scientific capabilities in dialogue with new partners.

New patient support programs were launched or expanded. UCBCares®, a single customer care point bringing value to patients and health care professionals who contact our company, was implemented across France, Germany, Italy, Spain and the U.K. In the U.S., UCB Assist connects epilepsy patients with a dedicated case manager to help them.

2018 and beyond: growth, sustainability and profitability

In this context, UCB's patient value strategy is and remains the best route to achieve long-term success.

Our key medicines will continue to grow and will reach more patients through additional launches in new indications or regional expansion. We will continue to invest above the industry average in R&D to deliver breakthrough medicines with compelling value propositions for patients, healthcare professionals and payers and securing UCB long-term sustainability. Thanks to its strong financial foundations, UCB will be able to 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 maximizing our new growth drivers for the time after 2021 and to foster long term sustainability we are committed to return to competitive profitability after this and increase our recurring EBITDA/revenue ratio to 31% in 2021. For 2018, we target revenue in the range of € 4.5 to € 4.6 billion, a recurring EBITDA of approximately € 1.3 to € 1.4 billion and a Core EPS of € 4.30- 4.70 per share.

Caroline,
living with psoriatic arthritis

Jean-Christophe Tellier, CEO

UCB's ambition is to be the Patient-Preferred Biotech Leader creating patient value for specific populations through unique outcomes, the best individual experience, and improving as many of these lives as possible

Thanks to the support of the Board, the guidance of the Executive Committee and – most importantly – the commitment of all UCB employees, UCB has successfully transformed into a leading biotech company, inspired by patients and driven by science.

Our trajectory and achievements in recent years, including growth of strategic therapeutic products while divesting non-core assets or activities, provides a solid base for further, sustainable expansion and growth.

Jean-Christophe Tellier,
Chief Executive Officer

Evelyn du Monceau,
Chair of the Board

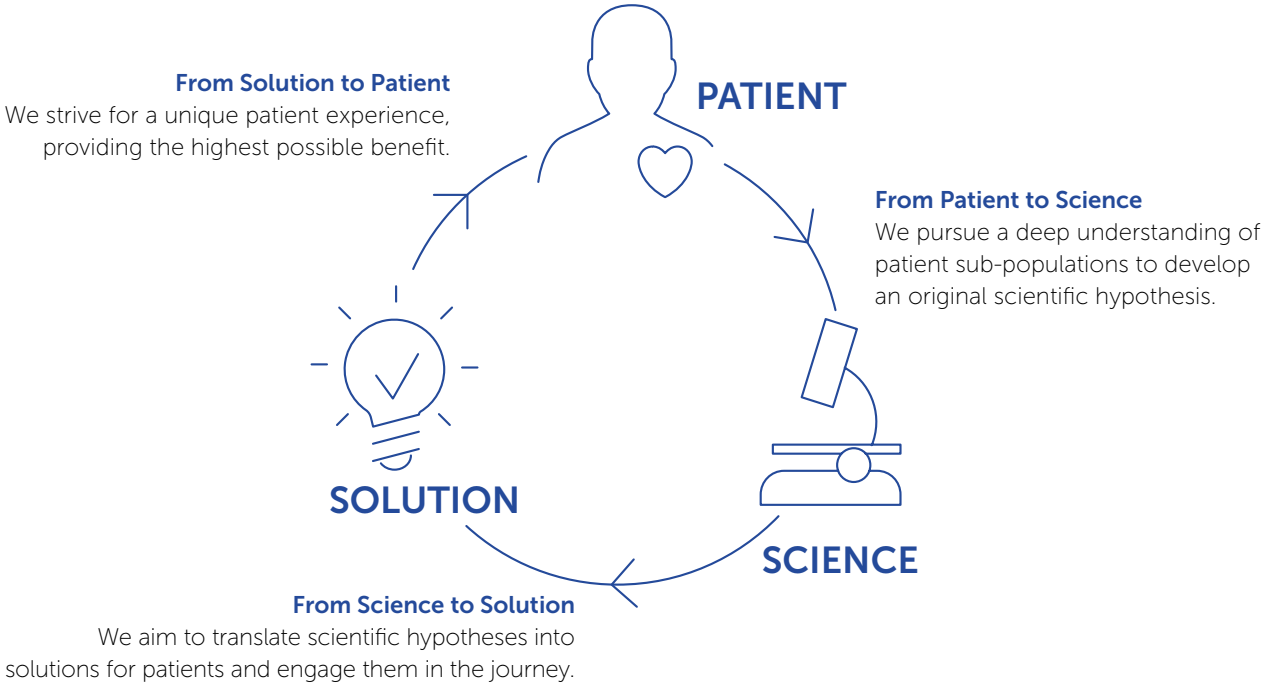
"We are very pleased that - after achieving our net debt/recurring EBITDA target of 1:1 two years earlier in 2016 - we achieved our 30% recurring EBITDA/revenue ratio target - also one year earlier than guided - based on the strong growth of our core products. The next years are now dedicated to accelerate growth drivers for the time after 2021 while we reconfirm our commitment to competitive profitability in the mid-term."

For more information, refer to:

This report is complemented by the UCB 2017 sustainability report available on https://www.ucb.com/our-company/csr

STRATEGY

UCB's integrated business model starts and ends with the patient. This evolution from the traditional pharma model is critical for us to remain competitive and sustainable for the long-term in an increasingly complex and value-focused healthcare environment.



Everything we do starts with a simple question: "How will this create value for people living with severe diseases?". Rather than commencing research from a scientific point of view, we start with the patient perspective. This means improving our ability to stratify patients; implementing a new development paradigm to improve success rates and efficiency; tailoring go to market models for specific local patient environments and implementing value-based access and pricing.

Innovation is a key component of our strategy on translating science into clinical differentiation. Because 30% of patients living with epilepsy are not seizure-free, because patients living with psoriasis expect more than treatments available so far, because the ultimate goal is a cure... So many reasons why UCB continues to invest more than 20% of its revenue in research and development, "R&D". Thanks to this commitment and the many collaborations with academia, research institutes, small and big (bio) pharma players, UCB teams have built a strong pipeline of innovative medicines.

We have integrated the patient insights with science, translating it into solutions. We now need to ensure patients have access to UCB solutions. UCB is a global player and has to adapt to specific dynamics and stakeholder influences in local patient environments.

UCB's patient value strategy aims to deliver unique outcomes and the best patient experience to as many lives as possible within specific populations where UCB can lead. UCB will only commercialize assets where we can lead, and will out-license pipeline assets in areas where UCB cannot lead or lacks bandwidth.

Our recent performance confirms our ambition. UCB continues to deliver above-industry growth, with financials that enable UCB to become the patient-preferred biotech leader with a healthy balance between short-term growth and profitability and long-term sustainability.

Victoria, living with psoriasis

We are progressing on our growth path with our three strategic phases:

GROW & PREPARE PHASE (2015)

- We build up on Cimzia®, Vimpat®, Keppra®, Briviact® and Neupro®;
- We carefully prepare bringing Evenity™ *(romosozumab)* to people at high risk of fracture due to osteoporosis;
- We carry on broadening our early and late-stage pipeline.

ACCELERATE & EXPAND PHASE (2019)

- We accelerate uptake of Briviact® while maximizing the potential of Cimzia®, Vimpat®, Keppra® and Neupro®;
- We invest into new growth drivers in our late-stage R&D pipeline (Evenity™, *bimekizumab*, *padsevonil*) and emphasize the innovation focus in our early pipeline - complemented by selected external opportunities.

BREAKTHROUGH & LEAD PHASE (2022)

- We mitigate the loss of exclusivity for Cimzia®, Vimpat®, and Neupro® by continuing growth from Briviact® and new growth drivers;
- We successfully launch breakthrough products and accelerate growth.

Thierry and Michael, UCB

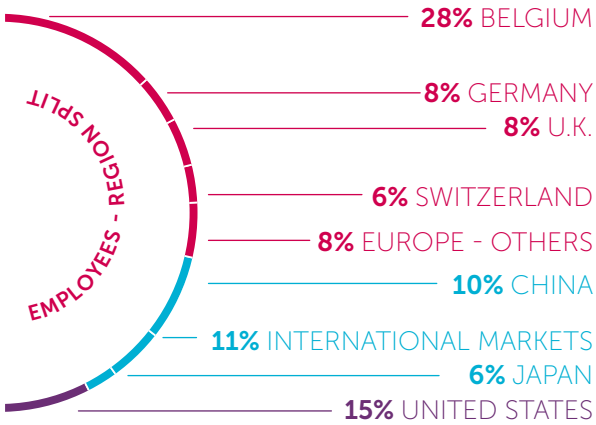
UCB PEOPLE

Creating patient value is what inspires us, drives our actions and allows us to be more agile in an ever-challenging world. Integrating the patient at every level of our operating model is our way to create unique and sustainable value and we believe every one of us can have an impact, wherever in the world, whatever our role.

Ensuring a diverse and inclusive environment at UCB is important for our patient value culture. Given the span of our activities and our global footprint, diversity is a given at UCB. Mentioning diversity immediately triggers the gender topic. At UCB, we have a 50/50 representation of women and men companywide, and a 31/69 ratio of women to men at the Board level. However, diversity is much more than gender, race or age (innate characteristics); it is about education, beliefs and experience (acquired characteristics).

Collaborating with colleagues from different horizons is a gift and also has its challenges: working easily across nations, cultures and education sometimes is not a given. In 2017, we continued to raise awareness around conscious and unconscious bias by organizing several initiatives in multiple sites. UCB is determined to accelerate diversity and inclusion, anchoring it in our company culture.

Almost every aspect of our activities is regulated: beginning with drug discovery and acquisition, and continuing on through testing, development, product registration, manufacturing, pricing, shipment, advertising, sale and use. The UCB values and code of conduct provide a framework which helps us navigate



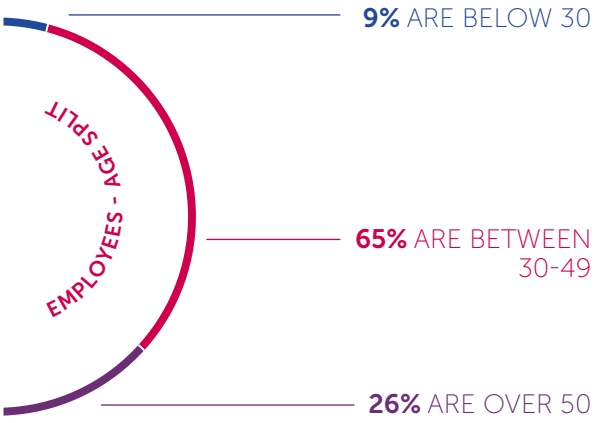
Lydie, UCB

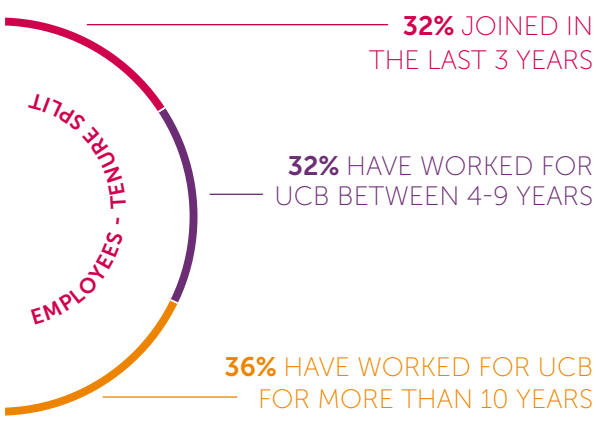
through the challenging and evolving business and legal environments.

The code of conduct outlines general principles of business conduct and ethics that help guide every UCB colleague and UCB's partners throughout the world when making decisions. It covers UCB employees' rights (equal treatment, data privacy, freedom of association, HS&E, etc.), obligations (pharmacovigilance, business ethics, insider information, antitrust, corruption, social media and IT security) as well as whistle blower procedures.

For more information, refer to:

- 2017 sustainability report
- UCB code of conduct: https://www.ucb.com/_up/ucb_com_ir/documents/UCB_Code_v21_January_2015.pdf
- https://www.ucb.com/careers/your-career





MANAGING RISK
TO ADD VALUE AT UCB

Achieving effective risk management is not just about identifying and responding to risks. It is about creating a solid foundation of both understanding the risk environment and embedding a framework that facilitates action on the uncertainties that may impact us most.

In our journey to elevate risk management at UCB, Risk2Value continues to advance the integration of risk principles into the organization. This enables the support of our strategic priorities while upholding our patient value principles.

Framework and Governance

In 2017, UCB continued to build upon the Risk2Value framework. Utilizing the key representatives from all business areas, we have worked to strengthen the importance of managing the right risks. Our process of risk management initiates within each business area and its leadership team, is aggregated, refined and communicated via the Risk2Value table and its members.

To ensure we are prioritizing risks that have impact to our values and obligations, risks may be measured on one or more of three scales:

- Impact on financial assumptions that comprise UCB's near-term and long-term forecasts (Financial Impact Scale)
- Impact on the trust of those that regulate or rely on us; and the welfare of our employees and communities (Reputation & Welfare Impact Scale)
- Impact on the value we provide our patients with (Patient Value Impact Scale)

Top risks are connected to the strategic priorities and an understanding of how the risk is trending is communicated to both our Executive Committee and our Board of Directors.

Oversight

The management and review, and advisement on risks and decision making is an active and dynamic process. Our Executive Committee reviews these risks on a regular basis in collaboration with the Risk2Value table. We maintain strong connectivity to our Board of Directors/Audit Committee and bring feedback into the organization.

UCB demonstrates its commitment to managing risk by creating accountability at the top. All key risks are owned by a member of the Executive Committee, and that member is accountable for understanding its nature and driving actions to manage the risk. The Global Internal Audit function is responsible for independently and regularly reviewing and validating the risk management process in UCB and jointly agreeing with the business functions on actions to respond to enterprise-level risks.

As the risks we face are dynamic and changing in nature, our approach to management of these risks is also dynamic. We continue to learn and grow to integrate risk thinking into the organization. The risks illustrated represent the top items for 2017/2018.

Top risks for 2017 and beyond

UCB's response

COMPETITION FROM BIOSIMILARS

Biosimilars entrants, adoption and market impact are increasing globally, with a complex interplay of 1) payer and regulatory frameworks 2) stakeholder attitudes 3) manufacturer and commercialization capabilities and 4) competitor responses. UCB supports increasing access of biologics to patients who may benefit from them, and to providing a superior overall value proposition in specific patient populations.

UCB focuses on offering solutions meeting the unique needs of specific patient subpopulations. We continue to pursue a strategy of differentiation as an innovator company with a value-focused pipeline and brands which offer demonstrable superior patient outcome at a competitive total unit cost of care.

PRICING & ACCESS PRESSURES AND CHANGES

Managing pharmaceutical expenditure continues to be a priority for healthcare providers globally, and manufacturers continue to look for new ways to offer their solutions at sustainable and equitable prices. In the U.S., pharmaceutical pricing continues to be a major focus at both the federal and state level. Payers are now increasing their use of value assessment frameworks to inform their formulary decisions.

By establishing a patient-centered view of value, alongside a commitment to affordable access for patients, UCB continues to engage with stakeholders globally to meet the needs of all our patients.
UCB has also established an executive and leadership team-level committee to increase our ability to monitor and engage with the U.S. policy ecosystem, including federal and state governments and agencies, to continue to deliver on our vision of making a difference for people living with severe diseases.

CYBER SECURITY

In an increasingly complex and evolving IT landscape, Cybersecurity incidents like data breaches could lead to reputational or financial impact, as well as operational disruption.

UCB has a security strategy and a comprehensive security program in place that assures the proper prevention, detection and response controls are in place. The program includes, for example, continuous monitoring and analytics, intrusion incident detection and response, security testing and user awareness training and campaigns.

INTELLECTUAL PROPERTY

Intellectual Property rights (IP) are essential to foster innovation in rapidly evolving R&D paradigms and a politically challenging environment. UCB must protect its intellectual property rights, be proactively aware of the competitive landscape and engage in external policy debates around IP and access.

UCB enhanced the focus of its IP strategies on core innovation and global patient-focused solutions. We continue to efficiently defend our IP with litigation wins on Vimpat® (U.K.) and Neupro® (U.S.). With our recently recruited IP policy experts, we have taken our engagement on external policy to the next level.

BIOLOGICS SUPPLY

In the hyper competitive market to deliver new biologic drug products, there is limited capacity both internally and with external suppliers. This presents the potential for real challenges in securing supply to meet both UCB's develoment needs and supporting our future patients.

UCB has developed a biologics supply strategy to expand internal capacity as well as secure external supply partners. This strategy will maximize flexibility to assure we can deliver on the needs of patients for UCB's future biologic portfolio.

R&D

We start - and end - with the patient. Integrating the reality of patients living with neurological and immunological disorders into our daily life enables us to develop a better understanding of the various expressions of a disease and to embed the real needs of specific patient groups in our science and innovation process.

Patients play a more active role in their healthcare, the use of artificial intelligence continues to rise and will impact treating patients as well as drug discovery. UCB increasingly employs digital solutions throughout the value chain:

- applying analytics for discovery research;
- improving study design, efficiency and patient experience in clinical trials;
- using digital solutions to enhance or complement marketed drugs to improve patient outcomes and experience and, thus, increase value for patients.

After connecting patients' insight with science, we translate scientific hypotheses into differentiated solutions for patients and engage them in the journey. We carefully design clinical trials, with a robust proof of concept and clear milestones that enable us to make solid data-driven decisions. Participating in clinical trials is also part of the journey for some patients. Listening to their experience, we challenge the complexity of studies to reduce the burden for patients and investigator sites, accelerate study conduct and lower costs.

Thanks to innovative data extrapolation, UCB did not have to conduct dedicated clinical studies to gain regulatory approval in the U.S. for Briviact® in monotherapy, and Vimpat® for children aged 4 and older. This approach enables patients to get faster access to new treatment options.

To leverage the power of "big data" enabling physicians to make evidence-based decisions when discussing treatment options with patients living with epilepsy, UCB has partnered with Georgia Tech (U.S.) for a new predictive analytic platform.

UCB is successfully deploying solutions "beyond the pill": new devices such as the autoclick® or ava® for Cimzia® to facilitate administration and help patients managing their disease, support programs to assist patients navigate through the insurance/ reimbursement hurdles, etc.

Innovation will be critical to deliver differentiation. It might arise from the expertise within the organization, as well as from collaboration with the external world through developing networks and the ability to connect with science, academic biotech start-ups, everywhere they are. Over the years, UCB has built up a strong network; further enhanced by the UCB Venture Fund which gives us the opportunity to invest in innovative life science and healthcare companies at a very early stage. This openness to the external world is not limited to science, it is also developed with all stakeholders involved in delivering value for the patient.

UCB's R&D strategy is very clear:

- Strengthen current research technology platforms and add new ones;
- Strengthen areas where UCB can lead through new assets;
- Progress molecules in-house if we can be a category leader delivering value for patients, for example in our core therapeutic areas: immunology and neurology. In other cases, we use other routes to reach patients: partnering, out-licensing, spin-off or divesting.

Rosanne, mother of child living with epilepsy

	Phase 1	Phase 2	Phase 3	Filing
Evenity™ (*romosozumab*)				
osteoporosis				
***bimekizumab* (IL17 A/F)**				
psoriasis				Phase 3 results: end 2019
psoriatic arthritis				Phase 3 start: H2 2018
ankylosing spondylitis				Phase 3 start: H2 2018
***dapirolizumab pegol* (CD40L antibody)**				
systemic lupus erythematosus				Phase 2b results: Q4 2018 (Partner: Biogen)
***padsevonil* (PPSI)**				
highly drug-resistant epilepsy				Phase 2b results: H1 2020
***seletalisib* (PI3K δ inhibitor)**				
Sjögren's syndrome + APDS[1] (Phase 1b)				Phase 2a results: Q3 2018
***rozanolixizumab* (FcRn)**				
immune thrombocytopenia + MG[2]				Phase 2a results: H2 2018
UCB4144 / VR942 - asthma				(Partner: Vectura)
UCB6673; UCB7858; UCB0159				
UCB3491; UCB0599				

[1] APDS - Activated PI3K Delta Syndrome
[2] MG – myasthenia gravis

bone immunology neurology

IMMUNOLOGY

UCB started its endeavor into immunology in 2004 with the acquisition of Celltech, a leading British biotech company.

Building on core expertise in biologics, Cimzia® (*certolizumab pegol*) was developed and first made available to patients living with Crohn's disease (2008), followed by rheumatoid arthritis (2009), psoriatic arthritis and ankylosing spondylitis (2013). All of these inflammatory diseases have one thing in common: the immune system mistakenly attacks the tissues it is supposed to protect - the gut (Crohn's), the joints (rheumatoid arthritis), the joints and skin (psoriatic arthritis) and the spine (ankylosing spondylitis). Recognizing an unmet need for female patients of child bearing age and the unique structure of Cimzia®, UCB now offers an additional and unique solution: Cimzia® is the first anti-TNF treatment option in Europe that could be considered for women living with a chronic rheumatic disease in both pregnancy and breastfeeding.

The latest development for patients targets psoriasis, a common skin condition affecting 125 million people worldwide, 2-3% of the world's population[1]. When spending time with patients living with psoriasis and psoriatic arthritis, the Immunology team learned that their journey is one of duality, layering physical impact with emotional experience. Pending approval from the U.S. and European health authorities, Cimzia® might become available to people living with psoriasis in those regions by the summer of 2018.

The next innovative discovery in the execution of our patient value strategy - connecting the unmet needs of patients with innovative science - is *bimekizumab*, a dual cytokine inhibitor targeting both IL-17A and IL-17F, currently in clinical development. Within UCB's core antibody discovery platform, *bimekizumab* was designed *via* a rational, structure-based approach to build dual specificity and high affinity for both IL-17A and IL-17F. We are now clinically testing the novel hypothesis that neutralizing IL-17F in addition to IL-17A can deliver superior outcomes for psoriasis and spondyloarthritis patients.

Based on the Phase 2b results in psoriasis, psoriatic arthirtis and ankylosing spondylitis, *bimekizumab* shows potential to bring significant, differentiated value to patients. We are committed to rapidly advancing our Phase 3 clinical programs across the different indications, and to progressing our portfolio of future innovative solutions for patients with autoimmune diseases and unmet needs.

For more information, refer to:

- R&D update on pages 72-73
- References on pages 195
- https://www.ucb.com/disease-areas
- https://www.ucb.com/our-products

Cimzia®

REACHING MORE THAN

110 000

patients living with rheumatoid arthritis, psoriatic arthritis, axial spondyloarthritis / ankylosing spondylitis or Crohn's disease

2018	Label update for potential use during pregnancy and breastfeeding (EU) Potential approval in psoriasis (U.S. & EU) Phase 3 results in non-radiographic axial spondyloarthritis (U.S.) Phase 3 results in psoriasis / psoriatic arthritis (Japan)
2020	Net sales to reach ≥ € 1.5 billion
2024	Loss of exclusivity (U.S. & EU)
2026	Loss of exclusivity (Japan)

bimekizumab

might be a valuable novel treatment for patients living with psoriasis, psoriatic arthritis or ankylosing spondylitis

2018	Phase 3 start in • psoriatic arthritis • ankylosing spondylitis
2019	Phase 3 results in psoriasis

Elisabeth, living with axial spondyloarthritis

NEUROLOGY

Brain diseases affect 1 in 6 people around the world[1]. The range of conditions – and the impact on patients – affecting the central nervous system is wide and unlocking the science behind them is hard. At UCB, we are committed to delivering value to patients and looking for new ways to help patients living with neurological diseases.

One area where UCB has been working in for decades is epilepsy. While it is the most common serious neurological condition – defined by recurrent seizures – it manifests itself in different ways for different patients. To date, more than 30 different types of seizures have been identified[2].

For patients, seizure types and frequency vary greatly. Some are short, like muscle jerks, while others are prolonged convulsions. Some patients may experience them rarely, while others battle seizures multiple times per day. Focal seizures start in just one part of the brain, while generalized seizures are the result of simultaneous abnormal activity of the whole brain. For patients battling epilepsy, regaining control – and getting seizures under control – is often a primary goal leading to a higher quality of life[3].

We have come a long way in treatment. Today, nearly 60% of patients newly diagnosed with epilepsy become seizure free with their first anti-epileptic drug[4]. But for 1 in 3 patients, seizures remain uncontrolled[2]. These are the great challenges we continue to tackle. Breakthrough science and technology can help unlock better ways to care for and treat patients living with epilepsy. Whether it is contributing to find a therapy that works for an individual patient faster or finding new ways to treat the root cause of disease, we are committed to continuing to unlock the science and find new ways to improve the lives of patients.

During the past 20 years, UCB has made a major contribution to improving epilepsy care by bringing different treatment options to patients and healthcare professionals: Keppra® (*levetiracetam*) in 2000, Vimpat® (*lacosamide*) in 2008 and Briviact® (*brivaracetam*) in 2016. Thanks to new indications (pediatric, monotherapy) and launches in new countries, UCB medicines enabled more and more patients to live more independently from epilepsy.

Unfortunately, there are still thousands of patients who either do not have access to treatments, or have not found the right drug... so UCB teams keep searching! Our R&D colleagues are progressing with molecules like *padsevonil* for highly refractory epilepsy and *radiprodil* for infantile spasms while others investigate external options. In partnership with the Georgia Institute of Technology, we are developing eliprio™, a program that harnesses predictive analytics and machine learning to personalize epilepsy treatment.

UCB celebrated the first decade of the launch of Neupro® (*rotigotine* transdermal patch) in Europe, addressing the needs of patients living with Parkinson's disease and restless legs syndrome.

We are committed to empower patients with neurological conditions to live the life they choose, through differentiated and meaningful solutions, ultimately advancing the standard of care. We will focus on strengthening our leadership in epilepsy through drug and complementary technology solutions and optimizing our impact in movement disorders.

For more information, refer to:

- R&D update on pages 72-73
- References on pages 195
- https://www.ucb.com/disease-areas
- https://www.ucb.com/our-products/

Epilepsy
Vimpat®, Keppra® & Briviact®

REACHING APPROXIMATELY

2.5 million

patients living with epilepsy

2018	*padsevonil* Phase 2b start
2019	Vimpat® Phase 3 results in epilepsy PGTCS
2020	Vimpat® net sales to reach ≥ € 1.2 billion Briviact® Phase 3 results in epilepsy POS (Japan) Keppra® patent expiry (Japan) *padsevonil* Phase 2b results
2022	Vimpat® patent expiry (U.S. & EU)
2024	Vimpat® loss of exclusivity (Japan)
2026	Briviact® net sales to reach ≥ € 600 million Briviact® patent expiry (U.S. & EU)

Neupro®

REACHING MORE THAN

334 000

patients living with Parkinson's disease or restless legs syndrome

2020	Net sales to reach ≥ € 400 million
2021	Patent expiry (U.S. & EU)
2024	Patent expiry (Japan)

BONE

Whilst our bones grow very quickly in size, density and strength through childhood, our bodies experience a progressive loss of bone mass in adulthood, leading to brittle bones and an increased risk of fracture. This condition in which bones become more porous over time making them more likely to break has a name: osteoporosis.

Fragility fractures due to osteoporosis are a major public health concern. Almost 9 million fractures happen every year[1]. A fragility fracture can be a life-changing event, making it harder to get around and do things independently. For example, after a hip fracture:

- 10-20% of patients require a long-term nursing home;
- 40% of individuals cannot walk alone;
- 80% cannot perform basic activities such as shopping[2].

UCB is supporting patients, carers, healthcare professionals, policy makers and the general public to help raise the profile of this silent disease, and make fracture prevention a global health priority. Since 2004, Amgen and UCB have worked together to research and develop Evenity™ (*romosozumab*), an investigational bone-forming monoclonal antibody. It is being evaluated for its potential to reduce the risk of fractures in an extensive global Phase 3 program.

A robust clinical development program has been completed, studying over 12 000 patients in 43 countries. Four key studies evaluated the efficacy and safety of *romosozumab* for 12 months followed by an antiresorber in men and postmenopausal women at risk for fracture.

- FRAME is a placebo-controlled study that evaluated 7 180 postmenopausal women with post-menopausal osteoporosis. Results were published in The New England Journal of Medicine[3] in September 2016.
- ARCH is an active comparator study in 4 093 postmenopausal women with osteoporosis at high risk for fracture. Results were published in The New England Journal of Medicine[4] in September 2017.
- BRIDGE is placebo-controlled study of 245 men aged 55-90 years with osteoporosis. Results were presented at ACR[5] in November 2016.
- STRUCTURE is an active comparator study in 436 postmenopausal women with osteoporosis transitioning from bisphosphonate therapy. Results were published in The Lancet[6] in July 2017.

Based on this substantial data set, Evenity™ is currently under regulatory review in the U.S., Canada, Japan, Australia, Brazil, Switzerland, and the EU.

For more information, refer to:

- R&D update on pages 72-73
- references on pages 195

- https://www.ucb.com/disease-areas/Osteoporosis

Evenity™ is the trade name of *romosozumab* which has been provisionally approved by the U.S. Food & Drug Administration (FDA) and the European Medicines Agency (EMA).

OSTEOPOROSIS

A SILENT DISEASE

IT CANNOT BE SEEN, FELT, AND OFTEN GOES UNDETECTED UNTIL A FRACTURE OCCURS[1]

1 IN 3 WOMEN AND **1 IN 5 MEN** OVER 50 ARE **AT RISK** OF AN OSTEOPOROTIC FRACTURE[1]

EVERY 3 SECONDS SOMEONE BREAKS A BONE DUE TO OSTEOPOROSIS[1]

MOST COMMON FRACTURES[1]

HIP

SPINE / VERTEBRAE

WRIST

80% OF THOSE WHO HAVE EXPERIENCED A FRACTURE ARE **NOT IDENTIFIED, NOR TREATED** FOR OSTEOPOROSIS[7]

ENVIRONMENT

All our activities have an impact on the environment. At UCB, we take our responsibility to the planet very seriously.

We commit to reducing our ecological footprint with the thinking that it does not make sense to provide our patients with solutions for their diseases, on the one hand, while on the other, destroying the environment they live in.

For the past 10 years, we have made progress in this direction by improving our buildings and processes, raising awareness and encouraging greener behaviors. In 2015, UCB set ambitious targets to be reached by 2030:

- Become carbon neutral by reducing the emissions by 35% and compensating those we cannot reduce;
- Reduce water consumption by 20%;
- Reduce waste generation by 25%.

Our Green Strategy currently focuses on the activities we can directly control and sets clear, absolute milestones to measure our progress. Confirming our commitment to meeting the COP21 ambition, UCB joined the Science Based Target Initiative to fight climate change.

2018
Finetune the methodology to better capture UCB impact

Support reforestation programs in the Democratic Republic of Congo and Ethiopia

2020
Reduce emissions by 5%

2025
Reduce emissions by 20%

2030
REDUCE EMISSIONS BY
35%

2030
REDUCE WATER CONSUMPTION BY 20%

2030
REDUCE WASTE PRODUCTION BY 25%

	2013	2014	2015	2016	**2017**
Scope covered[1]	85%	85%	86%	86%	**90%**
CO_2 emissions (tons)[2]	**79 770**	**66 100**	**112 415**	**94 002**	**87 746**
Scope 1 - Direct CO_2 emissions		34 733	37 573	28 415	**26 871**
Scope 2 - Indirect CO_2 emissions		31 367	28 108	10 936	**5 888**
Scope 3 - Other indirect greenhouse gas (GHG) emissions	N.A.	N.A.	46 734	54 651	**54 987**
Water (m^3)	**810 579**	**782 633**	**804 360**	**704 310**	**663 359**
Waste (tons)	**9 146**	**9 654**	**9 746**	**8 712**	**7 090**
Waste recovered	93%	94%	95%	97%	**91%**
Energy (MegaJoules)	**1 243 344**	**1 089 739**	**1 137 502**	**854 906**	**810 771**
Electricity from renewable sources	50%	59%	59%	80%	**92%**

Beyond the scope change[1], factors which influenced consumption are:
- increased production and research activities;
- variations in climatological conditions (with an impact on the need for cooling/heating);
- implementation of saving programs.

For more information, refer to:
- 2017 sustainability report
- https://www.ucb.com/our-company/green-strategy

[1] Environment data are consolidated for all manufacturing and research sites, HQ, and affiliates from China, India, Italy, Japan, Germany, Mexico and the U.S.; 2017 data also include Brazil and Russia.
Scope changes:
- 2013: divestiture of production sites in Rochester, NY (U.S.) and Vapi (India). Production capacity increased in Seymour (U.S.) and Shannon (Ireland). Opening of a new pilot bio-plant in Braine-l'Alleud (Belgium)
- 2015: Divestiture of the Kremers Urban operation including production site in Seymour, IN (U.S.). Startup of the bioplant in Bulle (Switzerland)
- 2016: Divestiture of the production site in Shannon (Ireland)
- 2017: Acquisition of Berryllium in Boston, MA (U.S.)

[2] In the course of 2018, the UCB HS&E team will fine-tune its methodology to better capture CO_2 emissions.
- Scope 1 emissions do not yet include the emissions of UCB's car fleet;
- Scope 3 emissions due to business travel are included as of 2015

Susanne, living with ankylosing spondylitis

FINANCIALS

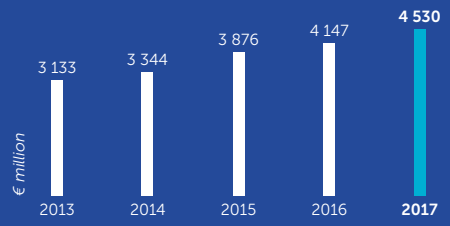
Over the recent years, UCB delivered continuous growth and built up strong financial foundations.
The growth drivers were our core products – now accounting for 86% of UCB's 2017 net sales - driving margin improvements to competitive levels - achieving the 30% ratio one year ahead of guidance -supported by continuously improved reallocation of resources as well as tight cost management.

€ million	2013	2014	2015	2016 (restated[1])	**2017**
Revenue	**3 133**	**3 344**	**3 876**	**4 147**	**4 530**
Net sales	2 801	2 938	3 512	3 827	**4 182**
Core products net sales	1 898	2 133	2 758	3 162	**3 579**
Operating expenses	1 871	1 912	2 142	2 150	**2 200**
Research and development expenses	886	928	1 037	1 020	**1 057**
R&D expense/revenue ratio	28%	28%	27%	24%	**23%**
Recurring EBITDA	**28%**	**609**	**821**	**1 031**	**1 375**
Recurring EBITDA/revenue ratio	17%	18%	21%	25%	**30%**
Profit attributable to UCB shareholders	160	209	623	520	**753**
Core EPS (€ per non-diluted share)	**1.24**	**1.69**	**2.17**	**3.19**	**4.82**
Net debt	1 998	1 611	921	838	**525**
Net debt/recurring EBITDA ratio	3.73	2.65	1.12	0.84	**0.38**
Cash flow from continuing operations	267	537	204	726	**896**
Capital expenditure (including intangible assets)	344	161	146	138	**209**

[1] Restated for IFRS 15 implementation

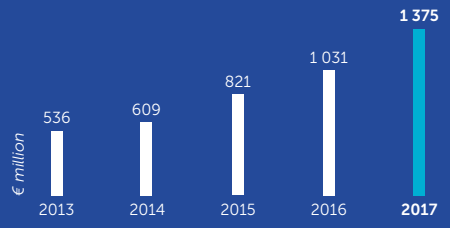
Financial targets **2017 achievements**

REVENUE



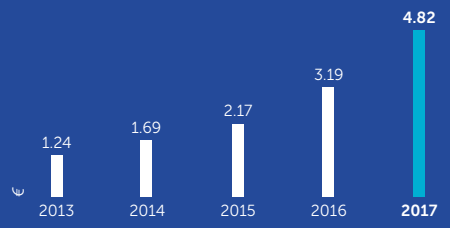
Revenue for 2017 increased to € 4.53 billion, by 9% at actual and 11% at constant exchange rates (CER), well achieving our target for 2017 of € 4.4–4.5 billion. Main drivers of the continued growth are UCB's core products, Cimzia® (immunology), Vimpat®, Keppra®, Briviact®, and Neupro® (neurology) with combined net sales of € 3.6 billion, an increase of 13%.

RECURRING EBITDA



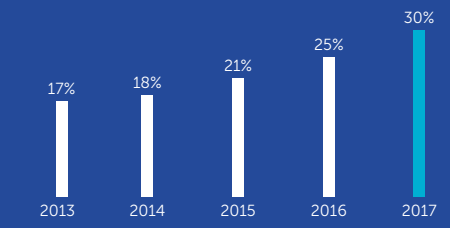
Recurring EBITDA measuring the underlying profitability grew to € 1.38 billion by 33% (+34% CER), driven by higher gross profit and a continuously improved operating expense ratio. This exceeded our target of € 1.25 – 1.35 billion for 2017.
R&D expenses of € 1 057 million increased by 4% and represent 23% of UCB's revenue - above the industry average and well reflecting UCB's strong commitment to R&D and innovation.

CORE EPS



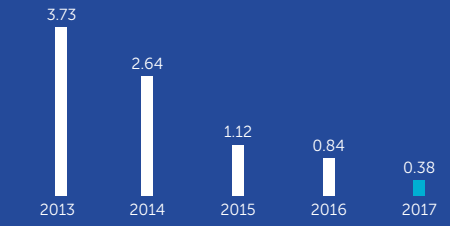
Core earnings per share reached € 4.82 after € 3.19 – both based on 188 million shares outstanding. This exceeds with our 2017 target of € 4.10 – 4.50 per share.
The Board of Directors proposes a gross dividend of € 1.18 per share after € 1.15 per share in 2016 – reflecting the sustainable growth and the continuous improvement of profitability.

RECURRING EBITDA / REVENUE RATIO OF 30% IN 2018 – ACHIEVED IN 2017



In 2012, we set a competitive profitability target of a 30% recurring EBITDA / revenue ratio for 2018.
Due to the solid revenue growth driven by our core products, efficient allocation of resources towards impact on patient value and tight cost control, this was already achieved in 2017, one year earlier than previously guided.

NET DEBT / RECURRING EBITDA RATIO OF 1:1 BY 2018 – ACHIEVED IN 2016



At the end of 2016, the net debt to recurring EBITDA ratio reached 0.8, already well below the target of 1:1 which we had set by 2018. Our performance in 2017 confirms this level with a ratio of 0.38.

Daphnee, UCB

2017 **MILESTONES**

JANUARY

Cimzia®:

- Phase 3 results in psoriasis
- CRIB Phase 4 results

Briviact®:

filing in epilepsy POS - monotherapy (U.S.)

Creation of UCB Ventures:

to invest in innovative life sciences and healthcare companies

FEBRUARY

Cimzia®:

Phase 3 start in psoriasis and psoriatic arthritis (Japan)

***padsevonil*:**

Phase 2a (proof of concept) topline results

Partnership with Chattem:

approval of Xyzal® as OTC treatment (U.S.) triggering payments of USD 75 million to be paid over 10 years

MARCH

Cimzia®:

complete response letter in juvenile idiopathic arthritis (U.S.)

Vimpat®:

- U.S. Patent and Trademark Office confirmed validity of U.S. patent RE38,551
- filing in epilepsy POS pediatric (U.S.)
- Phase 3 results in epilepsy POS pediatric - adjunctive therapy

***rozanolixizumab*:**

Phase 2a start in myasthenia gravis

APRIL

Cimzia®:

CHMP positive opinion on dose dispenser cartridge for ava® electronic injection device (EU)

Partnership with Q-State Biosciences:

to develop novel therapeutics for epilepsy

Board of Directors:

- Evelyn du Monceau appointed as Chair
- Pierre Gurdjian appointed as Vice-Chair

Executive Committee:

Charl van Zyl joined as Head of Patient Value Operations

MAY

Cimzia®:
filing of CRIB and CRADLE studies (EU)
Evenity™:
ARCH Phase 3 topline results in osteoporosis in postmenopausal women

JUNE

Cimzia®:
filing of CRIB and CRADLE results (U.S.)
***bimekizumab* add-on to Cimzia®:**
Phase 2a topline results in rheumatoid arthritis
Acquisition of Beryllium LLC:
specializing in protein expression and structural biology
Partnership with Pfizer:
approval of Besponsa® (*inotuzumab ozogamicin*) in acute lymphoblastic leukemia (EU)
Partnerships with CO2Logic and WeForest:
2 sustainability organizations dedicated to re-forestation and environment protection

JULY

Vimpat®:
CHMP positive opinion in epilepsy POS pediatric (EU)
Briviact®:
- filing in epilepsy POS pediatric (U.S.)
- filing in epilepsy POS pediatric - adjunctive therapy (EU)

Evenity™:
- complete response letter in osteoporosis (U.S.)
- publication of STRUCTURE Phase 3 study in the The Lancet

***bimekizumab*:**
positive Phase 2b results in psoriasis

AUGUST

Cimzia®:
filing in psoriasis (EU)
Vimpat®:
approval in epilepsy POS - monotherapy (Japan)
Keppra®:
approval of intravenous formulation (China)
Briviact®:
Phase 3 start in epilepsy POS - adjunctive therapy (Japan)
Partnership with Pfizer:
approval of Besponsa® in acute lymphoblastic leukemia (U.S.)

SEPTEMBER

Cimzia®:
FDA approval of manufacturing site in Bulle (Switzerland)
Vimpat®:
approval in epilepsy POS pediatric (EU)
Briviact®:
approval in epilepsy POS - monotherapy (U.S.)
Evenity™:
- publication of ARCH Phase 3 study in the New England Journal of Medicine
- presentation of ARCH Phase 3 study at ASBMR congress

Executive Committee:
Jean-Luc Fleurial joined as Head of Talent & Company Reputation

OCTOBER

Cimzia®:
filing in psoriasis (U.S.)
Executive Committee:
- Dhaval Patel joined as Head of NewMedicines™
- Alexander Moscho joined as Head of Corporate Strategy & Business Development

UCB joined the **Science Based Target Initiative** to fight climate change
UCB won the '**Outstanding Intelligent Enterprise**' award, part of the Corporate IT Awards 2017

NOVEMBER

Cimzia®:
Dermira and UCB agreed to end their collaboration agreement
Vimpat®:
approval in epilepsy POS pediatric (U.S.)

DECEMBER

***bimekizumab*:**
- positive Phase 2b results in ankylosing spondylitis
- positive Phase 2b results in psoriatic arthritis
- Phase 3 start in psoriasis

***rozanolixizumab*:**
positive proof of concept in immune thrombocytopenia

For more information, refer to:
• R&D update on pages 72-73

POS: Partial onset seizures, also known as focal seizures

CHMP: European Medicines Agency's (EMA's) Committee for Medicinal Products for Human Use

Evenity™ is the trade name of *romosozumab* which has been provisionally approved by the U.S. Food & Drug Administration (FDA) and the European Medicines Agency (EMA).

Peter, caregiver

02

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

CORPORATE GOVERNANCE STATEMENT

As a Belgian-headquartered company with a commitment to the highest standards of corporate governance, the Board of Directors (the "Board") of UCB SA/NV ("UCB") adopted a Charter of Corporate Governance (the "Charter") in October 2005, as required by the Belgian Code on Corporate Governance (first edition, 2004). Pursuant to article 96, section 1, 1° of the Belgian Companies Code, UCB follows the principles of the 2009 Belgian Code on Corporate Governance (the "Corporate Governance Code"), taking into account the specific international aspects of UCB[1].

The Charter is available on the UCB website at www.ucb.com/investors/UCB-Governance and describes the main aspects of the corporate governance of UCB, including its governance structure and the terms of reference of the Board, as well as those of its committees and the Executive Committee, and of the shareholders meetings. The Charter is updated from time to time during the year and annually reviewed by the Board to be in line with the applicable Laws and regulations, the Corporate Governance Code and their interpretation.

In accordance with the Belgian Companies Code and with the Corporate Governance Code, the following pages provide factual information about the corporate governance of UCB. This includes changes to the corporate governance of UCB, together with relevant events that occurred in 2017, such as changes in UCB's capital or shareholder structure, the amendments in the governance and in the composition of the Board as well as the committees, the main features of UCB's internal control and risk management systems, and the remuneration report. It also includes explanations, where applicable, of any deviations from the Corporate Governance Code.

[1] The "2009 Belgian Code on Corporate Governance" is available on the website of the Belgian Corporate Governance Committee (http://www.corporategovernancecommittee.be)

Anna and Xavier, UCB

Directors and Auditors

Situation as of 1 January 2018

Board of Directors

- Evelyn du Monceau, Chair
- Pierre L. Gurdjian, Vice Chair
- Jean-Christophe Tellier, Executive Director and CEO
- Alice Dautry, Director
- Kay Davies, Director
- Albrecht De Graeve, Director
- Roch Doliveux, Director
- Charles-Antoine Janssen, Director
- Cyril Janssen, Director
- Viviane Monges, Director
- Norman J. Ornstein, Director
- Cédric van Rijckevorsel, Director
- Ulf Wiinberg, Director

Secretary of the Board of Directors

- Xavier Michel, Vice President and Secretary General

Statutory Auditor

- PwC Bedrijfsrevisoren BV CVBA/Réviseurs d'Entreprises SC SCRL, with permanent representative SC SPRL Romain Seffer, represented by Mr. Romain Seffer, registered auditor

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
- Paul Etienne Maes
- Tom McKillop
- Gaëtan van de Werve
- Jean-Louis Vanherweghem
- Bridget van Rijckevorsel

Honorary Chairmen of the Executive Committee

- Roch Doliveux
- Georges Jacobs de Hagen
- Daniel Janssen
- Paul Etienne Maes

BOARD OF DIRECTORS

EVELYN du MONCEAU

Chair of the Board

1950 – Belgian

UCB BOARD

- 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: 2019

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
Independent Director

1961 – Belgian

UCB BOARD

- 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

Executive Director

1959 – French

UCB BOARD

- Member since 2014
- End of term: 2018

EXPERIENCE

Over 25 years in the pharmaceutical sector, with Ipsen and Novartis where he held several senior executive positions

MAIN EXTERNAL APPOINTMENTS

- Vice-President and President Elect of the EFPIA
- Chairman of the Innovation Board Sponsored Committee (EFPIA)
- Deputy Chair of the IMI Governing Board
- Member of the Board of BIO
- Member of the Board of PhRMA
- Member of the Board of WELBIO

ALICE DAUTRY

Independent Director

1950 – French

UCB BOARD

- Member since 2015
- Member of the Scientific Committee since 2015
- End of term: 2019

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)
- Member of the Supervisory Board of KLM

KAY DAVIES

Independent Director

1951 – British

UCB BOARD

- Member since 2014
- Chair of the Scientific Committee since 2014
- Member of the Governance, Nomination and Compensation Committee since 2017
- End of term: 2018

EXPERIENCE

Over 20 years in scientific research at Oxford University

MAIN EXTERNAL APPOINTMENTS

- Director of Biotech Growth Trust
- Director of Genomics England

ALBRECHT DE GRAEVE

Independent Director

1955 – Belgian

UCB BOARD

- 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 Bekaert NV
- Chairman of the Board of Telenet NV
- Chairman of the Board of Sibelco NV

CHARLES-ANTOINE JANSSEN

Director

1971 – Belgian

UCB BOARD

- 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, IC member and advisory Board member of various private companies, non-profit organizations and private equity funds

ROCH DOLIVEUX

Director

1956 – French

UCB BOARD

- 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
- Member of the Board of Stryker Corporation
- Chairman of the Board of the Vlerick Business School
- Chairman of the Caring Entrepreneurship Fund (King Baudouin Foundation)

CYRIL JANSSEN

Director

1971 – Belgian

UCB BOARD

- Member since 2015
- End of term: 2019

EXPERIENCE

Over 20 years in project management and supporting SME's, through several Board mandates, funds and holding companies

MAIN EXTERNAL APPOINTMENTS

- Member of the Board of Financière de Tubize SA
- Member of the Board of Financière Eric Janssen

VIVIANE MONGES

Independent Director

1963 – French

UCB BOARD

- Member since 2017
- End of term: 2021

EXPERIENCE

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

MAIN EXTERNAL APPOINTMENTS

- Member of the strategic Board of Neomedlight

CÉDRIC van RIJCKEVORSEL

Director

1970 – Belgian

UCB BOARD

- Member since 2014
- End of term: 2018

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.)

NORMAN J. ORNSTEIN

Independent Director

1948 – American

UCB BOARD

- Member since 2008
- End of term: 2019

EXPERIENCE

Over 40 years as scholar and analyst of American politics and policy

MAIN EXTERNAL APPOINTMENTS

- Chairman of Campaign Legal Center
- Resident Scholar, American Enterprise Institute

ULF WIINBERG

Independent Director

1958 – Danish / Swedish

UCB BOARD

- 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
- Member of the Board of Agenus
- Member of the Board and CEO acting of Hansa Medical

EXECUTIVE COMMITTEE

JEAN-CHRISTOPHE TELLIER

Chief Executive Officer

1959 – French

JOINED UCB IN 2011

Appointed in 2011
Appointed CEO in 2015

EXPERIENCE

Over 25 years in the pharmaceutical sector, with Ipsen and Novartis where he held several senior executive positions

MAIN EXTERNAL APPOINTMENTS

- Vice-President and President Elect of the EFPIA
- Chairman of the Innovation Board Sponsored Committee (EFPIA)
- Deputy Chair of the IMI Governing Board
- Member of the Board of BIO
- Member of the Board of PhRMA
- Member of the Board of WELBIO

EMMANUEL CAEYMAEX

Executive Vice President Immunology Patient Value Unit Head

1969 – Belgian

JOINED UCB IN 1994

Appointed in 2015

EXPERIENCE

Over 20 years experience in biopharmaceuticals marketing and sales, general management and global project leadership

NO EXTERNAL APPOINTMENTS

JEAN LUC FLEURIAL

Executive Vice President Chief Talent Officer

1965 – French

JOINED UCB IN SEPTEMBER 2017

Appointed in September 2017

EXPERIENCE

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

NO EXTERNAL APPOINTMENTS

IRIS LÖW-FRIEDRICH

Executive Vice President Chief Medical Officer and Head of Development and Medical Patent Value Practices

1960 – German

JOINED UCB IN 2006

Appointed in 2008

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

MAIN EXTERNAL APPOINTMENTS

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

ALEXANDER MOSCHO

Executive Vice President
Chief Strategy Officer
1970 – German

JOINED UCB IN OCTOBER 2017
Appointed in October 2017

EXPERIENCE
Over 20 years of experience in corporate global strategy and portfolio management, as well as innovation and investment projects

NO EXTERNAL APPOINTMENTS

DHAVAL PATEL

Executive Vice President
Chief Scientific Officer
1961 – American

JOINED UCB IN OCTOBER 2017
Appointed in October 2017

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

MAIN EXTERNAL APPOINTMENTS
- Member of the Board of Inflazome
- Member of the Board of Anokion
- Member of the Board of Kanyos Bio
- Clinical Professor at University of North Carolina at Chapel Hill

PASCALE RICHETTA

Executive Vice President
Bone Patient Value Unit Head
1959 – French

JOINED UCB IN 2016
Appointed in 2016

EXPERIENCE
Over 20 years of experience in the pharma and biotech industry with Ipsen, GSK, Abbott and Abbvie

MAIN EXTERNAL APPOINTMENTS
- Member of the Board of Capio

ANNA S. RICHO

Executive Vice President
General Counsel
1960 – American

JOINED UCB IN 2012
Appointed in 2012

EXPERIENCE
Over 25 years in the biopharmaceutical and medical device sectors with Amgen and Baxter Healthcare Corp., where she held several senior executive positions

NO EXTERNAL APPOINTMENTS

BHARAT TEWARIE

Executive Vice President
Chief Marketing Officer
1961 – Dutch

JOINED UCB IN 2015

Appointed in 2015

EXPERIENCE

Physician, with more than 25 years experience in the pharma and biotech industry with Boehringer Ingelheim, F. Hoffman La Roche, Merck Serono and EMD Serono in several senior executive positions in The Netherlands, Germany, Switzerland and the U.S.

NO EXTERNAL APPOINTMENTS

CHARL van ZYL

Executive Vice President
Chief Operating Officer
1967 - British / South African

JOINED UCB IN MARCH 2017

Appointed in March 2017

EXPERIENCE

Almost 20 years of experience across the healthcare value chain, including Business Development and Licensing, Manufacturing, Marketing and Sales and Research & Clinical Development

NO EXTERNAL APPOINTMENTS

DETLEF THIELGEN

Executive Vice President
Chief Financial Officer
1960 – German

JOINED UCB IN 2006

Appointed in 2007

EXPERIENCE

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

NO EXTERNAL APPOINTMENTS

JEFF WREN

Executive Vice President
Neurology Patient Value Unit Head
1963 – American

JOINED UCB IN 2010

Appointed in 2015

EXPERIENCE

Over 25 years in the pharmaceutical sector, with Sepracor (now Sunovian) and TAP Pharmaceuticals, in senior positions spanning sales, marketing, and managed markets

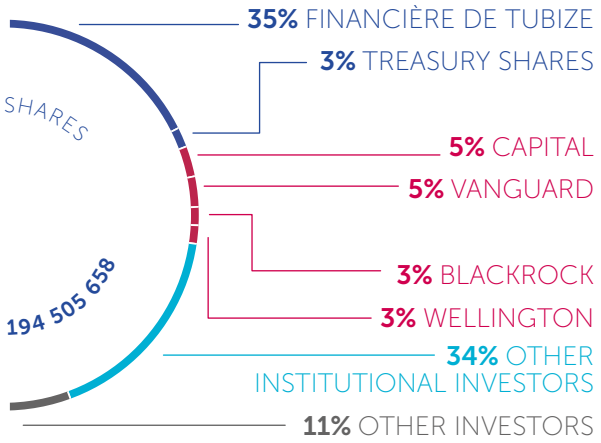
NO EXTERNAL APPOINTMENTS

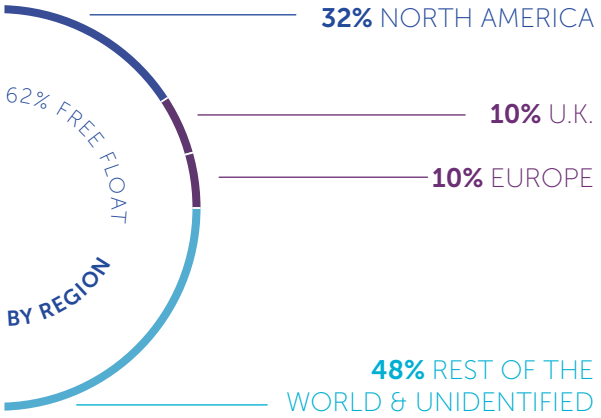
Shang Xiaofei, living with epilepsy

SHAREHOLDING STRUCTURE 2017

Since 13 March 2014, UCB's capital amounts to € 583 516 974, divided in 194 505 658 ordinary shares with no nominal value, with an average of 188 million shares outstanding.

Based on the transparency notifications and other notifications received from major shareholders, the shareholder structure of UCB can be summarized as follows per 31 December 2017:





In-line with UCB's long-term dividend policy, the Board of Directors proposes a gross dividend of € 1.18 per share (2016: € 1.15). If the dividend is approved by the Annual General Meeting on 26 April 2018, the net dividend of € 0.826 per share will be payable as of 2 May 2018 against the delivery of coupon #21.

1.1 Capital and shares

1.1.1 Capital

The capital of UCB has not been modified in 2017. On 31 December 2017, it amounted to € 583 516 974 and was represented by 194 505 658 shares.

1.1.2 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 registered or dematerialized shares, at the request of the shareholder, in accordance with the Belgian Companies Code.

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 and their complete abolishment at the end of 2015.

Through a mandatory sale process imposed by the above mentioned Belgian Law of 14 December 2005, UCB offered all unclaimed bearer shares for sale on the Euronext Brussels Stock Exchange. After the unclaimed bearer shares were sold, UCB has deposited the net proceeds of the sale with the Belgian Deposit and Consignments Fund ("Caisse des depots et consignations"/"Deposito- en Consignatiekas") on 23 June 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 from the Belgian Deposit and Consignment Fund subject to evidence of their valid title to the shares. The Belgian Law of 14 December 2005 provides that, as of 1 January 2016, such repayment is 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 on the dematerialization and conversion process are available on UCB website (http://www.ucb.com/investors/governance/shareholders-information).

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

1.1.3 Treasury shares

In accordance with article 12, §2 of the Articles of Association of UCB, the Extraordinary General Meeting of 28 April 2016 decided to renew, for a period of 2 years (and two months) expiring on 30 June 2018, 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 of Directors 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 of Directors 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 26 April 2018 to renew its current authorization for another period of 2 years (until 30 June 2020) under the same terms and conditions.

UCB SA acquired 932 055 UCB shares and transferred 903 430 UCB shares in 2017. On 31 December 2017, UCB SA held a total of 3 108 161 UCB shares representing 1.60% of the total number of UCB shares. UCB SA held no other UCB securities. On 31 December 2017, UCB SA also held 10 017 UCB shares in the name and on behalf of employees of the UCB Group after the vesting of those shares on 1 April 2017, awaiting their delivery to the respective beneficiaries.

UCB Fipar SA, an indirect subsidiary of UCB, acquired 820 000 UCB shares in 2017 and disposed of 382 310 UCB shares in 2017. On 31 December 2017, UCB Fipar SA held a total of 3 621 516 UCB securities representing, if exercised, 1.86% of the total number of UCB shares. That holding of UCB securities consists of 3 186 516 shares and 435 000 assimilated financial instruments (outstanding options). On 31 December 2017, UCB Fipar SA also held 201 592 UCB shares in the name and on behalf of employees of the UCB Group after the vesting of those shares on 1 April 2017, awaiting their delivery to the respective beneficiaries.

The UCB shares were acquired by UCB and UCB Fipar SA amongst others 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 2017 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 2017. For additional details, please refer to note [26.3 Treasury shares].

1.1.4 Authorized capital

The Extraordinary General Meeting of 28 April 2016 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 Company 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;
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 Board will request the Extraordinary General Meeting of 26 April 2018 to renew its current authorization for another period of 2 years under the same terms and conditions.

1.2 Shareholders and shareholders structure

1.2.1 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 2017.

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 2017 can be summarized as follows:

	CONCERT		OUTSIDE CONCERT		TOTAL	
	Voting Rights	**%**	**Voting Rights**	**%**	**Voting Rights**	**%**
Financière Eric Janssen SPRL	8 525 014	19.14%	1 988 800	4.46%	10 513 814	23.60%
Daniel Janssen	5 881 677	13.20%	-	-	5 881 677	13.20%
Altaï Invest SA	4 969 795	11.16%	11 500	0.03%	4 981 295	11.18%
Barnfin SA	3 899 833	8.75%	-	-	3 899 833	8.75%
Jean van Rijckevorsel	7 744	0.02%	-	-	7 744	0.02%
Total voting rights held by the reference shareholders	**23 284 063**	**52.27%**	**2 000 300**	**2.52%**	**25 299 331**	**56.79%**
Other shareholders	-	-	19 249 267	43.21%	19 249 267	43.21%
Total voting rights	**23 284 063**	**52.27%**	**21 264 535**	**47.73%**	**44 548 598**	**100.00%**

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

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.

1.2.2 Transparency declarations

During 2017, UCB received the following transparency notifications:

- On 9 January 2017, UCB sent a transparency notification to the Financial Services and Markets Authority ("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 had crossed downward the lowest threshold of 3% on a consolidated basis. On 10 March 2017, UCB sent a new transparency declaration to the FSMA following the crossing of the 3% threshold (on a consolidated basis).
- UCB received transparency notifications from Wellington Management Group LLP dated 4 January, 22 February, 27 February and 18 August 2017 respectively. The last notification stated that Wellington Management Group LLP, including the holdings of its affiliates, as of 16 August 2017, owned 5 118 453 UCB shares with voting rights, representing 2.63% of the total number of shares issued by UCB.
- UCB received transparency notifications from BlackRock, Inc., dated 12 January, 18 January, 19 January, 27 January, 30 January, 2 February, 3 February, 13 February, 20 February, 22 February, 23 February, 28 February, 2 March, 10 March, 13 March, 15 May, 17 May, 18 May, 19 May, 22 May, 24 May, 30 May, 31 May, 1 June and 2 June 2017 respectively. The last notification stated that BlackRock, Inc., including the holding of its affiliates, as of 1 June 2017, owned 5 836 096 UCB shares with voting rights, representing 3.00% of the total number of shares issued by UCB.
- UCB received transparency notifications from The Capital Group Companies, Inc., dated 6 March, 18 May, 30 May, 28 July (with rectification on 2 August) and 12 October 2017 respectively. The last notification stated that The Capital Group Companies, Inc., including the holding of its affiliates, as of 11 October 2017, owned 9 721 375 shares UCB shares with voting rights, representing 4.99% of the total number of shares issued by UCB

On 25 January 2018, UCB received a transparency declaration from Tubize, mentioning that Tubize received confirmation on 19 January 2018 that the agreement to act in concert with Schwarz was terminated. UCB received a similar notification from Schwarz on 29 January 2018.

All these notifications as well as more recent notifications received in 2018 can be found on UCB's website.

1.2.3 Relationship with and between shareholders

Please refer to note 42.2 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.

With respect to its shareholding in UCB, Tubize was acting in concert with Schwarz, *i.e.* they had 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 has received notifications pursuant to article 74, §7 of the Law of 1 April 2007 on public takeover bids from Tubize, Schwarz and UCB Fipar SA respectively on 22 November 2007, 11 December 2007 and 28 December 2007. On 28 August 2017, UCB received an updated notification pursuant to article 74, §8 of the Law on public takeover bids from Tubize and Schwarz (this notification is available on UCB website), in which is declared that:

- Tubize and Schwarz were acting in concert;
- since 31 July 2016, Tubize did not acquire any UCB shares;
- on 31 July 2017, Tubize held 68 076 981 UCB shares on a total number of 194 505 658 (*i.e.* 35.00%);
- on 31 July 2017, Schwarz held 2 021 404 UCB shares on a total number of 194 505 658 (*i.e.* 1.04%).

As mentioned in section 1.2.2. above, 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.

1.2.4 Shareholder structure

Apart from the notifications mentioned above under 1.2.2 and 1.2.3 as well as the notification made in 2014 by Vanguard Health Care Fund reflected in the table on the next page, UCB and its subsidiaries also hold UCB shares.

The remaining UCB shares are held by the public.

Please find on the next page 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 19 January 2018).

SITUATION AS PER 19 JANUARY 2018

	Share capital €	**583 516 974**		**13 March 2014**
	Total number of voting	**194 505 658**		**13 March 2014**
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)	**3 108 161**	**1.60%**	**31 December 2017**
	assimilated financial instruments (options)[1]	0	0.00%	6 March 2017
	assimilated financial instruments (other)[1]	0	0.00%	18 December 2015
	Total	**3 108 161**	**1.60%**	
3	**UCB Fipar SA**			
	securities carrying voting rights (shares)	**3 186 516**	**1.64%**	**31 December 2017**
	assimilated financial instruments (options)[1]	435 000	0.22%	3 June 2015
	assimilated financial instruments (other)[1]	0	0.00%	25 December 2015
	Total	**3 621 516**	**1.86%**	
	UCB SA/NV + UCB Fipar SA[2]			
	securities carrying voting rights (shares)	6 294 677	3.24%	
	assimilated financial instruments (options)[1]	435 000	0.22%	
	assimilated financial instruments (other)[1]	0	0.00%	
	Total	**6 729 677**	**3.46%**	
	Free float[3] (securities carrying voting rights (shares))	**120 134 000**	**61.67%**	
4	The Capital Group Companies Inc.			
	securities carrying voting rights (shares)	9 721 375	4.998%	11 October 2017
5	Vanguard Health Care Fund			
	securities carrying voting rights (shares)	9 741 353	5.01%	28 October 2014
6	BlackRock Inc.			
	securities carrying voting rights (shares)	5 836 096	3.00%	1 June 2017

(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 of the Royal Decree of 14 February 2008 on the disclosure of large shareholders, which, if exercised, grant an additional voting right: *i.e.*, securities, options, futures, swaps, interest term agreements and other derivatives concerning existing securities carrying voting rights that grant their holder the right to acquire such securities carrying voting rights pursuant to an agreement that is binding under the applicable law and only on the holders' own initiative.

[2] UCB SA/NV indirectly controls UCB Fipar SA | article 6, §5, 2° and article 9, §3, 2° of the Law 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, to the exclusion of assimilated financial instruments.

1.2.5 General meeting of shareholders

In accordance with the Articles of Association, the Annual General Meeting takes place on the last Thursday of April at 11.00 AM CET. In 2018, this will be on 26 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 Corporate Governance Charter, which are available on the UCB website (http://www.ucb.com/investors/UCB-Governance).

1.3 Board of Directors and Board Committees

1.3.1 Board of Directors

COMPOSITION OF THE BOARD AND INDEPENDENT DIRECTORS

As of the general meeting held on 27 April 2017, the board of directors was composed as follows

	First appointed as Director	End of term of office	Independent Director
Evelyn du Monceau, Chair	1984	2019	
Pierre L. Gurdjian, Vice Chair	2016	2020	x
Jean-Christophe Tellier, Executive Director and CEO	2014	2018	
Alice Dautry	2015	2019	x
Kay Davies	2014	2018	x
Albrecht De Graeve	2010	2021	x
Roch Doliveux	2017	2021	
Charles-Antoine Janssen	2012	2020	
Cyril Janssen	2015	2019	
Viviane Monges	2017	2021	x
Norman J. Ornstein	2008	2019	x
Cédric van Rijckevorsel	2014	2018	
Ulf Wiinberg	2016	2020	x

Viviane Monges was appointed as independent Director at the General Meeting of 27 April 2017, replacing Harriet Edelman who resigned for personal reasons. At the same time, the mandate of Gerhard Mayr, Chair of the Board, was expiring and was not renewed, Gerhard Mayr having reached the age limit. The mandate of Albrecht De Graeve (independent Director) was renewed for a new term of 4 years, and Roch Doliveux was appointed as Director.

Alice Dautry, Kay Davies, Albrecht De Graeve, Viviane Monges, Pierre Gurdjian, Norman Ornstein and Ulf Wiinberg all qualify as independent Directors and meet the independence criteria as set forth by article 526ter of the Belgian Companies Code, the Board and the Corporate Governance 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 does not qualify as independent Director in accordance with the criteria set forth by article 526ter of the Belgian Companies Code. The mandates of Kay Davies, Jean-Christophe Tellier and Cédric van Rijckevorsel will expire at the General Meeting of 26 April 2018.

Upon recommendation of the GNCC, the Board of Directors will propose to the General Meeting of 26 April 2018:

- the renewal of the mandate of Kay Davies as independent Director for a new term of 4 years;
- the renewal of the mandates of Jean-Christophe Tellier and Cédric van Rijckevorsel as Director for a new term of 4 years.

In accordance with the information provided to the Company, Kay Davies meets the independence criteria stipulated by article 526ter of the Belgian Companies Code, the Board and the Corporate Governance Code. If re-elected, she will continue to be the Chair of the Scientific Committee as well as a member of the GNCC.

Upon confirmation of the above renewals by the General Meeting of 26 April 2018, and by decision of the Board upon recommendation of the GNCC, Mrs. Viviane Monges, independent Director, will become member of the Audit Committee. As a result, the composition of the Audit Committee will be brought to 4 members amongst which 3 will be independent, including the Chair. The composition of the other special Board Committees (GNCC and Scientific Committee) will not change.

As a result of the above mentioned renewals, the Board will continue to be composed of a majority of independent non-executive Directors in 2018. Jean-Christophe Tellier is the only executive Director (CEO). The GNCC and the Audit Committee will also continue to be composed of a majority of independent Directors. On top, the Audit Committee will still be chaired by Albrecht De Graeve, independent Director.

The Board of Directors of UCB is composed of 1/3rd of women, in compliance with article 518bis §1 of the Belgian Companies Code[1].

1 The Board is and will still be composed of 4 women out of a total of 13 members. In accordance with article 518bis § 1 of the Belgian Companies Code setting 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 2017, the Board met six times, including for its annual off site strategic meeting (October). The attendance rate of its members was as follows:

Gerhard Mayr, Chair[1]	2/2
Evelyn du Monceau, Chair	6/6
Pierre L. Gurdjian, Vice Chair	6/6
Jean-Christophe Tellier, Executive Director	6/6
Alice Dautry	6/6
Kay Davies	6/6
Albrecht De Graeve	5/6
Roch Doliveux[2]	4/4
Harriet Edelman[1]	2/2
Charles-Antoine Janssen	6/6
Cyril Janssen	6/6
Viviane Monges[2]	4/4
Norman J. Ornstein	6/6
Cédric van Rijckevorsel	6/6
Ulf Wiinberg	5/6

1 Until 27 April 2017

2 As from 27 April 2017 (appointment by the General Meeting of 27 April 2017)

In addition to its ordinary meetings, the Board also had one exceptional meeting (held by conference call) and one decision by unanimous written consent to decide on urgent or important matters. During the year, the Board also had several calls to be informed or updated on important projects or matters. All Board members were duly present or represented at these Board conference calls or meetings.

During 2017, the Board's main areas of discussion, review and decisions included: the strategy of UCB and investments, the reports of the Audit Committee, the Scientific Committee and the GNCC, Corporate Governance and (re)organization of UCB, risk and risk management (including the "Risk to Value approach" and a Cyber security review), succession planning, the appointments reserved to the Board, the remuneration and Long-Term Incentives Plan policies, the financial statements and financial reporting, 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 as published in the invitations to the General Meeting in compliance with the Belgian Companies Code.

There were no transactions or contractual relationships in 2017 between UCB, including its affiliated companies, and a member of the Board, giving rise to conflicts of interest, except as reported in section 1.9 below.

During 2017, the Board ensured an induction program for its new Directors to cover UCB organization and activities as well as the various areas of expertise required in a biopharmaceutical company.

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

Xavier Michel (Vice President and Secretary General) is acting as secretary of the Board of Directors.

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 2017, the Board conducted a full Board internal assessment, the results of which will be analyzed in the course of the first half of 2018. Appropriate action will be taken to implement the main outcomes of the assessment.

1.3.2 Board committees

AUDIT COMMITTEE

The Board has set up an Audit Committee whose functioning and terms of reference are in accordance with the Belgian Companies Code, the Corporate Governance 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 independent Director. All members have the competences in audit and accounting matters as required in accordance with 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	x	100%
Ulf Wiinberg	2020	x	75%

The Audit Committee met four times in 2017. 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 (Executive Vice President and Chief Financial Officer), Doug Gingerella (Senior Vice President Global Internal Audit/M&A) and Xavier Michel (Vice President and Secretary General), who acts as secretary of the Audit Committee.

The meetings were also partly attended on regular basis by Jean-Christophe Tellier (CEO), Raf Remijsen (Head of Treasury & Risk Management) for subjects relating to treasury and financial risk management, Thomas Debeys (Head of Tax) for tax updates, Caroline Vancoillie (Chief Accountant Officer) for accounting matters, Anna Richo (Executive Vice President and General Counsel) for litigation and risk management topics, Aaron Bartlone (Senior Vice President Corporate QA HSE and Patient Safety) and Michael Malone (Head of Risk to Value) for risk management topics, Veronique Gendarme (Head of Global Benefits) for pension related matters and Cristina Bautista (Senior Director Global Internal Audit) for global internal audit matters. The Audit Committee also had a special session focusing on IT internal controls and security with Herman De Prins (CIO) and another one on financial internal controls. It also reviewed and approved a new version of the UCB Dealing Code.

In 2017, and in accordance with its terms of reference (see the Charter available on the 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; 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. In addition, the Audit Committee reviewed corporate restructuring projects, global risk management (including cyber & IT risks, litigation and tax review, as well as the UCB Group global risk mapping and policy), impairment and equity value of subsidiaries, pensions schemes and liabilities, new IFRS rules, other new tax or accounting treatments and the external auditor satisfaction surveys. It also supervised the process for the renewal of the mandate of the external Auditor for a new period of 3 years, to be submitted to the approval of the Annual Shareholders Meeting of 26 April 2018.

GOVERNANCE, NOMINATION AND COMPENSATION COMMITTEE

The Board has set up a Governance, Nomination and Compensation Committee, whose composition, functioning and terms of reference are in accordance with the Belgian Companies Code and the Corporate Governance Code.

The composition of the GNCC is currently as follows:

	End of term of office	Independent Director	Attendance rate
Evelyn du Monceau, Chair	2019		100%
Kay Davies	2018	x	100%
Pierre L. Gurdjian	2020	x	100%

The GNCC met two times in 2017. The committee was attended by Jean-Christophe Tellier (CEO), except when discussing issues relating to him, and by Fabrice Enderlin and his successor Jean-Luc Fleurial (Chief Talent Officer), who have been acting as secretary of the GNCC, except when discussing issues relating to them and to CEO compensation.

In 2017, and in accordance with its terms of reference (see the Charter available on the UCB website), the GNCC reviewed the appointment proposals to be submitted to Board approval (Board and 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. It reviewed and made relevant proposals or recommendations to the Board with respect to the future composition of the Board, to be effective as from the General Meeting of 26 April 2018. 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 made an overall review of the Corporate Governance at UCB, including an annual report on Corporate Governance to the Board. It also ensures the conduct of the full Board evaluation in 2017 as well as the follow up on the outcome of the Board evaluation which was carried out in 2016. It reviewed and approved a new version of the UCB Dealing Code.

After the General Meeting of 2017, Kay Davies has replaced Harriet Edelman as independent Director in the GNCC.

A majority of the members of the GNCC meets the independence criteria stipulated by article 526ter of the Belgian Companies Code, the Board and the Corporate Governance Code, and all members have the competencies and the expertise required in matters of remuneration policies as required by article 526quater, §2 of the Belgian Companies Code.

SCIENTIFIC COMMITTEE

The Scientific Committee assists the Board in its review of the quality of UCB 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.

	End of term of office	Independent Director	Attendance rate
Kay Davies, Chair	2018	x	100%
Alice Dautry	2019	x	100%

They meet regularly with Ismail Kola and his successor Dhaval Patel, the Patient Value Unit New Medicines™ Head and Chief Scientific Officer. The members of the Scientific Committee are also closely involved in the activities of the Scientific Advisory Board (SAB) of UCB, composed of external leading scientific medical experts. The SAB was created in September 2005 by the Executive Committee to critically review the R&D activities of UCB, provide scientific appraisal and strategic input as to the best way for UCB to become a thriving biopharmaceutical leader and to advise the Executive Committee on the strategic choices related to early stage R&D and R&D technology. The Scientific Committee reports to the Board on the SAB's appraisal of UCB's research activities and strategic orientations.

1.3.3 Executive Committee

COMPOSITION AND FUNCTIONING OF THE EXECUTIVE COMMITTEE

As of 1 October 2017, the composition of the Executive Committee was as follows:

- Jean-Christophe Tellier, CEO and Chair of the Executive Committee
- Emmanuel Caeymaex, Head of Patient Value Unit Immunology
- Jean-Luc Fleurial, Chief Talent & Company Reputation
- Iris Löw-Friedrich, Head of Patient Value Practices Development and Medical & Chief Medical Officer
- Alexander Moscho, Head of Corporate Strategy & Business Development
- Dhaval Patel, Head of Patient Value Unit New Medicines™ & Chief Scientific Officer
- Pascale Richetta, Head of Patient Value Unit Bone
- Anna Richo, General Counsel & Head of Legal, IP and Ethics & Compliance
- Bharat Tewarie, Head of Patient Value Practices Marketing & Patient Access
- Detlef Thielgen, Chief Financial Officer & Head of Finance, IT & Purchasing
- Charl van Zyl, Head of Patient Value Operations
- Jeff Wren, Head of Patient Value Unit Neurology

Fabrice Enderlin, Head of Talent, decided to leave and Ismail Kola, Head of Patient Value Unit New Medicines™ and Chief Scientific Officer, retired during 2017. Both left UCB with effect as at 31 December 2017.

As of 1 January 2017, Bharat Tewarie and Detlef Thielgen have headed the Patient Value Operations *ad interim*. As of 1 March 2017, Charl van Zyl has been appointed to replace Mark McDade as Head of Patient Value Operations. As of 1 September 2017, Jean-Luc Fleurial joined the Executive Committee to replace Fabrice Enderlin (having left the Executive Committee with effect on 1 July 2017 and having left UCB as at 31 December 2017).

Dr. Dhaval Patel joined the Executive Committee as of 1 October 2017, replacing Dr. Ismail Kola as Head of Patient Value Unit New Medicines™ and Chief Scientific Officer. Dr. Ismail Kola stepped out of the Executive Committee as of 1 July 2017 and retired from UCB with effect as at 31 December 2017.

Alexander Moscho also joined the Executive Committee as of 1 October 2017 as Head of Corporate Strategy & Business Development, a new function within the Executive Committee.

In 2017, the Executive Committee met two to three days a month.

There were no transactions or contractual relationships in 2017 between UCB, including its affiliates, and a member of the Executive Committee.

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

1.3.4 Diversity & inclusion

This section includes the information required pursuant to new article 96, §2, 6° of the Belgian Companies Code (as amended by the law of 3 September 2017, implementing in Belgium law the EU Directive 2014/95 dated 22 October 2014 as regards disclosure of non-financial and diversity information by certain large undertakings and groups).

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

At UCB, diversity and inclusion is intrinsically linked with our UCB culture: it is consistent with UCB's sense of purpose, strategies and values. Our 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, we have accelerated our commitment to diversity and inclusion by raising awareness across the organization. Specifically for leadership, we have focused on:

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

For the Board of Directors, we strictly follow all legal requirements in Belgium and have integrated these into our 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 4 women and 9 men, with 5 nationalities represented. The chair of the Board is also female.

For the Executive Committee, we monitor and make recommendations but do not have a formal diversity policy. Today, our executives come from a diverse education and multi-disciplinary professional backgrounds. The committee is made up of 3 women and 9 men, with 8 nationalities represented. The size of our executive committee also reflects our belief that this is the best guarantee for diversity in experience, knowledge and ability.

Our 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.

1.4 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 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 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.

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 with the exception of 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. An update to the level of pay was approved at the General Meeting of shareholders of 25 April 2013. The remuneration levels for UCB Board members are set as follows:

Annual fees

- Chair of the Board – € 210 000
- Vice Chair – € 105 000
- Directors – € 70 000

Board attendance fees

- Chair of the Board – no fee (included in annual fees)
- Vice Chair – € 1 500 per meeting
- Directors – € 1 000 per meeting

Audit / scientific advisory committee (annual fees - no meeting fees)

- Chair of the Committees – € 30 000
- Members of the Committees – € 20 000

Governance, Nomination and Compensation Committee (annual fees – no meeting fees)

- Chair of the Committee – € 20 000
- Members of the Committee – € 15 000

In application of these rules the total remuneration of the members of the Board including committee fees for 2017 was as follows:

	ATTENDANCE RATE	FIXED REMUNERATION AS DIRECTOR	BOARD ATTENDANCE FEES	REMUNERATION AS COMMITTEE MEMBER			TOTAL
				Audit Committee	GNCC	Scientific Committee	
Gerhard Mayr, Chair[1]	2/2	€ 70 000					€ 70 000
Evelyn du Monceau, Chair[2 & 3]	6/6	€ 175 000	€ 3 000		€ 20 000		€ 198 000
Pierre L. Gurdjian, Vice Chair[2 & 3]	6/6	€ 93 333	€ 8 000		€ 15 000		€ 116 333
Alice Dautry	6/6	€ 70 000	€ 6 000			€ 20 000	€ 96 000
Kay Davies	6/6	€ 70 000	€ 6 000		€ 10 000	€ 30 000	€ 116 000
Albrecht De Graeve	5/6	€ 70 000	€ 5 000	€ 30 000			€ 105 000
Roch Doliveux[2]	4/4	€ 46 667	€ 4 000				€ 50 667
Harriet Edelman[1]	2/2	€ 23 333	€ 2 000		€ 5 000		€ 30 333
Charles-Antoine Janssen	6/6	€ 70 000	€ 6 000	€ 20 000			€ 96 000
Cyril Janssen	6/6	€ 70 000	€ 6 000				€ 76 000
Viviane Monges[2]	4/4	€ 46 667	€ 4 000				€ 50 667
Norman J. Ornstein	6/6	€ 70 000	€ 6 000				€ 76 000
Jean-Christophe Tellier, Executive Director	6/6	€ 70 000	€ 6 000				€ 76 000
Cédric van Rijckevorsel	6/6	€ 70 000	€ 6 000				€ 76 000
Ulf Wiinberg	5/6	€ 70 000	€ 5 000	€ 20 000			€ 95 000

1 Until 27 April 2017

2 As from 27 April 2017 (appointment by the General Meeting)

3 Given change of role during 2017, remuneration is calculated accordingly *pro rata temporis*

1.4.1 UCB's reward principles

UCB is a global biopharmaceutical company focusing on creating value for people living with severe conditions. To help us achieve our goals we require an engaged workforce working closely together to create superior and sustainable value for patients. Our compensation plans are aimed at driving and rewarding outstanding performance and innovation while aligning our employees to our patient value ambition. Our Global Reward program is built around the following principles:

- to provide a strong motivation for delivering on our strategy being the achievement of our patient-value goals;
- to link employee remuneration to both individual contribution and to our collective successes;
- to recognize and reward sustained high performance while requiring behaviors that are fully aligned with our patient value principles;
- to be fair and equitable according to market practices;
- and to enable UCB to attract, engage and retain the right talents.

To ensure that pay appropriately reflects performance variable pay constitutes the most significant component of total remuneration for our Executive Committee team. UCB's variable pay programs are directly linked to both short-term achievements and long-term individual and company performance to ensure a balanced focus on financial results, company sustainability and value creation for our stakeholders.

1.4.2 The UCB Executive Remuneration Policy

The remuneration policy for members of the Executive Committee is set by the Board on the basis of 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 targets of the different performance-based compensation programs;
- determines the compensation levels of UCB's management 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 fair and appropriate to attract, retain and motivate the Executive Committee team.

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

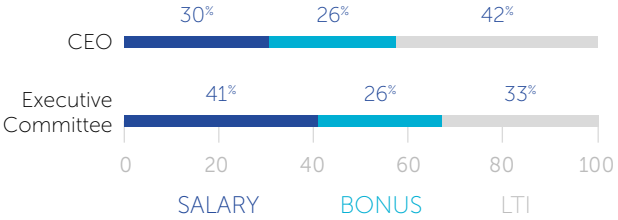
This section covers the competitive positioning strategy that UCB adopts against the market in which it operates. It also describes our executive compensation structure, the purpose of the different elements of pay and the link between pay and performance.

BENCHMARK FOR OUR REWARD PROGRAM

In line with our total reward principles our executive remuneration must be reasonable in view of the company economics and the relevant practices of comparable global biopharmaceutical companies. 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 typically target 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, company size is not the primary factor as regression analysis is also used to adjust data to UCB's size.

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

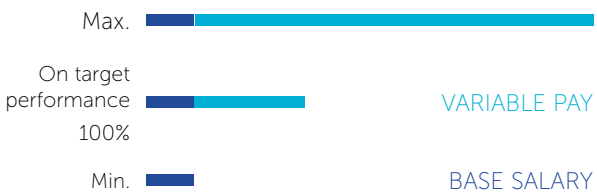
UCB's competitive positioning policy is to target median pay levels of this comparator group for all elements of total direct compensation. The actual compensation for each individual is determined considering their experience in relation to the benchmark as well as their impact on company performance.

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 take into account 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:

CEO THEORETICAL PAY OPPORTUNITY



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 and fully aligned with 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 our 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 considered to be 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.

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 target set for 2017 REBITDA implied a double-digit increase on the previous year's target, at constant exchange rates.

As the bonus calculation is based on a double multiplier, a CPM of 0% results in there being no bonus payout, regardless of individual performance.

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. Again the IPM can be 0% and can reach a maximum of 175% of target for very exceptional performance.

The objectives for the CEO are proposed by the GNCC for approval by the Board of Directors. The GNCC proposes the Individual Performance Multiplier ("IPM") for the CEO to the Board based on the performance assessment at the end of the year. 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 and quantitative objectives of the CEO as well as the non-financial aspects.

For the CEO and the Executive Committee the evaluation includes the extent to which the individuals have carried out their duties in line with UCB's Patient Value principles and expected leadership behaviors. Below are the criteria which are evaluated for each Executive Committee member:

- Specific business achievements
- Strategic input and vision
- Team leadership
- Executive Committee team membership
- Impact

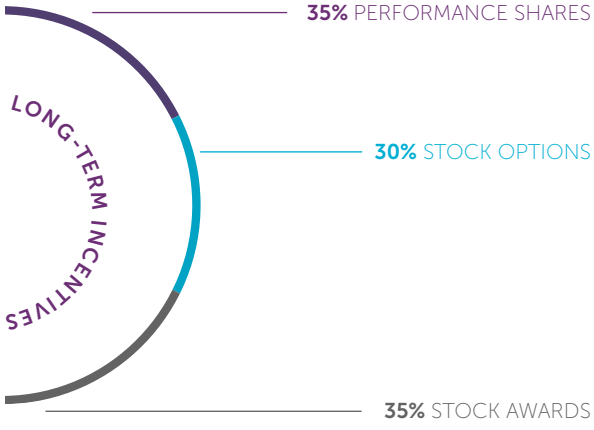
The target bonus is set at 90% of base salary for the CEO and 65% for the other Executive Committee members in line with market practices.

Each executive has the opportunity to exceed the targets when both company and individual performance are outstanding or to have a reduced payout compared to the target if either corporate or individual performance is not reaching expected levels.

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. It is a three-tiered incentive program which includes a stock option plan, a free share plan (stock award) and a performance share plan. 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 (increased from 120% previously due to evolutions observed in the competitive landscape) 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 allows the beneficiary to purchase a UCB share at a certain price following a defined vesting period. 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. 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.

STOCK AWARDS

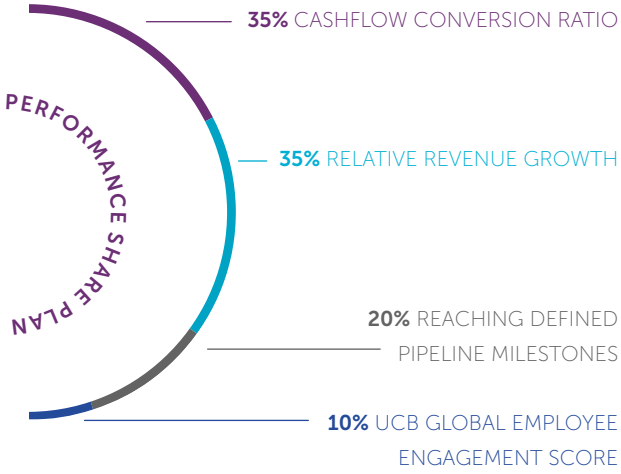
The Stock Award Plans provide conditional rights to UCB common stock fulfilled upon remaining in employment with UCB three years after the grant date. The vesting period is three years from the date of grant. Executives are incentivized to increase the company share price over the vesting period to optimize the value of their stock awards at the moment of vesting. In some countries delivery of the award may also be made in phantom shares (an award the value of which is based on the evolution of the share price but which is settled in cash on a pre-determined vesting date) depending on the local legislative environment.

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 senior executive group for which certain pre-established companywide 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.

The vesting period is three years. The number of shares awarded is adjusted at the end of the vesting period based on the company's performance against its goals. 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 2017 grant was based on the following performance criteria to be measured at the end of 2019:



The choice of metrics captures UCB's growth and financial health while rewarding the advancement of a differentiated pipeline and with a highly engaged workforce. The performance criteria are evaluated regularly to ensure the maximum alignment with company priorities. The same metrics will be used in the 2018 plan.

In some countries delivery of the award may also be made in phantom shares depending on the local legislative environment.

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.

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. 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. UCB contributes an amount equal to 9.15% of the annual base salary and target bonus. UCB also provides an annual guaranteed return of 2.5% increased by the Belgian health index (to a minimum defined by the Belgian legislation and with a maximum of 6%).

The Executive Committee members also participate in the UCB senior executive supplementary defined contribution plan. Contributions to the plan are twofold:

- a company contribution linked to the actual corporate results as defined by the Board and;
- a company contribution equal to 10% of their annual basic salary.

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 from 3.5%-9% of annual pay based on 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 also 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, Fabrice Enderlin, Ismail Kola, 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 would entitle 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.

Anna Richo is covered by a U.S. employment agreement which contains a clause allowing for a severance payment equal to 18-month 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.

Fabrice Enderlin decided to leave UCB and Ismail Kola retired from service, both at the end of 2017. No severance payments were due.

1.4.4 Remuneration policy as of 2018

The GNCC continues to monitor the Upper Management Compensation policy. While analysis will be carried out on the global competitiveness of variable pay, no amendments are currently planned in 2018.

1.4.5 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 perqusites and benefits In addition he is entitled to a director fees as a Board member of UCB SA. The remuneration granted directly or indirectly to the CEO by UCB or any other of its affiliates in 2017 amounted to:

- Base salary: € 1 037 917;
- Short-term incentive (bonus) paid in 2018 and relating to the financial year 2017: € 1 536 217;
- 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: € 860 601 thereof € 357 286 being the retirement benefit (based on service cost).

The CEO's total compensation (base salary + bonus + LTI) for 2017 amounts to € 4 339 393 (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 2017 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 2017 amount to:

- Base salaries (earned in 2017): € 5 933 960;
- Short-term incentive (bonus) paid in 2018 and relating to financial year 2017: € 4 534 030;
- 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 and other contractual obligations: € 5 882 382 thereof € 3 195 779 being the amount of retirement benefit (based on service cost).

The aggregated Executive Committee compensation (base salary + bonus + LTI) for 2017 amounts to: € 19 268 154 (excluding pension contributions and other benefits).

LONG-TERM INCENTIVES (LTI) GRANTED IN 2017

	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	39 273	509 371	10 804	627 712	22 355	628 176	**1 765 259**
Emmanuel Caeymaex	10 822	140 361	2 977	172 964	6 160	173 096	**486 421**
Fabrice Enderlin[8]							
Jean-Luc Fleurial[9]			4 500	249 885			**249 885**
Ismail Kola[10]	14 203	184 213	13 907	807 997	8 085	227 189	**1 219 398**
Iris Löw-Friedrich	12 554	162 825	3 453	200 619	7 146	200 803	**564 247**
Alexander Moscho[11]			9 000	523 800			**523 800**
Dhaval Patel[12]			40 000	2 328 000			**2 328 000**
Pascale Richetta	12 180	157 975	3 351	194 693	6 933	194 817	**547 485**
Anna Richo	17 823	239 185	4 902	284 806	10 144	285 046	**809 037**
Bharat Tewarie	9 989	129 557	2 748	159 659	5 686	159 777	**448 993**
Detlef Thielgen	14 252	184 848	3 921	227 810	8 113	227 975	**640 634**
Charl van Zyl	10 270	133 202	2 825	164 133	5 846	164 273	**461 607**
Jeff Wren	11 469	153 914	3 155	183 306	6 528	183 437	**520 656**

[1] Number of rights to acquire one UCB share at a price of € 70.26 (€ 72.71 for Anna Richo and Jeff Wren) between 1 April 2020 and 31 March 2027 (between 1 January 2021 and 31 March 2027 for Jean-Christophe Tellier, Emmanuel Caeymaex, Detlef Thielgen, Bharat Tewarie, Pascale Richetta, Charl van Zyl and Ismail Kola).

[2] The value of the 2017 stock options has been calculated based on the binomial methodology at € 12.97 (€ 13.42 for Jeff Wren and Anna Richo) by Willis Towers Watson.

[3] Number of UCB shares (or phantom shares) to be delivered for free after a vesting period of three years if still employed by UCB.

[4] The value of the 1 April 2017 stock awards has been calculated based on the binomial methodololy at € 58.10 per share award 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 2017 performance shares has been calculated based on the binomial methodology at € 52.60 per performance share by Willis Towers Watson.

[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] Fabrice Enderlin was not granted any LTI in April 2017 as he had indicated his intention to leave UCB by the end of the year.

[9] Jean-Luc Fleurial was awarded 4 500 Sign On Awards when joining UCB. The value of the sign on awards has been calculated based on the binomial methodology at € 55.53 per share awards as defined by Willis Towers Watson. Jean-Luc joined after the yearly grant of LTI.

[10] Ismail Kola was awarded 10 000 UCB phantom shares on 1 April 2017 in addition to the normal grant of 1 April 2017.

[11] Alexander Moscho was awarded 9 000 Sign On Awards when joining UCB. The value of the sign on awards has been calculated based on the binomial methodology at € 58.20 per share awards as defined by Willis Towers Watson. Alexander joined after the yearly grant of LTI.

[12] Dhaval Patel was awarded 40 000 Sign On Awards when joining UCB. The value of the sign on awards has been calculated based on the binomial methodology at € 58.20 per share awards as defined by Willis Towers Watson. Dhaval joined after the yearly grant of LTI.

LONG-TERM INCENTIVES VESTING IN 2017

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 during the calendar year 2017 (not to be accumulated with the information in the above table which details the long-term incentives granted in 2017).

	STOCK OPTIONS		STOCK AWARDS		PERFORMANCE SHARES		
	Number vested (not exercised)[2]	Number exercised[3]	Number vested	Total value upon vesting (€)	Total number of shares vested	Shares vested (% of granted shares)[8]	Total value upon vesting (€)
Jean-Christophe Tellier	30 656		7 916	573 712	16 136	125%	1 461 821
Emmanuel Caeymaex	6 000		1 483	107 480	3 024	125%	273 956
Fabrice Enderlin	12 170	15 000	4 749	344 184	9 680	125%	876 948
Jean-Luc Fleurial[1]							
Ismail Kola[7]	18 560	50 000	41 680	2 863 265	27 418	125%	2 107 308
Iris Löw-Friedrich[4]	15 666	11 100	9 045	648 979	8 245	125%	739 473
Alexander Moscho[1]							
Dhaval Patel[1]							
Pascale Richetta[1, 5]			15 000	970 950			
Anna Richo	15 434	19 476	3 985	288 813	8 123	125%	735 893
Bharat Tewarie[1, 6]			4 000	283 720			
Detlef Thielgen	14 904		12 092	876 368	9 361	125%	848 048
Charl van Zyl[1]							
Jeff Wren	7 513		11 941	787 974	3 956	125%	358 389

[1] Jean-Luc Fleurial,Charl van Zyl, Alexander Moscho, Dhaval Patel, Pascale Richetta and Bharat Tewarie joined UCB after the 2014 LTI grant.

[2] The stock options granted to Iris Löw-Friedrich on 1 April 2014 vested on 1 April 2017 and have an exercise price of € 58.12. The stock appreciation rights granted to Anna Richo, Jeff Wren and Jean-Christophe Tellier on 1 April 2014 vested on 1 April 2017 and have an exercise price of € 58.12. The stock options granted to Detlef Thielgen, Ismail Kola, Emmanuel Caeymaex and Fabrice Enderlin on 1 April 2013 vested on 1 January 2017 and have an exercise price of € 48.69.

[3]Fabrice Enderlin exercised stock options granted to him on April 1, 2012 with an exercise price of € 32.36. Ismail Kola exercised stock options granted to him on April 1, 2010 with an exercise price of € 31.62; stock options granted to him on April 1, 2011 with an exercise price of € 26.72; stock options granted to him on April 1, 2012 with an exercise price of € 32.36; stock options granted to him on April 1, 2013 with an exercise price of € 48.69. Iris Löw-Friedrich exercised stock options granted to her on April 1, 2007 with an exercise price of € 43.57; stock options granted to her on April 1, 2008 with an exercise price of € 22.01. Anna Richo exercised Stock Appreciation Rights granted to her on April 1, 2013 with an exercise price of € 49.80.

[4] Upon vesting on April 1, 2017, the UCB share had a value of € 72.475, 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 € 71.75, which represents the low price of the UCB shares on that date (according to the German tax legislation).

[5] Upon vesting on February 1, 2017, of the sign on award granted to Pascale Richetta and o fthe special recognition award to Jeff Wren, the UCB share had a value of € 64.73, 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.

[6] Upon vesting on March 16, 2017, of the sign on award granted to Bharat Tewarie, the UCB share had a value of € 70.93, 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] Ismail Kola left on retirement end of 2017. Based on the Stock Award and the Performance Share plan rules the awards granted in 2015 vested in full and the awards granted in 2016 and 2017 were reduced pro rata temporis and vested in cash on December 31, 2017. 41 417 awards were delivered to him on that date. The UCB share had a value of € 66 385, 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.

[8] The Performance Shares granted in 2014 were paid out at 125% based on the results achieved vs the performance conditions set at grant.

2018 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 as well as a consideration of 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 awards to be granted on 1 April 2018. The resulting grant value will be reported in next year's report.

	Stock options 2018	Stock awards 2018	Performance shares 2018
Jean-Christophe Tellier	44 741	12 561	20 745
Emmanuel Caeymaex	11 741	3 296	5 444
Jean-Luc Fleurial	7 519	2 111	3 486
Iris Löw-Friedrich	14 472	4 063	6 710
Alexander Moscho	8 647	2 428	4 009
Dhaval Patel	15 273	4 288	7 082
Pascale Richetta	13 088	3 675	6 069
Anna Richo	16 883	4 740	7 828
Bharat Tewarie	10 734	3 014	4 977
Detlef Thielgen	15 166	4 258	7 032
Charl van Zyl	13 929	3 911	6 459
Jeff Wren	11 077	3 110	5 136

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

1.5.1 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 1.5.2 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 Control function 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, 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.

1.5.2 Risk management

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 in order to minimize exposure to threats that could impact UCB's ability to achieve corporate objectives.

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 Risk2Value Table, consisting of senior management representatives of all business functions and reporting to the Executive Committee, provides strategic leadership that endorses the enterprise level risk assessment and prioritization process that drives the establishment of risk mitigation plans within all business functions and operations, supported by an enterprise risk management system to effectively assess, report and manage actual or potential risks or exposures. The top risks of the organization are owned by a member of the Executive Committee to ensure accountability and priority.

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 Executive Committee is responsible for implementing the risk management strategy and objectives, and 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.

1.6 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.

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 Anna Richo, Executive Vice President and General Counsel, together with Xavier Michel, Vice President and Secretary General, acting separately, 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 UCB Dealing Code.

The Dealing Code is available on the UCB website: www.ucb.com/investors/UCB-Governance.

1.7 External audit

The General Meeting held on 30 April 2015 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 (currently via SC SPRL Romain Seffer).

PwC has been appointed as External Auditor in the affiliates of the UCB Group worldwide. The Board will propose the renewal of the mandate of PwC as External Auditors for UCB for a new term of three (3) years to the General Meeting to be held on 26 April 2018. This proposal is in line with the transitional provisions of the Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities.

The 2017 fees paid by UCB to its External Auditors amounted to:

2017 – ACTUAL	Audit	Other attestation missions	Tax services	Other missions external to the audit	TOTAL
PwC (Belgium-statutory auditor)	€ 685 842	€ 151 497	-	€ 60 290	€ 897 629
PwC other related networks	€ 1 461 947	€ 128 173	€ 70 794	€ 638 900	€ 2 299 814
Total	**€ 2 147 789**	**€ 279 670**	**€ 70 794**	**€ 699 190**	**€ 3 197 443**

1.8 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:

1.8.1 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 2017

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 1.1.2).

1.8.2 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 favorable 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 favorable 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.

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

There are no such securities.

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

There is no such system.

1.8.5 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.

1.8.6 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. UCB received notification on 25 January 2018 of the termination of the concert agreement between Tubize and Schwarz.

1.8.7.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 Corporate Governance Charter 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 the UCB 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.

1.8.7.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 quor requirements may be applicable.

1.8.8 Powers of the Board of directors, in particular to issue or buy back shares

Powers of the Board are those defined by the Belgian Companies Code and by the Articles of Association.

The terms of reference of the Board and the responsibilities that the Board has reserved to itself are further described in the charter as follows:

("...)

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 acts collegially.

The roles and responsibilities and the functioning of the Board are determined by the UCB's Articles of Association and by the terms of reference of the Board and the Board's committees that are described in this charter.

Among the matters over which it may, by law, take decisions, the Board has reserved key areas for itself, and has delegated wide powers of administration to an Executive Committee (see point 5).

It did not opt to create a management committee in the sense of the article 524 of the Belgian Companies Code, since it preferred not to permanently delegate the powers granted to it by the law nor the general representation of UCB.

The Board's role is to provide entrepreneurial leadership of UCB 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 reviews management performance. The Board sets UCB's values and standards and ensures that its obligations to its shareholders and other stakeholders are understood and met. It takes collegiate responsibility for sound exercise of its authority and powers.

The powers the Board has reserved for itself concern mainly the following, and to this end it also receives all the information required in relation to each of them:

1 *Defining UCB's mission, values and strategy, risk tolerance and key policies;*
2 *Monitoring of:*
   - *management's performance and implementation of the company's strategy,*
   - *the effectiveness of the Board's committees,*
   - *the performance of the external auditor;*
3 *Appointment or removal:*
   - *from among its members, of the Chair of the Board, after a consultation of all Board members conducted by a member of the Governance, Nomination & Compensation Committee ("GNCC") other than the Chair of such Committee, it being understood that the consultation will be conducted by the Chair of the Board and of the GNCC when it relates to his/her succession planning,*
   - *from among its members, of the Chair and members of the Audit Committee, of the GNCC and of the members of the Scientific Committee,*
   - *of the Chair of the Executive Committee following a proposal by the GNCC,*
   - *of members of the Executive Committee following a proposal by the GNCC, and recommendation by the Chair of the Executive Committee,*
   - *of persons in major external bodies or companies and of persons outside UCB requested to represent UCB at certain subsidiaries, on the recommendation of the Chair of the Executive Committee,*
   - *reviews the succession planning for the Chair of the Executive Committee and the other Executive Committee members, as proposed by the GNCC;*
4 *For endorsement, appointment or removal of senior executives on the recommendation of the Chair of the Executive Committee;*
5 *Ensure the integrity and timely disclosure of the financial statements of the UCB group and UCB and of material financial and non-financial information to shareholders and financial markets;*

6 *Approve the framework of internal control and risk management set up by the executive management and controlled by the internal audit with direct access to the Audit Committee;*
7 *Preparation of the General Meeting of Shareholders and of the decisions proposed to be considered at the Meeting;*
8 *Executive management structure and general organization of UCB (and of the UCB group);*
9 *Approval of the annual budget (including the R&D program and the capital plan) and any increase in the overall annual budget (including the R&D program and the capital plan);*
10 *The long-term or major finance operations;*
11 *Creating, establishing, closing, settling or transferring subsidiaries, branches, production locations or major divisions exceeding € 20 million and involving third parties;*
12 *Allotment, merger, acquisition, division, purchase, sale or pledging of assets (other than assets referred to under sub-section 13 below), instruments and shares, equity and equity-like investments, in and out- licensing of intellectual property and product divestments, joint-ventures, of a value exceeding € 20 million and involving third parties;*
13 *Purchase, sale or pledging of real estate property assets to a value exceeding € 50 million and real estate leases over a period exceeding 9 years for an aggregate amount of expenditures exceeding € 20 million;*
14 *The terms and conditions of plans for the grant of stock and stock options to employees;*
15 *To be informed, at the end of every semester, of the charitable donations in excess of € 10 000 YTD to each single beneficiary;*
16 *At the request of the Chair of the Executive Committee, the Board may also be asked to pronounce in the event of diverging opinions among a majority of the members of the Executive Committee and its Chair.*

(...")

As described under section 1.1.4 above, the Extraordinary General Meeting of 28 april 2016 decided to renew the authorization to 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 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;
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. A proposal to renew these authorization, under the same terms, conditions and duration will be submitted by the Board to the approval of the Extraordinary General Meeting to be held on 26 April 2018 (at the same time as the Annual General Meeting).

1.8.9 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 and for the last time on 9 January 2018), which change of control clause was last approved by the General Meeting of 24 April 2014, 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 26 April 2018 will be asked to approve the change of control clause as foreseen in the amended and restated facility agreement per 9 January 2018.
- Euro Medium Term Note Program dated 6 March 2013, with last update of the base prospectus per 10 March 2015, 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 and 27 April 2017. 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 private placement bond 3.292% due 28 november 2019 in the amount of € 55 million issued on 28 november 2013;
  - Institutional private placement bond 3.284% due 17 december 2019 in the amount of € 20 million issued on 10 december 2013;
  - Institutional bond 1.875% due 2 april 2022 in the amount of € 350 million issued on 2 april 2015.

  Pursuant to 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 and 27 April 2017 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 and 27 April 2017 respectively and to which such change of control has been made applicable.

  A similar approval will be submitted to the General Meeting of 26 April 2018 in respect of any series of Notes to be issued under the EMTN Program from 26 April 2018 until 25 April 2019, 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 € 150 million between UCB Lux S.A. as borrower, UCB SA/NV as promoter and guarantor, and the European Investment Bank ("EIB") dated 9 May 2012, as amended, restated and assigned to UCB SA/NV as Borrower on 20 October 2016 with effect as of 21 November 2016, which change of control clause was approved by the General Meeting of 26 April 2012.
- Facility agreement in the amount of € 100 million between UCB Lux S.A. As borrower, UCB SA/ NV as promoter and guarantor, and the EIB dated 15 april 2013, as amended, restated and assigned to UCB SA/NV as borrower on 20 october 2016 with effect as of 24 october 2016, of which the change of control clause was approved by the general meeting of 25 april 2013.

- 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.
- 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.
  - On 31 December 2017, the following number of stock awards and performance shares are outstanding:
  - 2 132 336 Stock awards, of which 626 728 will vest in 2018;
  - 361 361 Performance shares, of which 103 375 will vest in 2018.

The General Meeting of 26 April 2018 will be asked to approve this change of control clause in accordance with Article 556 of the Company Code.

The change of control clauses in the Executive Committee members' contract, as further described in the Remuneration Report (section 1.4.3).

1.8.10 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 1.4.3 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 1.4.3, two employees in the U.S. and one outside the U.S. benefit from a change of control clause that guarantees their termination compensation if the employment of the employee ceases because of a public takeover bid.

1.9 Application of article 523 of the companies code

EXCERPT FROM THE MINUTES OF THE MEETING OF THE BOARD HELD ON 22 FEBRUARY 2017

Article 523 of the Belgian Companies Code was applied by the Board of 22 February 2017 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 CEO bonus based on 2016 performance, the CEO 2017 base salary and the CEO 2017 LTI grant including (stock options, stock awards and performance shares), as well as the approval of the 2016 bonus payout and LTI vesting and of the 2017 LTI plans, metrics and grants, Jean-Christophe Tellier stated that he had a direct or indirect 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.

(...)

CORPORATE RESULTS 2016 BONUS PAYOUT/LTI AWARD VESTING AND 2017 TARGETS

Decision: After review, the Board overall approved the recommendations of the Governance, Nomination and Compensation Committee ("GNCC") relating to (i) the 2016 bonus payout based on the year end 2016 results (REBITDA), (ii) the REBITDA target for 2017 bonus payout and (iii) the metrics used for the Performance Share Plan 2017-2019 (payout 2020). It further endorsed the vesting (and total payout) in 2017 relating to the 2014-2016 Performance Share Plan as well as the stock award vesting for the 2014-2016 plan.

UCB LONG-TERM INCENTIVES GRANTS IN 2017

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 2017: issue of 826,000 stock options (target + 15% to take into account performance differentiation) in 2017 (in principle on 1 April 2017 unless exceptional circumstances) for approximately 350 employees (not taking into consideration employees hired or promoted to eligible levels between 1 January 2017 and 1 April 2017);*
  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 2017) or (ii) the closing price of the day preceding the offer (in principle 31 March 2017). UCB will determine a different exercise price for those eligible employees subject to legislation which require 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 less favorable.
- *Stock awards and PSP grants 2017–2019: allocation of an initial amount of 1 054 000 shares of which:*
  - *an estimated number of 891 000 shares to eligible employees, namely to about 1 650 colleagues (excluding new hires and promoted employees up to and including 1 April 2017), according to the applicable allocation criteria (target +15% to take into account performance differentiation). 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 163 000 shares to upper management employees for the Performance Share Plan 2017, namely to about 52 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 at the moment of the grant;*
- *It was acknowledged that the financial impact of the granting of options for the Company is linked to the difference between the purchase price of own shares by the company and the price of resale of these same shares to the beneficiary upon exercise of the options. For the stock awards and the PSP, the financial impact corresponds to the value of the UCB shares at the time of vesting;*
- *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 2017: € 1 046 220 (against € 996 400 in 2016);*
- *CEO bonus pay-out 2017 (performance 2016): € 1 226 409;*
- *CEO LTI 2017:*
  - *stock options: 39 273 (3 years and 8 months vesting);*
  - *stock awards: 10 804 (3 years vesting);*
  - *performance shares: 22 355 (3 years vesting).*

(...")

1.10 Application of article 96, §2, section 2 of the Belgian Companies Code (deviation from the Code)

Provision 2.9 (guideline): the Secretary of the Board reports to the General Counsel, instead of to the Chair of the Board, since the Corporate Secretariat, led by the Secretary of the Board, forms part of the legal department within UCB. In accordance with the Charter of Corporate Governance, the members of the Board have however individual access to the Secretary's assistance for all Board or company's matters.

BUSINESS PERFORMANCE REVIEW

Louisa, living with epilepsy

2.1 Key highlights

- 2017 **revenue** increased by 9% to € 4 530 million. Net sales went up to € 4 182 million (+9%). This growth was driven by the continued performance of the core products in immunology, Cimzia®, the epilepsy franchise: Vimpat®, Keppra® and the launch of Briviact®, as well as the Parkinson drug Neupro®. Royalty income and fees reached € 108 million. Other revenue increased to € 240 million mainly due to the one-time other revenue of € 56 million for out-licensing the OTC-allergy drug Xyzal®.
- **Recurring EBITDA** grew to € 1 375 million by 33%, reflecting sustainable net sales growth, an improved gross margin and a continued under-proportional growth of operating expenses thanks to resources reallocation and optimization as well as cost control.
- **Profit** reached € 771 million from € 542 million, of which € 753 million is attributable to UCB shareholders after € 520 million in 2016.
- **Core EPS** went up to € 4.82 from € 3.19 in 2016.

€ million	ACTUAL[1] 2017	2016 (Restated)	VARIANCE Actual rates	CER[2]
Revenue	**4 530**	**4 147**	**9%**	**11%**
Net sales	4 182	3 827	9%	11%
Royalty income and fees	108	125	-13%	-10%
Other revenue	240	195	23%	23%
Gross profit	**3 330**	**2 945**	**13%**	**15%**
Marketing and selling expenses	- 940	- 938	0%	2%
Research and development expenses	-1 057	-1 020	4%	5%
General and administrative expenses	- 192	- 184	4%	5%
Other operating income/expenses (-)	- 11	- 7	44%	59%
Recurring EBIT (REBIT)	**1 130**	**796**	**42%**	**43%**
Non-recurring income/expenses (-)	- 43	80	>-100%	>-100%
EBIT (operating profit)	**1 087**	**876**	**24%**	**25%**
Net financial expenses	- 99	- 112	-12%	-11%
Profit before income taxes	**988**	**764**	**29%**	**30%**
Income tax expenses	- 218	- 199	9%	10%
Profit from continuing operations	**770**	**565**	**36%**	**37%**
Profit/loss (-) from discontinued operations	1	- 23	>-100%	>-100%
Profit	**771**	**542**	**42%**	**43%**
Attributable to UCB shareholders	753	520	45%	46%
Attributable to non-controlling interests	18	22	-17%	-16%
Recurring EBITDA	**1 375**	**1 031**	**33%**	**34%**
Capital expenditure (including intangible assets)	209	138	51%	
Net financial debt	525	838	-37%	
Operating cash flow from continuing operations	896	726	23%	
Weighted average number of shares – non diluted (million)	188	188	0%	
EPS (€ per weighted average number of shares – non diluted)	**4.00**	**2.76**	**45%**	**-4%**
Core EPS (€ per weighted average number of shares – non diluted)	**4.82**	**3.19**	**51%**	**52%**

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 on 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 from discontinued operations.

Recurring and non-recurring: Transactions and decisions of a one-time nature that affect UCB's results are shown separately ("non-recurring" items). 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 recurring EBIT 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 core profit, or the profit attributable to the UCB shareholders, adjusted for the after-tax impact of non-recurring items, the financial one-offs, the 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. Due to rounding, some financial data may not add up in the tables included in this management report. 2016 financials were restated after IFRS 15 implementation.
2. CER: constant exchange rates

2.2 Key events[1]

There have been a number of key events that have affected or will affect UCB financially:

Important agreements/initiatives

- January / February 2017 – As part of its innovation strategy, UCB has committed to invest an additional USD 20 million in venture funds investing in innovative life sciences and healthcare companies.
- February 2017 – Following the approval by the U.S. Food and Drug Administration of Xyzal® Allergy 24HR as an over-the-counter (OTC) treatment for the relief of symptoms associated with seasonal and year-round allergies, UCB is entitled to guaranteed payments for a total amount of USD 75 million to be paid over ten years by Chattem Inc., a Sanofi company, due to the out-licensing agreement for Xyzal® in the OTC field in the U.S. that was concluded in 2015.
- March 2017 - the U.S. Patent and Trademark Office confirmed the validity of U.S. patent RE38,551 related to Vimpat® in the *Inter Partes* Review proceedings.
- April 2017 - UCB and Q-State Biosciences entered into a multi-year therapeutics discovery collaboration. The joint program will employ a precision-medicine approach to the development of novel therapeutics for epilepsy, and particularly genetically defined subtypes of childhood epilepsy.
- June 2017 - UCB has acquired the remaining 73% stake in Beryllium LLC and now owns 100%. Beryllium LLC is a research company specializing in protein expression and structural biology, enhancing UCB's capabilities in protein engineering and structural biology. (For further information, please see Note 7).
- Since June and August 2017, Besponsa® (*inotuzumab ozogamicin*) is approved in the EU and U.S. respectively for the treatment of adults with relapsed or refractory B-cell precursor acute lymphoblastic leukemia (ALL). Besponsa® originates from a collaboration between Pfizer Inc. and UCB. Pfizer has sole responsibility for all manufacturing and clinical development activities for this molecule. Upon commercialization UCB is entitled to receive royalties.
- November 2017 - Dermira, Inc. and UCB have agreed to end their development and commercialization agreement for Cimzia® in psoriasis. Pending regulatory approval, UCB will bring Cimzia® to people living with psoriasis worldwide. UCB paid to Dermira USD 11.0 million by 13 November 2017 and will pay, upon approval of Cimzia® in psoriasis in the U.S., an additional USD 39.0 million. Dermira is obligated to reimburse UCB for up to USD 10.0 million of development costs incurred by UCB in connection with the development of Cimzia® between 1 January 2018 and 30 June 2018.
- February 2018 - UCB and an investor syndicate led by Novo Seeds announced launching Syndesi Therapeutics to develop novel therapeutics for cognitive disorders. Syndesi Therapeutics has exclusively licensed a first-in-class small molecule program from UCB. A series A investment totaling € 17 million will fund the clinical development of the lead compound up to early proof-of-concept in humans.

Regulatory update and pipeline progress

NEUROLOGY

- In January 2017, UCB filed a supplemental New Drug Application with the U.S. authorities for **Briviact® (*brivaracetam*)** as monotherapy in the treatment of partial-onset seizures in patients 16 years of age and older with epilepsy and was approved in the U.S. in September.
  In July, UCB filed a marketing authorization in the EU for Briviact® for children with epilepsy of 4 years of age and older, for the adjunctive treatment of partial-onset seizures and with the U.S. authorities for the monotherapy and adjunctive treatment.

- In February, the Phase 2a study with ***padsevonil*** (UCB0942) - aimed at highly drug resistant epilepsy patients, who failed four anti-epileptic drugs and have at least four seizures/week - showed positive top line results and will progress into further development. Detailed results were presented at the American Epilepsy Society (AES) Annual Meeting in December 2017. Phase 2b started in February 2018 with first results expected in H1 2020.

- In March, **Vimpat® (*lacosamide*)** was filed in the U.S. for children living with partial-onset epilepsy at 4 years and older, based on extrapolation of data from adult patients. In September and November, Vimpat® was approved in the EU and the U.S. respectively for the treatment of partial onset epilepsy in children from 4 to 16 years of age.
  Also in March, Vimpat® in a Phase 3 study achieved positive results as adjunctive therapy in patients with epilepsy (partial-onset seizure; ≥ 4 to <17 years of age). Detailed results will be presented at future scientific meetings and will be submitted to regulatory authorities.
  In August, the Japanese health authorities approved Vimpat® for use as monotherapy for partial-onset seizure in adult patients with epilepsy.
  In January 2018, UCB filed Vimpat® for pediatric patients living with partial-onset epilepsy from 4 years of age and older in Japan.

[1] From 1 January 2017 up to the publication date of this report.

- In March, a Phase 2a study started with ***rozanolixizumab*** (UCB7665) in myasthenia gravis (MG), a rare, debilitating neurological auto-immune disease. First results are expected in H2 2018.

All other clinical development programs in neurology are continuing as planned.

IMMUNOLOGY

- UCB and its partner Dermira submitted a marketing application to EU and U.S. regulatory authorities for **Cimzia® (*certolizumab pegol*)** in psoriasis which were accepted for filing in August and October, respectively.
  In February, to support line extension for Japan, a Phase 3 study evaluating Cimzia® in adult patients with psoriasis and psoriatic arthritis started with first results expected in Q3 2018.
  In March 2017, the FDA issued a "complete response letter" in connection with the review of a proposed new indication for Cimzia® to treat polyarticular juvenile idiopathic arthritis (pJIA). The FDA letter concerns the reliability of the submitted pharmacokinetic data. UCB is working with the FDA to agree on next steps to bring Cimzia® to juvenile patients, with no impact on any other Cimzia® program.
  Data from the CRIB and CRADLE studies for women of child-bearing age were filed with the European and U.S. health authorities, in Q2 2017. CRIB was evaluating the transfer of Cimzia® from the mother to the infant via the placenta while CRADLE was a study evaluating the concentration of Cimzia® in mature breast milk of lactating mothers. In December 2017, the European Medicines Agency approved a label change for Cimzia®, making it the first anti-TNF treatment option that could be considered for women with chronic inflammatory disease throughout the pregnancy journey.

- In July, positive results from a Phase 2b study in patients with psoriasis were reached for ***bimekizumab***: At week 12, up to 79% of patients achieved at least 90% skin clearance, and up to 60% of patients achieved complete skin clearance (PASI100).
  In December, positive results in ankylosing spondylitis (AS) were reported for *bimekizumab* showing statistical significance in multiple dose groups: the Phase 2b study achieved the primary endpoint (ASAS40), with up to 47% of patients receiving *bimekizumab* achieving at least 40% improvement in AS symptoms, versus 13% of patients receiving placebo, at week 12.
  Also in December, positive top line results from the Phase 2b study in psoriatric arthritis (PsA) were obtained: *bimekizumab* showed impressive joint and skin responses for these patients. The study achieved a stringent primary endpoint, with up to 46% of PsA patients who received *bimekizumab* experiencing at least 50% improvement in PsA joint symptoms (ACR50), versus 7% with placebo, at week 12. Among patients with active skin lesions (BSA $\geq$3), up to 65% of patients who received *bimekizumab* also experienced at least 90% skin clearance (PASI90) versus 7% of patients who received placebo. These results were achieved in a mixed patient population, both biologic naïve and previously biologic exposed patients.
  UCB advanced the *bimekizumab* Phase 3 clinical development program with the first Phase 3 study in psoriasis starting in December 2017; topline results from this program are expected at the end of 2019.

- In December, ***rozanolixizumab*** (UCB7665) reached "proof of concept" in patients with immune thrombocytopenia (ITP) based on positive Phase 2a results in the two initial dose arms. Recruitment for higher doses is ongoing with further results expected in Q3 2018.

All other clinical development programs in immunoloy are continuing as planned.

BONE

- In May, UCB and Amgen announced that the **Evenity™ (*romosozumab*)** ARCH study met both primary endpoints and the key secondary endpoints. At the primary analysis, treatment with romosozumab for 12 months followed by alendronate significantly reduced the incidence of new vertebral fractures through 24 months, clinical fractures (primary endpoints) and non-vertebral fractures (key secondary endpoint) in postmenopausal women with osteoporosis at high risk for fracture, compared to alendronate alone.
  An imbalance in positively adjudicated cardiovascular serious adverse events was observed as a new safety signal.
  In July, the U.S. authorities issued a Complete Response Letter for the Biologics License Application for Evenity™ as a treatment for postmenopausal women with osteoporosis. Upon receiving the CRL, 12 months to respond with the requested data were granted. Amgen and UCB continue to evaluate all registrational Phase 3 clinical trial safety data to ensure to have the most comprehensive view and understanding of the cardiovascular safety signal observed in the active comparator ARCH study and not in the placebo controlled FRAME study.
  In December, the European Medicines Agency accepted the Marketing Authorization Application (MAA) for Evenity™ (*romosozumab*) for the treatment of osteoporosis in postmenopausal women and in men at increased risk of fracture, filed by UCB and Amgen.

2.3 Net sales by product

Total net sales in 2017 increased to € 4 182 million, 9% higher than last year or +11% at constant exchange rates (CER).

	ACTUAL		VARIANCE	
€ million	2017	2016 (Restated[1])	Actual rates	CER
Immunology / Cimzia®	1 424	1 304	9%	11%
Neurology				
Vimpat®	976	822	19%	21%
Keppra®	778	720	8%	11%
Briviact®	87	18	> 100%	> 100%
Neupro®	314	298	5%	7%
Established brands				
Zyrtec®	103	117	-12%	-11%
Xyzal®	104	101	3%	6%
venlafaxine ER	0	89	-100%	-100%
Other products	368	377	-3%	-1%
Net sales before hedging	**4 154**	**3 846**	**8%**	**10%**
Designated hedges reclassified to net sales	**28**	**- 19**	**>-100%**	
Total net sales	**4 182**	**3 827**	**9%**	**11%**

[1] After reclassification due to IFRS 15

Core products

Cimzia® (*certolizumab pegol*) for patients living with autoimmune and inflammatory TNF mediated diseases, net sales increased in a competitive market environment to € 1 424 million (+9%), driven by differentiation.

Vimpat® (*lacosamide*) net sales went up to € 976 million (+19%) showing sustainable, double-digit growth in all markets where Vimpat® is available to people living with epilepsy, including patients in Japan since September 2016.

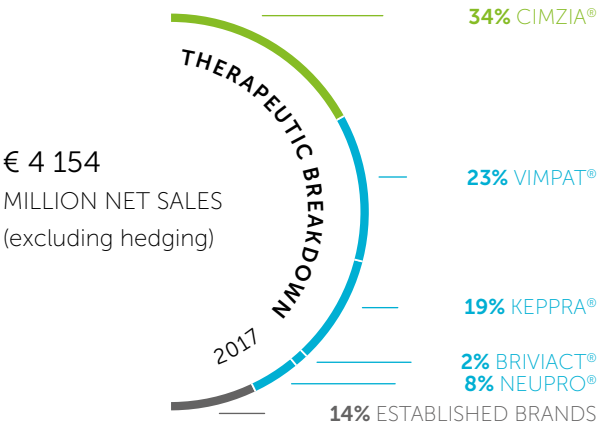
Keppra® (*levetiracetam*), also for epilepsy, had net sales of € 778 million (8%). Mainly driven by the growth in international markets, namely Japan.

Briviact® (*brivaracetam*) available for people living with epilepsy during 2016, reached net sales of € 87 million after € 18 million in 2016.
Hence, UCB's epilepsy franchise reached net sales of € 1.8 billion, a plus of 18%.

Neupro® (*rotigotine*), the patch for Parkinson's disease, reached net sales of € 314 million (+5%), mainly due to the sustainable growth in Europe and the U.S.

Established brands

Zyrtec® (*cetirizine*, including Zyrtec®-D/Cirrus®) and **Xyzal® (*levocetirizine*)**, both for allergy, net sales declined to € 103 million (-12%), respectively increased to € 104 million (3%), due to generic competition.



***Venlafaxine ER* (*venlafaxine hydrochloride* extended release)** for the treatment of depressive and anxiety disorders was divested in November 2016.

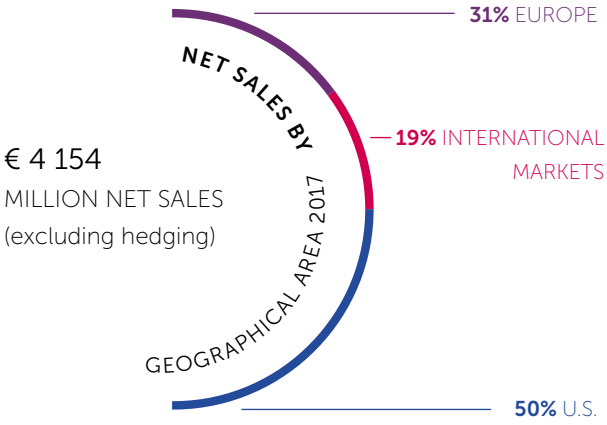
Other products: Net sales for other established brands decreased by 3% to € 368 million mainly due to the divestiture of the nitrate business in 2016.

Designated hedges reclassified to net sales were positive with € 28 million 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.

2.4 Net sales by geographical area

	ACTUAL		VARIANCE ACTUAL RATES		VARIANCE CER	
€ million	2017	2016 (Restated[1])	€ million	%	€ million	%
Net sales U.S.	**2 069**	**1 877**	**191**	**10%**	**230**	**12%**
Cimzia®	918	846	72	8%	89	11%
Vimpat®	746	629	117	19%	131	21%
Keppra®	232	216	16	7%	20	9%
Neupro®	96	85	11	13%	13	15%
Briviact®	63	11	52	>100%	53	>100%
Established brands						
venlafaxine ER	0	89	- 89	-100%	- 89	-100%
Other	14	1	13	>100%	13	>100%
Net sales Europe	**1 288**	**1 224**	**64**	**5%**	**72**	**6%**
Cimzia®	370	339	31	9%	35	10%
Keppra®	235	237	- 3	-1%	- 2	-1%
Neupro®	168	161	7	4%	7	5%
Vimpat®	177	152	26	17%	26	17%
Briviact®	22	7	15	>100%	16	>100%
Established brands						
Zyrtec®	52	63	- 11	-17%	- 11	-18%
Xyzal®	29	30	- 1	-4%	- 1	-4%
Other	235	235	0	0%	2	1%
Net sales international markets	**798**	**745**	**53**	**7%**	**77**	**10%**
Keppra®	311	267	45	17%	58	22%
Cimzia®	136	118	18	15%	21	18%
Vimpat®	53	42	11	27%	12	28%
Neupro®	50	52	- 2	-4%	0	0%
Briviact®	1	0	1	N/A	1	N/A
Established brands						
Zyrtec® (including Cirrus®)	52	54	- 3	-5%	- 2	-4%
Xyzal®	74	68	6	9%	9	13%
Other	120	144	- 24	-17%	- 22	-15%
Net sales before hedging	**4 154**	**3 846**	**308**	**8%**	**379**	**10%**
Designated hedges reclassified to net sales	**28**	**- 19**	**47**	**> -100%**		
Total net sales	**4 182**	**3 827**	**355**	**9%**	**404**	**11%**

[1] After reclassification due to IFRS 15



U.S. net sales reported by UCB were up to € 2 069 million (+10%); driven by the core products, overcompensating the effect of the divestiture of *venlafaxine ER*. Cimzia® net sales increased by 8% reaching € 918 million. Vimpat® went up by 19% to € 746 million, The Keppra® franchise went up to € 232 million (7%) and the mid-year 2016 launched Briviact® reached € 63 million net sales. Neupro® net sales were up to € 96 million (+13%). *Venlafaxine ER* was divested in November 2016. Net sales of the other products were € 14 million after € 1 million. Adjusted by the divestiture, U.S. net sales increased by 16%.

Europe net sales were € 1 288 million (+5%), driven by the continued sustainable performance of the core products: Cimzia® (€ 370 million; +9%), Vimpat® (€ 177 million; +17%), Keppra® (€ 235 million; -1%) and Briviact® (€ 22 million) which was launched in 2016 as well as Neupro® (€ 168 million; +4%). The established brands declined, mainly due to mandatory price reductions and generic competition.

International markets net sales, including Japan and China being the largest net sales contributors, amounted to € 798 million (+7%) driven by sustainable growth of the core products. Thereof, net sales in Japan were up 15% to € 292 million driven by sustainable in-market demand. In Japan, Cimzia® reached net sales of € 34 million. Vimpat® was launched in September 2016 and reported net sales of € 8 million, E Keppra® had strong net sales growth to € 137 million (+55%) and Neupro® reached net sales of € 36 million. Net sales in China were € 134 million.

Designated hedges reclassified for sales were positive with € 28 million reflecting UCB's realized transactional hedging activities which have to be recognized in the "net sales" line according to IFRS.

2.5 Royalty income and fees

	ACTUAL		VARIANCE	
€ million	2017	2016	Actual rates	CER
Biotechnology IP	59	76	-23%	-19%
Zyrtec® U.S.	26	27	-2%	-1%
Toviaz®	19	18	4%	8%
Other	4	4	9%	14%
Royalty income and fees	**108**	**125**	**-13%**	**-10%**

During 2017, royalty income and fees decreased to € 108 million (-13%) due to patent expirations.

Royalties collected for Zyrtec® in the U.S. and Toviaz® were more or less stable.

The franchise royalties paid by Pfizer for the overactive bladder treatment Toviaz® (*fesoterodine*) reflect the in-market performance of the franchise.

2.6 Other revenue

€ million	ACTUAL 2017	2016	VARIANCE Actual rates	CER
Contract manufacturing sales	91	119	-24%	-23%
Xyzal® in U.S	56	0	N/A	N/A
Partnerships in Japan	30	12	> 100%	> 100%
Product profit sharing	16	19	-13%	-13%
Partnerships in China	0	9	-99%	-99%
Other	47	36	31%	35%
Other revenue	**240**	**195**	**23%**	**23%**

Other revenue reached € 240 million (+23%) impacted by the one-time other revenue of € 56 million for out-licensing of the over-the counter-allergy drug Xyzal® in the U.S.

Contract manufacturing sales decreased to € 91 million from € 119 million as it included contract manufacturing of the nitrates in 2016 related to the divestiture of the nitrates established brands business in 2016.

Partnering activities in Japan encompass the collaboration with Otsuka focusing on E Keppra® and Neupro®, with Astellas for Cimzia® and with Daiichi Sankyo for Vimpat®. Revenue reached € 30 million after € 12 million in 2016.

The **product profit sharing agreements** for Dafiro®/ Provas® and Xyzal® reached a revenue of € 16 million (-13%), driven by the life cycle of these products.

Our partnerships in China encompassed in 2016 the market rights to UCB's allergy franchise. This partnership has now been transferred.

"Other" revenue reached € 47 million (31%) and includes milestones and other payments from our R&D partners.

2.7 Gross profit

€ million	ACTUAL 2017	2016 (Restated[1])	VARIANCE Actual rates	CER
Revenue	**4 530**	**4 147**	**9%**	**11%**
Net sales	4 182	3 827	9%	11%
Royalty income and fees	108	125	-13%	-10%
Other revenue	240	195	23%	23%
Cost of sales	**-1 200**	**-1 202**	**0%**	**1%**
Cost of sales products and services	- 848	- 852	0%	0%
Royalty expenses	- 227	- 224	1%	4%
Amortization of intangible assets linked to sales	- 125	- 126	-1%	0%
Gross profit	**3 330**	**2 945**	**13%**	**15%**

[1] After reclassification due to IFRS 15

In 2017, **gross profit** reached € 3 330 million (+13%), driven by the net sales growth and continued improved product mix. The gross margin improved to 74% (2016: 71%). 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.

- **Cost of sales for products and services** were stable at € 848 million.
- **Royalty expenses** were almost stable at € 227 million from € 224 million. Royalty expenses for marketed products, mainly Cimzia® and Vimpat® continued to increase due to product growth while established brands royalties expired after divestitures in 2016.

- **Amortization of intangible assets linked to sales:** 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.). The amortization expenses of the intangible assets for which products have already been launched were stable at € 125 million after € 126 million in 2016.

2.8 Recurring EBIT and recurring EBITDA

	ACTUAL		VARIANCE	
€ million	2017	2016 (Restated[1])	Actual rates	CER
Revenue	**4 530**	**4 147**	**9%**	**11%**
Net sales	4 182	3 827	9%	11%
Royalty income and fees	108	125	-13%	-10%
Other revenue	240	195	23%	23%
Gross profit	**3 330**	**2 945**	**13%**	**15%**
Marketing and selling expenses	- 940	- 938	0%	2%
Research and development expenses	-1 057	-1 020	4%	5%
General and administrative expenses	- 192	- 184	4%	5%
Other operating income/expenses (-)	- 11	- 7	44%	59%
Total operating expenses	**-2 200**	**-2 149**	**2%**	**4%**
Recurring EBIT (rEBIT)	**1 130**	**796**	**42%**	**43%**
Add: Amortization of intangible assets	160	169	-5%	-4%
Add: Depreciation charges	85	66	30%	32%
Recurring EBITDA (rEBITDA)	**1 375**	**1 031**	**33%**	**34%**

[1] After reclassification due to IFRS 15

Operating expenses, encompassing marketing and selling expenses, research and development expenses, general and administrative expenses and other operating income/expenses, reached € 2 200 million (+2%) and reflected:

- stable **marketing and selling expenses** of € 940 million. While the continued growth of Cimzia®, Vimpat® and Neupro® enables synergies and efficiencies, UCB has been launching Briviact® in Europe and North America since January and June 2016, respectively;
- 4% higher **research and development expenses** of € 1 057 million slightly reduces the R&D ratio thanks to phasing in the late-stage clinical development pipeline. The R&D ratio (as a % of revenue) for 2017 was 23% after 25% in 2016;
- 4% higher **general and administrative expenses** of € 192 million;
- **Other operating expenses** were € 11 million after € 7 million in 2016, mainly related to the collaboration agreement for the development and preparation of commercialization of Evenity™ (€ -39 million) offset by grants received and reimbursement of third party expenses.

The total operating expenses in relation to revenue (operating expense ratio) improved to 48% after 52% in 2016 thanks to solid revenue growth, efficient resources allocation and tight cost control.

Recurring EBIT increased to € 1 130 million, a plus of 42% compared to 2016:

- Total amortization of intangible assets (product related and other) reached € 160 million (5%);
- Depreciation charges increased to € 85 million (+30%). The charges include € 10 million related to the pre-financing capital expenditure agreement between UCB and Lonza for the manufacturing by Lonza of PEGylated antibody fragment-based bulk active compounds, recognized in the cost of sales and are added back for recurring EBITDA calculation purposes.

Recurring EBITDA increased to € 1 375 million after € 1 031 million (+33%), driven by the higher gross profit and the low growth rate of operating expenses in 2017. The recurring EBITDA ratio (in % of revenue) reached 30.3%, from 24.9% in 2016.

2.9 Profit

	ACTUAL		VARIANCE	
€ million	2017	2016	Actual rates	CER
Recurring EBIT	**1 130**	**796**	**42%**	**43%**
Impairment charges	-1	-12	-90%	-92%
Restructuring expenses	-23	-33	-31%	-30%
Gain on disposals	3	171	-99%	-99%
Other non-recurring income/expenses (-)	-22	-46	-56%	-56%
Total non-recurring income/expenses (-)	-43	80	>-100%	>-100%
EBIT (operating profit)	**1 087**	**876**	**24%**	**25%**
Net financial expenses (-)	-99	-112	-12%	-11%
Result from associates	0	0	N/A	N/A
Profit before income taxes	**988**	**764**	**29%**	**30%**
Income tax expenses	-218	-199	9%	10%
Profit from continuing operations	**770**	**565**	**36%**	**38%**
Profit/loss (-) from discontinued operations	1	-23	>-100%	>-100%
Profit	**771**	**542**	**42%**	**43%**
Attributable to UCB shareholders	753	520	45%	46%
Attributable to non-controlling interests	18	22	-17%	-16%
Profit attributable to UCB shareholders	**753**	**520**	**45%**	**46%**

Total non-recurring income/expenses (-) reached € 43 million pre-tax expenses, compared to € 80 million pre-tax income in 2016. The main driver of this expense is related to restructuring and litigation expenses. The 2016 non-recurring items included the divestitures of UCB's nitrates established brands as well as the divestiture of *venlafaxine ER* in the U.S.

Net financial expenses decreased to € 99 million from € 112 million. In 2016, the expenses included the € 28 million impairment of the Lannett warrant (in connection with the Kremers Urban divestiture).

Income tax expenses were € 218 million compared to € 199 million in 2016. The average effective tax rate on recurring activities was 22.1% compared to 26.0% in 2016. The effective tax rate 2017 has decreased from the previous year following tax audit settlements.

Profit/loss from discontinued operations reached a profit of € 1 million after a loss of € 23 million in 2016, reflecting activities related to the divestment of Kremers Urban.

The **profit of the Group** amounted to € 771 million (after € 542 million), of which € 753 million is attributable to UCB shareholders and € 18 million to non-controlling interests. For 2016, profit reached € 542 million, of which € 520 million were attributable to UCB shareholders and € 22 million to non-controlling interests.

2.10 Core EPS

€ million	ACTUAL 2017	ACTUAL 2016	VARIANCE Actual rates	VARIANCE CER
Profit	**771**	**542**	**42%**	**43%**
Attributable to UCB shareholders	753	520	45%	46%
Attributable to non-controlling interests	18	22	-17%	-16%
Profit attributable to UCB shareholders	**753**	**520**	**45%**	**46%**
Total non-recurring income (-)/expenses	43	- 80	>-100%	>-100%
Income tax on non-recurring expenses (-)/credit	12	15	-11%	-11%
Financial one-off income (-)/expenses	0	23	-100%	-100%
Income tax on financial one-off income/expenses (-)	0	- 1	-100%	-100%
Profit (-)/loss from discontinued operations	- 1	23	>-100%	>-100%
Amortization of intangibles linked to sales	125	126	-1%	0%
Income tax on amortization of intangibles linked to sales	- 25	- 26	-5%	-5%
Core profit attributable to UCB shareholders	**907**	**600**	**51%**	**52%**
Weighted average number of shares (million)	188	188	0%	
Core EPS attributable to UCB shareholders (€)	**4.82**	**3.19**	**51%**	**52%**

The **profit attributable to UCB shareholders**, adjusted for the after-tax impact of non-recurring items, the financial one-offs, the after-tax contribution from discontinued operations and the net amortization of intangibles linked to sales, reached € 907 million (+51%), leading to a **core earnings per share** (EPS) of € 4.82, compared to € 3.19 in 2016, per non-dilutive weighted average number of shares of 188 million and 188 million, respectively.

2.11 Capital expenditure

In 2017, the **tangible capital expenditure** resulting from UCB biopharmaceutical activities amounted to € 100 million (2016: € 108 million). The 2017 capital expenditures related mainly to upgrade of the biological plant in Bulle (Switzerland), IT hardware and other plant & equipment.

Acquisition of intangible assets reached € 109 million in 2017 (2016: € 30 million) related to in-licensing deals, software and capitalized eligible development costs, including € 29 million related to Dermira.

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 is added back for recurring EBITDA calculation purposes.

2.12 Balance sheet

The **intangible assets** decreased by € 58 million from € 875 million at 31 December 2016 to € 817 million at 31 December 2017. This includes the ongoing amortization of the intangible assets (€ 160 million), the disposal of intangibles of the nitrates business, partially offset by additions through in-licensing, software and capitalized eligible development costs.

Goodwill went down from € 5 178 million at 31 December 2016 to € 4 838 million mainly stemming from a weaker U.S. dollar and British pound compared to December 2016.

Other non-current assets decreased by € 243 million, driven by a decrease in deferred tax assets, after tax reforms in the U.S., U.K. and Belgium.

The **current assets** increase from € 2 331 million as of 31 December 2016 to € 2 677 million as of 31 December 2017 and relates to slightly higher working capital and increased cash positions.

UCB's shareholders' equity, at € 5 736 million, showed an increase of € 259 million between 31 December 2016 and 31 December 2017. The important changes stem from the net profit after non-controlling interests (€ 753 million), the cash-flow hedges (€ 110 million), offset with the U.S. dollar and British pound currency translation (€ -352 million), the dividend payments (€ -220 million) and the acquisition of own shares (€ -119 million).

The **non-current liabilities** amounted to € 2 232 million, a minor decrease of € 85 million.

The **current liabilities** amounted to € 1 949 million, down € 469 million, due to decrease of income tax payables related to tax audits and the trade payables.

The **net debt** decreased by € 314 million from € 838 million as of end December 2016 to € 525 million as per end December 2017, and mainly relates to the underlying net profitability, offset by the dividend payment on the 2016 results and the acquisition of own shares. The net debt to recurring EBITDA ratio for 2017 reached 0.38 after 0.81 for 2016.

2.13 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 € 927 million, of which € 896 million from continuing operations, compared to € 726 million in 2016 and stemming from underlying net profitability.
- **Cash flow from investing activities** showed an outflow of € 228 million (continuing operations), compared to € 133 million inflow in 2016. It is related to upgrade / maintenance of plants, in-licensing deals, capitalized eligible develoment costs and venture funds.
- **Cash flow from financing activities** has an outflow of € 402 million, which includes the dividend paid to UCB shareholders (€ 217 million), the acquisition of treasury shares (€ 105 million) and the repayment of short term borrowings (€ 26 million).

2.14 Outlook 2018

For 2018, UCB expects the continued growth of its core products driving company growth. UCB will also advance its development pipeline to offer potential new solutions for patients and complement existing pipeline assets with external opportunities.

2018 **revenue** is expected to reach approximately € 4.5–4.6 billion. **Recurring EBITDA** in the range of € 1.3 –1.4 billion. **Core earnings per share** are therefore expected in the range of € 4.30 – 4.70 based on an average of 188 million shares outstanding.

The figures for the outlook 2018 as mentioned above are calculated on the same basis as the actual figures for 2017.

Kristof, living with axial spondyloarthritis

03 CONSOLIDATED FINANCIAL STATEMENTS

1 Consolidated income statement

For the year ended 31 December

€ million	Note	2017	2016 (Restated[1])
Continuing operations			
Net sales	5	4 182	3 827
Royalty income and fees		108	125
Other revenue	9	240	195
Revenue		4 530	4 147
Cost of sales		-1 200	-1 202
Gross profit		3 330	2 945
Marketing and selling expenses		-940	-938
Research and development expenses		-1 057	-1 020
General and administrative expenses		-192	-184
Other operating income/expenses (-)	12	-11	-7
Operating profit before impairment, restructuring and other income and expenses		1 130	796
Impairment of non-financial assets	13	-1	-12
Restructuring expenses	14	-23	-33
Other income/expenses (-)	15	-19	125
Operating profit		1 087	876
Financial income	16	15	62
Financial expenses	16	-114	-174
Share of loss of associates		0	-0
Profit before income taxes		988	764
Income tax expense	17	-218	-199
Profit from continuing operations		770	565
Discontinued operations			
Profit/loss (-) from discontinued operations	8	1	-23
Profit		**771**	**542**
Attributable to:			
Equity holders of UCB SA		753	520
Non-controlling interests		18	22
Basic earnings per share (€)			
from continuing operations	39	3.99	2.88
from discontinued operations	39	0.01	-0.12
Total basic earnings per share		4.00	2.76
Diluted earnings per share (€)			
from continuing operations	39	3.99	2.88
from discontinued operations	39	0.01	-0.12
Total diluted earnings per share		4.00	2.76

[1] After reclassification due to IFRS 15

2 Consolidated statement of comprehensive income

For the year ended 31 December

€ million	Note	2017	2016
Profit for the period		**771**	**542**
Other comprehensive income			
Items to be reclassified to profit or loss in subsequent periods:			
• Net gain/loss (-) on available for sale financial assets		-12	-1
• Exchange differences on translation of foreign operations		-340	-53
• Effective portion of gains/losses (-) on cash flow hedges		157	-17
• Income tax relating to the components of other comprehensive income to be reclassified to profit or loss in subsequent periods		-47	13
Items not to be reclassified to profit or loss in subsequent periods:			
• Remeasurement of defined benefit obligation	32	27	-107
• Income tax relating to the components of other comprehensive income not to be reclassified to profit or loss in subsequent periods		-18	18
Other comprehensive income/loss (-) for the period, net of tax		-233	-147
Total comprehensive income for the period, net of tax		**538**	**395**
Attributable to:			
• Equity holders of UCB SA		508	376
• Non-controlling interests		30	19
Total comprehensive income for the period, net of tax		**538**	**395**

3 Consolidated statement of financial position

€ million	Note	2017	2016
Assets			
Non-current assets			
Intangible assets	19	817	875
Goodwill	20	4 838	5 178
Property, plant and equipment	21	673	678
Deferred income tax assets	31	715	953
Financial and other assets (including derivative financial instruments)	22	197	197
Total non-current assets		7 240	7 881
Current assets			
Inventories	23	597	578
Trade and other receivables	24	809	884
Income tax receivables		12	5
Financial and other assets (including derivative financial instruments)	22	194	86
Cash and cash equivalents	25	1 049	761
Assets of disposal group classified as held for sale	8.2	16	17
Total current assets		2 677	2 331
Total assets		**9 917**	**10 212**
Equity and liabilities			
Equity			
Capital and reserves attributable to UCB shareholders	26	5 813	5 584
Non-controlling interests	22.6	-77	-107
Total equity		5 736	5 477
Non-current liabilities			
Borrowings	28	303	331
Bonds	29	1 231	1 243
Other financial liabilities (including derivative financial instruments)	30	57	94
Deferred income tax liabilities	31	53	10
Employee benefits	32	441	479
Provisions	33	121	105
Trade and other liabilities	34	26	55
Total non-current liabilities		2 232	2 317
Current liabilities			
Borrowings	28	39	27
Bonds	29	0	0
Other financial liabilities (including derivative financial instruments)	30	53	142
Provisions	33	37	61
Trade and other liabilities	34	1 724	1 860
Income tax payables	35	96	328
Liabilities of disposal group classified as held for sale	8.2	0	0
Total current liabilities		1 949	2 418
Total liabilities		4 181	4 735
Total equity and liabilities		**9 917**	**10 212**

4 Consolidated statement of cash flows

For the year ended 31 December

€ million	Note	2017	2016
Profit for the year attributable to UCB shareholders		753	520
Non-controlling interests		18	22
Adjustment for profit (-)/loss from discontinued operations	8	0	23
Adjustment for non-cash transactions	36	150	216
Adjustment for items to disclose separately under operating cash flow	36	218	199
Adjustment for items to disclose under investing and financing cash flows	36	35	-129
Change in working capital	36	-79	46
Interest received	16	16	17
Cash flow generated from operations		1 111	914
Tax paid during the period		-184	-487
Net cash flow used in (-)/generated by operating activities:			
From continuing operations		896	726
From discontinued operations		31	-299
Net cash flow generated by operating activities		**927**	**427**
Acquisition of property, plant and equipment	21	-100	-108
Acquisition of intangible assets	19	-109	-30
Acquisition of subsidiaries, net of cash acquired		-7	0
Acquisition of other investments		-17	-2
Sub-total acquisitions		-233	-140
Proceeds from sale of intangible assets		0	2
Proceeds from sale of property, plant and equipment		0	2
Proceeds from sale of subsidiaries, net of cash disposed	8	0	191
Proceeds from sale of other activities, net of cash disposed		2	260
Proceeds from sale of other investments		3	2
Dividends received		0	0
Sub-total disposals		5	457
Net cash flow used in (-)/generated by investing activities:			
From continuing operations		-228	133
From discontinued operations		0	184
Net cash flow used in (-) / generated by investing activities		**-228**	**317**

Redemption of perpetual subordinated bond	26.2	0	-300
Proceeds from issuance of bonds	29.3	0	0
Repayment of bonds (-)	29.3	0	-500
Proceeds from borrowings	28	19	0
Repayments of borrowings (-)	28	-45	-107
Payment of finance lease liabilities	28	-1	-1
Acquisition (-)/disposal of treasury shares	26	-105	-49
Dividend paid to UCB shareholders, net of dividend paid on own shares	26.2, 40	-217	-231
Interest paid	16	-53	-79
Net cash flow used in (-)/generated by financing activities:			
From continuing operations		-402	-1 267
From discontinued operations		0	0
Net cash flow used in financing activities		**-402**	**-1 267**
Net increase/decrease (-) in cash and cash equivalents		**297**	**-523**
From continuing operations		266	-408
From discontinued operations		31	-115
Net cash and cash equivalents at the beginning of the period		**756**	**1 277**
Effect of exchange rate fluctuations		-31	2
Net cash and cash equivalents at the end of the period		**1 022**	**756**

5 Consolidated statement of changes in equity

2017 – € million	Attributed to equity holders of UCB SA										
	Share capital and share premium	Hybrid capital	Treasury shares	Retained earnings	Other reserves	Cumulative translation adjustments	Available for sale financial assets	Cash flow hedges	Total	Non-controlling interests	Total stockholders' equity
Balance at 1 January 2017	**2 614**	**0**	**-283**	**3 263**	**-164**	**132**	**42**	**-20**	**5 584**	**-107**	**5 477**
Profit for the period				753					753	18	771
Other comprehensive income/ loss (-)					9	-352	-12	110	-245	12	-233
Total comprehensive income				753	9	-352	-12	110	508	30	538
Dividends (Note 40)				-217					-217		-217
Share-based payments (Note 27)				60					60		60
Transfer between reserves			45	-45					0		0
Treasury shares (Note 26)			-119						-119		-119
Repayment of capital									0		0
Other movements				-3					-3		-3
Balance at 31 December 2017	**2 614**	**0**	**-357**	**3 811**	**-155**	**-220**	**30**	**90**	**5 813**	**-77**	**5 736**

2016 – € million	Attributed to equity holders of UCB SA										
	Share capital and share premium	Hybrid capital	Treasury shares	Retained earnings	Other reserves	Cumulative translation adjustments	Available for sale financial assets	Cash flow hedges	Total	Non-controlling interests	Total stockholders' equity
Balance at 1 January 2016	2 614	295	-295	2 915	-66	182	43	-16	5 672	-126	5 546
Profit for the period				520					520	22	542
Other comprehensive income/ loss (-)					-89	-50	-1	-4	-144	-3	-147
Total comprehensive income				520	-89	-50	-1	-4	376	19	395
Dividends (Note 40)				-207					-207		-207
Share-based payments (Note 27)				52					52		52
Transfer between reserves		5	16	-12	-9				0		0
Treasury shares (Note 26)			-4						-4		-4
Repayment of capital		-300							-300		-300
Dividend to shareholders of perpetual subordinated bonds (Note 26)				-5					-5		-5
Balance at 31 December 2016	**2 614**	**0**	**-283**	**3 263**	**-164**	**132**	**42**	**-20**	**5 584**	**-107**	**5 477**

04

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 2017 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 21 February 2018. The shareholders will be requested to approve the statutory financial statements of UCB SA at their annual meeting on 26 April 2018.

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 2017.

The consolidated financial statements have been prepared using the historical cost convention, except that certain items including available for sale financial assets, 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 Changes in accounting policy and disclosures

The Group has decided to apply IFRS 15 Revenue from Contracts with Customers (issued in May 2014) as from 1 January 2017 onwards.

In accordance with the transition provisions in IFRS 15 the new rules have been adopted retrospectively and comparatives for the 2016 financial year have been restated. Following practical expedients have been used: for completed contracts with variable consideration, the transaction price at the contract completion date was used, non-disclosure of the transaction price allocated to the remaining performance obligations and explanation of when these amounts are expected to be recognized in revenue for all reporting periods presented before 1 January 2017.

Following the application of IFRS 15 Revenue from Contracts with Customers, the accounting policies for revenue were revised. See Note 2.7 for the revised accounting policies for revenue.

A number of amendments and annual improvements to standards are mandatory for the first time for the financial year beginning 1 January 2017. 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. Additional information that allows to understand the changes in liabilities arising from financing activities, as required by the amendments to IAS 7 Cash flow statements, is disclosed in notes 28 and 29.

The clarifications to IFRS 15 Revenue from Contracts with Customers (issued in April 2016) and effective as of 1 January 2018 have been early adopted as from 2017 although the effect of the early adoption compared to an adoption as per 1 January 2018 is

nihil as the Group did not make use of the additional practical expedients on transition and as other amendments merely concern clarifications on the existing guidance of IFRS 15.

2.2.1 IMPACT OF THE CHANGES IN ACCOUNTING POLICIES DUE TO THE APPLICATION OF IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS ON THE CONSOLIDATED INCOME STATEMENT FOR 2016

As a result of the application of the revised accounting policies due to the application of IFRS 15 Revenue from Contracts with Customers on a full retrospective basis, following reclassifications were done in the consolidated income statement for 2016:

- Reclassification of government levies such as claw backs, paybacks and U.S. Branded Prescription Drug fee from other operating expenses and sales and marketing expenses to net sales for a total amount of € 57 million. Under IFRS 15, the transaction price should exclude any amounts collected on behalf of third parties such as the government or governmental institutions. Therefore, these levies have been reclassified to net sales.
- Reclassification of commissions paid to customers from marketing and selling expenses to net sales for an amount of € 29 million as under IFRS 15, these commissions are assessed as being part of the transaction price.
- Reclassification of fees paid to customers and agents for distinct services from net sales to marketing and selling expenses for an amount of € 55 million.

There was no major impact on the Consolidated statement of financial position as per 1 January 2016.

In the table below the impact of the application of IFRS 15 on the Consolidated income statement is presented.

€ million	As originally presented	Reclassifications due to IFRS 15	As restated
Continuing operations			
Net Sales	3 858	- 31	3 827
Royalty income and fees	125		125
Other revenue	195		195
Revenue	4 178	- 31	4 147
Cost of sales	-1 202		-1 202
Gross profit	2 976	- 31	2 945
Marketing and selling expenses	- 940	2	- 938
Research and development expenses	-1 020		-1 020
General and administrative expenses	- 184		- 184
Other operating income/expenses (-)	- 36	29	- 7
Operating profit before impairment, restructuring	796	0	796
Impairment of non-financial assets	- 12		- 12
Restructuring expenses	- 33		- 33
Other income/expenses (-)	125		125
Operating profit	876	0	876
Financial income	62		62
Financial expenses	- 174		- 174
Net financial expenses (-)	- 112	0	- 112
Share of loss of associates	0		0
Profit before income taxes	764	0	764
Income tax expense	- 199		- 199
Profit from continuing operations	565	0	565
Discontinued operations			
Profit/loss (-) from discontinued operations			
Profit	**542**	**0**	**542**
Attributable to:			
Equity holders of UCB SA	520	0	520
Non-controlling interests	22	0	22
Basic earnings per share (€)			
from continuing operations	2.88		2.88
from discontinued operations	- 0.12		- 0.12
Total basic earnings per share	**2.76**		**2.76**
Diluted earnings per share (€)			
from continuing operations	2.88		2.88
from discontinued operations	- 0.12		- 0.12
Total diluted earnings per share	**2.76**		**2.76**

2.3 New standards and amendments to standards not yet adopted

Certain new standards and amendments to existing standards have been issued by the IASB but are not effective for the financial year beginning on 1 January 2017 and have not been early adopted by the Group.

- IFRS 9 Financial instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard is effective as from 1 January 2018 onwards. The Group does not expect a major impact from the application of IFRS 9 on the Group's consolidated financial statements.
- IFRS 16 Leases is effective as from 1 January 2019 and specifies how to recognize, measure, present and disclose leases. The new standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting remains largely unchanged from IAS 17.

The Group intends to early adopt IFRS 16 Leases as from 1 January 2018.

On adoption of IFRS 16, the Group will recognize lease liabilities in relation to leases which have been classified previously as 'operating leases' under the principles of IAS 17 Leases. These liabilities will be measured at the present value of the remaining lease payments, discounted using the group's incremental borrowing rate as of 1 January 2018. In accordance with the transition provisions in IFRS 16, the new rules for lease accounting will be adopted retrospectively with the cumulative effect of initially applying the new standard recognized on 1 January 2018 (ie. limited retrospective application). Comparatives for the 2017 financial year will not be restated for IFRS 16. The associated right-of-use assets will be measured at an amount equal to the lease liability, adjusted by the amount of any related restoration provision.

In applying IFRS 16 for the first time, the Group will use the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease;
- for contracts entered into before 1 January 2018, the Group has not reassessed whether the contract is, or contains, a lease. The Group does not apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group estimates that the increase in financial liabilities, following the application of IFRS 16, is not expected to exceed 10% of gross debt. The impact on the income statement is not expected to exceed 1% of profit before income taxes.

There are no other standards or amendments to standards that are not yet effective and that would be expected to have a material impact on the Group's consolidated financial statements.

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	
	2017	2016	2017	2016
USD	1.202	1.055	1.127	1.106
JPY	135.360	123.040	126.409	120.054
GBP	0.889	0.854	0.876	0.817
CHF	1.170	1.073	1.110	1.090

The closing rates represent spot rates as at 31 December 2017 and 31 December 2016.

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.

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 2017, 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 eg. 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 can not 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
- Asset held under finance lease 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

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2.17.1 FINANCE LEASES

Assets held under finance leases are recognized as assets of the Group at the lower of their fair value and the present value of the minimum lease payments less cumulative depreciation and impairment losses. The corresponding liability to the lessor is included in the balance sheet as obligations under finance leases.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining

balance of the liability. Finance charges are recognized in the income statement.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the Group adopts for depreciable assets that are owned.

If there is reasonable certainty that the Group will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise the asset is depreciated over the shorter of the lease term and its useful life.

2.17.2 OPERATING LEASES

Lease payments under an operating lease are recognized in the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

2.18 Financial assets

2.18.1 CLASSIFICATION

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired.

Management determines the classification of its financial assets at initial recognition.

2.18.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group financial market risk management policy. Derivative financial instruments are also categorized as held for trading unless they are designated as hedges.

2.18.3 LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

2.18.4 AVAILABLE FOR SALE FINANCIAL ASSETS

Available for sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

2.18.5 RECOGNITION AND MEASUREMENT

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. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognized at fair value and the transaction costs are expensed in the income statement. 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. Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method, less any impairment losses.

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 unless it concerns equity instruments that do not have a quoted price in an active market and for which the fair value can not be measured reliably. These instruments are measured at cost.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are recognized in the income statement in the period in which they arise while gains or losses arising from changes in the fair value of available for sale financial assets are recognized directly in other comprehensive income except for translation differences related to changes in the amortized cost of monetary securities which are recognized in profit or loss. On disposal/impairment of available-for-sale financial assets, any cumulative gains or losses that have been deferred in equity are recycled to the income statement.

2.19 Impairment of financial assets

2.19.1 ASSETS CARRIED AT AMORTIZED COST

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows.

The Group first assesses whether objective evidence of impairment exists. For loans and receivables category, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

2.19.2 ASSETS CLASSIFIED AS AVAILABLE FOR SALE

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to above. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated income statement.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the asset is impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.20 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 non-performance 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 relationship between the hedging instrument and the hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, as to whether the derivative financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

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.

Embedded derivative financial instruments 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.

2.20.1 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".

Amounts 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 equity are included in the initial measurement of the asset or liability. If the cash flow hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized directly in equity are reclassified to the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement.

A cash flow hedge relationship is discontinued prospectively if the hedge fails the effectiveness test, the hedging instrument is sold, terminated or exercised, management revokes the designation or the forecasted transactions is no longer highly probable. Where a forecasted transaction is no longer highly probable but still expected to occur, hedging gains and losses previously deferred in equity remain in equity until the transaction affects profit or loss.

Once the forecasted transaction is no longer expected to occur, any gain or loss is released immediately to the income statement.

2.20.2 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.

2.20.3 NET INVESTMENT HEDGES

HHedges 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 other comprehensive income; 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.

2.20.4 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".

2.21 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.

2.22 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 impairment.

2.23 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.

2.24 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.

2.25 Share capital

2.25.1 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.

2.25.2 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.

2.25.3 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.

2.26 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.

2.27 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.

2.28 Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortized cost using the effective interest method.

2.29 Employee benefits

2.29.1 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.

2.29.2 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.

2.29.3 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.

2.29.4 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.

2.29.5 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.

2.29.6 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.

2.30 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

3.1.1 REVENUE RECOGNITION

Due to the changes in accounting policies resulting from the application of IFRS 15, the critical judgments in applying the group accounting policies relating to revenue recognition were adapted as follows:

The Group is also 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.

3.1.2 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.

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 analyses 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 € 817 million (Note 19) and goodwill with a carrying amount of € 4 838 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: 6.62%
- discount rate in respect of Intangibles related to pipeline products: 13.0%

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 accepted 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 individually on their technical merits with no offset or aggregation between positions and this on a regular basis using all the information available (legislation, case law, regulations, established practice and authoritative doctrine). A liability is recorded for each item that is not probable of being sustained on examination by the tax authorities based on all relevant information. The liability is calculated by the Group as the best estimate of the current tax it expects to pay using the Group's best judgement of the likely outcomes of such examinations. 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 a corresponding adjustment 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 € 662 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 forecasted taxable profits is also considered. For 2017, the Group also took into account the tax reform in Belgium, United States and UK.

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 incurred in prior periods but where profits now arise and are forecasted 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 and relevant government representatives. 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 department, Internal Audit department, Tax department and Treasury and Risk department. 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.

4.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group income statement or the value of its holdings of financial instruments. 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 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 assets and 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 transaction 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 a period of minimum 6 and maximum 26 months of anticipated cash flows primarily derived from sales, royalties or out-licensing revenues provided that no natural hedges exist.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

The effect of translation 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 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 2017, 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:

€ million	Change in rate, strenghtening/ weakening (-) EUR	Impact on equity: loss (-) / gain	Impact on income statement: loss (-) / gain
At 31 December 2017			
USD	+10%	-94	-6
	-10%	115	7
GBP	+10%	-33	-4
	-10%	40	5
CHF	+10%	-50	-2
	-10%	61	3
JPY	+10%	12	-2
	-10%	-15	2

€ million	Change in rate, strenghtening/ weakening (-) EUR	Impact on equity: loss (-) / gain	Impact on income statement: loss (-) / gain
At 31 December 2016			
USD	+10%	-118	1
	-10%	144	-1
GBP	+10%	-45	2
	-10%	55	-2
CHF	+10%	-55	-4
	-10%	67	4
JPY	+10%	15	2
	-10%	-18	-3

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 2017, 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 IAS 39.

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 € 1 million (2016: € 3 million); a 100 basis points decrease in interest rates would have decreased equity by € 1 million (2016: € 3 million).

A 100 basis points increase in interest rates at balance sheet date would have increased profit and loss by € 0 million (2016: € 0 million); a 100 basis points decrease in interest rates would have decreased profit and loss by € 0 million (2016: € 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 2016, during 2017 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 (since 2014), 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): € 1 049 million (2016: € 761 million)
- marketable non-equity securities (Note 22): € 0 million (2016: € 3 million)
- unutilized credit facilities and undrawn available amount under finance contract (Note 28): € 72 million (2016: € 81 million), linear digressive since 2016 until 2025
- unutilized revolving credit facilities (Note 28): € 1 billion (2016: € 1 billion); the existing € 1 billion syndicated committed revolving credit facility of the Group, maturing in 2021 was undrawn per end 2017

The table below analyses 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.

€ million	Note	Total	Contractual cash flow	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2017							
Bank Borrowings and other long term loans	28	311	311	11	21	279	0
Debentures and other short term loans	28	0	0	0	0	0	0
Finance lease liabilities	28	5	5	2	2	1	0
Retail bond maturing in 2023	29	188	230	9	9	27	185
Institutional Eurobond maturing in 2022	29	349	384	7	7	370	0
Institutional Eurobond maturing in 2021	29	365	407	14	14	379	0
Retail bond maturing in 2020	29	254	277	9	9	259	0
EMTN notes maturing in 2019	29	75	79	2	77	0	0
Trade and other liabilities	34	1 750	1 750	1 724	10	15	1
Bank overdrafts	28	26	26	26	0	0	0
Interest rate swaps		63	63	14	14	31	4
Forward exchange contracts used for hedging purposes							
Outflow		2 753	2 753	2 753	0	0	0
Inflow		2 848	2 848	2 848	0	0	0
Forward exchange contracts and other derivative financial instruments at fair value through profit or loss							
Outflow		2 460	2 460	2 460	0	0	0
Inflow		2 455	2 455	2 455	0	0	0

€ million	Note	Total	Contractual cash flow	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2016							
Bank Borrowings and other long term loans	28	338	338	12	0	326	0
Debentures and other short term loans	28	8	8	8	0	0	0
Finance lease liabilities	28	7	7	2	2	3	0
Retail bond maturing in 2023	29	192	239	9	9	27	194
Institutional Eurobond maturing in 2022	29	350	389	7	7	20	355
Institutional Eurobond maturing in 2021	29	370	422	14	14	394	0
Retail bond maturing in 2020	29	256	288	9	9	270	0
EMTN notes maturing in 2019	29	75	82	2	2	78	0
Trade and other liabilities	34	1 915	1 915	1 860	30	23	2
Bank overdrafts	28	5	5	5	0	0	0
Interest rate swaps		74	74	12	14	38	10
Forward exchange contracts used for hedging purposes							
Outflow		3 559	3 559	3 559	0	0	0
Inflow		3 518	3 518	3 518	0	0	0
Forward exchange contracts and other derivative financial instruments at fair value through profit or loss							
Outflow		1 255	1 255	1 127	128	0	0
Inflow		1 235	1 235	1 109	126	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	2017	2016
Total borrowings (Note 28)	342	358
Bonds (Note 29)	1 231	1 243
Less: cash and cash equivalents (Note 25), available for sale debt securities (Note 22) and cash collateral related to the financial lease obligation	-1 049	- 764
Net debt	525	838
Total equity	5 736	5 477
Total financial capital	6 260	6 315
Gearing ratio	**8%**	**13%**

4.5 Fair value estimation

The fair value of financial instruments traded in active markets (such as available for sale financial assets) 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

€ million	Level 1	Level 2	Level 3	Total
31 December 2017				
Financial assets				
Available for sale assets (Note 22)				
Quoted equity securities	83	0	0	83
Quoted debt securities	0	0	0	0
Derivative financial assets (Note 38)				
Forward foreign exchange contracts – cash flow hedges	0	112	0	112
Forward exchange contracts – fair value through profit and loss	0	19	0	19
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	45	0	45
Other financial assets excluding derivatives (Note 22)				
Warrants	0	0	0	0

€ million	Level 1	Level 2	Level 3	Total
31 December 2016				
Financial assets				
Available for sale assets (Note 22)				
Quoted equity securities	64	0	0	64
Quoted debt securities	3	0	0	3
Derivative financial assets (Note 38)				
Forward foreign exchange contracts – cash flow hedges	0	10	0	10
Forward exchange contracts – fair value through profit and loss	0	37	0	37
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	61	0	61
Other financial assets excluding derivatives (Note 22)				
Warrants	0	0	0	0

4.5.3 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

€ million	Level 1	Level 2	Level 3	Total
31 December 2017				
Financial liabilities				
Derivative financial liabilities (Note 38)				
Forward foreign exchange contracts – cash flow hedges	0	9	0	9
Forward exchange contracts – fair value through profit and loss	0	20	0	20
Interest rate derivatives – cash flow hedges	0	1	0	1
Interest rate derivatives – fair value through profit and loss	0	4	0	4
Other financial liabilities excluding derivatives (Note 30)				
Warrants	0	0	76	76

€ million	Level 1	Level 2	Level 3	Total
31 December 2016				
Financial liabilities				
Derivative financial liabilities (Note 38)				
Forward foreign exchange contracts – cash flow hedges	0	51	0	51
Forward exchange contracts – fair value through profit and loss	0	50	0	50
Interest rate derivatives – cash flow hedges	0	2	0	2
Interest rate derivatives – fair value through profit and loss	0	6	0	6
Other financial liabilities excluding derivatives (Note 30)				
Warrants	0	0	127	127

During the reporting period ending 31 December 2017, 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 received pursuant to the sale of Kremers Urban Pharmaceuticals Inc. ("KU") in 2015 (Note 8) was determined using a "Black-Scholes" Model. The warrants were valued at € 29 million as per 31 December 2015. Due to the declining share price of Lannett Company Inc., an impairment was accounted for in 2016 on these warrants in order to reduce the net carrying amount of these warrants down to € 0 (Note 16).

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% would lead to an increase/decrease of the fair value of the warrants with 0% (2016: 0%). A decrease/increase in the discount rate with 1% would lead to an increase/decrease of the fair value of the warrants with 1% (2016: 2%). The change in fair value, recognized in profit and loss, amounts to € 11 million (2016 € 8 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 2016	162	162
Cash purchase of additional warrants	0	0
Cash settlement of warrants	- 46	- 46
Effect of changes in fair value recognized in profit and loss	8	8
Effect of movements in exchange rates	3	3
31 December 2016	127	127
Cash purchase of additional warrants	0	0
Cash settlement of warrants	- 48	- 48
Effect of changes in fair value recognized in profit and loss	11	11
Effect of movements in exchange rates	- 13	- 13
31 December 2017	**76**	**76**

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 table below shows financial assets subject to enforceable master netting arrangements:

€ 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	
31 December 2017				
Derivatives	176	31	0	145
Other	0	0	0	0
Total	**176**	**31**	**0**	**145**

The table below shows financial liabilities subject to enforceable master netting arrangements:

€ 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	
31 December 2017				
Derivatives	34	31	0	3
Other	0	0	0	0
Total	**34**	**31**	**0**	**3**

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 2017.

The table below shows financial assets subject to enforceable master netting arrangements:

€ 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	
31 December 2016				
Derivatives	108	55	0	53
Other	0	0	0	0
Total	**108**	**55**	**0**	**53**

The table below shows financial liabilities subject to enforceable master netting arrangements:

€ 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	
31 December 2016				
Derivatives	109	55	0	54
Other	0	0	0	0
Total	**109**	**55**	**0**	**54**

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	2017	2016 (Restated)[1]
Cimzia®	1 424	1 304
Vimpat®	976	822
Keppra® (including Keppra® XR)	778	720
Neupro®	314	298
Xyzal®	104	101
Zyrtec® (including Zyrtec-D®/Cirrus®)	103	117
Briviact®	87	18
Nootropil®	44	46
venlaflaxine ER	0	89
Other products	324	331
Designated hedges reclassified to net sales	28	- 19
Total net sales	**4 182**	**3 827**

[1] After reclassifications due to IFRS 15

5.2 Geographic information

The table below shows sales in each geographic market in which customers are located:

€ million	2017	2016 (Restated)[1]
U.S.	2 069	1 877
Europe – other (excluding Belgium)	322	316
Germany	319	290
Japan	292	254
Spain	175	160
France (including French territories)	161	158
Italy	141	138
China	134	142
U.K. and Ireland	133	129
Belgium	37	33
Other countries	371	349
Designated hedges reclassified to net sales	28	- 19
Total net sales	**4 182**	**3 827**

1 After reclassifications due to IFRS 15

The table below illustrates the property, plant and equipment in each geographic market in which the assets are located:

€ million	2017	2016
Switzerland	298	300
Belgium	260	269
U.K. and Ireland	40	45
U.S.	32	29
Japan	23	13
China	12	13
Germany	2	3
Brazil	2	2
Other countries	4	4
Total	**673**	**678**

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 2017.

In the U.S., sales to 3 wholesalers accounted for approximately 74% of U.S. sales (2016: 83%).

6 Revenue from contracts with customers

The Group has recognized the following amounts relating to revenue in the consolidated income statement:

€ million	2017	2016 (Restated)[1]
Revenue from contracts with customers	4 493	4 120
Revenue from agreements whereby risks and rewards are shared	37	27
Total revenue	**4 530**	**4 147**

1 After reclassifications due to IFRS 15

6.1 Disaggregation of revenue from contracts with customers

€ million	ACTUAL		TIMING OF REVENUE RECOGNITION			
	2017	2016 (Restated)[1]	2017		2016 (Restated)[1]	
			At a point in time	Over time	At a point in time	Over time
Net sales U.S.	2 069	1 877	2 069	0	1 877	0
Cimzia®	918	846	918	0	846	0
Vimpat®	746	629	746	0	629	0
Keppra®	232	216	232	0	216	0
Neupro®	96	85	96	0	85	0
Briviact®	63	11	63	0	11	0
Established brands	14	90	14	0	90	0
Net sales Europe	1 288	1 224	1 288	0	1 224	0
Cimzia®	370	339	370	0	339	0
Keppra®	235	237	235	0	237	0
Neupro®	168	161	168	0	161	0
Vimpat®	177	152	177	0	152	0
Briviact®	22	7	22	0	7	0
Established brands	316	328	316	0	328	0
Net sales international markets	798	745	798	0	745	0
Keppra®	311	267	311	0	267	0
Cimzia®	136	118	136	0	118	0
Vimpat®	53	42	53	0	42	0
Neupro®	50	52	50	0	52	0
Briviact®	1	0	1	0	0	0
Established brands	246	266	246	0	266	0
Net sales before hedging	4 154	3 846	4 154	0	3 846	0
Designated hedges reclassified to net sales	28	- 19	28	0	- 19	0
Total net sales	4 182	3 827	4 182	0	3 827	0
Royalty income and fees	108	125	108	0	125	0
Contract manufacturing revenues	91	119	91	0	119	0
Income from licensing deals (upfront payments, development milestones, sales milestones)	100	36	73	27	15	21
Revenue resulting from services & other deliveries	12	13	0	12	4	9
Total other revenue	203	168	164	39	138	30
Total revenue from contracts with customers	**4 493**	**4 120**	**4 454**	**39**	**4 090**	**30**

1 After reclassifications due to IFRS 15

6.2 Contract assets and liabilities

The Group has recognized the following revenue-related contract liabilities:

€ million	Note	2017	2016
Contract liabilities resulting from out-licensing agreements			
Non-current	34	9	14
Current	34	21	37
Total revenue-related contract liabilities		**30**	**51**

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 2017.

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	2017	2016 (Restated)[1]
Revenue recognized that was included in the contract liability balance at the beginning of the period	22	16
Revenue resulting from out-licensing agreements	22	16
Revenue recognized that relates to performance obligations that were satisfied in a prior year	181	173
Product sales	56	48
Revenue resulting from out-licensing agreements	125	125

1 After reclassifications due to IFRS 15

The following table shows unsatisfied performance obligations resulting from out-licensing agreements:

€ million	Note	2017	2016
Aggregate amount of the transaction price allocated to development agreements that are partially or fully unsatisfied as at 31 December	34	18	33
Upfront payments received for out-licensing agreements to be taken in revenue as performance obligations are satisfied over time	34	12	18
Unsatisfied performance obligations resulting from out-licensing agreements		**30**	**51**

Management expects that 30 % of the transaction price allocated to the unsatisfied development agreements as of 31 December 2017 will be recognized as revenue during the next reporting period. The remaining 70% will be recognized in financial years 2019 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 (€ 18 million) as well as providing access to IP rights owned by the Group (€ 12 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

On 2 June 2017, UCB increased its 27% equity stake in Beryllium LLC to full ownership. Beryllium LLC is a research-based company specializing in protein expression and structural biology, located in Bainbridge, Washington and Bedford, Massachusetts (U.S.). UCB has already been successfully partnering with Beryllium LLC for several years and acquired a 27% stake in the company in 2014. The acquisition of Beryllium LLC will enable UCB to boost its capabilities in protein engineering and structural biology, which will benefit UCB's existing and future discovery pipeline. Beryllium LLC will also explore and develop its promising micro RNA targeting platform. UCB increased its equity stake to 100% of the issued and outstanding shares of Beryllium LLC by paying a net amount of € 7 million to Beryllium LLC's external shareholders, after € 7 million was reimbursed to UCB as consideration for the series A preferred units held by UCB in Beryllium LLC since 2014, including accrued dividends. UCB performed an initial purchase price allocation (see table below). However, the initial accounting for the business combination is not complete yet as some information relating to the recoverability of tax losses carried forward is not finalized. The goodwill represents expected synergies with UCB's super network and core antibody and small molecule discovery approach, as well as skilled workforce. Goodwill is not expected to be tax deductible. Adjustments due to the initial purchase price allocation mainly relate to identification of intangible assets such as the micro RNA targeting platform, customers contracts, research knowledge and standard operating procedures. The fair value of acquired receivables is estimated at € 1 million. All contractual cash flows are expected to be collected. No contingent liabilities have been identified. Acquisition related costs for an amount of € 1 million have been recorded under Other Expenses. No major gain or loss was recognized as a result of the re-measuring to fair value of the equity interest in Beryllium LLC held by UCB before the business combination. The amounts of revenue and profit or loss of Beryllium LLC included in the consolidated income statement for the reporting period since the acquisition are not material. The amounts of revenue and profit or loss for Beryllium LLC (excluding intercompany amounts with UCB) assuming the acquisition date would have been 1 January 2017 are also not material.

€ million	Initial opening balance sheet	Adjustments due to initial purchase price allocation	Adjusted opening balance sheet (not final yet)
Total acquisition value	**7**	**0**	**7**
Cash consideration paid (net)	7		7
Contingent consideration	0		0
Settlement of receivable on Beryllium LLC at recorded amount	4		4
Fair value of previously held investment	4		4
Recognized amounts of identifiable assets acquired and liabilities assumed	- 2	- 4	- 6
Non-current assets	- 2	- 4	- 6
Current assets	- 2		- 2
Non-current liabilities	2		2
Current liabilities	0		0
Goodwill	**13**	**- 4**	**9**

8 Discontinued operations and assets 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 € 1 million for 2017 includes a € 1 million loss for costs from the sale of KU. Discontinued operations also include the partial reversal of provisions related to the legacy films and chemical activities for € 2 million. The loss from discontinued operations for 2016 includes a € 16 million loss for adjustments of proceeds and deal costs from the sale of KU and an additional € 8 million tax expense on the gain resulting from the sale of KU.

The cash flows from discontinued operations have been separately disclosed on the cash flow statement. In 2017 there was a cash inflow of € 31 million, mainly related to the receipt of proceeds that had previously been deferred until the outcome of a tax ruling.

8.2 Assets and liabilities of disposal group classified as held for sale

The assets of disposal group classified as held for sale as per 31 December 2017 relate to the Monheim site in Germany. In 2016 UCB decided to dispose of the site and enter into a leaseback agreement for that part of the site that is currently used by UCB. As per year-end, negotiations were ongoing with the buyer. No impairment loss has been accounted for on these assets. The assets of the disposal group classified as held for sale as per 31 December 2016 also related to the Monheim site.

Detail of assets of disposal group classified as held for sale as per 31 December 2017 and 2016:

€ million	2017	2016
Property, plant and equipment	16	16
Inventories	-	1
Assets classified as held for sale	16	17

9 Other revenues

€ million	2017	2016
Revenue generated by means of profit-sharing agreements	16	19
Upfront payments, milestone payments and reimbursements	133	57
Contract manufacturing revenues	91	119
Total other revenue	**240**	**195**

The revenue generated through profit-sharing agreements relates mainly to revenue from the co-promotion of Dafiro®, Provas®, Xyzal®

During 2017, UCB received milestone payments and reimbursements from different parties, mainly:

- One-time revenue of € 56 million for the out-licensing of the over-the-counter allergy drug Xyzal® in the U.S.
- Sanofi for collaboration and development of innovative anti-inflammatory small molecules;
- Otsuka for co-development of E Keppra® and Neupro® in Japan;
- Daiichi Sankyo for Vimpat® in Japan;
- Biogen for multiple sclerosis and hemophilia therapies in Asia.

The revenue from contract manufacturing activities is mainly linked to the toll manufacturing agreements entered into after the divestiture of the nitrates in 2016, and with GSK in 2009.

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	2017	2016
Employee benefit expenses	11	1 200	1 092
Depreciation of property, plant and equipment	21	74	73
Amortization of intangible assets	19	160	159
Impairment of non-financial assets (net)	13	1	12
Total		**1 435**	**1 336**

11 Employee benefit expense

€ million	Note	2017	2016
Wages and salaries		790	696
Social security costs		121	96
Post-employment benefits – defined benefit plans	32	72	60
Post-employment benefits – defined contribution plans		25	99
Share-based payments to employees and directors	27	88	26
Insurance		47	40
Other employee benefits		57	75
Total employee benefit expense		**1 200**	**1 092**

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	2017	2016
Hourly Paid	3	8
Monthly Paid	3 139	3 354
Management	4 336	4 201
Total	**7 478**	**7 563**

Further information regarding post-employment benefits and share-based payments can be found in Notes 27 and 32.

12 Other operating income/expenses

€ million	2017	2016 (Restated)[1]
Amortization of non-production related intangible assets	0	0
Provisions	5	- 13
Impairment trade receivable	- 4	- 2
Reimbursement by third parties for development expenses	8	3
Grants received	14	15
Collaboration agreement for the development and commercialization of Evenity™	- 39	0
Other income / expenses (-)	5	- 10
Total other operating income / expenses	**- 11**	**- 7**

1 After reclassifications due to IFRS 15

The result of the collaboration agreement with Amgen for the development and commercialization of Evenity™ amounted to € -39 million expenses. As from 2017 onwards, all recharges of development and preparation of commercialization expenses to/from Amgen are classified as other operating income/expenses. In 2016, the net recharges for development expenses for an amount of € -38 million were presented as part of research and development expenses. The net recharges for commercialization expenses for an amount of € -8 million were presented as part of marketing and selling expenses. The equivalent total net recharges as per 31 December 2017 consisted of € -17 million marketing and selling expenses and € -22 million development expenses.

In 2016, the other expenses related to Branded Prescription Drug fee in the U.S. of € -29 million were reclassified to net sales due to application of IFRS 15 (see Note 2.2.1).

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 € 1 million (2016: € 12 million).

Impairment charges of € 6 million related to narcotic cough suppressants were recognized in the year. In addition, an impairment of € 1 million was concluded in respect of Metadate®. Furthermore, the impairment on *inotuzumab ozogamicin*, out-licensed to Pfizer, for an amount of € 6 million that had been accounted for in 2013, was reversed as Pfizer announced that the European Commission has approved Besponsa® (*inotuzumab ozogamicin*) as monotherapy for the treatment of adults with relapsed or refractory Acute Lymphoblastic Leukemia (ALL). In 2016, impairment charges of € 12 million were recognized, mainly related to pre-clinical oncology molecules).

No impairment charges for Group property, plant and equipment were recognized in 2017 (2016: € 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 2017 amount to € 23 million (2016: € 33 million) and are related to new organization models and business discontinuation. In 2016, the restructuring expenses were mainly related to reorganization and optimization.

15 Other income/expenses

Total other income/expense amounted to an expense of € 19 million (2016: income of € 125 million) and is comprised of the following items:

- Other income of € 3 million in 2017 compared to € 171 million in 2016. This mainly relates to additional proceeds received in respect of the disposal of the nitrates business (cardiovascular products) to Merus Labs International Inc. In 2016, the income related to the disposal of the nitrates business as well as the disposal of *venlafaxine ER* to Osmotica Pharmaceuticals Corp.
- Other expenses amounted to € 22 million (2016: € 46 million) in 2017 and mainly relate to legal fees related to intellectual property.

16 Financial income and financial expenses

The net financial expenses for the year amounted to € 99 million (2016: € 112 million). The breakdown of the financial expenses and financial income is as follows:

FINANCIAL EXPENSES

€ million	2017	2016
Interest expenses on:		
Retail bonds	- 25	- 25
Institutional Eurobonds	- 17	- 44
Other borrowings	- 14	- 18
Financial charges on finance leases	0	0
Impairment of equity securities and other financial assets	0	- 21
Net loss on interest rate derivatives	0	- 7
Net foreign exchange losses	- 44	- 44
Net other financial expenses	- 14	- 15
Total financial expenses	**- 114**	**- 174**

FINANCIAL INCOME

€ million	2017	2016
Interest income on:		
Bank deposits	1	18
Interest rate derivatives	13	15
Net fair value gain on foreign exchange derivatives	1	29
Total financial income	**15**	**62**

The net other financial expenses include € 11 million expenses related to the changes in fair value of the warrants linked to the structured entity Edev Sàrl (€ -8 million in 2016) (Note 4.5.3.).

The impairment of equity securities and other financial assets in 2016 is mainly related to fair value and impairment losses on the warrant received pursuant to the sale of KU for an amount of € 29 million compensated by a gain on the sale of shares for an amount of € 7 million.

17 Income tax expense (-)/credit

€ million	2017	2016
Current income taxes	16	-284
Deferred income taxes	-234	85
Total income tax expense (-)/credit	**-218**	**-199**

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	2017	2016
Profit before income taxes	988	764
Income tax expense (-) calculated at domestic tax rates applicable in the respective countries	-206	-175
Theoretical income tax rate	**21%**	**23%**
Reported current income tax	16	-284
Reported deferred income tax	-234	85
Total reported tax charge	-218	-199
Effective income tax rate	**22%**	**26%**
Difference between theoretical and reported tax	-12	-24
Expenses non-deductible for tax purposes	-34	-44
Non-taxable income	8	30
Decrease of liabilities for uncertain tax positions	181	8
Effect of previously unrecognized tax credits and losses used in the period	43	24
Tax credits	37	23
Variation in tax rates	-124	5
Effect of reversal of previously recognised deferred tax assets on tax losses	-	-87
Current tax adjustments related to prior years	35	2
Deferred tax adjustments related to prior years	-71	59
Net effect of previously unrecognised deferred tax assets and non-recognition of current year deferred tax assets	-89	-39
Withholding tax	-2	-4
Other taxes	3	-1
Total difference between theoretical and reported income tax	**-12**	**-24**

The theoretical income tax rate has slightly reduced from the prior year due to the reduction of corporate tax rates in a number of jurisdictions in which UCB operates and a shift in the income mix between the different territories in which the group is active.

The effective tax rate of 22% is below the prior year effective tax rate and is composed of a current tax credit and a deferred tax charge. The key drivers for the rate can be summarized as follows:

Current Tax:

- A significant reduction of reserves for uncertain tax positions arising from the completion of tax audits in key jurisdictions or expiry of statute of limitations and further recognition of assets for Mutual Agreement Procedure / Arbitrage.

Deferred Tax:

- The impact of tax reforms in key jurisdictions with the reduction in the US federal corporate income tax rate from 35% to 21% having the most significant impact.
- In line with prior years, there was an increase to the tax rate in respect of losses generated in the period for which no deferred tax asset has been recognized.

The impact of the US tax reform impacted the deferred income tax charge for € 119 million resulting from the remeasurement of rebates & returns (€ 62 million), inventory (€ 66 million) and others (€ -10 million). The Belgian tax reform had a less significant impact on the group. Deferred tax balances have been remeasured at the new tax rates and tax loss balances were subject to recoverability testing based on the new loss limitation rules. The UK tax reform did not result in any derecognition of deferred tax losses. The deferred tax assets recognized in respect of the losses were updated following an agreement between the Belgian and UK tax authorities.

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 that in future can be brought onto the balance sheet and the outcome of future tax audits.

Changes to tax legislation in jurisdictions where the Group operates as well as the impact of European & international tax rules such as the OECD's Base Erosion & Profit Shifting framework ('BEPS') may also have a major impact.

Following the implementation of the BEPS framework in the countries in which UCB operates, the Group is consistently assessing its tax position in view of understanding the risk of double taxation, and impacts on tax rates, tax incentives and the carrying value of deferred taxes.

Corporate restructuring, acquisitions and disposals, future planning as well as legislative changes may also impact the Group's future tax charge.

The Group is specifically paying attention to the following:

Belgium: Per end of December 2017, a major Belgian tax law change was enacted. This tax law change introduces a gradual tax rate decrease from 33.99% down to 25% in 2020. Compensating measures, including a 70% loss limitation rule, were enacted at the same time. The tax law change should have a positive impact on current taxes due in the longer run. The application of an innovation income deduction and the new laws on Belgian tax consolidation are further assessed by Belgian management in 2018 and onwards.

U.S.: Due to the US tax reform, management expects that current taxes in US will be decreasing in the future. There is close follow-up of the other new measures to ensure that the impact on UCB is accurately captured.

18 Components of other comprehensive income (OCI)

€ million	1 January 2016	Movements 2016 net of tax	31 December 2016	Movements 2017 net of tax	31 December 2017
Items of OCI to be reclassified to profit or loss in subsequent periods:	208	-55	153	-254	-101
Cumulative translation adjustments	182	-50	132	-352	-220
Available for sale financial assets	42	-1	41	-12	29
Cash flow hedges	-16	-4	-20	110	90
Items of OCI not to be reclassified to profit or loss in subsequent periods:	-264	-89	-353	9	-344
Remeasurement of defined benefit obligation	-264	-89	-353	9	-344
Total other comprehensive income attributed to equity holders	**-56**	**-144**	**-200**	**-245**	**-445**

19 Intangible assets

2017 € million	Trademarks, patents and licences	Other	Total
Gross carrying amount at 1 January	**2 278**	**396**	**2 674**
Additions	73	31	104
Disposals	- 3	- 15	- 18
Business Combinations	5	0	5
Transfer from one heading to another	295	- 68	227
Divestments	0	0	0
Transfer to assets held for sale	0	0	0
Effect of movements in exchange rates	- 123	- 2	- 125
Gross carrying amount at 31 December	2 525	342	2 867
Accumulated amortization and impairment losses at 1 January	**-1 489**	**- 310**	**-1 799**
Amortization charge for the year	- 604	444	- 160
Disposals	1	15	16
Impairment losses recognized in the income statement	- 1	0	- 1
Transfer from one heading to another	163	- 366	- 203
Divestments	0	0	0
Transfer to assets held for sale	0	0	0
Effect of movements in exchange rates	93	4	97
Accumulated amortization and impairment losses at 31 December	-1 837	- 213	-2 050
Net carrying amount at 31 December	**688**	**129**	**817**

2016 € million	Trademarks, patents and licences	Other	Total
Gross carrying amount at 1 January	**2 397**	**387**	**2 784**
Additions	17	54	71
Disposals	- 32	- 15	- 47
Transfer from one heading to another	- 17	- 33	- 50
Transfer to assets held for sale	- 31	0	- 31
Effect of movements in exchange rates	- 56	3	- 53
Gross carrying amount at 31 December	2 278	396	2 674
Accumulated amortization and impairment losses at 1 January	**-1 468**	**- 261**	**-1 729**
Amortization charge for the year	- 111	- 48	- 159
Disposals	29	10	39
Impairment losses recognized in the income statement	- 12	0	- 12
Transfer from one heading to another	12	- 12	0
Transfer to assets held for sale	18	0	18
Effect of movements in exchange rates	43	1	43
Accumulated amortization and impairment losses at 31 December	-1 489	- 310	-1 799
Net carrying amount at 31 December	**789**	**86**	**875**

The Group amortises 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 2017, the Group acquired intangible assets totalling € 104 million (2016: € 71 million). These additions are related to in-licencing deals, software and capitalized eligible development costs, including the fourth milestone and final payment paid by UCB for € 29 million to Dermira relating to the Phase 3 clinical program that was designed to evaluate the efficacy and safety of Cimzia® in adult patients with moderate-to-severe chronic plaque psoriasis. There were also additions totaling € 23 million relating to the capitalization of external development expenses for post approval studies. UCB also acquired intangibles totalling € 5 million as part of the acquisition of the remaining shareholding in Beryllium LLC.

Disposals in the period were mainly in respect of software. In 2016 UCB divested the nitrates products, including related intangibles, accounting for the majority of disposals in that year.

During the year, the Group recognized total impairment charges of € 1 million (2016: € 12 million) which consisted of the impairment of narcotic cough suppressants (€ 6 million) and Metadate® (€ 1 million). There was also the reversal of the impairment in *inotuzumab ozomagicin*, an outlicensed asset for an amount of € 6 million. In 2016, the impairment of € 12 million related mainly to pre-clinical oncology molecules. The impairment charges are detailed in Note 13 and have been presented in the income statement under the caption "Impairment of non-financial assets".

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 licences caption. Other intangible assets also include software and other intangibles.

20 Goodwill

€ million	2017	2016
Cost at 1 January	**5 178**	**5 164**
Acquisition	9	0
Effect of movements in exchange rates	- 349	14
Net book value at 31 December	**4 838**	**5 178**

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 2016.

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 2016, 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% (2016: 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	2016
USD	1.10 - 1.25	1.11 - 1.28
GBP	0.87 - 0.90	0.81 - 0.87
JPY	120	130
CHF	1.06 - 1.00	1.09 - 1.02

Starting from risk free short term LIBOR EUR 6 months and long term EU generic government bonds 20 years (2016: 20 years), the discount rates applied are determined based on the weighted average cost of capital for DCF models, including the 20 year (2016: 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 6.62% (2016: 7%) and for pipeline products 13.0% (2016: 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® and other products (Zyrtec®, Xyzal® and others). Pipeline products are products that are not sold yet in the market as per year- end (eg. Evenity™). 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 between 12% and 25% was used (2016: 28%).

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 12.7% would not result in an impairment of the goodwill.

21 Property, plant and equipment

2017 € million	Land and buildings	Plant and machinery	Office, computer equipment, vehicles and other	Assets under construction	Total
Gross carrying amount at 1 January	542	784	112	85	1 523
Additions	3	16	4	105	128
Business combinations	0	2	0	0	2
Disposals	9	- 16	3	- 1	- 5
Transfers from one heading to another	- 21	19	4	- 50	- 48
Transfer to assets held for sale	- 31	- 1	- 1	0	- 33
Effect of movements in exchange rates	- 27	- 36	- 5	- 5	- 73
Gross carrying amount at 31 December	475	768	117	134	1 494
Accumulated depreciation at 1 January	- 288	- 457	- 98	- 2	- 845
Depreciation charge for the year	- 20	- 46	- 8	0	- 74
Disposals	- 9	15	- 2	0	4
Transfers from one heading to another	23	1	0	0	24
Transfer to assets held for sale	31	1	1	0	33
Effect of movements in exchange rates	13	22	2	0	37
Accumulated depreciation at 31 December	- 250	- 464	- 105	- 2	- 821
Net carrying amount at 31 December	**225**	**304**	**12**	**132**	**673**

2016 € million	Land and buildings	Plant and machinery	Office, computer equipment, vehicles and other	Assets under construction	Total
Gross carrying amount at 1 January	624	871	116	41	1 652
Additions	2	11	3	54	70
Disposals	0	- 6	- 2	0	- 8
Transfers from one heading to another	- 65	- 87	- 3	- 10	- 165
Transfer to assets held for sale	- 16	0	0	0	- 16
Effect of movements in exchange rates	- 3	- 5	- 2	0	- 10
Gross carrying amount at 31 December	542	784	112	85	1 523
Accumulated depreciation at 1 January	- 336	- 555	- 101	- 9	-1 001
Depreciation charge for the year	- 22	- 44	- 7	0	- 73
Disposals	0	5	2	0	7
Transfers from one heading to another	67	134	6	7	214
Effect of movements in exchange rates	3	3	2	0	8
Accumulated depreciation at 31 December	- 288	- 457	- 98	- 2	- 845
Net carrying amount at 31 December	**254**	**327**	**14**	**83**	**678**

None of the Group property, plant and equipment is subject to restrictions on title nor has it been pledged as security for liabilities.
During 2017, the Group acquired property, plant and equipment totaling € 128 million (2016: € 70 million). These additions related mainly to the upgrade of the biological plant in Bulle (Switzerland), IT hardware and other plant and equipment.

The transfer to assets held for sale relates to the assets of the Monheim site in Germany (see Note 8.2).

During the year, the Group did not recognize any impairment expenses (2016: € 0 million).

CAPITALIZED BORROWING COSTS

No borrowing costs were capitalized during 2017 (2016: € 0 million).

LEASED ASSETS

UCB leases buildings and office equipment under a number of finance lease agreements. The carrying value of the leased buildings is € 33 million (2016: € 38 million).

22 Financial and other assets

22.1 Non-current financial and other assets

€ million	2017	2016
Available for sale financial assets	69	67
Investments in associates	4	6
Cash deposits	8	9
Derivative financial instruments (Note 38)	45	62
Reimbursement rights with respect to German defined benefit plans	23	23
Other financial assets	48	30
Non-current financial and other assets	**197**	**197**

22.2 Current financial and other assets

€ million	2017	2016
Clinical trial materials	49	38
Available for sale financial assets (refer below)	14	0
Loans granted to third parties	0	2
Derivative financial instruments (Note 38)	131	46
Current financial and other assets	**194**	**86**

22.3 Available for sale financial assets

The current and non-current available for sale financial assets comprise the following:

€ million	2017	2016
Equity securities	83	64
Debt securities	0	3
Available for sale financial assets	**83**	**67**

The movement in the carrying values of the available for sale financial assets is as follows:

	2017		2016	
€ million	Equity securities	Debt securities	Equity securities	Debt securities
At 1 January	64	3	64	3
Additions	31	0	2	0
Disposals	0	- 3	0	0
Revaluation through equity	- 12	0	- 2	0
Impairment charge	0	0	0	0
At 31 December	**83**	**0**	**64**	**3**

For the financial assets that are valued at amortized cost, the carrying amount approximates the fair value.

In the year, the Group disposed of its investments in listed debt securities, which were mainly issued by European governments as well as by some financial institutions. These bonds were classified as available for sale and were measured at fair value. The fair value of the listed debt securities was determined by reference to published price quotations in an active market.

The equity securities mainly include investments in Heidelberg Pharma AG (previously called 'Wilex') and Dermira Inc. that have been classified as available for sale, as UCB does not have significant influence. These investments are measured at fair value. As at the end of 2017, UCB's stakes in Heidelberg Pharma and Dermira were 5.04% and 4.45%, (2016: 8.75% and 5.16%) respectively.

The additions to available for sale financial assets in the year include € 17 million investments made in UCB Ventures, UCB's corporate venture fund and € 14 million that relates to vested long term incentives granted to employees. These long-term incentives are held on behalf of employees until the final transfer to beneficiaries. There is a corresponding liability which is recorded in Other Payables (Note 34).

The fair value of the investment in Lumos was reduced with € 1 million in 2017. UCB's stake in Lumos is 3.6% (2016: 3.6%)

22.4 Investments in associates

In June 2017, the Group increased its 27% stake in Beryllium Discovery Corporation, a U.S. corporation, to full ownership, being 100% of the issued and outstanding share capital. This investment is therefore no longer considered as an investment in an associate but rather fully consolidated as a UCB subsidiary entity.

In December 2017, the Group made an investment in Syndesi Therapeutics 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 profit for 2017 is € 0 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 2017.

22.6 Subsidiaries with material non-controlling interests

The accumulated non-controlling interest as of 31 December 2017 is € -77 million and mainly relates to Edev S.à r.l. ("Edev"). No dividends have been paid to non-controlling interests during either 2017 or 2016.

Based in Luxembourg, Edev is 100% owned by the non-controlling interests and its summarized financial information is shown in the tables below before intercompany eliminations.

Summarized statement of financial position:

€ million	2017	2016
Non-current assets	0	0
Current assets	0	21
Total assets	0	21
Non-current liabilities	52	87
Current liabilities	24	40
Total liabilities	76	127
Non-controlling interest	**-76**	**-106**

Summarized income statement:

€ million	2017	2016
Revenue	30	30
Expenses	-12	-8
Profit (loss) attributable to the non-controlling interests	18	22
Total comprehensive income (loss) attributable to the non-controlling interests	**30**	**19**

Summarized cash flow statement:

€ million	2017	2016
Net cash inflow (outflow) from operating activities	0	0
Net cash inflow (outflow) from investing activities	0	0
Net cash inflow (outflow) from financing activities	0	0
Net cash inflow (outflow)	**0**	**0**

23 Inventories

€ million	2017	2016
Raw materials and consumables	97	80
Work in progress	362	437
Finished goods	135	50
Goods purchased for resale	3	11
Inventories	**597**	**578**

The cost of inventories recognized as an expense and included in "cost of sales" amounted to € 713 million (2016: € 731 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 € 21 million in 2017 (2016: € 16 million) and has been included in cost of sales. Total inventory increased by € 19 million. There were increases in inventories of Cimzia®, Keppra® and Vimpat®.

24 Trade and other receivables

€ million	2017	2016
Trade receivables	583	636
Less: provision for impairment	-8	-6
Trade receivables – net	575	630
VAT receivable	56	57
Interest receivables	10	10
Prepaid expenses	83	71
Accrued income	6	7
Other receivables	63	80
Royalty receivables	16	29
Trade and other receivables	**809**	**884**

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 2017 from a single customer is 17% (2016: 13%) from McKesson Corp. U.S.

The aging analysis of the Group trade receivables at year-end is as follows:

€ million	2017		2016	
	Gross carrying amounts	Impairment	Gross carrying amounts	Impairment
Not past due	505	0	598	0
Past due – less than one month	57	-1	20	-1
Past due more than one month and not more than three months	6	0	10	0
Past due more than three months and not more than six months	4	0	2	0
Past due more than six months and not more than one year	5	-3	1	-1
Past due more than one year	6	-4	5	-4
Total	**583**	**-8**	**636**	**-6**

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 87% (2016: 94%) 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	2017	2016
Balance at 1 January	-6	-6
Impairment charge recognized in the income statement	-5	-1
Utilization/reversal of provision for impairment	3	1
Effects of movements in exchange rates	0	0
Balance at 31 December	**-8**	**-6**

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	2017	2016
EUR	360	287
USD	226	305
JPY	20	33
GBP	42	62
CNY	31	41
CHF	22	23
KRW	9	9
Other currencies	99	124
Trade and other receivables	**809**	**884**

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	2017	2016
Short-term bank deposits	856	541
Cash at bank and on hand	193	220
Cash and cash equivalents (excluding bank overdrafts)	**1 049**	**761**

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 China, India, Korea and Thailand.

As Edev is 100% owned by non-controlling interests, its cash balance of € 0.2 million is restricted for use in settling its own obligations.

For the purposes of the statement of cash flows, cash and cash equivalents are comprised of the following:

€ million	2017	2016
Cash and cash equivalents	1 049	761
Bank overdrafts (Note 28)	- 26	- 5
Cash and cash equivalents (as reported in the cashflow statement)	**1 023**	**756**

26 Capital and reserves

26.1 Share capital and share premium

The issued share capital of the Company amounted to € 584 million (2016: € 584 million), and is represented by 194 505 658 shares (2016: 194 505 658 shares). The Company's shares are without par value. At 31 December 2017, 68 735 150 shares were registered and 125 770 508 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 2017, the share premium reserves amounted to € 2 030 million (2016: € 2 030 million).

26.2 Hybrid capital

On 18 March 2016, UCB SA exercised its option to redeem the € 300 million perpetual subordinated bonds that were issued at 99.499% and that offered investors a coupon of 7.75% per annum during the first five years.

These bonds were listed on the Luxembourg Stock Exchange and qualified as 'equity' instruments under IAS 32. Accordingly interest expenses were accounted for as dividends to the shareholders. An amount of € 5 million dividend to shareholders of the perpetual subordinated bonds for the period from 1 January to 18 March 2016 is presented in retained earnings. Any transaction costs were deducted from the hybrid capital, taking tax effects into account.

26.3 Treasury shares

The Group acquired, through UCB SA and UCB Fipar SA, 1 700 000 treasury shares (2016: 700 000) for a total amount of € 113 million (2016: € 49 million) and transferred 1 233 685 treasury shares (2016: 1 121 860) for a total amount of € 64 million (2016: € 61 million). Net acquisition of 466 315 treasury shares for a net amount of € 49 million).

During 2017, the Group did not acquire or dispose of any treasury shares as part of share swap transactions (2016: 0 acquired and 0 disposed). At 31 December 2017, the Group retained 6 294 677 treasury shares of which none related to share swap deals (2016: 5 828 362). These treasury shares have been acquired in order to honour the exercise of stock options and share awards granted to the Board of Directors and certain categories of employees.

In the current year, no call options on UCB shares have been acquired (2016: 0). 1 000 000 call options have been exercised (2016: 0), leading to € 8 million positive equity impact (2016: €0 million).

26.4 Other reserves

Other reserves amount to € -155 million (2016: € -164 million) and consist of the following items:

- the IFRS acquisition value surplus that arose during the Schwarz Pharma business combination for € 232 million (2016: € 232 million);
- the remeasurement value of the defined benefit obligation for € -353 million (2016: € -362 million);
- the purchase of the remaining 25% non-controlling interest in Shwarz Pharma Zuhai Ltd. for € -11 million (2016: € -11 million);
- the purchase of the remaining 30% non-controlling interest in Meizler Biopharma: € -23 million (2016: € -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.

26.5 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 tock 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 awarded 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 2017, these plans had 269 participants (2016: 103) 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 2017, the plan had 514 participants (2016: 541). 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 2017, the plan had 180 participants (2016: 172) 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 € 88 million (2016: € 26 million), and has been included in the relevant functional lines within the income statement as follows:

€ million	2017	2016
Cost of sales	4	2
Marketing and selling expenses	47	14
Research and development expenses	19	5
General and administrative expenses	18	5
Other operating expenses	-	-
Total operating expense	**88**	**26**
Of which, equity-settled:		
Stock option plans	6	7
Stock award plans	59	37
Performance share plan	13	8
Of which, cash-settled:		
Stock appreciation rights plan	5	- 29
Phantom stock option, stock award and performance share plans	5	3

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:

	2017			2016		
	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	9.66	44.40	5 312 229	9.40	41.30	5 858 395
+ New options granted	12.79	70.29	501 278	11.62	67.23	502 213
(-) Options forfeited	10.49	58.49	60 880	11.07	58.62	50 706
(-) Options exercised	9.43	38.67	823 317	8.91	36.90	971 794
(-) Options expired	9.14	43.57	81 700	7.70	40.16	25 879
(-) Options converted in phantom plans	10.93	45.04	40 400			
Outstanding at 31 December	**10.01**	**47.91**	**4 807 210**	**9.66**	**44.40**	**5 312 229**
Number of options fully vested:						
At 1 January			3 326 315			2 418 789
At 31 December			3 011 624			3 326 315

The stock options outstanding as at 31 December 2017 with the following last exercise dates and exercise prices are:

Last exercise date	Range of exercise prices (€)	Number of stock options
31 March 2018	[22.01 - 25.73]	117 860
31 March 2019	[21.38 - 22.75]	163 100
31 March 2020	31.62	272 636
31 March 2021	[25.32 - 26.80]	465 700
31 March 2022	32.36	860 257
31 March 2023	[48.69 - 49.80]	1 024 297
31 March 2024	58.12	451 459
31 March 2025	67.35	478 172
31 March 2026	67.23	475 951
31 March 2027	[70.26 - 72.71]	497 778
Total outstanding		**4 807 210**

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 2017 and 2016 are:

		2017	2016
Share price at grant date	€	72.53	67.81
Weighted average exercise price	€	70.29	67.23
Expected volatility	%	24.06	24.81
Expected option life	Years	5.00	5.00
Expected dividend yield	%	1.59	1.62
Risk free interest rate	%	- 0.14	- 0.28
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 2017 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.

		2017	2016
Outstanding rights as of 1 January		**1 320 926**	**1 593 275**
+ New rights granted		167 809	172 719
(-) Rights forfeited		51 232	42 637
(-) Rights exercised		292 106	399 431
(-) Rights expired		2 700	3 000
Outstanding rights as of 31 December		**1 142 697**	**1 320 926**
The significant assumptions used in the measurement of the fair value of the stock appreciation rights are:			
Share price at year end	€	66.18	60.91
Exercise price	€	70.26	67.23
Expected volatility	%	25.66	24.14
Expected option life	Years	5.00	5.00
Expected dividend yield	%	1.74	1.81
Risk free interest rate	%	- 0.14	- 0.40
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:

	2017		2016	
	Number of stock awards	Weighted average fair value (€)	Number of stock awards	Weighted average fair value (€)
Outstanding at 1 January	**1 850 490**	**64.76**	**1 346 175**	**62.16**
+ New stock awards granted	865 475	72.26	736 579	67.81
(-) Awards forfeited	123 441	68.21	113 702	64.11
(-) Awards converted in phantom plans	44 729	63.09		-
(-) Awards vested and paid out	582 350	58.99	118 562	54.88
Outstanding at 31 December	**1 965 445**	**69.59**	**1 850 490**	**64.76**

27.11 Performance share plans

The movement in the number of performance shares outstanding at 31 December is as follows:

	2017		2016	
	Number of shares	Weighted average fair value (€)	Number of shares	Weighted average fair value (€)
Outstanding at 1 January	**322 861**	**63.92**	**355 881**	**58.12**
+ New performance shares granted	152 653	72.53	122 708	65.58
+ Shares converted from pension plan	77 714	64.61	-	-
(-) Performance shares forfeited	28 561	68.65	36 981	56.88
(-) Performance shares vested	189 700	59.43	118 747	51.81
Outstanding at 31 December	**334 967**	**69.66**	**322 861**	**63.92**

28 Borrowings

The carrying amounts and fair values of borrowings are as follows:

		CASH FLOWS		NON-CASH CHANGES			
€ million	2016	From Financing activities	Increase/ Decrease in cash	Transfer Non-Current to Current	Foreign Exchange Movement	Other	2017
Non-current							
Bank borrowings	326	0	0	- 19	- 7	0	300
Other long-term loans	0	0	0	0	0	0	0
Finance leases	5	0	0	- 2	0	0	3
Total non-current borrowings	**331**	**0**	**0**	**- 21**	**- 7**	**0**	**303**
Current							
Bank overdrafts	5	0	23	0	- 2	0	26
Current portion of bank borrowings	12	- 18	0	19	- 3	1	11
Debentures and other short-term loans	8	- 8	0	0	0	0	0
Finance leases	2	- 2	0	2	0	0	2
Total current borrowings	**27**	**- 28**	**23**	**21**	**- 5**	**1**	**39**
Total borrowings	**358**	**- 28**	**23**	**0**	**- 12**	**1**	**342**

28.1 Borrowings

On 31 December 2017 the Groups weighted average interest rate was 3.03% (2016: 3.00%) 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 2.19% (2016: 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.

UCB did not draw (2016: € 0 million) on the € 1 billion syndicated revolving facility expiring 9 January 2021. In January 2018, the facility has been amended and extended till January 9th, 2023 (including the option to request further extensions of the maturity date by two additional years).

The Group has access to certain committed and non-committed bilateral credit facilities. In this respect, per end of 2017 an aggregated amount of € 72 million was undrawn on the committed bilateral facility (2016: € 81 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	2017	2016
EUR	244	243
USD	67	95
Other	0	0
Total interest bearing loans by currency	**311**	**338**
Bank overdrafts – USD	22	4
Bank overdrafts – other	4	1
Debentures and other short term loans – EUR	0	0
Debentures and other short term loans – other	0	8
Finance lease liabilities – EUR	5	7
Total borrowings	**342**	**358**

28.2 Finance lease liabilities – minimum lease payments

€ million	2017	2016
Amounts payable under finance leases:		
1 year or less	2	2
1-2 years	2	2
2-5 years	1	3
More than 5 years	0	0
Present value of finance lease liabilities	**5**	**7**
Less: amount due for settlement within 12 months	2	2
Amount due for settlement after 12 months	**3**	**5**

Management considers that the carrying value of the Group finance lease liabilities approximate their fair value.

29 Bonds

The carrying amounts and fair values of bonds are as follows:

			CARRYING AMOUNT					FAIR VALUE	
€ million	Coupon rate	Maturity date	2016	Cash Flows	Fair Value changes	Other movements	2017	2016	2017
Retail Bond	5.125%	2023	192	0	-4	0	188	215	209
Institutional Eurobond	1.875%	2022	350	0	-1	0	349	358	362
Institutional Eurobond	4.125%	2021	370	0	-6	1	365	394	387
Retail Bond	3.750%	2020	256	0	-2	0	254	273	268
EMTN Note[1]	3.284%	2019	20	0	0	0	20	20	20
EMTN Note[1]	3.292%	2019	55	0	0	0	55	55	55
Total bonds			**1 243**	**0**	**-13**	**1**	**1 231**	**1 315**	**1 301**
Of which:									
Non-current			1 243	0	-13	1	1 231	1 315	1 301
Current			0	0	0	0	0	0	0
Derivatives used for hedging			**-51**	**0**	**13**	**0**	**-38**		
Of which:									
Non-current assets (-)			- 57	0	15	0	- 42		
Non-current liabilities (+)			6	0	-2	0	4		

[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 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.

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.

29.2 Institutional eurobonds

MATURED IN 2016:

In December 2009, UCB completed an offering of € 500 million senior unsecured bonds, due in 2016 and aimed at institutional investors. The bonds were issued at 99.635% and have been redeemed at 100% of their principal amount on December 10, 2016. These bonds carried a coupon of 5.75% per annum while their effective interest rate was 5.8150% per annum. The bonds had been listed on the Luxembourg stock exchange.

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

MATURING IN 2019:
In November 2013, UCB completed an offering of € 55 million Euro Medium Term Notes ('EMTN'), due in 2019. The notes were issued at 100% and will be redeemed at 100% of their principal amount. These notes carry a coupon of 3.292% per annum while their effective interest rate is 3.384% per annum. The notes have been listed on Euronext Brussels.

MATURING IN 2019:
In December 2013, UCB completed an offering of € 20 million EMTN notes, due in 2019. The notes were issued at 100% and will be redeemed at 100% of their principal amount. These notes carry a coupon of 3.284% per annum while their effective interest rate is 3.356% per annum. The notes have been listed on Euronext Brussels.

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	2017	2016	2017	2016
Non-current				
Derivative financial instruments (Note 38)	5	7	5	7
Other financial liabilities	52	87	52	87
Total non-current other financial liabilities	**57**	**94**	**57**	**94**
Current				
Derivative financial instruments (Note 38)	29	102	29	102
Other financial liabilities	24	40	24	40
Total current other financial liabilities	**53**	**142**	**53**	**142**
Total other financial liabilities	**110**	**236**	**110**	**236**

The other financial liabilities include € 76 million (2016: € 127 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	2016	Acquisition/ Disposals	R&D Adjustment	Current Year Movement	OCI - Cash flow hedges	OCI - Pensions	Effect of movements in exchange rate	2017
Intangible assets	- 111	0	0	32	0	0	6	- 73
Property, plant and equipment	- 18	0	0	- 3	0	0	1	- 20
Inventories	251	0	0	- 85	0	0	0	166
Trade and other receivables	54	2	0	- 22	0	0	- 1	33
Employee benefits	72	0	0	0	0	- 18	- 2	52
Provisions	39	0	0	- 24	0	0	0	15
Other short-term liabilities	- 264	0	0	69	- 47	0	- 22	- 264
Net lease assets/ liabilities	0	0	0	0	0	0	0	0
Unused tax losses	593	0	0	- 205	0	0	- 6	382
Unused tax credits	327	0	41	4	0	0	- 1	371
Total net deferred tax assets	**943**	**2**	**41**	**- 234**	**- 47**	**- 18**	**- 25**	**662**

€ million	2015	Acquisition/ Disposals	R&D Adjustment	Current Year Movement	OCI - Cash flow hedges	OCI - Pensions	Effect of movements in exchange rate	2016
Intangible assets	- 144	0	0	32	0	0	1	- 111
Property, plant and equipment	- 9	0	0	- 9	0	0	0	- 18
Inventories	190	0	0	61	0	0	0	251
Trade and other receivables	60	0	0	- 7	0	0	1	54
Employee benefits	88	0	0	- 30	0	13	1	72
Provisions	26	0	0	13	0	0	0	39
Other short-term liabilities	- 526	0	0	243	13	0	6	- 264
Net lease assets/ liabilities	0	0	0	0	0	0	0	0
Unused tax losses	832	0	0	- 215	0	0	- 24	593
Unused tax credits	278	0	53	- 3	0	0	- 1	327
Total net deferred tax assets	**795**	**0**	**53**	**85**	**13**	**13**	**- 16**	**943**

Total deferred tax assets of € 662 million have been recognized as at 31 December 2017. 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 decrease of the deferred tax recognized. This is predominantly driven by tax reforms, mainly in the U.S., U.K. and Belgium.

TAX REFORMS

Substantive enactment of tax law changes in Belgium, U.K. and U.S. were assessed for deferred tax purposes. For U.S., deferred tax balances were remeasured at the newly enacted tax rate of 21%, resulting in a substantial decrease of deferred tax assets on returns & rebates

(€ 62 million), group inventory (€ 66 million) and others (€ 10 million). For Belgium and U.K., deferred tax balances were remeasured taking into account newly applicable loss limitation rules and declining corporate income tax rates. Other enacted provisions of the concerning tax law changes will only apply as from 2018 and no judgement was required for these measures on the 2017 balances.

R&D TAX CREDITS

The group recorded increased deferred tax assets on R&D tax credits. The total deferred tax asset in respect of R&D tax credits at year end is € 372 million (2016: € 324 million) which will result in an actual cash tax benefit in future periods.

DEFERRED TAX ASSETS ON LOSSES

A deferred tax asset of € 382 million (2016: € 593 million) has been recognized in respect of tax losses carried forward totaling € 1.58 billion (2016: € 2.19 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 a number of jurisdictions in which UCB operates and do not expire. This period has seen further recognition of losses and tax credits previously unrecognized, as entities in Germany and the U.K. which historically generated losses are demonstrating increasing profitability as well evidence of generating sufficient levels of future taxable profits to justify the recognition of these assets. Undiscounted forecasts have been used to assess the availability of future taxable profits.

31.2 Unused tax losses

As of 31 December 2017, the Group also had € 2 013 million (2016: € 1 709 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 will be fully utilized within 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 € 497 million (2016: € 684 million) in respect of unutilized tax credits 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. Following the Belgian tax reform as enacted, inbound dividends will as from 1 January 2018 be subject to 100% participation exemption. No future tax effects are to be recognized.

There is an additional unrecognized deferred tax liability of € 229 million (2016: € 456 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 plans in the foreseeable future.

31.4 Deferred tax directly recognized in OCI

€ million	2017	2016
Deferred tax on pensions	- 18	13
Deferred tax on effective portion of changes in fair value of cash flow hedges	- 47	13
Deferred tax directly recognized in OCI	**- 65**	**26**

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 other 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 include mainly pension benefits, jubilee premiums and termination indemnities. 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 analyses 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, inflation and longevity. The majority of the risks lays within Belgium, Germany and the U.K. It should be noted that longevity is not considered as a risk for the plans in Belgium as benefits are either paid as a lump sum or externalized before being paid as an annuity.

Over the last years, UCB has performed various de-risking projects:

- In the U.K., UCB completed the buy-out of two of its four pension schemes by securing the benefits of all members of the schemes with an insurance company. UCB does, therefore, no longer have any liabilities towards any members of those two schemes. The British Pension Scheme and the Dumfries Pension Scheme were bought out, respectively, on 1 October 2015 and December 2017. The buy-out of the third Pension Scheme, the Bridgewater Pension Scheme will be completed in 2018.

- 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 30%/70%.

- Finally, as part of its de-risking strategy, UCB has decided to terminate the U.S. Defined Benefit plan by offering lump sum to members and transferring the remaining liabilities to an insurance company. The termination of this plan was completed in December 2017.

For the Belgian pension plan, the focus remains on the diversification of the assets. In 2015, the Belgian Pension Board implemented the Mercer "Global Investment Solution" in order 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	2017	2016
Present value of defined benefit obligation	1 040	1 124
Fair value of plan assets	- 629	- 675
Funded status – Deficit	**411**	**449**
Effect of asset ceiling	1	1
Net liability arising from defined benefit obligation	**412**	**450**
Add: Liability with respect to cash settled share based payments (Note 27)	29	29
Total employee benefit liabilities	**441**	**479**
Of which:		
Portion recognized in non-current liabilities	441	479
Portion recognized in non-current assets	0	0

91% 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	2017	2016
At 1 January	**1 124**	**966**
Current service cost	55	48
Interest expense	22	25
Remeasurement gain (-) / loss		
Effect of changes in demographic assumptions	2	29
Effect of changes in financial assumptions	-2	133
Effect of experience adjustments	-1	-4
Past service cost and gain (-) / loss on settlements	8	-
Effect of change in foreign exchange rates	-25	-41
Benefit payments from the plan	-36	-24
Benefit payments from the employer	-6	-5
Settlement payments	-99	-
Plan participants contributions	3	2
Other	-5	-5
At 31 December	**1 040**	**1 124**

Movements in the fair value of plan assets in the current year were as follows:

€ million	2017	2016
At 1 January	**675**	**615**
Interest income	15	17
Remeasurement gain / loss (-)		
Return on plan assets (excl. interest income)	27	48
Changes in asset ceiling (excl. interest income)	-	-
Effect of change in foreign exchange rates	- 20	- 36
Plan participants contributions	3	2
Employer contributions	72	60
Benefit payments from the plan	- 36	- 24
Settlement payments	- 99	-
Expenses, taxes and premiums paid	- 8	- 7
At 31 December	**629**	**675**

The fair value of plan assets amounts to € 629 million (2016: € 675 million), representing 61% (2016: 60%) of the defined benefit obligation. The total deficit of € 411 million (2016: € 449 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	2017	2016
Total service cost (incl. past service cost and gain (-)/loss from settlements)	63	48
Net interest cost	7	8
Remeasurement of other long term benefits	-	1
Administrative expenses and taxes	2	3
Components of defined benefit costs recorded in income statement	**72**	**60**
Remeasurements gain (-)/loss		0
Effect of changes in demographic assumptions	2	27
Effect of changes in financial assumptions	- 2	132
Effect of experience adjustments	- 1	- 4
Return on plan assets (excluding interest income)	- 26	- 48
Changes in the asset ceiling (excluding interest income)	-	-
Components of defined benefit costs recorded in OCI	**- 27**	**107**
Total components of defined benefit cost	**45**	**167**

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. 92% of the defined benefit costs recorded in the income statement are relating to defined benefit pension plans in Belgium, U.S., U.K. and Switzerland. The remeasurement on the net defined benefit liability is included in the statement of comprehensive income as part of other comprehensive income. Total remeasurements evolved from a loss of € 107 million in 2016 to a gain of € 27 million in 2017 mainly as a result of a smaller decrease in discount rate in 2017 compared to 2016 and a decrease in inflation rate in U.K. compared to 2016.

The split of the recognized expense by functional line is as follows:

€ million	2017	2016
Cost of sales	15	15
Marketing and selling expenses	8	8
Research and development expenses	26	28
General and administrative expenses	23	9
Other income and expenses	-	-
Total	**72**	**60**

The actual return on plan assets is € 26 million (2016: € 48 million) and the actual return on reimbursement rights is € 0 million (2016: € 0 million).

The major categories of plan assets at the end of the reporting period, are as follows:

€ million	2017	2016
Cash and cash equivalent	**12**	**50**
Equity instruments	**143**	**126**
Europe	57	46
U.S.	32	35
Rest of the World	54	45
Debt instruments	195	163
Corporate bonds	83	41
Government bonds	46	60
Other	66	62
Properties	**9**	**8**
Qualifying insurance policies	**133**	**162**
Investment funds	**113**	**151**
Other	**24**	**15**
Total	**629**	**675**

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.		U.S.		OTHER	
	2017	2016	2017	2016	2017	2016	2017	2016
Discount rate	1.61%	1.70%	2.60%	2.68%	3.40%	4.00%	0.68%	0.55%
Inflation	1.75%	1.75%	3.20%	3.50%	N/A	N/A	N/A	N/A

Significant actuarial assumptions for the determination of the defined obligation are discount rate and inflation. The sensitivity analyses 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 € 83 million (increase by € 89 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 € 35 million (decrease by € 34 million) if all other assumptions were held constant.

The figures above do not take account any interrelationships 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 16.95 years (2016: 16.38 years). This number can be subdivided into the duration related to:
- Eurozone: 15.32 years (2016: 15.13 years);
- U.K.: 19.74 years (2016: 18.85 years);
- U.S.: 0 years (2016: 16.39 years);
- Other: 19.33 years (2016: 20.52 years).

The Group expects to make a contribution of € 47 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 Belgium in 2016, which resulted in a slight reallocation of the assets.

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 2017	**20**	**26**	**120**	**166**
Arising during the year	0	16	32	48
Unused amounts reversed	- 1	- 2	- 12	- 15
Transfer from one heading to another	0	1	- 1	0
Effect of movements in exchange rates	0	0	- 3	- 3
Utilized during the year	0	- 23	- 15	- 38
At 31 December 2017	**19**	**18**	**121**	**158**
Non-current portion	18	3	100	121
Current portion	1	15	21	37
Total provisions	**19**	**18**	**121**	**158**

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 2017 part of the environmental provisions related to the Films business was reversed.

33.2 Restructuring provisions

The restructuring provisions arising during 2017 are related to European optimization and reorganization. The utilization is also mainly related to earlier reorganizations, particularly in Southern 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 decreased by

€ 1 million to a total of € 68 million to reflect the net estimated future cash outflows. The provision was discounted using a discount rate of 0.79%. If the discount rate would be 25 basis points higher (lower), the provision would decrease (increase) by € 2 million;

- provisions related to toll manufacturing agreements and ongoing audits (€ 26 million).

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

34.1 Non-current trade and other liabilities

€ million	2017	2016
Non-current liabilities linked to project financing	0	22
Other payables	26	33
Total non-current trade and other liabilities	**26**	**55**

34.2 Current trade and other liabilities

€ million	2017	2016
Trade payables	281	274
Invoices to receive	121	135
Taxes payable, other than income tax	73	76
Payroll and social security liabilities	208	152
Other payables	36	49
Current liabilities linked to project financing	0	48
Deferred income linked to development agreements	18	33
Other deferred income	55	73
Royalties payables	77	69
Rebates/discounts and other sales allowances payable	549	616
Accrued interest	31	32
Other accrued expenses	275	303
Total current trade and other liabilities	**1 724**	**1 860**

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 € 445 million as per 31 December 2017 (31 December 2016: € 540 million).

35 Income tax payables

Income tax payables include liabilities for uncertain tax positions for an amount of € 55 million (2016: € 231 million). 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. The assessment is done for each liability separately and the resulting liability is the Group's best estimate of the expected exposure in the event of a tax authority challenge. See Note 3.2.5 for more details on the Group's assessment of uncertain tax positions.

UCB faces tax audits in a number of countries where it has activities. The issues under discussion are in some cases complex and such audits can take a number of years to resolve. Any liability booked in respect of these audits is calculated by the Group as the best estimate of the current tax it expects to pay using the Group's best judgment of the most likely outcome of such examinations.

The liabilities for uncertain tax positions have decreased substantially over 2017. There has been a decrease in 2017 of liabilities relating to the continuing operations of € 176 million arising from the completion of tax audits in the second half of 2017 or expiry of statute of limitations and further recognition of assets for Mutual Agreement Procedure / Arbitration Procedure.

UCB has recorded assets for tax relief in a number of jurisdictions for an amount of € 15 million. Assets are only recorded in case it is considered probable that corresponding adjustments will be allowed following Mutual Agreement or Arbitration Procedure. See Note 3.2.5 for more details on the Group's assessment of assets for tax audit corrections.

The Group expects initialization of new tax audits in a number of jurisdictions in 2018. The Group strictly follows up on the liabilities for uncertain tax positions which are recorded per end 2017.

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 2017 mainly relate to € 46 million for a receivable relating to the outlicensing of Xyzal® and R&D tax credits for € 71 million for which the cash benefit will be received in later years.

Important non-cash transactions for 2016 relate to the impairment of the Lannett warrant for € 28 million and R&D tax credits for € 65 million.

€ million	Note	2017	2016
Adjustment for non-cash transactions		**150**	**216**
Depreciation and amortization	10, 21, 19	234	232
Impairment/reversal (-) charges	10, 13	1	41
Equity settled share based payment expense		8	31
Other non-cash transactions in the income statement		- 76	- 65
Adjustment IAS 39	16	- 1	- 11
Unrealized exchange gain (-)/losses		6	- 11
Change in provisions and employee benefits		- 17	- 13
Change in inventories and bad debt provisions		- 5	12
Adjustment for items to disclose separately under operating cash flow		**218**	**199**
Tax charge of the period from continuing operations	17	218	199
Adjustment for items to disclose under investing and financing cash flows		**35**	**- 129**
Gain (-)/loss on disposal of fixed assets		- 2	- 183
Dividend income (-)/expenses		0	0
Interest income (-)/charge		37	54
Change in working capital			
Inventories movement per consolidated balance sheet		- 19	- 12
Trade and other receivables and other assets movement per consolidated balance sheet		95	- 54
Trade and other payables movement per consolidated balance sheet		- 140	151
As it appears in the consolidated balance sheet and corrected by:		**- 64**	**85**
Non-cash items[1]		- 116	- 54
Change in inventories and bad debt provisions disclosed separately under operating cash flow		5	- 6
Change in interest receivable / payable disclosed separately under operating cash flow		2	0
Change in dividend receivable disclosed separately under investing cash flow		0	0
Change in dividend payable disclosed separately under financing cash flow		0	23
Currency translation adjustments		94	- 2
As it appears in the consolidated cash flow statement		**-79**	**46**

[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

€ million **31 December 2017** **Assets as per balance sheet**	Note	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for cash flow hedging	Available for sale	Total
Financial assets and other assets (excluding derivative financial instruments and associates)	22	128	0	0	83	211
Derivative financial assets	38	0	64	112	0	176
Trade and other receivables (including prepaid expenses)	24	809	0	0	0	809
Cash and cash equivalents	25	1 049	0	0	0	1 049
Total		**1 986**	**64**	**112**	**83**	**2 245**

€ million **31 December 2017** **Liabilities as per balance sheet**	Note		Liabilities at fair value through the profit and loss	Derivatives used for cash flow hedging	Other financial liabilities at amortized cost	Total
Borrowings	28		0	0	342	342
Bonds	29		38	0	1 193	1 231
Derivative financial liabilities	38		24	10	0	34
Trade and other liabilities	34		0	0	1 750	1 750
Other financial liabilities (excluding derivative financial instruments)	30		76	0	0	76
Total			**138**	**10**	**3 285**	**3 433**

€ million **31 December 2016** **Assets as per balance sheet**	Note	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for cash flow hedging	Available for sale	Total
Financial assets and other assets (excluding derivative financial instruments and associates)	22	102	0	0	67	169
Derivative financial assets	38	0	98	10	0	108
Trade and other receivables (including prepaid expenses)	24	884	0	0	0	884
Cash and cash equivalents	25	761	0	0	0	761
Total		**1 747**	**98**	**10**	**67**	**1 922**

€ million **31 December 2016** **Liabilities as per balance sheet**	Note		Liabilities at fair value through the profit and loss	Derivatives used for cash flow hedging	Other financial liabilities at amortized cost	Total
Borrowings	28		0	0	358	358
Bonds	29		51	0	1 192	1 243
Derivative financial liabilities	38		56	53	0	109
Trade and other liabilities	34		0	0	1 915	1 915
Other financial liabilities (excluding derivative financial instruments)	30		127	0	0	127
Total			**234**	**53**	**3 465**	**3 752**

38 Derivative financial instruments

	ASSETS		LIABILITIES	
€ million	2017	2016	2017	2016
Forward foreign exchange contracts – cash flow hedges	112	10	9	51
Forward foreign exchange contracts – fair value through profit and loss	19	37	20	50
Interest rate derivatives – cash flow hedges	0	0	1	2
Interest rate derivatives – fair value through profit and loss	45	61	4	6
Total	**176**	**108**	**34**	**109**
Of which:				
Non-current (Notes 22 and 30)	45	62	5	7
Current (Notes 22 and 30)	131	46	29	102

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 2017, a net unrealized gain of € 110 million (2016: net unrealized loss of € 4 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 (2016: € 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 2018 and 2019.

The fair values of the foreign currency derivative contracts are as follows:

	ASSETS		LIABILITIES	
€ million	2017	2016	2017	2016
USD	111	18	17	67
GBP	2	19	3	22
JPY	13	7	0	4
CHF	0	2	8	1
RUB	0	0	0	1
Other currencies	5	2	1	6
Total foreign currency derivatives	**131**	**47**	**29**	**101**

The net foreign currency derivatives maturity analysis is noted below:

€ million	2017	2016
1 year or less	102	- 55
1-5 years	0	1
Beyond 5 years	0	0
Total foreign currency derivatives – net asset/net liability (-)	**102**	**- 54**

The following table shows the split of foreign currency derivatives by currency of denomination (currencies sold view) as at 31 December 2017:

Notional amounts in € million	USD	GBP	EUR	JPY	CHF	Other currencies	Total
Forward contracts	1 059	33	309	155	46	213	1 815
Currency swaps	1 022	539	1 639	92	14	91	3 397
Option/collar	0	0	0	0	0	0	0
Total	**2 081**	**572**	**1 948**	**247**	**60**	**304**	**5 212**

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%		4-Oct-13	4-Jan-21	-EURIBOR 3M
IRS	EUR 150	1.59%		4-Oct-13	4-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	2-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 M
IRS	EUR 100	0.44%		17-Dec-15	2-Apr-22	-EURIBOR 6M
IRS	EUR 100	0.45%		17-Dec-15	2-Apr-22	-EURIBOR 6M
CCIRS	USD 230	-USD LIBOR 3 M	-0.16%	27-Nov-13	2-Oct-23	EURIBOR 3M
CCIRS	EUR 205	USD LIBOR 3 M	0.45%	2-Apr-16	2-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 Earnings per share

39.1 Basic earnings per share

€	2017	2016
From continuing operations	3.99	2.88
From discontinued operations	0.01	- 0.12
Basic earnings per share	**4.00**	**2.76**

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.

39.2 Diluted earnings per share

€	2017	2016
From continuing operations	3.99	2.88
From discontinued operations	0.01	- 0.12
Diluted earning per share	**4.00**	**2.76**

39.3 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

€ million	2017	2016
Profit from continuing operations attributable to shareholders of UCB SA	752	543
Profit from discontinued operations	1	- 23
Profit attributable to shareholders of UCB SA	**753**	**520**

DILUTED

€ million	2017	2016
Profit from continuing operations attributable to shareholders of UCB SA	752	543
Profit from discontinued operations	1	- 23
Profit attributable to shareholders of UCB SA	**753**	**520**

39.4 Number of shares

In thousands of shares	2017	2016
Weighted average number of ordinary shares for basic earnings per share	188 281	188 365
Weighted average number of ordinary shares for diluted earnings per share	188 281	188 365

40 Dividend per share

The gross dividends paid in 2017 and 2016 were € 220 million (€ 1.15 per share) and € 210 million (€ 1.10 per share) respectively.

A dividend in respect of the year ended 31 December 2017 of € 1.18 per share, amounting to a total dividend of € 226 million, is to be proposed at the annual general meeting of the shareholders on 26 April 2018.

In accordance with IAS 10, events after the reporting period, the proposed dividend has not been recognized as a liability at year-end.

41 Commitments and contingencies

41.1 Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

€ million	2017	2016
Less than 1 year	35	25
Between 1 and 5 years	53	72
More than 5 years	2	7
Total	**90**	**104**

The Group has a number of non-cancellable operating leases primarily related to company cars and office spaces.

Lease payments are increased annually to reflect market conditions. None of the leases include contingent rentals. In 2017 € 42 million (2016: € 39 million) was recognized as an expense in the income statement in respect of operating leases.

41.2 Capital and other commitments

At 31 December 2017, the Group has committed to spend € 63 million (2016: € 69 million) mainly with respect to expected capital expenditures on milestone payments on collaboration agreements.

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	2017	2016
Less than one year	58	76
Between one and five years	101	170
More than five years	860	776
Total	**1 019**	**1 022**

UCB has concluded several agreements with Contract Manufacturing Organizations for the supply of its products. Total outstanding commitments towards these CMOs amount to € 447 million as per end of 2017 (2016: € 390 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 2017 for a total amount of USD 22 million relating to investments in venture capital funds.

41.3 Guarantees

Guarantees arising in the normal course of business are not expected to result in any material financial loss.

41.4 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 be fully or partially 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.

1. INTELLECTUAL PROPERTY MATTERS (SELECTED 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 paragraph IV certifications challenging, among other things, the validity of the RE38,551 ('551) Vimpat® patent. On 12 August 2016, Judge Stark ruled in UCB's favor and upheld the validity of the patent. The defendants have appealed the ruling to the Court of Appeals for the Federal Circuit. An Oral Argument took place on 8 August 2017.
- ***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. On 22 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. Appeal is on-going.
- ***Ex Parte* Reexamination:** In March 2016, Argentum Pharmaceuticals filed an ex parte reexamination request before the Patent Trial and Appeal Board (PTAB), seeking to invalidate the Vimpat® '551 patent. On 16 June 2016, the USPTO granted the request for the reexamination. On 7 December 2016, the USPTO issued its first non-final office action. UCB provided its substantive response in July 2017. The reexamination is on-going.
- **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, Judge Birrs issued his decision in UCB's favor, confirming the validity of the UK part of the European patent. Accord recently appealed the decision to UK Court of Appeal.
- **Zydus II Delaware District Court Litigation:** In October 2016, UCB filed suit in the District Court of Delaware, against Zydus Pharmaceuticals, who is seeking approval of its second generic version of Vimpat®. The defendant filed a paragraph IV certification challenging, among other things, the validity of the '551 Vimpat® patent. Zydus was a defendant in the original Vimpat® litigation noted above. Zydus has filed a motion to stay this litigation pending the outcome of the Vimpat® litigation noted above, the pending IPR and the stayed reexamination. We have informed the Court of the favorable IPR decision. No decision on the motion has been rendered to date.
- **Accord Netherlands Litigation:** On 29 June 2017, Accord filed a writ before the District Court of The Hague, seeking to invalidate the Dutch Vimpat® patent and SPC. Trial is scheduled for 5 October 2018.
- **Accord and Teva German Litigation:** In the summer 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/SPC. No hearing date is scheduled yet.
- **Accord Italian Litigation:** In October 2017, Accord filed a nullity action against the Italian part of the European Vimpat® Patent in the Court of Milano. No trial date has been scheduled.
- **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. No trial date has been scheduled.

Neupro®

- **Watson Delaware District Court Litigation:** In August 2014, UCB filed suit in the District Court of Delaware against Watson Pharmaceuticals, who is seeking approval of its generic version of Neupro®. Watson filed a paragraph IV certification challenging, among other things, the validity of certain patents pertaining to Neupro®, principally the 6,884,434 ('434). Trial was held in June 2017. Judge Stark ruled in UCB's favor and upheld the validity of the '434 patent. Actavis has filed an appeal.
- **Zydus Delaware District Court Litigation:** In November 2016, UCB filed suit in the District Court of Delaware 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 is on-going.
- **Mylan Delaware District Court Litigation:** In March 2017, UCB filed suit in the District Court of Delaware 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®. The case is on-going.

Toviaz®

- **Mylan *Inter Partes Review* (IPR):** In January 2016, Mylan Pharmaceuticals filed a petition for an IPR before the U.S. Patent and Trademark Office (USPTO), seeking to invalidate all of the Orange Book listed patents pertaining to Toviaz®. In July 2016, the Patent Trial and Appeal Board (PTAB) instituted the review. Alembic, Torrent and Amerigan have filed joinder motions. On 19 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 has joined the appeal which we have requested to be dismissed for lack of standing, as Mylan has withdrawn its appeal of both decisions.

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. The case is on-going. Trial is currently scheduled for February 2018.

2. PRODUCT LIABILITY MATTERS)

Distilbène product liability litigation – 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 not be sufficient, the Group has accounted for a provision (See Note 33).

3. INVESTIGATIONS

Southern District of New York – Pharmacy Benefit Managers and Cimzia®

In March, 2016, the Company received a Civil Investigative Demand (CID) from the Civil Frauds Unit of the U.S. Attorney's Office in the Southern District of New York. The CID requests the Company to identify and provide all contracts (from January 2006 through the present) between the Company and any Pharmacy Benefit Manager (PBM) concerning Cimzia®, including all documents necessary to show all services performed by any PBM as well as all payments made to any PBM. As of August 2016, all documents requested have been submitted to the government. The Company is cooperating with the U.S. Attorney's Office in response to the CID provided.

4. OTHER MATTERS

Divested Business Litigation – Desmopressin

In October 2008, Apotex Inc. filed suit against UCB, Lonza Braine S.A. and S&D Chemicals (Canada) Ltd., in the Ontario Superior Court in Toronto, Ontario, Canada, alleging breach of contract and seeking damages for alleged failure to supply Apotex with the drug, desmopressin. UCB divested this drug as a part of its Bioproducts Business to Lonza in 2006. Lonza has cross-claimed against UCB and S&D Chemicals, UCB has cross-claimed against Lonza and S&D Chemicals, and S&D Chemicals has cross-claimed against UCB and Lonza. Trial was continued to 2018.

5. CONCLUDED LEGAL MATTERS

Ahrens ERISA litigation

In February 2015, a complaint was filed in the U.S. District Court for the Northern District of Georgia naming as defendants UCB Holdings, Inc., UCB, Inc. Defined Benefit Pension Plan, and the Administrative Committee of the UCB, Inc. Defined Benefit Pension Plan. The complaint sought class action status and asserted claims for certain pension benefits on behalf of certain current and former employees of UCB, Inc. who had previously been employed by two different

predecessor companies which were acquired by UCB, Inc. in the 1990s. On 6 January 2016, the court granted UCB's motion to dismiss five of the ten claims in the case. The matter was successfully mediated in August 2016 and on 19 May 2017, the court granted the motion for approval of the settlement. The Order became non-appealable on 19 June 2017. Payments have been made to all eligible class members. The case is closed.

Mylan Delaware District Court Litigation
In January 2015, UCB filed suit in the District Court of Delaware against Mylan Pharmaceuticals, who is seeking approval of its generic version of Toviaz®. Mylan filed a late paragraph IV certification challenging, among other things, the validity of certain patents pertaining to Toviaz®. In the United States, Toviaz® is distributed by Pfizer. On 26 January 2017, Judge Sleet ruled in Pfizer/UCB's favor and upheld the validity of all of the Orange Book listed patents. Mylan did not appeal the ruling.

New York Attorney General – Medicaid Rebates
On 22 June 2015, the Company received a subpoena from the New York Attorney General's Office, Medicaid Fraud Control Unit ("NYAG"), seeking documents pertaining to alleged underpayment of Medicaid rebates for certain periods between 2002-2005. In March, 2017, UCB learned the government declined to intervene in the case the plaintiff dismissed his case with prejudice. This matter is closed.

Torrent Delaware District Court Litigation
In February 2017, UCB filed suit in the District Court of Delaware against Torrent Pharmaceuticals Ltd. and Torrent Pharma Inc., who is seeking approval of its generic version of Toviaz®. Torrent filed a late paragraph IV certification challenging, among other things, the validity of certain patents pertaining to Toviaz®. In the United States, Toviaz® is distributed by Pfizer. In June 2013, UCB filed its first lawsuit defending the validity of certain Toviaz® patents, against nine generic companies, and on 20 April 2016, Judge Sleet ruled in Pfizer/UCB's favor upholding the validity of all of the Orange Book listed patents. None of the defendants appealed the ruling. The second lawsuit UCB filed defending certain Toviaz® patents was the Mylan case noted above, where Judge Sleet ruled again in Pfizer/UCB's favor on 26 January 2017, and Mylan did not appeal this ruling. In September 2017 Torrent converted its ANDA to Par. III (seeking FDA approval only after patent expiry) whereupon Judge Sleet moved to dismiss our complaint.

Reglan® product liability litigation
Settlement of all Reglan® product liability cases was finalized in Q4 2017. The settlement amount was fully covered by insurance.

42 Related party transactions

42.1 Intra-group sales and services

During the financial years ended 31 December 2017 and 2016, 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 accompanied by the principle of 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 centralized functions and activities carried out by the UCB Group in order to optimize operations through economies of scale and scope.

42.2 Financial transactions with related parties other than UCB SA affiliates

During 2017 there have been no financial transactions with other related parties other than affiliates of UCB SA.

42.3 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.

€ million	2017	2016
Short-term employee benefits	18	13
Termination benefits	0	0
Post-employment benefits	4	4
Share-based payments	11	10
Total key management compensation	**33**	**27**

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 as 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.

42.4 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 2017.

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 2017 can be summarized as follows:

	Concert		Outside Concert		Total	
	VOTING RIGHTS	%	VOTING RIGHTS	%	VOTING RIGHTS	%
Financière Eric Janssen SPRL	8 525 014	19.14%	1 988 800	4.46%	10 513 814	23.60%
Daniel Janssen	5 881 677	13.20%	-	-	5 881 677	13.20%
Altaï Invest SA	4 969 795	11.16%	11 500	0.03%	4 981 295	11.18%
Barnfin SA	3 899 833	8.75%	-	-	3 899 833	8.75%
Jean van Rijckevorsel	7 744	0.02%	-	-	7 744	0.02%
Total voting rights held by the reference shareholders	**23 284 063**	**52.27%**	**2 000 300**	**2.52%**	**25 299 331**	**56.79%**
Other shareholders	-	-	19 249 267	43.21%	19 249 267	43.21%
Total voting rights	**23 284 063**	**52.27%**	**21 264 535**	**47.73%**	**44 548 598**	**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 19 January 2018). 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 19 January 2018):

UCB controlling and major shareholdings on 19 January 2018

SITUATION AS PER 19 JANUARY 2018

	Share capital €	**583 516 974**		**13 March 2014**
	Total number of voting	**194 505 658**		**13 March 2014**
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)	**3 108 161**	**1.60%**	**31 December 2017**
	assimilated financial instruments (options)[1]	0	0.00%	6 March 2017
	assimilated financial instruments (other)[1]	0	0.00%	18 December 2015
	Total	**3 108 161**	**1.60%**	
3	**UCB Fipar SA**			
	securities carrying voting rights (shares)	**3 186 516**	**1.64%**	**31 December 2017**
	assimilated financial instruments (options)[1]	435 000	0.22%	3 June 2015
	assimilated financial instruments (other)[1]	0	0.00%	25 December 2015
	Total	**3 621 516**	**1.86%**	
	UCB SA/NV + UCB Fipar SA[2]			
	securities carrying voting rights (shares)	6 294 677	3.24%	
	assimilated financial instruments (options)[1]	435 000	0.22%	
	assimilated financial instruments (other)[1]	0	0.00%	
	Total	**6 729 677**	**3.46%**	
	Free float[3] (securities carrying voting rights (shares))	**120 134 000**	**61.67%**	
4	The Capital Group Companies Inc.			
	securities carrying voting rights (shares)	9 721 375	4.998%	11 October 2017
5	Vanguard Health Care Fund			
	securities carrying voting rights (shares)	9 741 353	5.01%	28 October 2014
6	BlackRock Inc.			
	securities carrying voting rights (shares)	5 836 096	3.00%	1 June 2017

(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 of the Royal Decree of 14 February 2008 on the disclosure of large shareholders, which, if exercised, grant an additional voting right: *i.e.*, securities, options, futures, swaps, interest term agreements and other derivatives concerning existing securities carrying voting rights that grant their holder the right to acquire such securities carrying voting rights pursuant to an agreement that is binding under the applicable law and only on the holders' own initiative.

[2] UCB SA/NV indirectly controls UCB Fipar SA | article 6, §5, 2° and article 9, §3, 2° of the Law 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, to the exclusion of assimilated financial instruments.

43 Events after the balance sheet date

- There are no major after balance sheet events to report.

44 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, 1110 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 SPRL – 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
BRAZIL		
UCB Farma Brasil Ltda [1] – Av. Brigadeiro Faria Limal Itaim Bibi – CEP: 04538-132 Sao Paulo	100%	UCB SA
UCB Biopharma Ltda – Av. Brigadeiro Faria Limal Itaim Bibi – CEP: 04538-132 SaoPaulo	100%	UCB SA
BULGARIA		
UCB Bulgaria EOOD – 15, Ljubata Str., Fl. 4 apt. 10-11, Lozenetz, Sofia 1407	100%	UCB SA
CANADA		
UCB Canada Inc. – 2060 Winston Park Drive, Suite 401 – ON L6H5R7 Oakville	100%	UCB Hondings 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 – Unit 3713-18,37F, Tower 1, Millenium City 5, 388 Kwun Tong Road, Kwun Tong, Kowloon, 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 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

Name and office	Holding	Controlling partner
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
Sanol GmbH [1] – Alfred-Nobel-Strasse 10 – 40789 Monheim am Rhein	100%	UCB Pharma GmbH
UCB Innere Medizin GmbH & Co. KG – Alfred-Nobel-Strasse 10 – 40789 Monheim am Rhein	100%	UCB Pharma GmbH
UCB Primary Care 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 útja 26-28 – 1023 Budapest	100%	UCB SA
INDIA		
UCB India Private Ltd – 504, Peninsula Corporate Park, Ganpatrao Kadam Marg, Lower Parel – 400 013 Mumbai	100%	UCB SA
Uni-Mediflex Private Ltd – 504, Peninsula Corporate Park, Ganpatrao Kadam Marg, Lower Parel – 400 013 Mumbai	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 – 20166 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
Phase III Development Company Sàrl[2] – Avenue de la Gare, 41 – 1611 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. – Homero #440, 7fl Col. Chapultepec Morales – 11570 Mexico D.F.	100%	UCB SA
Vedim SA de C.V. – Homero #440, 7fl Col. Chapultepec Morales – 11570 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

Name and office	Holding	Controlling partner
NORWAY		
UCB Pharma A.S. – Grini Naeringspark 8b – 1361 Osteras, Baerum	100%	UCB Finance NV
POLAND		
Vedim Sp. z.o.o. – Ul. Kruczkowskiego 8 – 00-380 Warszawa	100%	Sifar SA
UCB Pharma Sp. z.o.o. – Ul. Kruczkowskiego 8 – 00-380 Warszawa	100%	UCB SA
PORTUGAL		
UCB Pharma (Produtos Farmaceuticos) Lda – Rua Victor Câmara, Edifício Q 60, D. Maria I, Piso 1, Fracção D, Quinta da Fonte, 2770-229 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 – Perevedenovky pereulok 13 bldg 21 – 105082 Moscow	100%	UCB SA
SINGAPORE		
UCB Trading (SG) Pte. Ltd. – 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		
Vedim Pharma SA – Plaza de Manuel Gómez Moreno, s/n, Edificio Bronce, 5th floor – 28020 Madrid	100%	UCB SA
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 Investissements SA
UCB Investissements SA – 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 Investissements SA
UCB-Pharma AG – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Investissements SA
Medeva Pharma Suisse SA – 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 Investissements SA
TAIWAN		
UCB Pharmaceuticals (Taiwan) Ltd – 12F.-2, No.88, Dunhua N. Rd., Songshan Dist. – 10595 Taipei	100%	UCB SA
THAILAND		
UCB Trading (Thailand) Ltd – 98 Sathorn Square, 37/F, Room 3780, North Sathorn Road, Khwaeng Silom, Khet Bangrak – 10500 Bangkok	100%	UCB SA

Name and office	Holding	Controlling partner
TURKEY		
UCB Pharma A.S. – Palladium Tower, Barbaros Mah., Kardelen Sok. No.2, Kat.24/80 – 34746 Istanbul	100%	UCB SA
U.K.		
UCB Fipar Ltd, subs. of UCB Inc. – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB Inc.
Fipar U.K. Ltd, subs of UCB Fipar Ltd. – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB Fipar Ltd
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
Celltech 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 – 208 Bath Road – SL1 3WE Slough, Berkshire	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.
UCB Technologies Inc. – C T Corporation System, 111 Eight Avenue, NY, 10011 New York	100%	UCB Manufacturing Inc.
Upstate Pharma LLC – C T Corporation System, 111 Eight Avenue, NY, 10011 New York	100%	UCB Inc.
Beryllium LLC [3] – 251 Little Falls Drive – 19808 Wilmington, Delaware	100%	UCB Biosciences Inc.
Beryllium Discovery Corp. [3] – 3 Preston Court – 01730 Bedford, Massachusetts	100%	Beryllium LLC
The RNA Medicines Company Inc. [3] – 2711 Centerville Road, Suite 400 – 19808 Wilmington, Delaware	100%	Beryllium LLC

1 These companies have merged with other companies of the Group and are included in the consolidated income statement for 2016 and 2017 (up till their effective merge date).

2 Phase III Development Company Sàrl is included in the consolidated income statement for 2016 and 2017 until 17 November 2017, date as from which the Group has no longer control over this company.

3 On 2 June 2017, UCB increased its equity stake in Beryllium LLC and its subsidiaries to a full ownership. These companies are fully consolidated in the consolidated income statement for 2017 from the effective date of change in ownership.

05 RESPONSIBILITY STATEMENT

Bernd, living with rheumatoid arthritis and ankylosing spondylitis

We hereby confirm that, to the best of our knowledge, the consolidated financial statements as of 31 December 2017, 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.

Rebecca, living with rheumatoid arthritis

06

STATUTORY AUDITOR'S REPORT

TO THE GENERAL SHAREHOLDERS' MEETING OF UCB SA/NV FOR THE YEAR ENDED 31 DECEMBER 2017

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated accounts of your company (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. 30 April 2015, 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 2017. We have performed the statutory audit of the consolidated accounts of UCB SA/NV for 21 consecutive years.

6.1 Report on the audit of the consolidated accounts

6.1.1 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 2017, the consolidated income statement and other 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 which is characterised by a consolidated statement of financial position total of EUR 9 917 million and a profit for the year (attributable to equity holders) of EUR 753 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 2017 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.

6.1.2 Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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.

6.1.3 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 US (refer to Notes 2.2, 2.7.1 3.2.1 and 34.2).

AREA OF FOCUS

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 34.2, the amount of the accruals at 31 December 2017 is EUR 445 million (EUR 540 million as per 31 December 2016). We also evaluated whether appropriate revenue recognition policies were consistent with IFRSs as adopted by the European Union.

HOW OUR AUDIT ADDRESSED THE AREA OF FOCUS

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 US 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.
- We have also assessed the accounting impacts of the implementation of IFRS 15 as detailed in Note 2.2.

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)

AREA OF FOCUS

The UCB Group has EUR 817 million of intangible assets (31 December 2016 – EUR 875 million), comprising significant licenses, patents and acquired trademarks. In addition, the Group has EUR 4 838 million of goodwill at 31 December 2016 (31 December 2016 – EUR 5 178 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 AREA OF FOCUS

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.

As a result of our work, we determined that the level of impairment charge recorded in 2017 (on intangible assets) for EUR 1 million (see Note 13) is appropriate and is based on the recoverable amount of the respective intangible assets. For those intangible assets and goodwill where management determined that no impairment has to be recognised, 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)

AREA OF FOCUS

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 2017, the Group has recognised EUR 715 million of deferred tax assets (31 December 2016 – EUR 953 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 2017, the Group has recognised provisions of EUR 55 million in respect of uncertain tax positions (31 December 2016 – EUR 231 million). The decrease in provisions for uncertain tax positions is explained by the conclusion of several tax audits in the course of 2017 in different jurisdictions.

HOW OUR AUDIT ADDRESSED THE AREA OF FOCUS

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 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 2.30, 3.2.3, 33 and 41)

AREA OF FOCUS

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 2017, the Group held provisions of EUR 121 million (31 December 2016 – EUR 120 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 41 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 41, 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 amounts to EUR 68 million as at 31 December 2017.

HOW OUR AUDIT ADDRESSED THE AREA OF FOCUS

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 of EUR 68 million (31 December 2016 – EUR 69 million) liability by reference to the actual court decisions for closed Distilbène cases. 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 41 were in accordance with the requirements of IFRSs as adopted by the European Union.

Post-employment benefit provisions (refer to Notes 2.29, 3.2.4 and 32)

AREA OF FOCUS

The UCB Group has different employee benefit schemes around the world of which the most significant and with the most potential for misstatement are in the UK, Belgium, Germany and the US. Significant estimates are made in valuing post-retirement defined benefit plans and small changes in the assumptions and estimates used, of which the main ones are discount rate, inflation and longevity, could have a significant impact on the results and the financial position of the Group as disclosed in Note 32.

The total amount of the post-retirement benefit provisions recognized at 31 December 2017 amounts to EUR 412 million (31 December 2016 – EUR 450 million), consisting of a total defined benefit obligation of EUR 1.040 million (31 December 2016 – EUR 1 124 million) offset by total plan assets of EUR 629 million (31 December 2016 – EUR 675 million).

HOW OUR AUDIT ADDRESSED THE AREA OF FOCUS

With the involvement of our internal actuarial specialists, we have challenged the key assumptions being mainly the discount rate, inflation rate, mortality / life expectancy, inflation rates and future salary increases. We have compared the key assumptions used against our internal benchmarks and externally derived data.

We have performed audit procedures on the fair value of plan assets, the determination of the defined benefit obligation and the underlying census data.

Based on our procedures performed, we consider management's assumptions and the resulting valuation of the employee benefit obligation to be within a reasonable range. We have assessed and agreed with the adequacy of the disclosures in Note 32 in respect of post-retirement benefits.

6.1.4 Responsibilities of the Board of Directors for 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.

6.1.5 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.

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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

6.2 Report on other legal and regulatory requirements

6.2.1 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 separate report on non-financial information and the other information included in the annual report.

6.2.2 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.

6.2.3 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 119 of the Companies' 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. We do not express any form of assurance conclusion on this annual report.

The non-financial information is included in a separate report ("UCB Sustainability Report"). The report of non-financial information contains the information required by virtue of article 119, §2 of the Companies' Code, and agrees with the consolidated accounts for the same year. The Company has prepared the non-financial information, based on the Global Reporting Initiative (GRI) G4. However, we do not express an opinion as to whether the non-financial information has been prepared, in all material aspects, in accordance with the GRI G4 as disclosed in the consolidated accounts. Furthermore, we do not express assurance on individual elements included in this non-financial information.

6.2.4 Statement related to independence

- We did not provide services which are incompatible with the statutory audit of the consolidated accounts and we remained independent of the Company 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 134 of the Companies' Code are correctly disclosed and itemized in the notes to the consolidated accounts.

6.2.4 Other statements

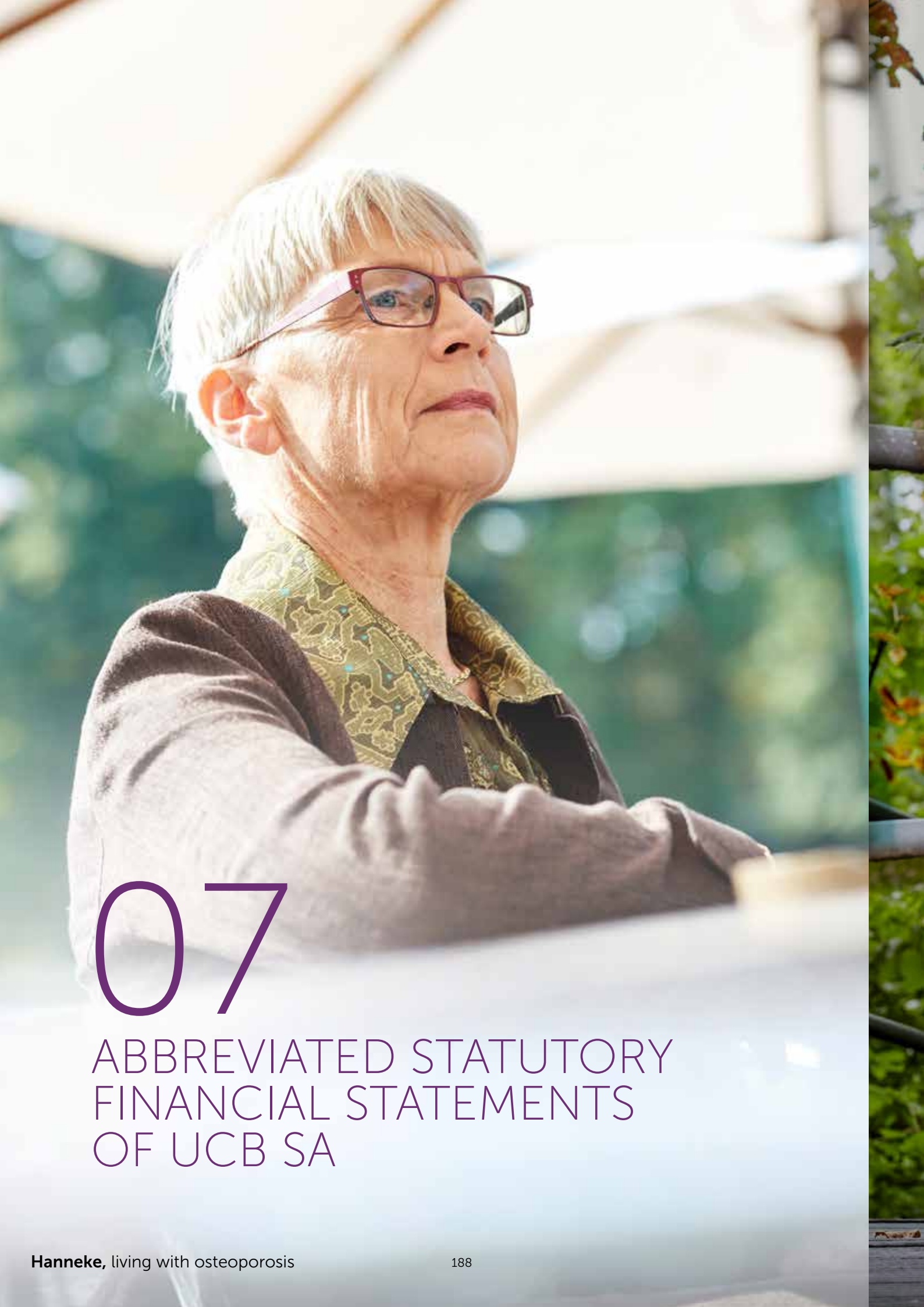
- This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Brussels, 21 February 2018

The Statutory Auditor
PwC Reviseurs d'Entreprises sccrl /
Bedrijfsrevisoren bcvba
Represented by

Romain Seffer*
Registered Auditor

*Romain Seffer SC SPRL
Board Member, represented by its permanent representative,
Romain Seffer



07

ABBREVIATED STATUTORY FINANCIAL STATEMENTS OF UCB SA

Hanneke, living with osteoporosis

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.

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 certify that the non-consolidated financial statements of UCB SA for the year ended 31 December 2017 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)

2 Balance sheet

€ million	At 31 December 2017	At 31 December 2016
Assets		
Formation expenses	12	16
Intangible assets	0	0
Tangible assets	9	8
Financial assets	4 813	4 783
Fixed assets	4 834	4 807
Amounts receivable after more than one year	1 150	2 145
Amounts receivable within one year or less	1 591	634
Short-term investments	156	153
Cash at bank and on hand	28	29
Deferred charges and accrued income	211	234
Current assets	3 136	3 195
Total assets	**7 970**	**8 002**
Liabilities		
Capital	584	584
Share premium	1 999	1 999
Reserves	2 929	2 992
Profit brought forward	36	161
Equity	5 548	5 736
Provisions	41	48
Provisions and deferred taxes	41	48
Amounts payable after more than one year	1 501	1 527
Amounts payable within one year or less	830	601
Accrued charges and deferred income	50	90
Current liabilities	2 381	2 218
Total liabilities	**7 970**	**8 002**

3 Income statement

€ million	At 31 December 2017	At 31 December 2016
Operating income	77	71
Operating charges	-131	-118
Operating result	**-54**	**-47**
Financial income	181	473
Financial charges	-91	-264
Financial result	**90**	**209**
Profit before income taxes	**36**	**162**
Income taxes	0	-1
Profit for the year available for appropriation	**36**	**161**

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.

4 Appropriation account

€ million	At 31 December 2017	At 31 December 2016
Profit for the period available for appropriation	36	161
Profit brought forward from previous year	0	0
Profit to be appropriated	**36**	**161**
To legal reserve	0	0
To other reserves	0	0
Withdrawal from capital and reserves	**190**	**59**
From capital and share premium account	0	0
From reserves	190	59
Appropriation to capital and reserves	**0**	**0**
Profit to be carried forward	0	0
Result to be carried forward	**0**	**0**
Dividends	-226	-220
Profit to be distributed	**-226**	**-220**
If the proposed allocation of the profit is approved, the total gross dividend will be fixed at:	€ 1.18	€ 1.15
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:	€ 0.826	€ 0.805

The activities of UCB SA generated in 2017 a net profit of € 36 million after income taxes. The amount available for distribution is € 36 million.

The issued share capital of UCB SA is represented by 194 505 658 shares without par value as per 31 December 2017.

Per 31 December 2017, UCB SA owns 3 108 161 own shares in order to honour 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 € 1.18 per share. If this dividend proposal is approved by the General Meeting on 26 April 2018, the net dividend of € 0.826 per share will be payable as of 2 May 2018 against the delivery of coupon #21. The shares held by UCB SA are not entitled to a dividend. Per 31 December 2017, 191 397 497 UCB shares are entitled to a dividend, representing a total distribution of € 226 million. This amount may fluctuate depending 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 2017 will be adapted accordingly.

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.

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%

5.2 Financial assets

UCB shareholdings have been valued in accordance with the proportion held in the 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.

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.

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. Realised and unrealised exchange differences on foreign currency transactions are recognised in the income statement.

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.

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.

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 rate temporis on a linear basis over the remaining duration of the loans.

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.

Estalished 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

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.

Risk2Value
This ability to consider risk – upside and downside, and to take risk-informed rather than risk constrained decisions when planning and implementing patient value strategies is what we call".

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.

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Financial calendar

25 April 2018	Interim report (3 months)
26 April 2018	Annual general meeting
26 July 2018	2018 half-year financial results

Forward-looking statements

This Annual Report contains forward-looking statements, including, without limitation, statements containing the words "believes", "anticipates", "expects", "intends", "plans", "seeks", "estimates", "may", "will", and "continue" and similar expressions. These forward-looking statements are based on current plans, estimates and beliefs of management. 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 be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements contained in this Annual Report.

Important factors that could result in such differences include but are not limited to: changes in general economic, business and competitive conditions, the inability to obtain necessary regulatory approvals or to obtain them on acceptable terms, 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, product liability claims, challenges to patent protection for products or product candidates, 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 in the pipeline will progress to product approval or that new indications for existing products will be developed and approved. Products or potential products which are the subject of partnerships, joint ventures or licensing collaborations may be subject to differences between the partners. Also, UCB or others could discover safety, side effects or manufacturing problems with its products after they are marketed. Moreover, sales may be impacted by international and domestic trends toward managed care and health care cost containment and the reimbursement policies imposed by third-party payers as well as legislation affecting biopharmaceutical pricing and reimbursement.

Given these uncertainties, the public is cautioned not to place any undue reliance on such forward-looking statements. These forward-looking statements are made only as of the date of this Annual Report. UCB expressly disclaims any obligation to update any such forward-looking statements in this Annual Report to reflect any change in its expectations with regard thereto or any change in events, conditions, for circumstances on which any such statement is based, unless such statement is required pursuant to applicable laws and regulations.

Report language

Pursuant to Belgian Law, UCB is required to prepare its Annual Report in French and Dutch. UCB has also made this report available in English.

Availability of the Annual Report

The Annual Report is available on the investor website of UCB (https://www.ucb.com/investors). It is complemented by a separate Sustainability Report, containing non-financial information, which is available on the CSR section of the UCB website (https://www.ucb.com/our-company/csr).

Other information on the website of UCB or on any other website, does not form part of this Annual Report..

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