

Kristof,  
living with  
axial spondyloarthritis



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



**2013**  
ANNUAL REPORT

# Connecting with patients



Louis, 8 years



Shyrel, 7 years

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Laura, 10 years

## UCB kids inspire with **patient-centric art**

More than 170 colorful patient solutions ideas were submitted by children and young relatives of UCB employees as part of a drawing contest. The objective was to depict what patient centricity means, with the idea that if you can explain it to a child, you can explain to anyone.

Drawings were sent from 19 countries, by children aged between 3 and 12, that depicted inventions that could be used to treat people living with

disease. These included such ideas as an electric wheelchair controlled by your brain, a detector for gluten in food, and the "Med-Watch", a kind of i-pod watch with applications to help patients and including a micro-injection device.

The children's ideas often ran along the lines of raising awareness, showing love and empathy, partnering with nature and proposing innovative solutions.



**THIS IS UCB**

Remi and Paul, UCB

# Advancing the Pipeline

## Central Nervous System (CNS)

		PHASE 1	PHASE 2	PHASE 3	FILING
<b>Vimpat®</b> (lacosamide)	epilepsy POS <sup>1</sup> / monotherapy (U.S.)	█	█	█	█
<b>brivaracetam</b>	epilepsy POS <sup>1</sup> / adjunctive therapy	█	█	█	
<b>Vimpat®</b> (lacosamide)	epilepsy POS <sup>1</sup> / monotherapy (EU)	█	█	█	
<b>Vimpat®</b> (lacosamide)	epilepsy POS <sup>1</sup> / adjunctive therapy (Asia)	█	█	█	
<b>Vimpat®</b> (lacosamide)	epilepsy POS <sup>1</sup> / pediatric adjunctive therapy	█	█	█	
<b>Vimpat®</b> (lacosamide)	epilepsy PGTCS <sup>2</sup> / adjunctive therapy	█	█		
<b>tozadenant</b> (SYN115)	Parkinson's disease	█	█		

<sup>1</sup> Partial-Onset Seizures

<sup>2</sup> Primary Generalized Tonic Clonic Seizures

## Immunology

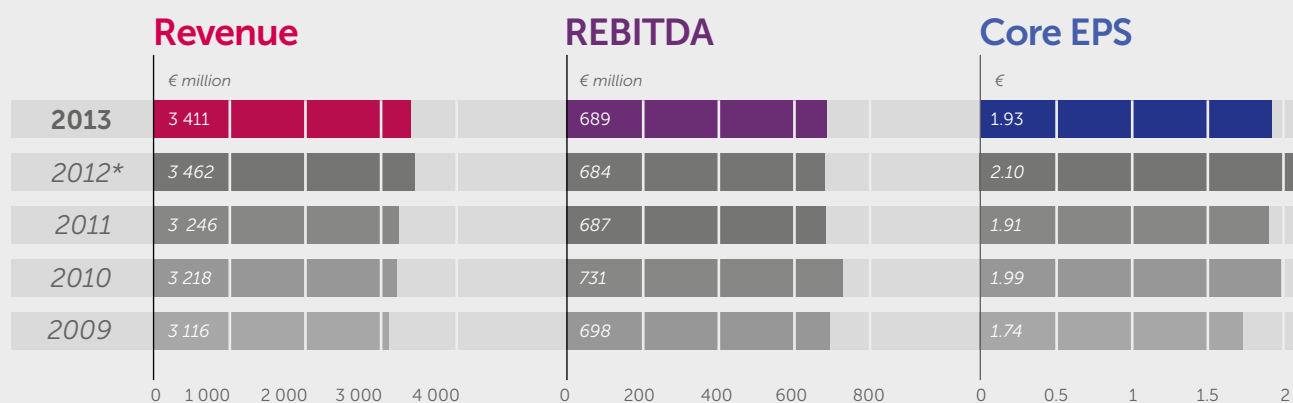
		PHASE 1	PHASE 2	PHASE 3	FILING
<b>Cimzia®</b> (certolizumab pegol)	axial spondyloarthritis (U.S.)	█	█	█	█
<b>epratuzumab</b>	systemic lupus erythematosus	█	█	█	
<b>Cimzia®</b> (certolizumab pegol)	juvenile idiopathic arthritis	█	█	█	
<b>romosozumab</b> (sclerostin antibody)	post-menopausal osteoporosis	█	█	█	
<b>CDP7657</b> (anti-CD40L)	systemic lupus erythematosus	█			
<b>UCB4940</b>	immunological diseases	█			
<b>UCB5857</b>	immunological diseases	█			

Status: December 2013



Erica and Barbra, UCB

# Key figures



## Financial performances

€ million	2009	2010	2011	2012*	2013
<b>Revenue</b>	<b>3 116</b>	<b>3 218</b>	<b>3 246</b>	<b>3 462</b>	<b>3 411</b>
Research and development expenses	674	705	778	861	856
R&D expense / revenue ratio	22%	22%	24%	25%	25%
Recurring EBIT	453	467	439	444	441
<b>Recurring EBITDA</b>	<b>698</b>	<b>731</b>	<b>687</b>	<b>684</b>	<b>689</b>
REBITDA / revenue ratio	22%	23%	21%	20%	20%
Net profit (including non-controlling interests)	513	103	238	245	200
<b>Core EPS (€ per non-diluted share)</b>	<b>1.74</b>	<b>1.99</b>	<b>1.91</b>	<b>2.10</b>	<b>1.93</b>
Net debt	1 752	1 525	1 548	1 766	2 008
Net debt / REBITDA ratio	2.51	2.09	2.25	2.58	2.92
Equity ratio	48%	51%	51%	49%	46%
Cash flow from operating activities	295	506	292	355	298
Capital expenditure (including intangible assets)	87	78	137	221	353

\* Restated



Andrea,  
living with epilepsy



Isabelle, Michel  
and Catherine, UCB

**THIS IS UCB**

# 2013 milestones

## R&D MILESTONES

<b>Cimzia®</b> (certolizumab pegol)	axial spondyloarthritis (axSpA)	filing	U.S. (February 2013)
	psoriatic arthritis (PsA)	approval	U.S. (September 2013)
	axial spondyloarthritis (axSpA)	approval	EU (October 2013)
	ankylosing spondylitis (AS)	approval	U.S. (October 2013)
<b>Vimpat®</b> (lacosamide)	psoriatic arthritis (PsA)	approval	EU (November 2013)
	epilepsy POS / monotherapy	filing	U.S. (October 2013)

## FINANCIAL PERFORMANCE

**€ 3.4**

billion revenue

**€ 689**

million REBITDA

**€ 1.93**

core EPS

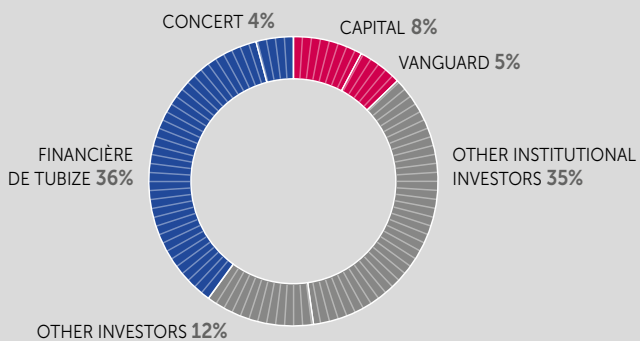
## PARTNERSHIPS

- UCB and **ConfometRx** announce new R&D partnership (February 2013)
- UCB to license worldwide rights to *tozadenant* in Parkinson's disease from **Biotie Therapies** (February 2013)
- UCB and **Five Prime Therapeutics** announce strategic discovery collaboration (March 2013)
- UCB and IBM Collaborate to Personalize Care for Epilepsy Patients (May 2013)
- UCB to secure long-term partnership with **UNITHER Pharmaceuticals** for its Rochester manufacturing facility (May 2013)
- UCB to collaborate with **CRELUX and 4SC Discovery** to meet unmet needs in neurology (June 2013)
- UCB to out-license *olokizumab* to **R-Pharm** (July 2013)
- UCB and **The Lieber Institute For Brain Development** to work together to further explore the complexities of the brain and discover new medicines (June 2013)
- UCB gets access to rights for an antibody program from **WILEX** for non-oncology indications (July 2013)
- Vectura** and UCB to collaborate and share expertise in severe inflammatory disease (September 2013)
- UCB and **Biogen Idex** enter agreement to commercialize multiple sclerosis and hemophilia therapies in Asia (January 2014)

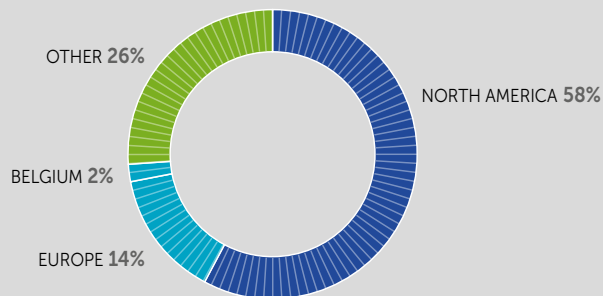


## SHAREHOLDER STRUCTURE (JANUARY 2014)

Stable shareholder base with free-float of 60%



Free float by region



### Cimzia®

- ▶ Reaching **more than 51 000 patients** living with Crohn's disease or rheumatoid arthritis, across 47 countries
- ▶ **€ 594 million** net sales
- ▶ Launch in Japan with our partner, Astellas (March 2013)
- ▶ 4 approvals / launches in U.S. & EU (Q4 2013)

### Vimpat®

- ▶ Reaching **more than 304 000 patients** living with epilepsy, across 38 countries
- ▶ **€ 411 million** net sales
- ▶ 1 filing (October 2013)
- ▶ 3 indications in development (monotherapy, PGTCs and pediatric)

### Neupro®

- ▶ Reaching **more than 229 000 patients** living with Parkinson's disease or restless legs syndrome, across 41 countries
- ▶ **€ 182 million** net sales
- ▶ Launch in Japan by our partner, Otsuka (February 2013)

### Keppra®

- ▶ Reaching **thousands of patients** living with epilepsy, across 54 countries
- ▶ **€ 712 million** net sales
- ▶ Double-digit growth in emerging markets

# LETTER TO THE STAKEHOLDERS



**Gerhard Mayr**  
Chairman (left)

**Roch Doliveux**  
Chief Executive Officer (right)

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

In 2013, UCB entered a new phase of revenue growth with no major patent expiries expected until the end of the decade. Our core medicines, Cimzia<sup>®</sup>, Vimpat<sup>®</sup> and Neupro<sup>®</sup>, touched the lives of more than 584 000 patients, up 38% from 2012.

UCB further strengthened its growth potential through the approval of new indications for Cimzia<sup>®</sup> in the U.S. and Europe, above market performance in emerging markets, a late stage pipeline now analyst-ranked amongst the top three in the biopharma industry, and several programs with breakthrough potential for millions of patients living with severe diseases, and for UCB.

Overall, we achieved our financial targets, with revenues reaching € 3.4 billion, underlying profitability (secured by recurring EBITDA) of € 689 million and core earnings per share of € 1.93. In line with UCB's stable dividend policy, the Board of Directors is proposing a gross dividend of € 1.04, an increase of 2%.

Our strategy, established 10 years ago, to focus on innovative solutions for people living with severe immunology and neurology disorders, is now delivering superior return to our patients and to our shareholders.





Catherine,  
living with epilepsy

## 2013 ONWARDS: UCB'S FIVE STRATEGIC GROWTH PRIORITIES – ON TRACK FOR LONG-TERM TARGETS

As we enter UCB's growth period, we have set five strategic growth priorities:

1. Grow Cimzia®, Vimpat® and Neupro®, to reach combined peak sales of at least € 3.1 billion in the second half of the decade;
2. Build emerging markets and Japan;
3. Advance UCB's rich late-stage pipeline in immunology and neurosciences;
4. Deliver breakthrough medicines to the clinic; and
5. Improve competitive profitability.

These priorities are underpinned by constantly ensuring quality and compliance with laws and regulations, and developing passionately engaged colleagues and business partners, which are necessary to deliver superior and sustainable value to patients.



Stephanie,  
living with  
rheumatoid  
arthritis

“People living with inflammatory arthritis indications can now be prescribed Cimzia®.”

## HOW DID WE PERFORM IN 2013 AGAINST THESE PRIORITIES?

### Grow Cimzia®, Vimpat® and Neupro®

In 2013, we solidified UCB’s net sales base with our core new products now representing € 1 187 million, up 31% at constant currency rates, and 39% of UCB’s total net sales.

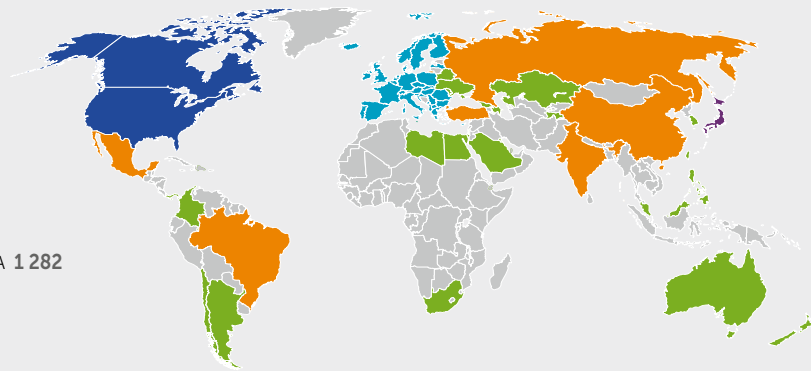
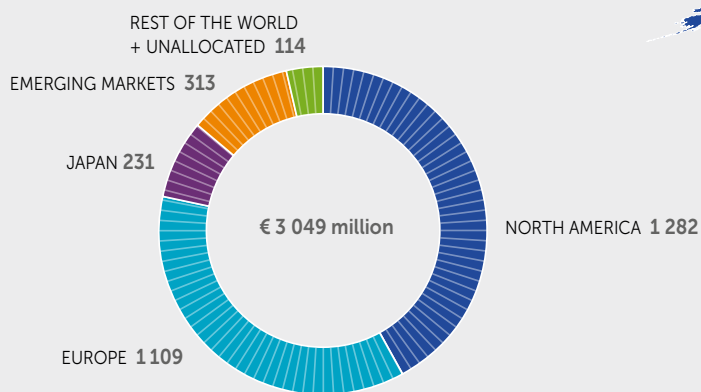
In the U.S., our largest market, **Cimzia®**, **Vimpat®** and **Neupro®**, increased net sales by 25% to € 733 million. Neupro® supported this growth by reaching a market share of 9% in Parkinson’s disease, after a successful first full year in the U.S., following launch in summer 2012. Cimzia® is well positioned with a 5% market share in rheumatoid arthritis and 15% in Crohn’s disease and Vimpat® with 3% market share. People in the U.S. living with psoriatic arthritis or ankylosing spondylitis – almost as many as those living with rheumatoid arthritis - now have access to Cimzia® following the respective approval and launch in the U.S. during the fourth quarter 2013.

Also in the EU, a market with opportunities and challenges, like health care reforms and heterogeneous requirements, Cimzia®, Vimpat® and Neupro® showed a growth of 19% achieving € 383 million. Going forward, Cimzia® is now available to more people, namely patients suffering from axial spondyloarthritis and psoriatic arthritis.

We filed for approval of Vimpat® as monotherapy in epilepsy with the U.S. authority (FDA) in October 2013. Subject to approval in the U.S., people living with epilepsy could have access to Vimpat® as monotherapy in the coming months. To broaden patient access to Vimpat® we started the pediatric clinical development program. A separate Vimpat® monotherapy development program is under way in Europe as the regulatory requirements are different.

Hence, we are well on track to achieve peak sales of at least € 1.5 billion for Cimzia®, with 2013 net sales of € 594 million (+27%); at least € 1.2 billion for Vimpat®, with 2013 net sales of € 411 million (+23%) and at least € 400 million for Neupro®, which achieved net sales of € 182 million (+37%) in 2013.

**Keppra®** continues to be an important medicine with net sales of € 712 million. The impact of generic erosion following loss of exclusivity first in the U.S. followed by Europe continues to be significant, driving total Keppra® net sales down 15%. This erosion, however, has been mitigated by Keppra® net sales in Asia growing by double digit rates.



Helping **thousands of patients**  
across **87 countries**

**NET SALES – GEOGRAPHICAL AREA (2013)**

### Build emerging markets and Japan

Our performance in **emerging markets** is another key driver of growth. Net sales in BRICMT (Brazil, Russia, India, China, Mexico and Turkey) which represent an estimated 75% of emerging market potential by the second half of this decade, reached € 313 million, up 13%. Five of these six major markets achieved sales increases significantly above local market rates, thanks to demand for UCB's Established Brands, coupled with recent launches of Cimzia®, Vimpat® and Neupro®.

Augmenting this emerging market growth, in January 2014 we announced an important partnership with Biogen Idec, a U.S. – based biopharma company, to develop and commercialize selected Biogen Idec neurology and hematology products across South East Asian markets, and China. This partnership significantly enhances UCB's neurology presence in Asia, and represents a strong endorsement for our growing capabilities in this important region.

In **Japan**, we continued the growth path thanks to the leadership performance of E Keppra®, launched by Otsuka, our CNS partner in Japan. In 2013, E Keppra® was also approved for pediatric use. Cimzia®, co-promoted with Astellas, was successfully launched earlier in the year; as well as Neupro® for Parkinson's disease and restless legs syndrome by Otsuka. Net sales in Japan decreased by 8% in Euro, impacted by strong Yen devaluation (+11% in Yen).



Paul, UCB

“Three promising projects in Phase 3 and additions to our early pipeline”

## Advance UCB’s rich late-stage pipeline

2013 saw multiple important milestones from our clinical development pipeline. We are on our way to bring new potential medicines closer to people living with severe diseases.

Our rich late stage pipeline includes three new potential medicines:

- ▶ **romosozumab** (co-developed with our partner Amgen), a potential breakthrough for bone loss disorders, with osteoporosis in post-menopausal women as the primary indication,
- ▶ **epratuzumab**, a potential novel treatment for the auto-immune disease lupus (systemic lupus erythematosus or SLE), and
- ▶ **brivaracetam**, a next generation compound for epilepsy.

All continue to progress in multiple Phase 3 studies, the last development phase before regulatory review and potential patients’ access.

UCB also licensed worldwide exclusive rights from Biotie Therapies’ *tozadenant* (SYN115), a selective inhibitor of the adenosine 2a receptor antagonist, currently in development for the treatment of Parkinson’s disease.

Altogether, the potential R&D productivity (Phase 3 new molecular entities / R&D spend) is amongst the top 3 in the biopharmaceutical industry.

## Deliver breakthrough medicines to the clinic

We consider as “breakthrough”: new medicines that can transform patients’ lives and UCB.

In our **early stage pipeline**, we focus on potential breakthroughs that offer true differentiation and systematically discontinue projects that do not. The productivity, wealth and quality of our pipeline – internal and external – allow us to make these choices. For example, while we decided in 2012 not to pursue *olokizumab* into Phase 3 on our own, in 2013, we entered into a world-wide exclusive license agreement with R-Pharm, for its development and commercialization.

In 2013, two new compounds entered Phase 1 (first test in humans) of our clinical development pipeline: UCB5857 and UCB4940, both for the potential treatment of multiple immunological indications. In addition, CDP7657, a CD40 ligand antibody for lupus, under development in partnership with Biogen Idec, progressed to Phase 1b, i.e. safety in patients.

Our established research strategy for the breakthrough focuses on first or second-in class innovative approaches, prioritizing projects that have a clear proof of concept and clear end points. The Boston Consulting Group showed in a recent publication (Nature Drug Discovery – December 2013) that scientific acumen and good judgment, including having clear ideas about



Neil, UCB

what defines a successful candidate, and making decisions accordingly, are correlated positively with success in drug development. It also indicates that there is no correlation between company size and the likelihood of R&D success with numerical advantage to mid-sized companies.

### Improve competitive profitability

In its transformation phase, UCB has made a conscious decision to increase R&D spend to build the basis for sustainable long-term growth in an environment that continues to increasingly demand levels of clear differentiation and value for patients compared to what is available on the market already.

In this new UCB growth phase, as Keppra® erosion starts to level out, we expect that the increase in revenues driven by Cimzia® Vimpat® and Neupro® and emerging markets, as well as, tight cost management through a disciplined activity based approach, will gradually improve our competitive profitability and accelerate towards peer level around 2017.

Tight expense management showed results, with marketing and selling expenses benefitting from synergies and efficiencies. Marketing and selling expenses declined 8% versus 2012, while R&D expenses of € 856 million remained stable at 25% of our revenues to fund our highly innovative pipeline.

### Develop passionately engaged colleagues

Every year, we measure the **engagement of our colleagues** at UCB, through a companywide survey. This input is essential to building UCB's future and making our company a true patient-centric biopharmaceutical leader. The 73% engagement rate in 2013 maintained the high level achieved in 2012, well above our industry standards. 81% of UCB colleagues said that they were proud to work and contribute to UCB.

Significant progress in talent development and robust succession planning were also achieved with over 6 000 colleagues benefitting from a formal development plan.



Anja, Monica, Lloyd and Wieke,  
living with epilepsy

## Ensuring quality and compliance

Across UCB we operate under very high standards of quality, safety and compliance. Every day we continue to work according to our company values and our **Code of Conduct** to ensure we deliver safe and efficacious products to patients and customers while, at the same time, being mindful of our responsibilities to all our stakeholders – such as, employees, communities, society and shareholders. We have established a reporting system to allow each and every colleague the opportunity to report confidential or anonymous compliance concerns anytime in native language – the “UCB Integrity Line®”.

In 2013, we continued to pass all inspections from regulatory agencies, with no critical findings, and we also successfully implemented our corporate integrity agreement in the U.S. for the third year running. We request and appreciate that every single colleague at UCB 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. Without our joint efforts we would not be able to deliver sustainable and superior value for patients, which delivers value also for all other stakeholders, including shareholders.

We continue to strengthen the implementation of our **corporate societal responsibility (CSR)** strategy - “societal” reflects our broad responsibility and commitment to societies, embracing environmental and social dimensions. In 2013, patient and planet were at the core of our CSR activities, including:

- ▶ Generating a budget of € 1.7 million to support eight projects in six developing countries together with reliable and local partners and stakeholders to improve the lives of people living with epilepsy;
- ▶ Creating a “UCB Societal Responsibility Fund” within the “King Baudouin Foundation”, with an overarching objective to generate additional funding to support new epilepsy initiatives for education and care of patients living with epilepsy;
- ▶ Reducing our carbon footprint by 7%, mainly thanks to 50% of our electricity consumption coming from renewable sources (+8% over last year) and the completion of energy saving projects.

“The changes in our industry offer great opportunities for innovative enterprises.”



## CHANGING AND CHALLENGING TIMES DEMAND NEW SOLUTIONS

UCB's advances are significant and our strategy decisive to harness the new opportunities of our industry as well as the well-known challenges. Our industry is indeed undergoing a transformation and is at a major inflection point.

The biopharmaceutical industry is driven by innovation and continues to be very contingent on patent expiries with increasing generic competition. At the same time, new technology and understanding of biological pathways, genetics and genomics, as well as progress in physics and chemistry, opens new opportunities which UCB is tapping into.

While governments and payers around the world, driven by economic constraints, are tightening their healthcare budgets, empowered healthcare consumers are demanding greater access and accountability. With the consumerization of healthcare in the U.S., as well as in the emerging markets, UCB is connecting more and more with patients, in addition to caregivers, physicians and nurses, as well as payers. An aging population is also driving healthcare demand and UCB is able to get more and more payer access to our new medicines by demonstrating value and focusing on severe diseases with high unmet needs.

**Adaptive, innovative biopharmaceutical companies** capable of unleashing the potential of contemporary technologies will have an advantage. In such a complex environment, UCB continues to adapt and pilot innovative solutions. In 2013 we aligned our organization to reflect this new reality.

No one can harness the power of these new technologies by internal capabilities alone. In addition to our ongoing partnering with Harvard, Cambridge and KU Leuven, UCB's web of partners continued to expand in 2013, such as with IBM Watson, for epilepsy care, with Crelux and 4SC Discovery to meet unmet needs in neurology, with The Lieber Institute For Brain Development to explore complexities of the brain and discover new medicines, and with Vectura to collaborate and share expertise in severe inflammatory disease, among others.

In all areas, we continue to learn from best-in-class companies outside the biopharma industry in areas such as innovation, healthcare consumer insights, and cost management.

Overall, new leaders are emerging out of the biopharmaceutical industry's inflection point. UCB aspires to be one of them.



“Superior and sustainable value for patients – deliver value for all stakeholders.”

## OUR 2014 PRIORITIES & BEYOND

### A clear strategy: Inspired by patients. Driven by science.

Since 2004, our strategy has been focused on delivering superior and sustainable solutions to people living with severe diseases, targeting two areas: neurological diseases and diseases of the immune system. In each of these areas, we constantly strive to obtain better patient and healthcare consumer insights while moving science forward to create unique solutions and efficient ways to deliver them.

In 2014, we continue to focus on our strategic growth priorities:

1. Grow Cimzia®, Vimpat® and Neupro®;
2. Build emerging markets and Japan;
3. Advance the rich late-stage pipeline;
4. Deliver breakthrough medicines to the clinic; and
5. Improve competitive profitability.

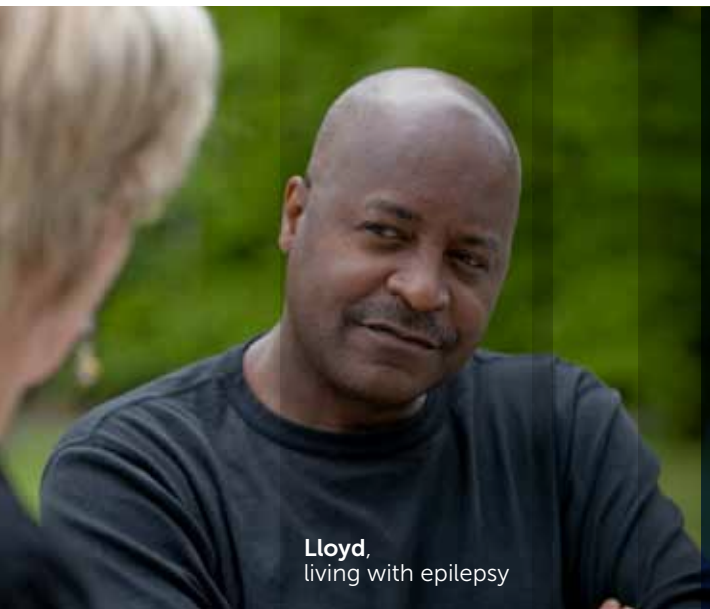
These priorities are underpinned by constantly ensuring quality and compliance with laws and regulations, and developing passionately engaged colleagues and business partners.

### 2014: A new era of superior growth

Focusing on these strategic priorities, UCB is entering a new era in 2014 as Phase 3 clinical trial results from our rich late-stage pipeline will be known as of the second half of 2014, beginning with *brivaracetam*, and followed by *epratuzumab* in the first quarter of 2015 and *romosozumab* in first half 2016.

In addition, we expect to fill again our pipeline with attractive, well differentiated products due to our focused R&D efforts and application of excellence in science. Hence, UCB's growth trajectory is now well-prepared for many years with Cimzia®, Vimpat® and Neupro® and emerging markets, and could be further enhanced depending on these important clinical milestones in the next several years.





“We are together here for the long term: to transform people’s lives.”

Lloyd,  
living with epilepsy

### We would like to thank you.

Our aim is for UCB’s growth to exceed the biopharma industry’s average growth. We will continue to invest more than our peers in research and development, with the current years expected as a “peak investment years”. Over the longer term, we aim to gradually reach peer profitability accelerating towards 2017 through economies of scale, driven by: top line growth, an improved gross margin and, lower relative marketing & selling expenses. Based on the current performance of our core medicines, we confirm our expectation to reach more than 1.5 million patients with Cimzia®, Vimpat® and Neupro®, representing combined peak sales of at least € 3.1 billion in the second half of this decade.

For 2014, under application of IFRS 10, we expect our revenues to reach approximately € 3.5-3.6 billion, a recurring EBITDA between € 740 and € 770 million and a core EPS range of € 1.90 and € 2.05 based on 192 million of shares.

The insights and inspiration from people living with severe diseases, their caregivers and their physicians and nurses are decisive for us. They form the foundation of UCB’s research and development – rounded out by the important input from payers and regulators. Essential to our success are the engagement, expertise, persistence and compliance of our colleagues and our partners, the dialogue and support from our shareholders, and last but not least, the challenging yet supportive guidance of our Board of Directors.

At UCB, we are **Inspired by patients. Driven by science.** And we are committed to bring superior and sustainable value to both patients and all our other stakeholders. Thank you for sharing our journey.

Sincerely,

**Roch Doliveux**  
Chief Executive Officer

**Gerhard Mayr**  
Chairman



Adrien, UCB

# 2014 milestones

## R&D MILESTONES

2014	Cimzia® ( <i>certolizumab pegol</i> )	juvenile idiopathic arthritis	Phase 3 results (H2 2014)
	<i>brivaracetam</i>	epilepsy POS / adjunctive therapy	Phase 3 results (H2 2014)
	Vimpat® ( <i>lacosamide</i> )	epilepsy POS / monotherapy (EU)	Phase 3 results (Q4 2014)
2015	<i>epratuzumab</i>	systemic lupus erythematosus	Phase 3 results (Q1 2015)
	Vimpat® ( <i>lacosamide</i> )	epilepsy POS / adjunctive therapy (Asia)	Phase 3 results (H1 2015)
2016	<i>romosozumab (sclerostin antibody)</i>	osteoporosis in post-menopausal women	Phase 3 results (H1 2016)
	Cimzia® ( <i>certolizumab pegol</i> )	rheumatoid arthritis	C-Early™ Phase 3 results
	Cimzia® ( <i>certolizumab pegol</i> )	rheumatoid arthritis	Exxelerate™ Phase 3 results

## EXPECTED PEAK SALES (2<sup>ND</sup> HALF OF DECADE)

<b>Cimzia®</b> $\geq \text{€ } 1.5$ billion	<b>Vimpat®</b> $\geq \text{€ } 1.2$ billion	<b>Neupro®</b> $\geq \text{€ } 400$ million
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## FINANCIAL GUIDANCE 2014

~ 3.5-3.6

billion revenue

~ 740-770

million REBITDA

~ 1.90-2.05

core EPS



# MANAGEMENT REPORT OF THE BOARD OF DIRECTORS



**Lakeisha,**  
living with epilepsy

1. CORPORATE GOVERNANCE STATEMENT
2. BUSINESS PERFORMANCE REVIEW
3. OPERATING AND FINANCIAL REVIEW



# 1. Corporate governance statement

**As a Belgian**-headquartered company with a commitment to the highest standards of corporate governance, the Board of Directors (hereafter “the Board”) of UCB S.A./N.V. (hereafter “UCB”) adopted a Charter of Corporate Governance 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 has adopted the “2009 Belgian Code on Corporate Governance” (hereafter “the Corporate Governance Code”) as its reference code of corporate governance, taking into account the specific international aspects of UCB<sup>1</sup>.

This Charter of Corporate Governance, which is available on the UCB website ([www.ucb.com/investors/Governance/Principles-codes-and-guidelines](http://www.ucb.com/investors/Governance/Principles-codes-and-guidelines)), describes the main aspects of UCB’s corporate governance, including its governance structure and the terms of reference of the Board, as well as those of its committees and the Executive Committee. The Charter of Corporate Governance is annually updated, in December, and reviewed by the Board to be in line with the applicable laws and regulations, the Code and their interpretation.

In accordance with the Belgian Companies’ Code and with the Corporate Governance Code, the following pages provide factual information about UCB’s corporate governance. This includes changes to UCB’s corporate governance, together with relevant events that took place during 2013, such as changes in UCB’s capital or shareholder structure, the modifications in UCB’s governance and in the Board’s and Committees’ composition, 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.

## Directors and Auditors

### BOARD OF DIRECTORS

- ▶ Gerhard Mayr, Chair
- ▶ Evelyn du Monceau, Vice Chair
- ▶ Roch Doliveux, Executive Director and CEO
- ▶ Albrecht De Graeve, Director
- ▶ Arnoud de Pret, Director
- ▶ Harriet Edelman, Director
- ▶ Peter Fellner, Director
- ▶ Charles-Antoine Janssen, Director
- ▶ Jean-Pierre Kinet, Director
- ▶ Tom McKillop, Director
- ▶ Norman J. Ornstein, Director
- ▶ Bridget van Rijckevorsel, Director

### SECRETARY OF THE BOARD OF DIRECTORS

- ▶ Xavier Michel, Vice-President & Secretary General (since 1 June 2013)

### STATUTORY AUDITOR

- ▶ PricewaterhouseCoopers, represented by its permanent representative Jean Fossion

### HONORARY DIRECTORS

- ▶ André Jaumotte, Honorary Chair
- ▶ Mark Eyskens, Honorary Chair
- ▶ Georges Jacobs de Hagen, Honorary Chair
- ▶ Karel Boone, Honorary Chair
- ▶ Daniel Janssen, Honorary Deputy Chair
- ▶ Prince Lorenz of Belgium
- ▶ Alan Blinken
- ▶ Michel Didisheim
- ▶ Guy Keutgen
- ▶ Paul Etienne Maes
- ▶ Gaëtan van de Werve
- ▶ Jean-Louis Vanherweghem

### HONORARY CHAIRMEN OF THE EXECUTIVE COMMITTEE

- ▶ Daniel Janssen
- ▶ Paul Etienne Maes
- ▶ Georges Jacobs de Hagen

<sup>1</sup>The “2009 Belgian Code on Corporate Governance” is available on the website of the Belgian Corporate Governance Committee (<http://www.corporategovernancecommittee.be>)



**Kristof**, living with axial spondyloarthritis

## 1.1 | CAPITAL AND SHARES

### 1.1.1 | CAPITAL

The capital of UCB has been modified in 2013. On 31 December 2013, it amounted to € 550 281 456 and was represented by 183 427 152 shares.

### 1.1.2 | SHARES

Since 14 June 2013, the share capital of UCB is represented by 183 427 152 shares (hereafter "UCB shares"), all fully paid up. 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 on the abolition of bearer securities (the "Law of 14 December 2005"), as from 1 January 2014, all bearer UCB shares which have not been converted by their rightful owners before 31 January 2013 in dematerialized shares (on a securities account) or into registered shares (in UCB's share register), have been automatically and by force of law converted into dematerialized shares and are held by UCB on a securities account on behalf of their unknown owners (the "unclaimed shares"). The rights attached to the unclaimed shares – such as dividend rights, the right to attend and vote at the general shareholders meeting, or the preferential subscription rights in the event of a capital increase - are also suspended until their rightful owners have duly claimed (i) their conversion and transfer in dematerialized form on their own securities accounts or (ii) their conversion into registered shares. A special tax may be due upon such conversion.

In accordance with the same Law of 14 December 2005, as of 1 January 2015, UCB will have a legal obligation to offer for sale on the stock market all remaining unclaimed shares. The net proceeds of the sale (i.e. after deduction of all costs incurred) will be deposited with the Deposit and Consignment Fund ("Caisse des dépôts et consignations" / "Deposito- en Consignatiekas") (hereafter the "Fund"). After such mandatory sale, UCB will no longer intervene in the process and the rightful owners of remaining underlying unclaimed shares will have the right to submit their bearer shares to the Fund in order to receive payment of the corresponding net proceeds of such mandatory sale. As of 1 January 2016, such repayment by the Fund will be subject to a fine of 10% of the proceeds of the sales 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>).

Until they are fully paid up, UCB shares are registered and may only be transferred after prior approval by the Board. Registered UCB shares are recorded in the share register of UCB.

All UCB shares are admitted for listing and trading on NYSE Euronext Brussels.

### 1.1.3 | WARRANTS

In 1999 and 2000 respectively, UCB issued 145 200 and 236 700 warrants (long term incentives plans for employees). They all expired on 31 May 2013. The share capital was increased as a result of the last exercise of these warrants (52 300 new shares issued on 5 March 2013 and 9 800 new shares issued on 14 June 2013).

### 1.1.4 | CONVERTIBLE BONDS

UCB issued senior unsecured 4.5% bonds due 2015 for an aggregate principal amount of € 500 million, placed with institutional investors following an accelerated book-building procedure on 30 September 2009 (hereafter the "Convertible Bond(s)"). An Extraordinary General Meeting decided on 6 November 2009 to attach a conversion right to these Bonds.

Each Convertible Bond has a denomination of € 50 000 and may be converted as from 2 December 2009 until 15 October 2015 for a conversion price of € 38.746 per UCB share. Upon receipt of a conversion request from a bondholder, the Board has the option, in its sole discretion but in UCB's best interest, (i) to issue new UCB shares, (ii) to deliver existing UCB shares or (iii) to make a combination of these two options.

If all of the Convertible Bonds were to be converted into new UCB shares at the current conversion price (€ 38.746), UCB would issue 11 097 920 new UCB shares. The conversion price may have to be revised in accordance with anti-dilution provisions in accordance with the terms and conditions of the Bonds or in case of change of control.

UCB Lux S.A. purchased on 26 April 2012 an amount of € 70 million nominal of the Convertible Bonds and thereafter sold an option equivalent to the one embedded in such bonds to UCB.

The Bonds are listed on the EURO MTF market of the Luxembourg stock exchange.

On 21 January 2014, UCB announced that it exercised its right to early redeem the Convertible Bond. This early redemption also triggered the right for the bond holders to ask for the conversion of the Convertible Bond into ordinary shares of the Company. The ultimate date for the conversion is 5 March 2014.

### 1.1.5 | TREASURY SHARES

UCB acquired 3 364 891 and transferred 3 900 153 UCB shares in 2013. On 31 December 2013, UCB held a total of 2 366 444 UCB shares (266 444 shares and 2 100 000 assimilated securities), representing 1.29% of the total number of UCB shares.

UCB Fipar S.A., an affiliate indirectly controlled by UCB, acquired 2 062 800 UCB shares and sold 2 777 718 UCB shares in 2013. On 31 December 2013, UCB Fipar S.A. held a total of 1 776 616 UCB shares (176 616 shares and 1 600 000 assimilated UCB shares), representing 0.97% of the total number of UCB shares.

The UCB shares were acquired by UCB and UCB Fipar S.A. 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 and by UCB to cover part of UCB's obligations resulting from the Convertible Bonds.

For additional details, please refer to Note 25.3 Treasury shares.

For a full overview of UCB's large shareholdings (including assimilated securities) on the basis of the transparency notifications made pursuant to the Law of 2 May 2007 on the disclosure of large shareholdings, please refer to section 1.2 Shareholders and Shareholders Structure.

## 1.2 | SHAREHOLDERS AND SHAREHOLDERS STRUCTURE

The main shareholder of UCB ("Reference Shareholder") is Financière de Tubize S.A., a Belgian company listed on NYSE Euronext Brussels.

Financière de Tubize S.A., together with its subsidiaries, acts in concert with Schwarz Vermögensverwaltung GmbH & Co. KG within the meaning of article 3, §1, 5° and §2 of the Law of 1 April 2007 on public takeover bids. According to the latest annual notification dated 27 August 2013 made pursuant to article 74, §8 of the Law of 1 April 2007 on public takeover bids and the most recent transparency declaration, the number of UCB securities carrying voting rights that are covered by this concert agreement represents 37.53% of the total number of UCB securities carrying voting rights (183 427 152).

Pursuant to a decision of the General Meeting held on 6 November 2009, the Board is authorized, for an unlimited duration in time, in accordance with article 622, § 2, section 2, 1°, of the Belgian Companies' Code, to dispose of UCB shares on or outside the stock exchange, by way of sale, exchange, contribution or any other kind of disposal. This authorization also covers a disposal of UCB shares held by a direct subsidiary of UCB within the meaning of article 627 of the Belgian Companies' Code.

Pursuant to a decision of the same meeting, the Board and each Board of Directors of UCB's direct subsidiaries are authorized, for a period of five years starting 7 November 2009, to acquire UCB shares, up to maximum 20% of the total number of UCB shares, for exchange values equivalent to the closing price of the UCB share on NYSE Euronext Brussels on the day immediately preceding the acquisition, plus a maximum of 15% or minus a maximum of 15%, taking also into account any applicable legal requirements.

It will be proposed to the next available Extraordinary General Meeting to be held in 2014 to:

- ▶ institute an authorized capital,
- ▶ renew and replace the above authorization to acquire UCB shares (share buyback) for a period of 2 years, up to maximum 10% of the total number of UCB shares for a price or an exchange value per share of maximum the highest price of UCB shares on NYSE Euronext Brussels on the day of the acquisition and minimum one (1) euro, without prejudice to article 208 of the Royal Decree of 31 January 2001 executing the Belgian Companies' Code.

According to the latest transparency declaration related to Financière de Tubize S.A. dated 13 March 2013 and made pursuant to the Law of 2 May 2007 on the disclosure of large shareholdings, 51.98% of the voting rights of Financière de Tubize S.A. is held by a group of shareholders, acting in concert and consisting of members of the Janssen family and companies controlled by members of the Janssen family.

Below is an updated overview of the large shareholdings of UCB (including assimilated financial instruments) on the basis of the transparency notifications made pursuant to the Law of 2 May 2007, on the disclosure of large shareholdings (situation as at 15 January 2014):

	CURRENT	VOTING	DATE OF THE LAST RELEVANT NOTIFICATION
<b>Share capital €</b>	<b>550 281 456</b>		14 June 2013
<b>Total number of voting</b>	<b>183 427 152</b>		14 June 2013
<b>1 Financière de Tubize S.A. ("Tubize")</b>			
securities carrying voting rights (shares)	66 370 000	36.18%	1 March 2012
<b>2 UCB S.A./N.V.</b>			
securities carrying voting rights (shares)	2 302 044	1.26%	15 January 2014
assimilated financial instruments (options) <sup>1</sup>	6 146 638	3.35%	15 January 2014
assimilated financial instruments (other) <sup>1</sup>	0	0.00%	15 January 2014
<b>TOTAL</b>	<b>8 448 682</b>	<b>4.61%</b>	
<b>3 UCB Fipar S.A.</b>			
securities carrying voting rights (shares)	1 705 664	0.93%	15 January 2014
assimilated financial instruments <sup>1</sup>	0	0.00%	15 January 2014
<b>TOTAL</b>	<b>1 705 664</b>	<b>0.93%</b>	
<b>4 Schwarz Vermögensverwaltung GmbH &amp; Co. KG ("Schwarz")</b>			
securities carrying voting rights (shares)	2 471 404	1.35%	1 March 2012
<b>Tubize<sup>2,3</sup> + UCB S.A./N.V. + UCB Fipar S.A. + Schwarz<sup>3</sup></b>	<b>78 995 750</b>	<b>43.07%</b>	
securities carrying voting rights (shares)	72 849 112	39.72%	
assimilated financial instruments <sup>1</sup>	6 146 638	3.35%	
<b>Free float<sup>4</sup> (securities carrying voting rights (shares))</b>	<b>110 578 040</b>	<b>60.28%</b>	
<b>5 Capital Research and Management Company</b> (subsidiary of The Capital Group Companies Inc.)			
securities carrying voting rights (shares)	13 905 411	7.58%	8 January 2014
<b>6 Vanguard Health Care Fund</b>			
securities carrying voting rights (shares)	9 345 949	5.10%	12 June 2013

<sup>1</sup> 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.

<sup>2</sup> Tubize controls UCB S.A./N.V., which indirectly controls UCB Fipar S.A. | article 6, §5, 2° and article 9, §3, 2° of the Law on the disclosure of large shareholders.

<sup>3</sup> Tubize and Schwarz have declared to be acting in concert | article 6, §4 and article 9, §3, 3° of the Law on the disclosure of large shareholders.

<sup>4</sup> Free float being the UCB shares not held by Tubize, UCB S.A./N.V., UCB Fipar S.A. or Schwarz. Only shares held by these entities are taken into account for this calculation, to the exclusion of assimilated financial instruments.

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

On 27 August 2013, UCB S.A./N.V. received an updated notification pursuant to article 74, §8 of the law of 1 April 2007 on public takeover bids from Financière de Tubize S.A., Schwarz Vermögensverwaltung GmbH & Co. KG, UCB S.A./N.V. and UCB Fipar S.A.

**In summary, since September 2007 and to date the voting rights of these shareholders were allocated as follows:**

	SEPTEMBER 2007		JANUARY 2014	
<b>Total number of securities carrying voting rights</b>	<b>183 361 252</b>		<b>183 427 152</b>	
<b>1 Financière de Tubize S.A.</b>				
securities carrying voting rights (shares)	66 370 000	36.20%	66 370 000	36.18%
<b>2 UCB S.A./N.V.</b>				
securities carrying voting rights (shares)	-	-	2 302 044	1.26%
<b>3 UCB Fipar S.A.</b>				
securities carrying voting rights (shares)	3 176 578	1.73%	1 705 664	0.93%
<b>4 Schwarz Vermögensverwaltung GmbH Co. KG ("Schwarz")</b>				
securities carrying voting rights (shares)	9 885 618	5.39%	2 471 404	1.35%
<b>Tubize<sup>5,6</sup> + UCB S.A./N.V. + UCB Fipar S.A. + Schwarz<sup>6</sup></b>	<b>79 432 196</b>	<b>43.32%</b>	<b>72 849 112</b>	<b>39.72%</b>

<sup>5</sup> Tubize controls UCB S.A./N.V., which indirectly controls UCB Fipar S.A. | article 3, §2 of the Law of 1 April 2007 on public takeover bids.

<sup>6</sup> Tubize and Schwarz have declared to be acting in concert | article 3, §1, 5° of the Law of 1 April 2007 on public takeover bids.

## 1.3 | BOARD OF DIRECTORS AND BOARD COMMITTEES

### 1.3.1 | BOARD OF DIRECTORS

#### COMPOSITION OF THE BOARD AND INDEPENDENT DIRECTORS

The Board of Directors was composed as follows in 2013:

	FIRST APPOINTED AS DIRECTOR	END OF TERM OF OFFICE	INDEPENDENT DIRECTOR
Gerhard Mayr, Chair	2005	2015	x
Evelyn du Monceau, Vice Chair	1984	2015	
Roch Doliveux, Executive Director	2004	2017	
Albrecht De Graeve	2010	2017	x
Arnoud de Pret	2005	2015	
Harriet Edelman	2012	2016	x
Peter Fellner	2005	2017	
Charles-Antoine Janssen	2012	2016	
Jean-Pierre Kinet	2008	2015	x
Tom McKillop	2009	2016	x
Norman J. Ornstein	2008	2015	x
Bridget van Rijckevorsel	1992	2015	

The mandates of Roch Doliveux, Albrecht De Graeve and Peter Fellner have been renewed by the General Meeting of 25 April 2013. Given that the mandate of Peter Fellner was renewed for a fourth time, and for this sole reason, he no longer qualified as independent director as per applicable law.

Despite the fact that Tom McKillop reached the age limit of 70 years in 2013 (art. 3.2.4 of the Corporate Governance Charter), the Board of Directors decided in its meeting of 13 December 2012 to make an exception to the age limit, given his exceptional experience and expertise as the retired CEO of a major pharmaceutical company and in light of his scientific background.

Roch Doliveux is the only executive director of UCB and does not qualify as an independent director.

Evelyn du Monceau, Arnoud de Pret, Bridget van Rijckevorsel and Charles-Antoine Janssen are representatives of the Reference Shareholder and, as such, are not eligible to qualify as independent director.

Gerhard Mayr, Albrecht De Graeve, Harriet Edelman, Jean-Pierre Kinet, Tom McKillop and Norman J. Ornstein meet all the independence criteria stipulated by article 526ter of the Belgian Companies' Code, the Board and the Corporate Governance Code.

Bridget van Rijckevorsel has expressed her wish to retire in 2014 and Peter Fellner will reach the age limit of 70 years (art. 3.2.4 of the Corporate Governance Charter) in 2014. The Board of Directors of 7 November 2013 decided, upon recommendation of its Governance, Nomination & Compensation Committee (the "GNCC"), to propose to the Annual General Meeting to be held on 24 April 2014, the appointment of Cédric van Rijckevorsel in replacement of Bridget van Rijckevorsel and of Kay Davies in replacement of Peter Fellner as from 24 April 2014. Cédric van Rijckevorsel will be a representative of the Reference Shareholders and, as such, will not be eligible to qualify as an independent director.

Kay Davies meets all the independence criteria stipulated by article 526ter the Belgian Companies' Code, the Board and the Corporate Governance Code. Upon appointment by the shareholders meeting, Kay Davies will also replace Peter Fellner as Chair of the Scientific Committee of the Board of Directors, given her exceptional scientific experience.

Pursuant to article 96, § 2, 6° of the Belgian Companies' Code, UCB declares currently having three female directors in its Board being 25% of the Board members. When replacements or appointments for the Board are considered, UCB – via its Board and the GNCC – is systematically taking into account enhancing gender diversity in the Board, which includes searching for senior female profiles which could add a complementary value to the Board. Accordingly, in terms of gender diversity, the proposed appointment of Kay Davis compensates the departure of Bridget van Rijckevorsel.

#### FUNCTIONING OF THE BOARD

In 2013, the Board met seven times. The attendance rate of its members was as follows:

Gerhard Mayr, Chair	100%
Evelyn du Monceau, Vice Chair	100%
Roch Doliveux, Executive Director	100%
Albrecht De Graeve	85%
Arnoud de Pret	100%
Harriet Edelman	85%
Peter Fellner	100%
Charles-Antoine Janssen	100%
Jean-Pierre Kinet	100%
Tom McKillop	100%
Norman J. Ornstein	100%
Bridget van Rijckevorsel	100%

During 2013, the Board's main areas of discussion, review and decisions were: strategy of UCB, the reports of the Audit Committee, Scientific Committee and of the GNCC, corporate governance and organization of UCB, risk and risk management, succession planning, the structuring of the UCB group, tax strategy, the appointments reserved to the Board, the remuneration policies, the management and financial reporting, R&D, the debt refinancing, investment programs and business development proposals, financial and commercial partnerships, license agreements, divestments of non-core activities and assets, reports and resolution proposals to the shareholders as published in the invitations to the General Meetings in compliance with the Belgian Companies' Code.

The Board also created amongst its members, by special decision and delegation of powers, a Special Ad Hoc Finance Committee composed of Arnoud de Pret, Albrecht De Graeve, Gerhard Mayr and Evelyn du Monceau, to review and decide, within a predefined framework, on selected refinancing transactions which occurred in the second half of 2013 (including bond issues). This Special Ad Hoc Committee met four times in the second half of 2013.

There were no transactions or contractual relationships in 2013 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. In accordance



with internal rules, Peter Fellner did not participate to the deliberation and decisions of the Board relating to the contract of UCB with the company Biotie of which Peter Fellner is also a member of the board of directors.

During 2014, the Board will ensure an induction program for its new directors to cover the various areas of expertise required in a biopharmaceutical company.

## ASSESSMENT OF THE BOARD

In accordance with its Corporate Governance Charter, the Board conducted in 2013 an internal assessment of its functioning as well as its contribution to the success of UCB. The main topics covered by the assessment related to its strategic mission and aimed at optimizing the composition and operation of the Board and its committees, as well as its interaction with the CEO and the Executive Committee. It was conducted by the Chair of the Board and the Chair of the GNCC.

### 1.3.2 | BOARD COMMITTEES

#### AUDIT COMMITTEE

The Board has set up an Audit 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 Audit Committee is as follows:

	END OF TERM OF OFFICE	INDEPENDENT DIRECTOR	ATTENDANCE RATE
Arnoud de Pret, Chair	2015		100%
Albrecht De Graeve	2017	x	100%
Gerhard Mayr	2015	x	100%

Albrecht De Graeve and Gerhard Mayr meet all 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 in accounting and audit matters as required by article 526bis, § 2 of the Belgian Companies' Code. The Audit Committee's composition complies with the Belgian Companies' Code requiring that (at least) one member is an independent director. The Corporate Governance Code recommends that a majority of the members of the Audit Committee are independent, which is the case.

The Audit Committee met four times in 2013. The external auditor attended all or part of all meetings. Each Audit Committee includes separate private sessions with just the internal and external auditors without management presence.

The Audit Committee meetings were also attended by Detlef Thielgen (Executive Vice President & Chief Financial Officer), Doug Gingerella (Senior Vice President Global Internal Audit / M&A) and, acting as secretary of the Committee, Bill Silbey (Deputy General Counsel) and - as from June 2013 - Xavier Michel (Vice President & Secretary General).

The meetings were also partly attended by André van der Toorn (Vice President Treasury & Risk Management) for subjects relating to treasury and refinancing; Bo Iversen (Vice President Tax) for tax updates and restructuring transactions; Douglas Minder (Director Financial Collaborations & IFRS Competence Center) for IFRS updates; Olaf Elbracht (Vice President Reporting & Consolidation) and Caroline Vancoillie (Chief Accountant Officer) for accounting matters (Olaf Elbracht attended only until Caroline Vancoillie took over); Anna Richo (Executive Vice President & General Counsel) for litigation and

risk management topics and Aaron Bartlone (Sr VP Corporate QA HSE and Drug Safety) for risk management topics. Véronique Gendarme (Senior Director Benefits & Rewards) also joined for the annual review of pension schemes and pension liabilities. Fabrice Enderlin (Executive Vice President, Corporate Human Resources, Communication and Corporate Societal Responsibility) and Dirk Teuwen (Vice President Corporate Societal Responsibilities) also joined the meeting for corporate societal responsibility related matters.

In 2013, and in accordance with its terms of reference (see the Charter of Corporate Governance 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 statutory audit of the annual and consolidated accounts and the independence of the external auditor including the provision of additional services to UCB for which the Audit Committee reviewed and authorized the fees. In addition, the Audit Committee reviewed corporate restructuring projects, risk management (including litigation and tax review, as well as the UCB group global risk mapping), impairment and equity value of subsidiaries, new IFRS rules and other new tax or accounting treatments and the external auditor satisfaction surveys.

#### GOVERNANCE, NOMINATION & COMPENSATION COMMITTEE ("GNCC")

The Board has set up a Governance, Nomination & Compensation Committee ("GNCC") 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 as follows:

	END OF TERM OF OFFICE	INDEPENDENT DIRECTOR	ATTENDANCE RATE
Evelyn du Monceau, Chair	2015		100%
Gerhard Mayr	2015	x	100%
Tom McKillop	2016	x	100%

A majority of the members of the GNCC meet all 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.

The GNCC met 8 times in 2013. The committee was attended by Roch Doliveux (Chair of the Executive Committee), except when discussing issues relating to him, and by Fabrice Enderlin (Executive Vice President, Corporate Human Resources, Communication and Corporate Societal Responsibility), who acts as secretary, except when discussing issues relating to him and CEO compensation.

In 2013, and in accordance with its terms of reference (see the Charter of Corporate Governance available on the UCB website), the GNCC reviewed the appointment proposals to be submitted to Board approval, the performance of the Executive Committee members and their remuneration. It reviewed the succession planning of the CEO and of the other members of the Executive Committee. It reviewed and submitted to Board approval the remuneration policy and the long-term incentives to be granted to the management and the performance criteria to which these grants were linked.

Since April 2012, the GNCC has been tasked by the Board to supervise and report about governance at UCB and be responsible for the Corporate Governance Charter and the Corporate Governance Statement.

## SCIENTIFIC COMMITTEE

On 10 June 2010, the Board set up, from amongst its members, a Scientific Committee to assist the Board in its review of the quality of UCB R&D science and its competitive standing.

The committee members who have outstanding scientific medical expertise are the following:

	END OF TERM OF OFFICE	INDEPENDENT DIRECTOR	ATTENDANCE RATE
Peter Fellner, Chair	2017		100%
Jean-Pierre Kinet	2015	x	100%

The Scientific Committee met three times in 2013.

The members of the Scientific Committee meet regularly with Ismail Kola, the Executive Vice President & President UCB NewMedicines™. 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. 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 OF THE EXECUTIVE COMMITTEE

Since 1 February 2013\*, the composition of the Executive Committee is as follows:

- ▶ **Roch Doliveux**, CEO & Chair of the Executive Committee
- ▶ **Fabrice Enderlin**, Executive Vice President, Corporate Human Resources, Communication and Corporate Societal Responsibility
- ▶ **Ismail Kola**, Executive Vice President & President UCB NewMedicines™
- ▶ **Iris Löw-Friedrich**, Executive Vice President, Biopharma Development Solutions and Chief Medical Officer
- ▶ **Mark McDade**, Executive Vice President, Established Brands, Solutions and Supply
- ▶ **Anna Richo**, Executive Vice President & General Counsel
- ▶ **Jean-Christophe Tellier**, Executive Vice President, Biopharma Brands and Solutions
- ▶ **Detlef Thielgen**, Executive Vice President & Chief Financial Officer

\* Greg Duncan, former Executive Vice President & President of North American Operations, having left on 31 January 2013.

#### FUNCTIONING OF THE EXECUTIVE COMMITTEE

In 2013, the Executive Committee met two to three days a month.

There were no transactions or contractual relationships in 2013 between UCB, including its related companies, and a member of the Executive Committee. In accordance with internal rules of conflict, some executive committee members did not participate to deliberations relating to contracts or relations with third party companies in which they also have directors mandates (Ismail Kola for the company Biotie and Mark McDade for the company Five Prime Therapeutics).

## 1.4 | REMUNERATION REPORT

The remuneration report describes UCB's executive remuneration policy and how executive compensation levels are set. The remuneration policy forms a part of a broader set of Human Resources policies, including performance management and talent development. The Governance, Nomination and Compensation Committee ("GNCC") oversees our executive compensation policies and plans. The Committee's roles and responsibilities are set forth in the corporate charter adopted by our Board of Directors.

### 1.4.1 | UCB'S GLOBAL REWARD PRINCIPLES

To accomplish our company goals within a highly competitive global biopharma environment we need qualified and talented executives working in a shared culture of performance. To foster this type of culture with fully engaged employees, it is critical to have a competitive Global Rewards Program in place. The objectives of the UCB Global Rewards Program are:

- ▶ to provide a strong motivation for reinforcing and sustaining our business strategy and the achievement of our corporate goals
- ▶ to link executive remuneration to both individual contribution and the overall success of UCB
- ▶ to recognize and reward sustained high performance
- ▶ to be fair and equitable, according to market practices
- ▶ and to enable UCB to attract and retain the industry's best talent at global levels.

The Global Rewards Program supports this drive and vision. For our most senior executives, variable pay makes up the most significant component of the total remuneration offering. Our variable pay programs are closely linked to both short-term achievements and long-term individual and company performance, to ensure a balanced focus on company sustainability and value creation.

### 1.4.2 | DEVELOPMENT OF THE UCB REMUNERATION POLICY

The policy of remuneration 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 terms of 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 role, competencies and performance.

The remuneration policy ensures that the compensation programs of the members of the Executive Committee, including equity incentives, pension schemes and termination arrangements, are fair and appropriate to attract, retain and motivate the management team.

#### 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 pay consists of a fixed annual retainer, varying in size based on the director's mandate, and a fee per meeting attended with the exception of the Chairman of the Board who receives only a fixed annual retainer. No long-term equity incentives are granted and there is also no other form of variable pay. An update to the level of pay was approved at the General Meeting of Shareholders of 25 April 2013 as the previous update to the pay level was made in 2008 with no increase since. After AGM approval, the remuneration levels for UCB board members were as follows (the previous policy amounts are mentioned in brackets):

##### ANNUAL FEES

- ▶ Chairman of the Board – € 210 000 (€ 120 000)
- ▶ Vice Chair – € 105 000 (€ 90 000)
- ▶ Directors – € 70 000 (€ 60 000)

##### BOARD ATTENDANCE FEES

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

##### AUDIT COMMITTEE / SCIENTIFIC ADVISORY COMMITTEE (ANNUAL FEES – NO MEETING FEES)

- ▶ Chairman of the Board committees – € 30 000 (previously € 15 000 for the Audit Committee Chairmanship and no specific fee for Chairman of the Scientific Committee)
- ▶ Members of the Board committees – € 20 000 (€ 7 500)

##### GOVERNANCE, NOMINATION AND COMPENSATION COMMITTEE (ANNUAL FEES – NO MEETING FEES)

- ▶ Chairman of the Board committee – € 20 000 (€ 15 000)
- ▶ Members of the committee – € 15 000 (€ 7 500)

In application of these rules, the total remuneration of directors and Board committee members for 2013 in UCB was as follows:

▶ Gerhard Mayr, Chairman	€ 212 333
▶ Evelyn du Monceau, Vice Chair	€ 128 833
▶ Roch Doliveux, Executive Director	€ 73 667
▶ Albrecht De Graeve	€ 88 500
▶ Arnoud de Pret	€ 98 667
▶ Peter Fellner	€ 96 167
▶ Jean-Pierre Kinet	€ 89 500
▶ Tom McKillop	€ 86 167
▶ Norman J. Ornstein	€ 73 667
▶ Bridget van Rijckevorsel	€ 73 667
▶ Charles-Antoine Janssen	€ 73 667
▶ Harriet Edelman	€ 72 667

#### 1.4.3 | STATEMENT ON THE REMUNERATION POLICY APPLIED TO THE REPORTED YEAR: REMUNERATION FOR EXECUTIVE DIRECTORS

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

#### BENCHMARK FOR OUR TOTAL REWARD PROGRAM

As per our Global Reward Principles, our remuneration packages intend to be fair and appropriate to attract, retain and motivate management. They also must be reasonable in view of the company economics and the relevant practices of comparable global biopharmaceutical companies. The Governance, Nomination & Compensation Committee ("GNCC") regularly considers the appropriate mix and level of cash and equity awards to offer to its Executives based on recommendations from the Corporate Human Resources department. These recommendations are reviewed with our independent compensation consultant, Towers Watson, to ensure the market competitiveness of our total remuneration and to take into consideration market trends affecting our sector. A market assessment is conducted every other year to assess the competitiveness of all compensation components (base salary, bonus, long-term incentives) of each Executive. This data is then aged in the years in which a survey is not conducted, based on global market movements within executive compensation. Where significant changes occur to job content, for instance due to company reorganization, a market pricing of a role may be conducted at that time to capture the impact of these changes. Our Executive Committee compensation packages are composed of two main elements:

- ▶ a fixed component of remuneration: base salary
- ▶ variable components of compensation: consisting of a cash bonus and long-term incentives

UCB benchmarks its executive Total Reward Program 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 US. UCB's competitive positioning policy is to target median pay levels of this comparator group for all elements of total direct compensation (base salary and variable compensation). The actual compensation level for each individual is determined according to the benchmark and taking into account their performance and level of experience in relation to the benchmark.

The comparator group is monitored closely to ensure that from year to year robust data is available, in view of the challenges of industry consolidation which impacts the stability of the underlying data.

## COMPENSATION ELEMENTS AND PAY FOR PERFORMANCE

Our executive compensation programs are based on a balance of individual and corporate performance and market competitiveness. For our senior executives, both short-term and long-term incentives take into account performance against financial 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. In addition to the base salary and performance related incentive pay, our executives are eligible for a range of benefits and perquisites which are in line with market compensation practices and fully aligned with the spirit of Belgian governance legislation, and therefore also with European regulations on executive compensation.

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



### FIXED COMPENSATION COMPONENT: BASE SALARY

The target base salary is determined based on the specific job dimensions and criteria, and in relation to the median level of base salary that the market typically pays for such a role. Once the market level of base salary is defined, the specific compensation level of the individual depends on the extent to which he/she impacts the business and his/her level of skill and experience. The evolution of base pay depends on the individual's level of sustained performance, the level of pay compared to the benchmark and market factors such as inflation. The GNCC proposes the salary increase for the CEO to the Board. The CEO proposes the same to the GNCC for the other Executive Committee members, for endorsement.

## VARIABLE COMPENSATION COMPONENTS

Target variable compensation levels (bonus and long-term incentives, or "LTI") are set considering the median market level of our comparator group while providing the opportunity for each executive to exceed median levels when both company and individual performance are outstanding.

The variable compensation targets are subject to the application of performance multipliers which are defined based on a mix of company performance, individual performance and behaviors as well as a holistic consideration of long-term value creation for the company, for the ultimate benefit of the Patient.

### PERFORMANCE ASSESSMENT

#### CORPORATE PERFORMANCE MULTIPLIER

The corporate objectives of the CEO are set at the beginning of the year by the GNCC and are approved by the Board. Since the 2012 performance year, UCB adopted Recurring Earnings Before Income Tax, Depreciation & Amortization ("REBITDA") as the corporate performance metric for its executives and senior management. The corporate performance multiplier 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 payout curve is translated into a payout range of between 0% and 150%. A minimum payout threshold is set and performance falling below this threshold results in a corporate performance multiplier of 0%.

#### INDIVIDUAL PERFORMANCE MULTIPLIER

The objectives for the CEO are proposed by the GNCC for approval by the Board of Directors. The GNCC proposes the Individual Performance Multiplier for the CEO to the Board based on the performance assessment at the end of the year. The CEO proposes the same to the GNCC for the other Executive Committee members, for endorsement. In discussing individual performance, the GNCC deliberates the achievement of the financial and quantitative objectives of the CEO and 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 the company values 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

#### BONUS

The cash bonus is designed to reward the performance of the company and of the individual over a time horizon of one year. Under the Upper Management Compensation Policy, the target bonus percentage is 90% of base salary for the CEO, and 65% for the other Executive Committee members to align with market practices.

The bonus target is subject to a double performance multiplier, which consists of the above-mentioned corporate and individual performance multipliers. The mechanism guarantees a direct link between individual contribution and company performance, which are interdependent. The calculation mechanism delivers significant value, when both company and individual performance are excellent. Conversely, the mechanism ensures that when company and/or individual performance levels are lower than expectations, this is adequately reflected through significantly diminished value.

Under the design of the double multiplier mechanism, a 0% corporate multiplier results in there being no bonus opportunity.

#### *LONG-TERM INCENTIVES (LTI)*

Our remuneration practice links a significant portion of equity-based compensation to mid-term and long-term company financial and strategic goals and performance. 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.

The Upper Management Compensation Policy, ensures that a greater proportion of variable pay is linked to long-term rather than short-term performance. This is achieved by the relative size of the LTI target which represents greater value than the (short-term) bonus.

The long-term incentive target is expressed as a percentage of base pay. At target level, long-term incentives represent 120% of base pay for the CEO and 80% for the other Executive Committee members. The actual grant size is adjusted in view of individual performance, considering a mix of short-term achievements and the impact on long-term value creation. The resulting value is translated into a number of long-term incentives, using the binomial value of each award, and spread across our existing long-term incentive programs based on the following allocation:

- ▶ Stock options – 30%
- ▶ Stock Awards – 35%
- ▶ Performance Shares – 35%

#### *STOCK OPTION*

Eligibility for participation in the Stock Option Plan is at the Board's discretion. The vesting period is typically three years from the date of grant but can be longer depending on local legislative requirements. Once vested, stock options are only exercisable once the share price exceeds the grant price and thus executives are incentivized to increase the share price over the vesting period in order to benefit from their stock options. In the U.S., Stock Appreciation Rights are granted instead of stock options. These follow the same vesting rules as the Stock Option plan and result in employees receiving a cash amount equal to the appreciation of UCB stock, instead of actual shares. 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.

#### *STOCK AWARD*

The Stock Award Plan provides 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. Our Executive Committee members are eligible for participation at the Board's discretion. Executives are incentivized to outperform the biopharmaceutical market and 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 ensures a strong link between pay and performance. Performance shares are grants of UCB common stock to the senior executive group, for which certain corporate targets must be met at the time of vesting. 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 address the following requirements:

**Valid:** Be strategically relevant to the company and stakeholders while being within the influence and control of our executives ("line of sight").

**Measurable:** Be predictable, definable, robust, realistic and accurately measurable over the 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 capped at 150% of the original grant. In some countries, delivery of the award may also be made in "phantom shares", depending on the local legislative environment.

#### *PENSIONS*

As the Executive Committee is international in its nature, 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 of 3.25%, as 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 Chief Executive Officer benefits from an individual pension promise (with lump sum at the age of 60). This pension promise has been established when Roch Doliveux joined the organization in 2003. The benefit at retirement is based on the average annual basic salary of the last five years and would be actuarially reduced if the CEO were to leave before the age of 60.

#### **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 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 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**

Both Executive Committee members 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.

#### *OTHER REMUNERATION ELEMENTS*

Members of the Executive Committee are also typically entitled to participate in an international healthcare plan and executive life insurance as are available to other senior executives. 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 Executive Committee. The remuneration policy for the members of the Executive Committee is extensively described in UCB 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.

All Executive Committee termination agreements, with the exception of those of Jean-Christophe Tellier and Anna Richo, have been signed before the entry into force of the Belgian corporate governance law of 6 April 2010 which limits the level of termination indemnities.

The service contract established in 2003 for Roch Doliveux provides that in case of termination, he will be eligible to a lump sum equal to 24 months of actual base compensation plus the actual average variable compensation relating to the three previous years. In case of termination due to a change of control, the lump sum will be equal to 36 months.

Ismail Kola holds a Belgian employment contract and does have a termination clause which would entitle him to a severance payment of 18 months base salary and bonus in case the contract is terminated by the company. In case of a change of control of UCB, this payment would be equivalent to 24 months base salary and bonus.

Fabrice Enderlin and Detlef Thielgen have no specific termination provisions in their Belgian contracts. In case of termination the local employment law and practices would apply.

Iris Löw-Friedrich has a German employment agreement which provides a minimum of six months' notice and a termination indemnity equal to one year base salary and bonus. Overall this would represent an 18 months termination package.

For Mark McDade, who holds a U.S. employment agreement a clause is included in his agreements specifying a termination payment of 18 months base salary and bonus should there be an involuntary termination of the agreement by the company in case of a change of control.

Jean-Christophe Tellier and Anna Richo are covered by U.S. employment agreements, and each has a clause allowing for a severance payment equal to 18 months base salary and bonus should there be an involuntary termination of the employment agreement or in case of change of control in UCB.

#### **1.4.4 | REMUNERATION POLICY AS OF 2014**

The GNCC continues to carefully monitor the impact of the Upper Management Compensation scheme that entered into force in 2012 and has made one amendment to the long-term incentive grant policy. The double multiplier, consisting of an Individual Performance Multiplier and a Corporate Performance Multiplier, which was previously applied both to bonus and to long-term incentive targets, has been replaced for purposes of the long-term incentive grant by a consideration of short-term achievements and long-term value creation. This adjustment allows a more individualized and effective differentiation for long-term incentives, rather than a strict link to both individual and corporate short-term performance.

The GNCC has also endorsed the deployment of the double multiplier bonus scheme, for job levels below Upper Management levels, using REBIDTA as the corporate performance criteria.

## 1.4.5 | COMPENSATION OF THE EXECUTIVE COMMITTEE

### CHAIRMAN OF THE EXECUTIVE COMMITTEE AND CHIEF EXECUTIVE OFFICER

The remuneration of the Chairman of the Executive Committee and CEO, Roch Doliveux, is composed of the above-mentioned elements being base salary, short-term incentive and long-term incentives.

In addition to his director's fees as a Board member of UCB S.A., the remuneration and other benefits granted directly or indirectly to the Chairman of the Executive Committee and CEO by UCB or any other of its affiliates in 2013 amount to:

- ▶ Base salary (earned in 2013): € 1 360 025
- ▶ Short-term incentive (bonus), paid in 2014 and relating to the financial year 2013: € 769 115
- ▶ Long-term incentives (number of UCB shares and options): see section below.
- ▶ Other components of the remuneration, such as the cost of pension, insurance coverage and monetary value of other fringe benefits: € 2 247 453, thereof € 1 613 829 being the retirement benefit (based on service cost).

The CEO's total compensation (base salary + bonus + LTI) for 2013 amounts to €3 712 158 (excluding pension contributions and other benefits). This is an overall increase compared to 2012 due to the positive effect of share price appreciation on the valuation of the LTI and an improved collective performance leading to a higher corporate multiplier.

The CEO's annual base salary in 2014 remains unchanged at € 1 366 659.

### CARING ENTREPRENEURSHIP FUND

Roch Doliveux continued to contribute a portion of his compensation to a fund which he has set up in 2008 as part of the King Baudouin Foundation. The Caring Entrepreneurship Fund focuses on supporting entrepreneurship in the field of health and wellness.

### OTHER MEMBERS OF THE EXECUTIVE COMMITTEE

The amount of compensation stated below, reflects the amount the Executive Committee members have earned in 2013 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 2013 amount to:

- ▶ Base salaries (earned in 2013): € 3 732 467
- ▶ Short-term incentive (bonus), paid in 2014 and relating to financial year 2013: € 2 540 336
- ▶ Long-term incentive (number of UCB shares and options): see section below
- ▶ Other components of the remuneration, such as the cost of pension, insurance coverage and monetary value of other fringe benefits: € 2 209 927, thereof € 1 429 483 being the amount of retirement benefit (based on service cost).

The aggregated Executive Committee compensation (base salary + bonus + LTI) for 2013 amounts to: € 9 654 274 (excluding pension contributions and other benefits).

## LONG-TERM INCENTIVES (LTI) GRANTED IN 2013

	STOCK OPTIONS <sup>1</sup>	BINOMIAL VALUE STOCK OPTION <sup>2</sup>	STOCK AWARDS <sup>3</sup>	BINOMIAL VALUE STOCK AWARDS <sup>4</sup>	PERFORMANCE SHARES <sup>5</sup>	BINOMIAL VALUE PERFORMANCE SHARES <sup>6</sup>	TOTAL BINOMIAL VALUE LTI <sup>7</sup>
Roch Doliveux	55 991	472 004	13 769	556 681	27 828	554 334	1 583 019
Ismail Kola <sup>8</sup>	18 560	156 461	14 564	588 823	9 224	183 742	929 026
Iris Löw-Friedrich	13 397	112 937	3 295	133 217	6 658	132 627	378 781
Fabrice Enderlin	12 170	102 593	2 993	121 007	6 049	120 496	344 096
Detlef Thielgen	14 904	125 641	3 665	148 176	7 407	147 547	421 364
Jean-Christophe Tellier	11 272	97 165	2 772	112 072	5 602	111 592	320 829
Mark McDade	15 214	131 145	3 741	151 249	7 561	150 615	433 009
Anna Richo	19 476	167 883	4 790	193 660	9 680	192 826	554 369

<sup>1</sup> Number of rights to acquire one UCB share at a price of €48.69 (€ 49.80 for Mark McDade, Anna Richo and Jean-Christophe Tellier) between 1 April 2016 and 31 March 2023 (between 1 January 2017 and 31 March 2023 for Roch Doliveux, Fabrice Enderlin, Detlef Thielgen and Ismail Kola).

<sup>2</sup> The value of the 2013 stock options has been calculated based on the binomial methodology at € 8.43 (€ 8.62 for Jean-Christophe Tellier, Mark McDade, Anna Richo) as defined by Towers Watson.

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

<sup>4</sup> The value of the 2013 stock awards has been calculated based on the binomial methodology at € 40.43 per share award as defined by Towers Watson.

<sup>5</sup> 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.

<sup>6</sup> The value of the 2013 performance shares has been calculated based on the binomial methodology at € 19.92 per performance share as defined by Towers Watson.

<sup>7</sup> 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.

<sup>8</sup> Ismail Kola was awarded 10 000 phantom UCB shares on 1 April 2013 in addition to the normal grant of 1 April 2013 which is included in the figures.

## LONG-TERM INCENTIVES VESTING IN 2013

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 2013 (not to be accumulated with the information in the above table which details the long-term incentives granted in 2013).

	STOCK OPTIONS		STOCK AWARDS <sup>1</sup>		PERFORMANCE SHARES <sup>1</sup>	
	NUMBER VESTED (NOT EXERCISED) <sup>1-2</sup>	NUMBER EXERCISED <sup>3</sup>	NUMBER VESTED	TOTAL VALUE UPON VESTING <sup>4</sup>	NUMBER VESTED	TOTAL VALUE UPON VESTING
Roch Doliveux	36 000	72 000	24 000	1 186 800	7 188	355 447
Ismail Kola			6 000	296 700	1 750	86 538
Iris Löw-Friedrich	15 000		7 200	356 040	2 013	99 543
Fabrice Enderlin	12 000	12 000	7 500	370 875	2 188	108 197
Detlef Thielgen	13 200		7 200	356 040	2 013	99 543
Mark McDade	12 000		6 000	296 700	1 750	86 538
Anna Richo <sup>5</sup>			20 000	965 500		

At the moment of vesting, UCB delivers a number of shares in cash in order to cover any tax and social security liabilities due by the beneficiary of the award.

<sup>1</sup> Jean-Christophe Tellier and Anna Richo joined UCB after the 2010 LTI grant. Ismail Kola joined UCB after the 2009 LTI grant.

<sup>2</sup> The stock options granted to Iris Löw-Friedrich on 1 April 2010 vested on 1 April 2013 and have an exercise price of € 31.62. The stock appreciation rights granted to Mark McDade on 1 April 2010 vested on 1 April 2013 and have an exercise price of € 31.62. The stock options granted to Roch Doliveux, Detlef Thielgen and Fabrice Enderlin on 1 April 2009 vested on 1 January 2013 and have an exercise price of € 21.38.

<sup>3</sup> Roch Doliveux exercised stock options granted on 1 April 2008 and 1 April 2009. These have an exercise price of € 22.01 and € 21.38. Fabrice Enderlin exercised stock options granted on 1 April 2009, with an exercise price of € 21.38.

<sup>4</sup> Upon vesting the UCB share had a value of € 49.45, which represents the market value of the shares delivered on the vesting date determined as the average of the high and the low price of UCB shares on that date.

<sup>5</sup> On 1 November 2012 Anna Richo was granted a sign-on Award. The UCB shares had a value of € 48.275 at vesting on 1 November 2013.



## 2014 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 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 2014. The resulting grant value will be reported in the 2014 annual report.

	STOCK OPTION 2014	STOCK AWARD 2014	PERFORMANCE SHARE 2014
Roch Doliveux	77 810	20 091	40 955
Fabrice Enderlin	18 390	4 749	9 680
Ismail Kola	22 537	15 819	11 862
Iris Löw-Friedrich	15 666	4 045	8 245
Mark McDade	21 456	5 540	11 293
Detlef Thielgen	17 785	4 592	9 361
Anna Richo	15 434	3 985	8 123
Jean-Christophe Tellier	30 656	7 916	16 136

## 1.5 | MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS OF UCB

### 1.5.1 | INTERNAL CONTROL

The Board is the governing body of UCB, and one of its roles is to provide entrepreneurial leadership of UCB within a framework of prudent and effective controls that enables risks to be assessed and managed. 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 performing internal control processes within UCB in the most efficient manner.

The Audit Committee assists the Board in its responsibility of monitoring 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 and the Global Internal Audit function and its effectiveness.

The Global Internal Audit function provides independent, objective assurance activities designed to evaluate, add value and improve the internal control and operations of UCB by bringing a systematic, disciplined approach to the evaluation of, and recommending enhancements to the governance, compliance, risk management and internal control 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 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 includes 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 review of sales, credits, accounts receivables, inventories / trade inventories, accruals, provisions and reserves is performed, and the finance directors of all individual business units 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 by the Reporting and Consolidation Team, as well as Finance, the Legal Department and the External Auditor. 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.

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 forecast 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. Information systems are developed to support UCB's long term objectives and are managed by a professionally staffed Information Management team.

### 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 UCB in order to minimize its exposure to risks that could threaten its corporate objectives.

The Board is responsible for approving the strategy, goals and objectives of UCB Group and overseeing the establishment, implementation and review of the risk management system of UCB Group.

The Board is assisted by the Audit Committee in its responsibility for the appreciation of risk and risk management. The Audit Committee examines on a regular

basis the areas where risks could significantly affect the financial situation and reputation of the UCB Group and monitors the overall risk management process of UCB.

The Corporate Risk Management Committee, consisting of Executive Committee members and senior management representatives of all business functions and reporting to the Executive Committee, provides strategic leadership that endorses the corporate risk assessment and prioritization process that drives the establishment of risk mitigation plans within all business functions and operations, supported by a global risks management system to effectively and efficiently assess, report, mitigate and manage actual or potential risks or exposures. The Chair of the Corporate Risk Management Committee reports directly to the CEO, provides periodic status updates directly to the Executive Committee and, on an annual 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 a significant effect on the price of UCB shares or, as the case may be, the price of the securities issued by a possible target company. This document was reviewed and updated by the Board on 19 December 2013 to include closed periods of two weeks preceding the publication of the interim reports relating to the first and third quarter.

The Dealing Code establishes rules for directors, executive management and key employees which prohibit the dealing in UCB shares or other financial instruments issued by UCB for a designated period preceding the announcement of its financial results (so-called "closed periods"). It further prohibits trading in UCB shares during so-called "special closed periods" for persons who are, or may soon be, in possession of privileged information.

The Board has designated Anna Richo, Executive Vice President & General Counsel, as of 1 January 2013 together with, as of 1 June 2013, Xavier Michel, Vice President & Secretary General, acting separately, as Insider Trading Compliance Officers whose duties and responsibilities are defined in the Dealing Code.

The Dealing Code establishes the list of key employees and directors, who have to inform the Trading Compliance Officer(s) of the transactions on UCB shares they intend to make for their own account. It is fully in compliance with Directive 2003/6/EC on insider dealing and market manipulation and the Belgian Law of 2 August 2002 on the supervision of the financial sector and on financial services.

The Dealing Code is available on the UCB website: [www.ubc.com/investors/Governance/Principles-codes-and-guidelines](http://www.ubc.com/investors/Governance/Principles-codes-and-guidelines).

## 1.7 | EXTERNAL AUDIT

The General Meeting held on 26 April 2012 re-appointed PricewaterhouseCoopers (hereafter "PwC") as external auditors for UCB for the legal term of three (3) years. The permanent representative designated by PwC for UCB in Belgium is Jean Fossion.

PwC has been appointed as external auditor in the affiliates of the UCB Group worldwide.

The 2013 fees paid by UCB to its auditors amounted to:

€	AUDIT	OTHER ATTESTATION MISSIONS	TAX SERVICES	OTHER MISSIONS EXTERNAL TO THE AUDIT	TOTAL
PwC (Belgium)	571 219	149 500	0	31 358	752 077
PwC other related networks	1 594 983	23 254	115 214	317 843	2 051 294
<b>Total</b>	<b>2 166 202</b>	<b>172 754</b>	<b>115 214</b>	<b>349 201</b>	<b>2 803 371</b>

## 1.8 | INFORMATION REQUESTED UNDER ARTICLE 34 OF THE ROYAL DECREE OF NOVEMBER 14, 2007

The following elements may have an impact in the event of a takeover bid (see section 1.1):

### 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 2013

As from 14 June 2013, the share capital of UCB amounts to € 550 281 456, represented by 183 427 152 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 (hereafter 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.

Under article 38 of the Articles of Association:

*"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 of Shareholders. 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 of Shareholders 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 RIGHT

With the exception of the concert between Financière de Tubize S.A. and Schwartz Vermögensverwaltung GmbH & Co. KG as reported above, UCB has no knowledge of agreements which may result in restrictions on the transfer of its securities and / or the exercise of voting rights.

#### 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 of Shareholders and at all times subject to dismissal by the General Meeting of Shareholders.*

*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 of Shareholders.*

*The General Meeting of Shareholders 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 candidates are proposed by the Board after a selection process ruled by the Charter of Corporate Governance as follows:

(...)

### COMPOSITION OF THE BOARD OF DIRECTORS

#### COMPOSITION

*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 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 specialist international activities of UCB; 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 candidate is made by the GNCC to the Board. The Board decides on the proposals to be submitted to Shareholders' approval.*

*For appointment of a Reference Shareholder's representative to the Board, the Vice-Chair will present the candidate chosen by the Reference Shareholder to the Board after consultation with the GNCC, and dialogue with the other Board members.*

#### 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 70<sup>th</sup> 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 Chairmen of the Board committees.

The assessment is conducted by the Chair of the Board and the Chair 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, the assessment is conducted by the Chair of the GNCC and a senior independent Director; for the Chair of the GNCC the assessment is conducted by the 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 (or 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](http://www.ucb.com)).

(...)

### 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 with a majority of 75% of the votes cast, provided that a least 50% of the share capital of UCB is present or represented at the meeting.

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.

### 1.8.8 | POWERS OF BOARD MEMBERS, IN PARTICULAR POWER TO ISSUE OR BUY BACK SHARES

Powers of the Board are those defined by Belgian Law 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 of Corporate Governance as follows:

(...)

*The Board is the governing body of UCB.*

*It has the power to make 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 Articles of Association of UCB 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, make 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 the strategic aims of UCB, ensures that the necessary financial and human resources are in place for UCB to meet its objectives and reviews management performance. The Board sets the values and standards of UCB and ensures that its obligations to its shareholders and others 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. Definition of the mission, values and strategy, risk tolerance and key policies of UCB;
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 the Chair of the Governance, Nomination & Compensation Committee ("GNCC"),
  - ▶ 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 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 a value of € 50 million;
  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, 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.

(...)

Currently, no authorization exists which allows the Board to issue UCB Shares.

It will be proposed to the next Extraordinary General Meeting to be held in 2014 at the latest to institute an authorized capital, for a period of 2 years, authorizing the Board of Directors to increase UCB's share capital, within the limits of article 603, section 1 of the Belgian Companies Code, with an amount of up to 5% of the share capital (at the time the Board makes use of the authorization) in the event of cancellation

or limitation of the preferential subscription rights of existing shareholders or up to 10% of such amount in the event there is no limitation or cancellation of the preferential subscription rights of existing shareholders. The Board of Directors is also to decide on the use of such authorization by 75% majority voting.

According to a decision of the General Meeting held on 6 November 2009, the Board and the Board of Directors of each of its direct subsidiaries are authorized for a period of five years starting 7 November 2009, to acquire shares of UCB, up to maximum 20% of the issued shares, for exchange values equivalent to the closing price of the UCB share on NYSE Euronext Brussels on the day immediately preceding the acquisition, plus or minus a maximum of 15%, taking also into account any applicable legal requirement. The current share buyback authorization of 6 November 2009 is due to expire on 6 November 2014. It will therefore be proposed to the next Extraordinary General Meeting to be held in 2014 to renew and replace the above authorization to acquire UCB shares (share buyback) for a period of 2 years, up to maximum 10% of the total number of UCB shares for a price or an exchange value per share of maximum the highest price of the UCB shares on NYSE Euronext Brussels on the day of the acquisition and minimum € 1, without prejudice to article 208 of the Royal Decree of 31 January 2001 executing the Belgian Companies' Code.

**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**

- ▶ Convertible bonds of UCB S.A. in the amount of € 500 million 4.50% Fixed Rate Senior Unsecured Convertible Securities issued 22 September 2009 which state that in case of a change of control (as the concept is defined in the Terms and Conditions, and which was approved by the General Meeting held on 6 November 2009) the bondholders have the right to require the issuer to redeem such bonds.
- ▶ Retail bonds of UCB S.A. in the amount of € 750 million 5.75% Fixed Rate Senior Unsecured Securities issued 27 November 2009 which state that in case of a change of control (as the concept is defined in the Terms and Conditions, and which was approved by the General Meeting held on 6 November 2009) the bondholders have the right to require the issuer to redeem such bondholders' bonds. Following the public exchange offer as described in the paragraph below, the outstanding amount of this retail bond issue is € 574 283 000.

The above described retail bond of UCB S.A. has been partially exchanged through a public exchange offering closed on 2 October 2013. Existing bonds have been exchanged for newly issued Senior Unsecured retail bonds of UCB S.A. (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 the concept is 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 will be submitted to the approval of the General Meeting of Shareholders of 24 April 2014 in accordance with article 556 of the Belgian Companies' Code.

- ▶ Institutional bonds of UCB S.A. in the amount of € 500 million 5.75% Fixed Rate Senior Unsecured Securities issued 10 December 2009 which state that in case of a change of control (as the concept is defined in the Terms and Conditions, and which was approved by the General Meeting held on 29 April 2010) the bondholders have the right to require the issuer to redeem such bondholders' bonds.
- ▶ Facility agreement in the amount of € 1 billion between, amongst others, UCB S.A., Commerzbank AG, Fortis Bank S.A./N.V. and Mizuho Corporate Bank Nederland N.V. as joint coordinators, mandated lead arrangers and book runners, The Royal Bank of Scotland N.V. (Belgium branch), ING Belgium S.A./N.V., KBC Bank N.V., The Bank of Tokyo-Mitsubishi UFJ, Ltd., Barclays Capital, DnB NOR Bank ASA and Sumitomo Mitsui Banking Corporation as mandated lead arrangers, dated 14 November 2009 (as amended and restated on 30 November 2010 and on 7 October 2011), which change of control clause was approved by the General Meeting held on 26 April 2012. Such Facility Agreement has been restated in accordance with the Third Amendment and Restated Agreement dated 9 January 2014. Such Amendment and Restated Agreement provides for a change of control clause similar to the original agreement, 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 S.A. This change of control clause will be submitted for the approval of the General Meeting to be held on 24 April 2014 in accordance with article 556 of the Belgian Companies' Code.
- ▶ Hybrid Bonds of UCB S.A. in the amount of € 300 million Fixed to-Floating Rate Perpetual Subordinated Securities issued 18 March 2011, the Terms and Conditions of which include a step up clause as per article 4 (h) which states that in case of a change of control (as the concept is defined in the Terms and Conditions) the applicable interest rate will be increased by 500 basis points unless UCB elects to reimburse the Bond at that point, which change of control clause was approved by the General Meeting of 28 April 2011.
- ▶ Euro Medium Term Note Program dated March 6, 2013 for an amount of up to € 3 billion (the "EMTN Program"), providing for a change of control clause (condition 6 (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 S.A., 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 Meeting of 25 April 2013. The following Notes have been issued under the EMTN Program and are subject to the above described change of control clause:
  - 7-year retail bond 3.75% due 2020 of UCB S.A. in the amount € 250 million issued on 27 March 2013;
  - 8-year institutional bond 4.125 % due January 4, 2021 of UCB S.A. in the amount of € 350 million issued on 4 October 2013;

- Notes 3.292% due 29 November 2019 issued on 28 November 2013 by UCB S.A. in the amount of € 55 million under institutional private placement.

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 will be submitted to the approval of the General Meeting of Shareholders of 24 April 2014 in respect of any series of Notes to be issued under the EMTN Program within the 12 months following such General Meeting of 24 April 2014 and to which such change of control will be made applicable.

- ▶ Facility agreement in the amount of € 150 million between, UCB Lux S.A. as borrower, UCB S.A. as promoter and guarantor, and the European Investment Bank dated 9 May 2012, 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 S.A. as promoter and guarantor, and the European Investment Bank dated 15 April 2013, of which the change of control clause was approved by the General Meeting of 25 April 2013.
- ▶ 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 2013, the following number of stock awards and performance shares are outstanding:

- 457 941 stock awards, of which 174 990 will vest in 2014;
- 460 199 performance shares, of which 125 650 will vest in 2014;
- ▶ 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 [TBC BY A. GUDIENS]

- ▶ 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, seven employees in 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 takeover bid.

## 1.9 | APPLICATION OF ARTICLE 523 OF THE BELGIAN COMPANIES' CODE

### 1.9.1 | EXCERPT FROM THE MINUTES OF THE MEETING OF THE BOARD HELD ON 26 FEBRUARY 2013

(...)

#### PRESENT:

- ▶ Mr. Gerhard Mayr, Chair
- ▶ Countess Evelyn du Monceau, Vice Chair
- ▶ Dr. Roch Doliveux, Director
- ▶ Mrs. Harriet Edelman, Director
- ▶ Dr. Peter Fellner, Director
- ▶ Baron Charles-Antoine Janssen, Director
- ▶ Professor Jean-Pierre Kinet, Director
- ▶ Sir Thomas McKillop, Director
- ▶ Mr. Norman J. Ornstein, Director
- ▶ Count Arnoud de Pret, Director
- ▶ Mrs. Bridget van Rijckevorsel, Director

#### EXCUSED:

Baron Albrecht De Graeve, Director

#### IN ATTENDANCE:

Mr. Bill Silbey, Acting Secretary General

(...)

"Prior to any discussion or decision by the Board of Directors concerning the following items on the agenda:

- ▶ Approval of the Executive Committee and CEO bonus based on 2012 performance
- ▶ Approval of the base salary as from 1 March 2013
- ▶ Approval of the stock option plan 2013
- ▶ Approval of the stock award plan 2013
- ▶ Approval of the performance share plan 2013

Roch Doliveux, Director, stated that he had a direct financial interest in the implementation of the said decisions. In accordance with article 523 of the Company Code, this director withdrew from the meeting in order not to attend the discussion by the Board of Directors concerning these issues, nor to participate in the vote.

The Board of Directors established that article 523 of the Company Code was applicable to these operations.

Therefore, in accordance with the provisions of this article, and in view of the publication in the management report as stipulated in article 96, section 7 of the Company Code, the Board stated the following:

The Board, having discussed the recommendations of the Governance, Nomination and Compensation Committee ("GNCC") relating to the Executive Committee members and CEO bonus on their 2012 performance, their base salary as from March 2013 and on their 2013 LTI grants, resolved that these bonuses and LTI grants were approved as proposed.

The financial consequences for the Company of the decisions for the CEO will be the cost to the Company of:

- ▶ CEO bonus: € 457 963 for individual and company performance
- ▶ CEO base salary increase: 3%
- ▶ CEO LTI 2013:

- stock options: 55 991 (3 years and 8 months vesting) ;

- stock awards: 13 769 (3 years vesting);

- PSP: 27 828 (3 years vesting).

<sup>1</sup>The cost for UCB at vesting is the difference which might exist between the purchase price of above own shares by the Company and the exercise price determined in accordance with the conditions stipulated in the plan rules.

The Board, having discussed the recommendations of the GNCC on the LTI program 2013 resolved the following:

#### APPROVAL OF THE UCB STOCK OPTION PLAN 2013

The present operation is designed, as in the past, to promote shareholding by some 1 350 employees level MMI and above of the UCB Group within their company – including the Executive Director who is a member of the Executive Committee – and to financially encourage them by continuing to further involve them in the success of the Company and to make them aware of the value of UCB shares on the market, whilst adhering to the rules governing insider information.

The financial consequences of the operation for the company, which basically consists of the difference which might exist between the purchase price of own shares by the Company and the price of resale of these same shares to the concerned beneficiary when exercising the options in accordance with the conditions stipulated in the plan rules.



#### a) **Distribution**

The Board of Directors approved the recommendations of the GNCC concerning the rules of the stock option allocation on the basis of job category and level of responsibility. Thus a number of 4 325 000 options ( $\pm 25\%$ ) (for employees level MM I to E II) plus an estimated number of 428 000 options (for employees level E I and above) shall be allocated to some 1 350 employees level MM I and above of the UCB Group (this estimate does not take into account employees hired or promoted to eligible levels between 1 January 2013 and 1 April 2013).

#### b) **Stock Appreciation Rights (SAR) in the U.S.**

UCB will again grant SARs rather than Stock Options in the US. The SAR Plan follows the rules of the UCB Stock Option Plan. The only difference is that instead of granting real shares to the participants, it provides them with the ability to benefit from the appreciation in value of UCB stock. This appreciation is paid in cash at the moment of exercise.

#### c) **Setting the exercise price**

The exercise price of these options will be the lowest of the two following amounts:

- ▶ the average of the closing price over the 30 calendar days preceding the offer (from 2-31 March 2013)
- ▶ or the closing price of the day preceding the offer (31 March 2013).

UCB will determine a different exercise price for those eligible employees subject to legislation which requires a different exercise price in order to benefit from a reduced taxation.

#### d) **Vesting**

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. As a consequence, for the beneficiaries residing in Belgium the vesting will occur on the 1<sup>st</sup> January of the 4<sup>th</sup> calendar year following the year of the grant and for the beneficiaries residing in France, the vesting will occur on the day following the fourth anniversary of the grant.

#### e) **Documentation**

The Board subsequently decided on and approved the documentation to be issued to the beneficiaries of the offer, specifically the reasons and the terms of the offer as well as the information regarding the number and the nature of the securities offered to them.

#### f) **Conditions**

The Board approved the conditions of the offer of the UCB Stock Option Plan 2013.

### **APPROVAL OF THE UCB STOCK AWARD PLAN 2012 AND UCB PERFORMANCE SHARE PLAN 2013**

The present operation, reserved to job level Executives I and above - including the Executive Director who is a member of the Executive Committee, and proposed by the GNCC, is designed to promote shareholding among this category of personnel of the UCB group within the company, and to financially encourage them by continuing to further involve them in the success of the company and to make them aware of the value of UCB shares on the markets, whilst adhering to the rules governing insider information. As this is in line with the remuneration policy for these beneficiaries and is intended to provide a long term incentive, this free share grant is linked to the condition that the beneficiary remains employed within the Group until the end of the vesting period (i.e. normally three years after grant date).

The vesting of the Performance Shares is linked to the condition that the beneficiary remains employed within the Group for at least three years after grant date and that pre-defined targets are achieved by the UCB Group. The payout will vary from 0% to 150% of the granted amount, depending on the level of achievement of the performance conditions.

For the UCB Performance Share Plan, two metrics were approved, on recommendation of the GNCC, by the Board for the April 2013 (vesting 2016) plan: (1) adjusted net profit after tax for 50% and (2) beating consensus revenue for 50%.

The financial consequences of the operation for the company basically consist in the value of the UCB shares at time of vesting.

#### a) **Distribution**

The Board of Directors approved the recommendations of the GNCC concerning the rules of the free share grant on the basis of job category and level of responsibility. Thus an estimated number of 315 000 shares shall be allocated to 58 Senior Executives within the Group. Final amounts will be known on 1 April 2013 (the above estimate does not take into account employees hired or promoted to eligible levels between 1 January 2013 and 1 April 2013).

For Performance Shares, these shares shall be allocated with a payout ranging from 0% to 150% depending on meeting the performance conditions set by the Board of Directors.

#### b) **Conditions**

The Board approved the conditions of the offer of the UCB Stock Award Plan 2013.

#### c) **Documentation**

The Board subsequently decided on and approved the documentation to be issued to the beneficiaries of the offer, specifically the reasons and the terms of the offer, as well as the information regarding the number and the nature of the securities offered to them and the conditions of the offer.

### **ALLOCATION OF STOCK AWARDS AND PERFORMANCE SHARES IN EXCEPTIONAL CIRCUMSTANCES**

In accordance with the measures concurrent to the creation of an "incentive stock" pool, the Board approved to allocate for the year 2013, a pool of 100 000 shares for allocation of stocks in exceptional circumstances.

The beneficiaries will be identified by the Executive Committee and Senior Executives, and the grant will be approved by the Executive Committee. The GNCC will be informed at year-end of the number of awards distributed from the pool.

### **DELEGATING POWERS**

The Board decided to delegate all powers to the Chairman of the Executive Committee of the Company, currently Roch Doliveux, to the General Secretary of the Company and to the Executive Vice President Global HR & Communication, acting individually with the right to delegate, in order to ensure the execution of the decisions made and specifically to finalize the rules and regulations of the issues, the documentation for the beneficiaries and the exercise procedure."

(...)"

## 1.9.2 | EXCERPT FROM THE MINUTES OF THE MEETING OF THE BOARD HELD ON 19 DECEMBER 2013

(...)

### PRESENT:

- ▶ Mr. Gerhard Mayr, Chair
- ▶ Countess Evelyn du Monceau, Vice Chair
- ▶ Dr. Roch Doliveux, Director
- ▶ Mrs. Harriet Edelman, Director
- ▶ Dr. Peter Fellner, Director
- ▶ Baron Charles-Antoine Janssen, Director
- ▶ Professor Jean-Pierre Kinet, Director
- ▶ Sir Thomas McKillop, Director
- ▶ Mr. Norman J. Ornstein, Director
- ▶ Count Arnoud de Pret, Director
- ▶ Mrs. Bridget van Rijckevorsel, Director
- ▶ Baron Albrecht De Graeve, Director

### IN ATTENDANCE:

Mr. Xavier Michel, Vice President and Secretary General

(...)

### CORPORATE AND GOVERNANCE

(...)

### REPORT OF THE GOVERNANCE, NOMINATIONS & COMPENSATION COMMITTEE

(...)

"Report was also given on the meeting of the GNCC held on 18 December 2013. The Chair of the GNCC evoked project Horizon.

Before further updating on and discussing project Horizon, the CEO raised that he had a potential conflict of interest within the meaning of article 523 of the Company Code as Project Horizon could also relate to his position within the Company and left the room before any discussion and did not participate to the related discussions and deliberations of the Board.

The Chair of the GNCC updated the Board on the further assessment of potential candidates in case project Horizon is further implemented. Further meetings with potential candidates will be held in January.

### DECISION

Following recommendation of the GNCC, the Board unanimously resolved to give a general express mandate ("mandat général exprès") to the chair of the GNCC to further explore the conditions and modalities of the succession of the CEO and its contract in the event that the Board, upon recommendation of the GNCC, would at any stage in the future, decide on the succession of the CEO and to move forward and implement project Horizon."

(...)

## 1.10 | APPLICATION OF ARTICLE 96, § 2, SECTION 2 OF THE BELGIAN COMPANIES' CODE (DEVIATION FROM THE CODE)

**Principle 2.9 (guideline):** The Secretary of the Board reports to the General Counsel, instead of to the Chair of the Board; this to jointly and on a constant basis monitor the corporate governance compliance of 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.

**Sten,**  
living with  
restless legs syndrome



## 2. Business performance review<sup>1</sup>

This Business Performance Review and the Operating and Financial review are based on the consolidated financial statements for the UCB Group of companies prepared in accordance with IFRS. The separate statutory financial statements of UCB S.A. 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.

### 2.1 | KEY HIGHLIGHTS

- ▶ Revenue in 2013 decreased by 1% to € 3 411 million. Net sales went down by 1% due to the solid performance of the three core products Cimzia®, Vimpat® and Neupro®, strong Keppra® sales in Japan and emerging markets, offset by the continued post-exclusivity expiry erosion of Keppra® in Europe and the generic competition to the mature product portfolio. Royalty income and fees was up by 2% as a result of income from out-licenced products. Other revenue decreased by 15% due to received milestone payments in 2012 which did not reoccur.
- ▶ Recurring EBITDA reached € 689 million in 2013 compared to € 684 million in 2012
- ▶ Net profit decreased from € 245 million in 2012 to € 200 million in 2013, reflecting a strong operating profit and lower net financial expenses, offset by higher tax expenses.
- ▶ Core EPS decreased from € 2.10 in 2012 to € 1.93 per share in 2013.

<sup>1</sup> Due to rounding, some financial data may not add up in the tables included in this management report

The 2012 financials have been revised for R&D tax credits previously recorded as income tax expenses are re-classified to R&D expenses, and revised for the Meizler Biopharma business combination.

€ million	ACTUAL		VARIANCE	
	2013	2012 (REVISED)	ACTUAL RATES	CST RATES
<b>Revenue</b>	<b>3 411</b>	<b>3 462</b>	<b>-1%</b>	<b>2%</b>
Net sales	3 049	3 070	-1%	3%
Royalty income and fees	172	168	2%	5%
Other revenue	190	224	-15%	-12%
<b>Gross profit</b>	<b>2 297</b>	<b>2 378</b>	<b>-3%</b>	<b>2%</b>
Marketing and selling expenses	-802	-875	8%	4%
Research and Development expenses	-856	-861	1%	-2%
General and administrative expenses	-205	-198	-3%	-5%
Other operating income / expenses (-)	7	0	n.s.	n.s.
<b>Recurring EBIT (REBIT)</b>	<b>441</b>	<b>444</b>	<b>-1%</b>	<b>12%</b>
Non recurring income / expenses (-)	-38	-26	-50%	-53%
<b>EBIT (operating profit)</b>	<b>403</b>	<b>418</b>	<b>-3%</b>	<b>9%</b>
Net financial expenses	-121	-155	22%	22%
<b>Profit before income taxes</b>	<b>282</b>	<b>263</b>	<b>7%</b>	<b>28%</b>
Income tax expenses (-) / credit	-87	-35	> -100%	> -100%
<b>Profit from continuing operations</b>	<b>195</b>	<b>228</b>	<b>-14%</b>	<b>2%</b>
Profit / loss (-) from discontinuing operations	5	17	-74%	-74%
<b>Net profit</b>	<b>200</b>	<b>245</b>	<b>-18%</b>	<b>-3%</b>
Attributable to UCB shareholders	207	249	-17%	-4%
Attributable to non-controlling interests	-7	-4	-52%	35%
<b>Recurring EBITDA</b>	<b>689</b>	<b>684</b>	<b>1%</b>	<b>9%</b>
Capital expenditure (including intangible assets)	353	221	60%	n.s.
Net financial debt	2 008	1 766	14%	n.s.
Cash flow from operating activities	298	355	-16%	n.s.
<b>Weighted average number of shares – non diluted</b>	<b>182.2</b>	<b>179.3</b>	<b>2%</b>	<b>n.s.</b>
<b>EPS (€ per weighted average number of shares – non diluted)</b>	<b>1.14</b>	<b>1.39</b>	<b>-18%</b>	<b>-17%</b>
<b>Core EPS (€ per weighted average number of shares – non diluted)</b>	<b>1.93</b>	<b>2.10</b>	<b>-8%</b>	<b>1%</b>

## 2.2 | 2013 KEY EVENTS

### IMPORTANT AGREEMENTS / INITIATIVES

- ▶ February 2013 – **UCB seals an R&D agreement with ConfometRx** to enable the discovery of novel medicines addressing unmet medical needs in neuroscience. Under this two-year multi-target agreement, UCB and ConfometRx will leverage structural biology to gain insight into G-protein coupled receptor (GPCR) modulation towards the design of differentiated drugs.
- ▶ March 2013 - **Fixed rate bond issuance.** UCB successfully completed the placement of its 3.75% fixed rate bonds through a public offering in Belgium. The aggregate nominal amount of the bonds is set at € 250 million.
- ▶ March 2013 - **Strategic discovery collaboration with Five Prime Therapeutics** for the discovery of innovative biologics targets and therapeutics in the areas of fibrosis-related inflammatory diseases and central nervous system (CNS) disorders.
- ▶ May 2013 - **UCB secures long-term partnership with UNITHER Pharmaceuticals**, a leading pharmaceutical manufacturer, for its Rochester, NY, manufacturing facility. The agreement is part of UCB's strategy to optimize its manufacturing network in line with the evolution of its portfolio. The transaction also includes a six-year supply agreement between UCB and UNITHER.
- ▶ June 2013 - **UCB collaborates with CRELUX and 4SC Discovery to meet unmet needs in neurology.** Based on their joint idea-to-candidate (i2c) platform, CRELUX and 4SC Discovery will discover and optimize small molecule compounds with the goal to deliver high quality drug candidates to UCB.
- ▶ July & September 2013 - **UCB's Kremers Urban Pharmaceuticals (KU) receives FDA approval** for 18 mg and 27 mg extended release *methylphenidate hydrochloride* product, for which Concerta® is the reference listed drug product. KU has begun launch operations and supplying the U.S. market. KU also received tentative approval for the 36 mg and 54 mg and was eligible for final approval after exclusivity expiration in September 2013.
- ▶ September 2013 - **UCB launches an unconditional public exchange offer** on maximum 250 000 out of the 750 000 fixed rate bonds maturing 27 November 2014 and having a gross coupon of 5.75%. At the end of the exchange period, 175 717 existing bonds were tendered in the Exchange Offer, representing a nominal amount of € 175 717 000.

- ▶ September 2013 – **UCB completed the Eurobond offering** of € 350 million senior unsecured bonds, due January 2021, to be issued under its € 3 billion EMTN Program. The bonds were placed to qualified institutional investors across Europe. The bonds were issued at 99.944% on 4 October 2013 and will be redeemed at 100% of their principal amount on 4 January 2021. They will bear interest at an annual rate of 4.125%.
- ▶ September 2013 – **Vectura and UCB to collaborate and share expertise in severe inflammatory disease.** The collaboration aims to leverage Vectura's expertise in the pharmaceutical and clinical / regulatory development of inhaled therapeutics with UCB's biologics and immunology assets. The collaboration will focus on bringing to clinical proof-of-concept a UCB-generated biological therapy targeting a key molecule in the immune system.
- ▶ January 2014 – **UCB convertible bond early redemption.** UCB decided to make use of the early redemption option of the € 500 million 4.50% Convertible Bonds due in 2015. As an alternative to the redemption of the bonds, each bondholder may exercise its conversion rights following which UCB transfers shares. The conversion period ends 5 March 2014. If all bondholders exercise their conversion rights the total number of shares would increase to 194 525 071.
- ▶ January 2014 – **UCB and Biogen Idec enter agreement to commercialize multiple sclerosis and hemophilia therapies in Asia.** The relationship leverages UCB's expertise and presence in Asia to bring Biogen Idec's innovative therapies to patients in new markets. The exclusive agreements grant UCB the right to commercialize Biogen Idec products in South Korea, Hong Kong, Thailand, Singapore, Malaysia and Taiwan, and both develop and commercialize products in China.
- ▶ In June 2013, UCB and R-Pharm, a privately owned pharmaceutical company based in Moscow, Russia, entered into a world-wide exclusive license grant to R-Pharm to develop and commercialize **olokizumab** in all indications, including **rheumatoid arthritis**.
- ▶ UCB and its partner Amgen Inc. decided in February 2013 not to pursue a Phase 3 clinical trial program for **romosozumab** (CDP7851 / AMG785) in accelerated **fracture healing**. This decision did not impact the post-menopausal osteoporosis (PMO) Phase 3 program, with initial results expected in H1 2016.
- ▶ The Phase 3 program for **epratuzumab** continued to enroll patients with **systemic lupus erythematosus** (SLE) throughout 2013. First results are now expected in Q1 2015.
- ▶ For **CDP7657**, a CD40 ligand antibody under development in partnership with Biogen Idec, UCB started a Phase 1b study in **systemic lupus erythematosus**. First results are expected in H2 2014.
- ▶ New immunology compounds **UCB4940** and **UCB5857**, entered Phase 1 in 2013, and their respective clinical trial programs are on-going. UCB5857 is a selective and potent small molecule for the potential treatment of multiple immunological indications; first results are expected in Q2 2014.

## CENTRAL NERVOUS SYSTEM (CNS)

- ▶ In March 2013, **Vimpat®** (*lacosamide*) generated positive results in the Phase 3 **U.S. monotherapy** study and the top-line results demonstrated that the conversion to *lacosamide* monotherapy met its primary endpoint. UCB then filed Vimpat® (*lacosamide*) as monotherapy treatment in adult epilepsy patients with partial-onset seizures in the U.S. in October 2013. The **European monotherapy** Phase 3 development program for Vimpat® in partial-onset seizures is on-going, with first results expected in Q4 2014. The **pediatric** Phase 3 development program started in 2013, whereas the Phase 3 clinical trial in **Asia** is on-going as planned, with initial results expected in H1 2015. Discussions with regulatory agencies to move Vimpat® into Phase 3 development for primary generalized tonic-clonic seizures (**PGTCS**) are still on-going. In June 2013, UCB received abbreviated new drug applications (ANDAs), which have recently been filed by generic companies for Vimpat®. UCB has filed suit against the ANDA applicants.
- ▶ **Neupro®** (*rotigotine* transdermal system) was launched in Japan for early and advanced **Parkinson's disease** (PD) as well as **restless legs syndrome** (RLS) in February 2013. UCB's CNS partner, Otsuka Pharmaceutical, holds exclusive rights for developing and marketing Neupro® in Japan.
- ▶ In May 2013, UCB and Otsuka Pharmaceutical received regulatory approval in Japan for **E Keppra®** (*levetiracetam*) as adjunctive therapy in the treatment of partial-onset seizures in **pediatric** patients with **epilepsy**, aged four years and older.
- ▶ The Phase 3 study evaluating **brivaracetam** as adjunctive therapy in the treatment of partial onset-seizures in adults with **epilepsy** is on-going. First results are expected in H2 2014.
- ▶ In February 2013, UCB licensed worldwide exclusive rights to Biotie's **tozadenant** (SYN115), a selective inhibitor of the adenosine 2a receptor, currently in development for the treatment of Parkinson's disease. The Phase 3 program is expected to start in H1 2015.

## REGULATORY UPDATE AND PIPELINE PROGRESS

### IMMUNOLOGY

- ▶ In February 2013, UCB announced two new regulatory filings with the U.S. Food and Drug Administration (FDA) and with the European Medicines Agency (EMA) to extend the marketing authorization for **Cimzia®** (*certolizumab pegol*) for the treatment of adult patients with active **psoriatic arthritis** (PsA) and for adult patients with active **axial spondyloarthritis** (axSpA). In September and October 2013 respectively, Cimzia® was approved by the FDA for the treatment of adult patients with active psoriatic arthritis (PsA) and for the treatment of adults with active **ankylosing spondylitis** (AS). This approval was based on a Phase 3, multi-center, randomized, double-blind, placebo-controlled study designed to evaluate the efficacy and safety of Cimzia® in patients with active axSpA, in which the majority had AS. The FDA also issued a Complete Response Letter relating to the supplemental Biologics License Application (sBLA) of Cimzia® for the treatment of adults with axSpA. UCB is working with the FDA to determine a path forward to bring Cimzia® to U.S. patients living with active axSpA. In October and November 2013 respectively, UCB received EU approval for Cimzia® in severe active axial spondyloarthritis and in active psoriatic arthritis.



## 3. Operating and financial review<sup>1</sup>

**Scope change:** As a result of the divestment of the remaining non-pharma activities, i.e. Films (in September 2004) and Surface Specialties (in February 2005), 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 net profit, or the net 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 net amortization linked to sales, per non-dilutive weighted average number of shares.

**Core products:** The "core products" are UCB's newly launched medicines being Cimzia®, Vimpat® and Neupro®. One of UCB's priorities is growth of those three products, including continued launch of new indications.

### 3.1 | NET SALES BY PRODUCT

Total net sales amount to € 3 049 million, 1% below last year or +3% at constant rates.

€ million	ACTUAL		VARIANCE	
	2013	2012	ACTUAL RATES	CST RATES
<b>Core products</b>				
Cimzia®	594	467	27%	32%
Vimpat®	411	334	23%	27%
Neupro®	182	133	37%	39%
<b>Other products</b>				
Keppra® (including Keppra® XR)	712	838	-15%	-12%
Zyrtec® (including Zyrtec-D® / Cirrus®)	204	249	-18%	-8%
Xyzal®	114	128	-11%	-9%
Metadate™ CD (including methylphenidate ER)	79	65	22%	26%
Nootropil®	58	63	-8%	-4%
omeprazole	57	79	-28%	-25%
Other	638	714	-10%	-8%
<b>Total net sales</b>	<b>3 049</b>	<b>3 070</b>	<b>-1%</b>	<b>3%</b>

<sup>1</sup> Due to rounding, some financial data may not add up in the tables included in this management report.

The 2012 financials have been revised for R&D tax credits previously recorded as income tax expenses are re-classified to R&D expenses, and revised for the Meizler Biopharma business combination.



**Christer**, living with Parkinson's disease

**CORE PRODUCTS**

**Cimzia®** (*certolizumab pegol*), for inflammatory arthritis indications and Crohn's disease reached net sales of € 594 million, an increase of 27%.

**Vimpat®** (*lacosamide*), for epilepsy, as add-on therapy for the treatment of partial-onset seizures, reached net sales of € 411 million (+23%).

**Neupro®** (*rotigotine*), for Parkinson's disease (PD) and restless legs syndrome (RLS), net sales increased to € 182 million, a plus of 37%.

**OTHER PRODUCTS**

**Keppra®** (*levetiracetam*), for epilepsy, reported net sales of € 712 million which is 15% lower than last year. The continued post-exclusivity expiry erosion in EU (-30%) and the decrease in North America (-5%; -2% at constant rates) were partly compensated for by strong growth in the emerging markets (BRICMT; +12%) and by E Keppra® in Japan (+32%; +67% at constant rates).

**Zyrtec®** (*cetirizine*, including Zyrtec®-D/Cirrus®), for allergy, had 18% lower net sales of € 204 million, mainly due to the weak Japanese Yen and generic competition.

**Xyzal®** (*levocetirizine*), for allergy, reached net sales of € 114 million (-11%) mainly due to generic competition.

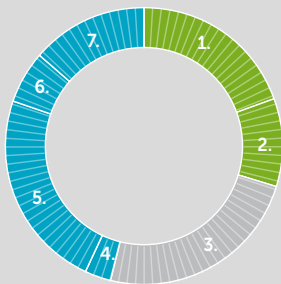
**Metadate™ CD** (*methylphenidate HCl*, including *methylphenidate ER*) for attention deficit and hyperactivity disorders, reached net sales of € 79 million, all in the U.S., an increase of 22%, supported by generic product.

**Nootropil®** (*piracetam*), for cognitive disorders, had net sales of € 58 million (-8%).

**Omeprazole**, a generic product for hyperacidity disease, had net sales of € 57 million (-28%) due to the competitive environment.

**Other products:** Net sales for other mature products went down to € 638 million (-10%), mainly due to generic competition and product divestitures.

**NET SALES BY PRODUCT (€ MILLION)**



**2013**

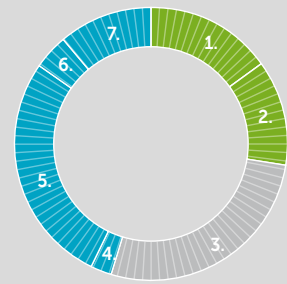
594
318
734
98
712
182
411
<b>3 049</b>

- 1. Cimzia®
- 2. Immunology - Allergy
- 3. Other
- 4. CNS - other
- 5. Keppra®
- 6. Neupro®
- 7. Vimpat®

**TOTAL NET SALES**

**2012**

467
377
838
82
838
133
334
<b>3 070</b>



## 3.2 | NET SALES BY GEOGRAPHICAL AREA

€ million	ACTUAL		ACTUAL RATES		CST RATES	
	2013	2012	€ MILLION	%	€ MILLION	%
<b>Net sales North America</b>	<b>1 282</b>	<b>1 171</b>	<b>111</b>	<b>10%</b>	<b>154</b>	<b>13%</b>
<b>Core products</b>						
Cimzia®	379	321	58	18%	71	22%
Vimpat®	314	251	63	25%	74	29%
Neupro®	40	15	25	> 100%	27	> 100%
<b>Other products</b>						
Keppra® (including Keppra® XR)	223	236	-13	-5%	-5	-2%
Metadate™ CD (including methylphenidate ER)	79	65	14	22%	17	26%
omeprazole	57	79	-22	-28%	-20	-25%
venlafaxine XR	38	39	-1	-2%	1	1%
Tussionex™	33	34	-1	-3%	0	1%
Other	118	131	-13	-10%	-10	-7%
<b>Net sales Europe</b>	<b>1 109</b>	<b>1 275</b>	<b>-165</b>	<b>-13%</b>	<b>-158</b>	<b>-12%</b>
<b>Core products</b>						
Cimzia®	168	133	35	26%	37	28%
Vimpat®	87	76	11	15%	12	16%
Neupro®	129	114	15	13%	15	14%
<b>Other products</b>						
Keppra®	315	451	-136	-30%	-134	-30%
Zyrtec® (including Cirrus®)	61	57	4	7%	4	8%
Xyzal®	41	48	-7	-16%	-7	-15%
Nootropil®	26	33	-6	-20%	-6	-19%
Other	283	363	-81	-22%	-79	-22%
<b>Net sales Japan</b>	<b>231</b>	<b>250</b>	<b>-19</b>	<b>-8%</b>	<b>27</b>	<b>11%</b>
<b>Core products</b>						
Cimzia®	20	0	20	> 100%	25	> 100%
Neupro®	9	1	7	> 100%	7	> 100%
<b>Other products</b>						
E Keppra®	62	47	15	32%	31	67%
Zyrtec®	88	143	-55	-38%	-31	-22%
Xyzal®	51	58	-7	-12%	-6	-10%
<b>Net sales emerging markets (BRICMT)*</b>	<b>313</b>	<b>278</b>	<b>35</b>	<b>13%</b>	<b>47</b>	<b>17%</b>
<b>Core products</b>						
Cimzia®	6	1	4	> 100%	4	> 100%
Vimpat®	4	2	1	55%	1	58%
Neupro®	2	1	1	64%	1	66%
<b>Other products</b>						
Keppra®	71	64	8	12%	10	16%
Zyrtec® (including Cirrus®)	37	32	5	16%	7	22%
Xyzal®	17	16	1	4%	1	8%
Nootropil®	30	29	1	5%	4	12%
Other	146	133	14	10%	13	10%
<b>Net sales Rest of World</b>	<b>108</b>	<b>100</b>	<b>7</b>	<b>7%</b>	<b>12</b>	<b>12%</b>
<b>Core products</b>						
Cimzia®	22	12	10	83%	11	92%
Vimpat®	6	5	1	25%	2	33%
Neupro®	3	2	1	50%	1	53%
<b>Other products</b>						
Keppra®	40	41	-1	-2%	1	2%
Xyzal®	5	5	0	-7%	0	-6%
Other	32	36	-3	-10%	-2	-4%
<b>Unallocated</b>	<b>6</b>	<b>-4</b>				
<b>Total net sales</b>	<b>3 049</b>	<b>3 070</b>	<b>-21</b>	<b>-1%</b>	<b>93</b>	<b>3%</b>

\* BRICMT: Brazil, Russia, India, China, Mexico and Turkey



**North America** net sales reported by UCB reached € 1 282 million, an increase of 10% from the year before, or +13% at constant currency rates. Cimzia® net sales increased by 18% to € 379 million. Vimpat® achieved net sales of € 314 million (+25%). After bringing Neupro® to U.S. patients in the second half of 2012, net sales reached € 40 million in 2013, compared to € 15 million in 2012. The Keppra® franchise amounted € 223 million, down by 5% year-over-year. Metadate™ CD net sales were € 79 million, up 22%, supported by generic product. *Venlafaxine XR* reached net sales of € 38 million (-2%) and Tussionex™ (*hydorcodone plistirex and chlorpheniramine polistirex*) net sales amounted € 33 million (-3%). Net sales of the other products reached € 118 million (-10%, -7% at constant rate).

**Europe** net sales reached € 1 109 million in 2013, down by 13%, driven by the continued generic erosion to Keppra®. Cimzia® net sales increased by 26% to € 168 million. Vimpat® increased net sales by 15% to € 87 million. Neupro® reached net sales of € 129 million, an increase of 13% year-over-year. Keppra® net sales decreased by 30% to € 315 million, driven by generic competition. The allergy franchise Xyzal® (-16%) and Zyrtec® (+7%) reached € 41 million and € 61 million

respectively. Nootropil® decreased to € 26 million net sales. All other products contributed € 283 million, a reduction of 22% versus the previous year. This decrease was also impacted by product divestitures, adjusted for this effect, other products net sales were -6%.

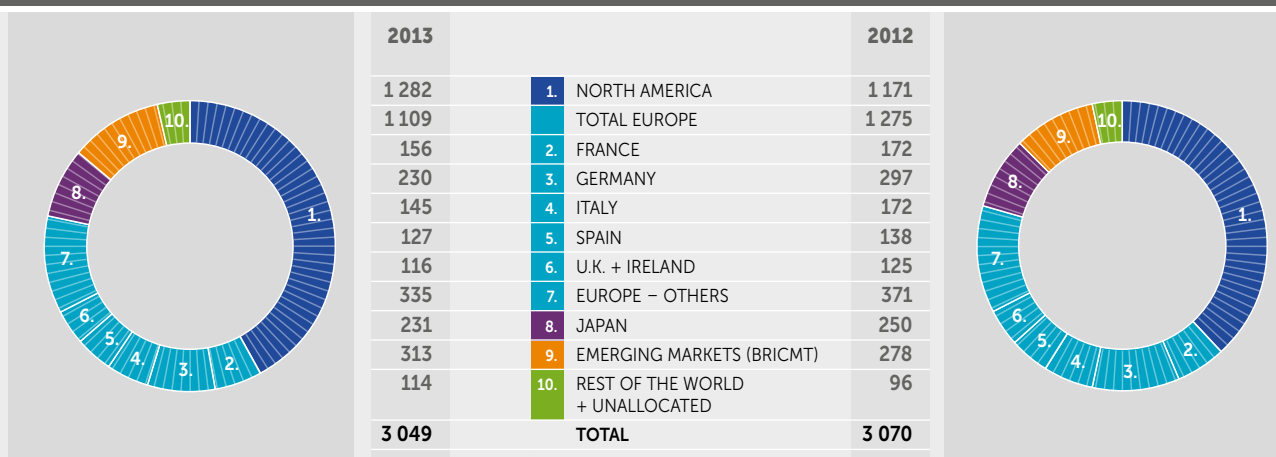
**Japan** net sales reached € 231 million (-8%; +11% at constant currency rates). Next to the impact of currency rates, the allergy franchise, Zyrtec® and Xyzal®, went down due to generic competition. Without allergy franchise, UCB's net sales would be up by 86% (130% at constant rates) driven by the successful launch – together with our partners in Japan – of Cimzia®, Neupro® and E Keppra®.

**Emerging markets – BRICMT\*** net sales increased to € 313 million (+13%; +17% at constant rates), driven by both, the mature product portfolio and UCB's new medicines: Cimzia®, Vimpat® and Neupro® continue to be launched in these markets.

**"Rest of the World"** sales amounted to € 108 million, an increase of 7% (+12% at constant rates), mainly related to growth of Cimzia® (+83%).

\* BRICMT: Brazil, Russia, India, China, Mexico and Turkey

## NET SALES BY GEOGRAPHICAL AREA (€ MILLION)



### 3.3 | ROYALTY INCOME AND FEES

€ million	ACTUAL		VARIANCE	
	2013	2012	ACTUAL RATES	CST RATES
Biotechnology IP	81	88	-8%	-4%
Toviaz®	33	38	-14%	-14%
Zyrtec® U.S.	17	19	-12%	-9%
Other	41	23	86%	89%
<b>Royalty income and fees</b>	<b>172</b>	<b>168</b>	<b>2%</b>	<b>5%</b>

In 2013, royalty income and fees grew by 2% reaching € 172 million, compared to last year. Biotechnology intellectual property (IP) continued to decrease to € 81 million due to expiration of patents. The royalties paid by Pfizer for the overactive bladder treatment Toviaz® (*fesoterodine*)

went down to € 33 million from € 38 million. Zyrtec® U.S. royalty income received on the over-the-counter sales were € 17 million. Other royalty income and fees went up to € 41 million due to income from out-licensed product.

### 3.4 | OTHER REVENUE

€ million	ACTUAL		VARIANCE	
	2013	2012	ACTUAL RATES	CST RATES
Contract manufacturing sales	81	85	-5%	-4%
Astellas / Otsuka	53	75	-30%	-24%
Provas™ and other profit sharing	32	29	9%	9%
Xyzal® milestones and profit sharing	5	13	-61%	-60%
Other	20	21	-7%	-6%
<b>Other revenue</b>	<b>190</b>	<b>224</b>	<b>-15%</b>	<b>-12%</b>

Other revenue in 2013 reached € 190 million (-15%) due to received milestone payments in 2012 which did not reoccur.

Contract manufacturing sales were € 81 million in 2013 compared to € 85 million in 2012, or 5% lower compared to last year and are mainly related to agreements with GSK announced in 2009.

The profit sharing agreement with Novartis on selected products in Germany delivered 9% higher revenue of € 32 million, driven by the strong market share in Germany.

Since early 2012, the collaboration with Otsuka in Japan focuses on E Keppra® and Neupro®, UCB's partner to jointly develop and commercialize Cimzia® in Japan is Astellas. These collaborations generated revenue of € 53 million, mainly thanks to the launch of Cimzia® in Japan in 2013.

Other revenue includes the upfront out-licensing from R-Pharm for *olokizumab*.

### 3.5 | GROSS PROFIT

€ million	ACTUAL		VARIANCE	
	2013	2012	ACTUAL RATES	CST RATES
<b>Revenue</b>	<b>3 411</b>	<b>3 462</b>	<b>-1%</b>	<b>2%</b>
Net sales	3 049	3 070	-1%	3%
Royalty income and fees	172	168	2%	5%
Other revenue	190	224	-15%	-12%
<b>Cost of sales</b>	<b>-1 114</b>	<b>-1 084</b>	<b>-3%</b>	<b>-3%</b>
Cost of sales products and services	-792	-791	0%	0%
Royalty expenses	-171	-141	-21%	-23%
Amortization of intangible assets linked to sales	-151	-152	1%	-1%
<b>Gross profit</b>	<b>2 297</b>	<b>2 378</b>	<b>-3%</b>	<b>2%</b>
of which				
Products and services	2 447	2 503	-2%	3%
Net royalty income	1	27	-95%	-88%
Amortization of intangible assets linked to sales	-151	-152	1%	-1%

In 2013, gross profit reached € 2 297 million, 3% lower than 2012 due to product mix.

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:** The cost of sales for products and services remained stable at € 792 million (26% of net sales) after € 791 million in 2012 (26% of net sales), due to product mix.

**Royalty expenses:** Royalties increased from € 141 million in 2012 to € 171 million in 2013 due to higher royalties relating to the marketed products, mainly Cimzia® and Vimpat®.

€ million	ACTUAL		VARIANCE	
	2013	2012	ACTUAL RATES	CST RATES
Biotechnology IP	-43	-35	-23%	-29%
Other	-128	-106	-21%	-22%
<b>Royalty expenses</b>	<b>-171</b>	<b>-141</b>	<b>-21%</b>	<b>-23%</b>

**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 amounted of € 151 million in 2013.

### 3.6 | RECURRING EBIT AND RECURRING EBITDA

€ million	ACTUAL		VARIANCE	
	2013	2012 (REVISED)	ACTUAL RATES	CST RATES
<b>Revenue</b>	<b>3 411</b>	<b>3 462</b>	<b>-1%</b>	<b>2%</b>
Net sales	3 049	3 070	-1%	3%
Royalty income and fees	172	168	2%	5%
Other revenue	190	224	-15%	-12%
<b>Gross profit</b>	<b>2 297</b>	<b>2 378</b>	<b>-3%</b>	<b>2%</b>
Marketing and selling expenses	-802	-875	8%	4%
Research and development expenses	-856	-861	1%	-2%
General and administrative expenses	-205	-198	-3%	-5%
Other operating income / expenses (-)	7	0	n.s.	n.s.
<b>Total operating expenses</b>	<b>-1 856</b>	<b>-1 934</b>	<b>4%</b>	<b>1%</b>
<b>Recurring EBIT (REBIT)</b>	<b>441</b>	<b>444</b>	<b>-1%</b>	<b>12%</b>
Add: Amortization of intangible assets	184	176	4%	6%
Add: Depreciation charges	64	64	0%	1%
<b>Recurring EBITDA (REBITDA)</b>	<b>689</b>	<b>684</b>	<b>1%</b>	<b>9%</b>

Operating expenses, encompassing marketing and selling expenses, research and development expenses, general and administrative expenses and other operating income / expenses, reached € 1 856 million in 2013, 4% lower than last year, reflecting:

- ▶ Lower marketing and selling expenses, € 73 million (decrease 8%). While the regional expansion of Cimzia®, Vimpat® and Neupro® continues as does launch of E Keppra® in Japan, synergies and efficiencies enabled continued high performance of the marketing and selling activities at slightly lower expenses.
- ▶ The well advanced, late-stage clinical development pipeline, including three projects in the last development phase (Phase 3), led to stable research and development expenses of € 856 million (25% of revenue).

- ▶ General and administrative expenses of € 205 million (increase 3%) due to expansion in emerging markets and IT-investments.
- ▶ Other operating income / expenses of € 7 million mainly related to grants received.

**Recurring EBIT** is € 441 million, compared to € 444 million last year.

- ▶ Total amortization of intangible assets (product related and other) amounted to € 184 million (+4%);
- ▶ Depreciation charges are stable with € 64 million.

**Recurring EBITDA** is 1% higher than in 2012, reaching € 689 million, reflecting lower marketing and selling and stable R&D expenses.

### 3.7 | NET PROFIT AND CORE EPS

€ million	ACTUAL		VARIANCE	
	2013	2012 (REVISED)	ACTUAL RATES	CST RATES
<b>Recurring EBIT</b>	<b>441</b>	<b>444</b>	<b>-1%</b>	<b>12%</b>
Impairment charges	-29	-10	> -100%	> -100%
Restructuring expenses	-32	-40	18%	17%
Gain on disposals	23	31	-28%	-28%
Other non recurring income / expenses (-)	0	-7	n.s.	n.s.
<b>Total non recurring income / expenses (-)</b>	<b>-38</b>	<b>-26</b>	<b>-50%</b>	<b>-53%</b>
<b>EBIT (operating profit)</b>	<b>403</b>	<b>418</b>	<b>-3%</b>	<b>9%</b>
Net financial expenses	-121	-155	22%	22%
<b>Profit before income taxes</b>	<b>282</b>	<b>263</b>	<b>7%</b>	<b>28%</b>
Income tax expenses (-) / credit	-87	-35	> -100%	> -100%
<b>Profit from continuing operations</b>	<b>195</b>	<b>228</b>	<b>-14%</b>	<b>2%</b>
Profit from discontinued operations	5	17	-74%	-74%
<b>Net profit</b>	<b>200</b>	<b>245</b>	<b>-18%</b>	<b>-3%</b>
<b>Net profit attributable to UCB shareholders</b>	<b>207</b>	<b>249</b>	<b>-17%</b>	<b>-4%</b>
After-tax non-recurring items and one-offs	37	33	9%	17%
Profit (-) from discontinued operations	-5	-17	74%	74%
Amortization of intangibles linked to sales	151	152	-1%	1%
Taxes on amortization of intangibles	-40	-41	2%	0%
<b>Core net profit attributable to UCB shareholders</b>	<b>351</b>	<b>377</b>	<b>-7%</b>	<b>3%</b>
Weighted average number of shares (million)	182.2	179.3	2%	n.s.
<b>Core EPS attributable to UCB shareholders (€)</b>	<b>1.93</b>	<b>2.10</b>	<b>-8%</b>	<b>1%</b>

Total non-recurring income/expenses amounted to € 38 million pre-tax expense, compared to € 26 million pre-tax expense in 2012.

The 2013 non-recurring items include the impairment related to non-financial assets, mainly CMC544 (a development project in oncology out licensed to Pfizer); the impairment of the damaged Bioplant in Bulle (Switzerland) due to an explosion in November 2013, offset by the insurance cover in the other non recurring income ,restructuring expenses, the gain on divestment of primary care markets and tangible assets related to the Rochester manufacturing facility, and other expenses related to litigations and further optimization.

The 2012 non-recurring items include the impairment of non-financial assets as a result of the yearly impairment testing; restructuring expenses related to SHAPE, reorganization of support functions and severance costs; the gain on divestment of primary care markets in the U.S. and Australia; and other expenses related to litigations, optimization and Civil Investigate Demand.

Net financial expenses decreased from € 155 million in 2012 to € 121 million in 2013, or by € 34 million including € 3 million write-off on the WILEX investment.

The average tax rate on recurring activities is at 29% compared to 11% last year. Provision releases due to a favorable clarification from taxation authorities in respect of the availability of a tax exemption on the payment of undistributed reserves and the finalization of a tax audit had a beneficial impact on the rate in 2013. Offset by the derecognition of losses in one jurisdiction due to a reduction in the forecasted use of these losses and the non recognition of losses in two further jurisdictions.

The net profit amounts to € 200 million, € 45 million below 2012, of which € 207 million attributable to the UCB shareholders and -€ 7 million to the non-controlling interest.

The net 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 linked to sales, gives rise to a core net profit attributable to the UCB shareholders of € 351 million, 7% lower than 2012.

The core EPS attributable to the UCB shareholders amounted € 1.93 compared to € 2.10 in 2012 per non-dilutive weighted average number of shares.

### 3.8 | CAPITAL EXPENDITURE

The tangible capital expenditure resulting from UCB biopharmaceutical activities amounted to € 238 million in 2013 compared to € 160 million in 2012. The 2013 capital expenditures related mainly to the Biotech plant in Bulle (Switzerland).

Acquisition of intangible assets reached € 115 million in 2013 (versus € 61 million in 2012) for software development costs, milestones incurred under collaboration agreements and for in-licencing deals.

In addition, as foreseen in the agreement between UCB and Lonza for the manufacturing by Lonza of PEGylated antibody fragment-based bulk actives, 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.

### 3.9 | BALANCE SHEET

The **intangible assets** decreased by € 26 million from € 1 488 million at 31 December 2012 to € 1 462 million at 31 December 2013. This includes the on-going amortization of the intangible assets (€ 184 million) mainly related to the acquisition of Celltech and Schwarz Pharma, the impact of the yearly impairment testing (€ 7 million) and the decreasing U.S. dollar and British pound, partially offset by additions related mainly milestones incurred under collaboration agreements and through in-licencing deals.

**Goodwill** amounts € 4 694 million or a € 114 million decrease between 31 December 2012 and 31 December 2013 due to the decreasing U.S. dollar and British pound.

**Other non-current assets** increased by € 91 million, mainly driven by investment in the biological plant in Bulle (Switzerland), offset by the decrease of the interest rate derivatives.

The **current asset** increase from € 1 822 million as of 31 December 2012 to € 2 421 million as of 31 December 2013 stems from an increase in the trade receivables and the cash.

**UCB's shareholders' equity**, at € 4 602 million, an increase of € 9 million between 31 December 2012 and 31 December 2013. The important changes stem from the net profit after non-controlling interest (€ 200 million), other comprehensive income (€ -63 million), and the dividend payments (€ -205 million), and treasury shares (€ 71 million)

The **non-current liabilities** amount € 2 969 million, an increase of € 13 million, include the newly issued bonds, offset by a decrease in the tax provisions and the reclassification of the retail bond maturing in 2014 to current liabilities.

The increase in **current liabilities** from € 1 808 million to € 2 336 million results from the reclassification of the retail bond maturing in 2014.

The **net debt** increased by € 242 million from € 1 766 million as of end December 2012 to € 2 008 million as of end December 2013, and relates to further investment in capital expenditure, higher working capital in generic business and emerging markets, dividend payment on the 2012 results and the dividend related to the perpetual subordinated bond, offset by the underlying net profitability.

### 3.10 | CASH FLOW STATEMENT

The evolution of cash flow generated by biopharmaceuticals activities is affected by the following:

Cash flow from operating activities amounted € 298 million compared to € 355 million in 2012. The decrease stems mainly from a higher net working capital in the generic business and emerging markets.

Cash flow from investing activities shows an outflow of € 297 million in 2013 compared to € 266 million in 2012, results from the higher spending in tangible and intangible assets offset by the sale of primary care markets and manufacturing plants.

Cash flow from financing activities has an inflow of € 432 million, which includes the issuance of new bonds offset by the dividend paid to the UCB shareholders and the shareholders of the perpetual subordinated bond.

### 3.11 | OUTLOOK 2014 APPLICATION OF IFRS 10

In 2014, UCB expects the continued growth of Cimzia®, Vimpat®, Neupro® and emerging markets to drive company growth.

2014 revenue should grow to approximately € 3.5-3.6 billion. Recurring EBITDA should increase to approximately € 740-770 million. Core earnings per share (EPS) reflect a higher number of shares and are therefore expected in the range of € 1.90-2.05 based on an average of 192 million shares outstanding.



# CONSOLIDATED FINANCIAL STATEMENTS



Michel, UCB

1. CONSOLIDATED INCOME STATEMENT
2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION
4. CONSOLIDATED STATEMENT OF CASH FLOWS
5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## 1 | CONSOLIDATED INCOME STATEMENT

For the year ended 31 December	NOTE	2013	2012 (RESTATED)
€ million			
<b>CONTINUING OPERATIONS</b>			
Net sales	5	3 049	3 070
Royalty income and fees		172	168
Other revenue	8	190	224
<b>Revenue</b>		<b>3 411</b>	<b>3 462</b>
Cost of sales		-1 114	-1 084
<b>Gross profit</b>		<b>2 297</b>	<b>2 378</b>
Marketing and selling expenses		-802	-875
Research and development expenses		-856	-861
General and administrative expenses		-205	-198
Other operating income / expenses (-)	11	7	0
<b>Operating profit before impairment, restructuring and other income and expenses</b>		<b>441</b>	<b>444</b>
Impairment of non-financial assets	12	-29	-10
Restructuring expenses	13	-32	-40
Other income / expenses (-)	14	23	24
<b>Operating profit</b>		<b>403</b>	<b>418</b>
Financial income	15	51	78
Financing costs	15	-172	-233
<b>Profit / loss (-) before income taxes</b>		<b>282</b>	<b>263</b>
Income tax expense (-) / credit	16	-87	-35
Profit / loss (-) from continuing operations		195	228
<b>DISCONTINUED OPERATIONS</b>			
<b>Profit / loss (-) from discontinued operations</b>	7	<b>5</b>	<b>17</b>
<b>PROFIT</b>			
<b>Attributable to:</b>			
Equity holders of UCB S.A.		207	249
Non-controlling interest		-7	-4
<b>BASIC EARNINGS PER SHARE (€)</b>			
from continuing operations	37	1.12	1.30
from discontinued operations	37	0.02	0.09
<b>Total basic earnings per share</b>		<b>1.14</b>	<b>1.39</b>
<b>DILUTED EARNINGS PER SHARE (€)</b>			
from continuing operations	37	1.12	1.30
from discontinued operations	37	0.02	0.09
<b>Total diluted earnings per share</b>		<b>1.14</b>	<b>1.39</b>

## 2 | CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	NOTE	2013	2012 (RESTATED)
€ million			
<b>PROFIT FOR THE PERIOD</b>		<b>200</b>	<b>245</b>
<b>Other comprehensive income</b>			
Items to be reclassified to profit or loss in subsequent periods			
- Net gain / loss (-) on available for sale financial assets		-3	-2
- Exchange differences on translation of foreign operations		-91	-75
- Effective portion of gains / losses (-) on cash flow hedges		25	6
- Net gain / loss (-) on hedge of net investment in foreign operation		0	0
- Income tax relating to the components of other comprehensive income to be reclassified to profit or loss in subsequent periods		0	0
Items not to be reclassified to profit or loss in subsequent periods			
- Remeasurement of defined benefit obligation	31	6	-68
- Income tax relating to the components of other comprehensive income not to be reclassified to profit or loss in subsequent periods		0	5
<b>Other comprehensive income / loss (-) for the period, net of tax</b>		<b>-63</b>	<b>-134</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>137</b>	<b>111</b>
Attributable to:			
Equity holders of UCB S.A.		144	115
Non-controlling interests		-7	-4
<b>Total comprehensive income for the period, net of tax</b>		<b>137</b>	<b>111</b>



### 3 | CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December

	NOTE	2013	2012 (RESTATED)
€ million			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	18	1 462	1 488
Goodwill	19	4 694	4 808
Property, plant and equipment	20	722	602
Deferred income tax assets	30	498	505
Financial and other assets (including derivative financial instruments)	21	110	132
<b>Total non-current assets</b>		<b>7 486</b>	<b>7 535</b>
<b>Current assets</b>			
Inventories	22	627	616
Trade and other receivables	23	979	835
Income tax receivables		9	13
Financial and other assets (including derivative financial instruments)	21	66	40
Cash and cash equivalents	24	740	318
<b>Total current assets</b>		<b>2 421</b>	<b>1 822</b>
<b>Total assets</b>		<b>9 907</b>	<b>9 357</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Capital and reserves attributable to UCB shareholders	25	4 603	4 588
Non-controlling interests		-1	5
<b>Total equity</b>		<b>4 602</b>	<b>4 593</b>
<b>Non-current liabilities</b>			
Borrowings	27	269	193
Bonds	28	1 758	1 697
Other financial liabilities (including derivative financial instruments)	29	13	39
Deferred income tax liabilities	30	112	123
Employee benefits	31	294	290
Provisions	32	330	435
Trade and other liabilities	33	193	179
<b>Total non-current liabilities</b>		<b>2 969</b>	<b>2 956</b>
<b>Current liabilities</b>			
Borrowings	27	135	197
Bonds	28	588	0
Other financial liabilities (including derivative financial instruments)	29	195	200
Provisions	32	46	51
Trade and other liabilities	33	1 258	1 295
Income tax payables		114	65
<b>Total current liabilities</b>		<b>2 336</b>	<b>1 808</b>
<b>Total liabilities</b>		<b>5 305</b>	<b>4 764</b>
<b>Total equity and liabilities</b>		<b>9 907</b>	<b>9 357</b>

## 4 | CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December	NOTE	2013	2012 (RESTATED)
€ million			
<b>Profit for the year attributable to UCB shareholders</b>		<b>207</b>	<b>249</b>
Non-controlling interests		-7	-4
Adjustment for profit (-) / loss from discontinued operations	7	-5	-17
Adjustment for non-cash transactions	34	315	154
Adjustment for items to disclose separately under operating cash flow	34	87	35
Adjustment for items to disclose under investing and financing cash flows	34	100	103
Change in working capital	34	-300	15
<b>Cash flow generated from operations</b>		<b>397</b>	<b>535</b>
Tax paid during the period		-99	-180
<b>NET CASH FLOW GENERATED BY OPERATING ACTIVITIES</b>		<b>298</b>	<b>355</b>
Acquisition of intangible assets	18	-115	-61
Acquisition of property, plant and equipment	20	-238	-160
Acquisition of subsidiaries, net of cash acquired	6	-1	-68
Acquisition of other investments		0	-1
<b>Sub-total acquisitions</b>		<b>-354</b>	<b>-290</b>
Proceeds from sale of intangible assets		0	6
Proceeds from sale of property, plant and equipment		19	1
Proceeds from sale of business unit, net of cash disposed		36	17
Proceeds from sale of other investments		2	0
Dividends received		0	0
<b>Sub-total disposals</b>		<b>57</b>	<b>24</b>
<b>NET CASH FLOW USED IN INVESTING ACTIVITIES</b>		<b>-297</b>	<b>-266</b>
Proceeds from issuance of share capital		3	0
Proceeds from issuance of bonds	25	666	0
Repayment of bonds (-)	28	0	-20
Proceeds from borrowings	27	127	862
Repayments of borrowings (-)	27	-106	-556
Payment of finance lease liabilities		-3	-2
Acquisition (-) / disposal of treasury shares	25	71	4
Dividend paid to UCB shareholders, net of dividend paid on own shares	25	-205	-201
Interest received		31	71
Interest paid		-153	-185
<b>NET CASH FLOW USED IN FINANCING ACTIVITIES</b>		<b>432</b>	<b>-27</b>
Cash from discontinued operations		-2	-6
<b>NET INCREASE / DECREASE (-) IN CASH AND CASH EQUIVALENTS</b>		<b>430</b>	<b>56</b>
<b>NET CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>24</b>	<b>308</b>	<b>253</b>
Effect of exchange rate fluctuations		-3	-1
<b>NET CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>24</b>	<b>735</b>	<b>308</b>
of which cash and cash equivalents		740	318
of which bank overdrafts		-5	-10

## 5 | CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2013 – € MILLION		ATTRIBUTED TO EQUITY HOLDERS OF UCB S.A.										
	Share capital and share premium	Hybrid capital	Treasury shares	Retained earnings	Other reserves	Cumulative translation adjustments	Available for sale financial assets	Cash flow hedges	Net investment hedge	Total	Non-controlling interests	Total stockholders' equity
<b>Balance at 1 January 2013</b>	<b>2 151</b>	<b>295</b>	<b>-239</b>	<b>2 662</b>	<b>49</b>	<b>-378</b>	<b>-3</b>	<b>-4</b>	<b>55</b>	<b>4 588</b>	<b>5</b>	<b>4 593</b>
Profit for the period				207						207	-7	200
Other comprehensive income / loss (-)					6	-91	-3	25		-63		-63
<b>Total comprehensive income</b>				<b>207</b>	<b>6</b>	<b>-91</b>	<b>-3</b>	<b>25</b>		<b>144</b>	<b>-7</b>	<b>137</b>
Capital increase	3									3		3
Dividends				-182						-182		-182
Share-based payments				21						21		21
Transfer between reserves			25	-25						0		0
Treasury shares			46							46		46
Put and call option for non-controlling interest					6					6		6
Dividend to shareholders of perpetual subordinated bonds				-23						-23		-23
Acquired non-controlling interest										0	1	1
<b>Balance at 31 December 2013</b>	<b>2 154</b>	<b>295</b>	<b>-168</b>	<b>2 660</b>	<b>61</b>	<b>-469</b>	<b>-6</b>	<b>21</b>	<b>55</b>	<b>4 603</b>	<b>-1</b>	<b>4 602</b>

2012 – € MILLION		ATTRIBUTED TO EQUITY HOLDERS OF UCB S.A.										
	Share capital and share premium	Hybrid capital	Treasury shares	Retained earnings	Other reserves	Cumulative translation adjustments	Available for sale financial assets	Cash flow hedges	Net investment hedge	Total	Non-controlling interests	Total stockholders' equity
<b>Balance at 1 January 2012</b>	<b>2 151</b>	<b>295</b>	<b>-262</b>	<b>2 615</b>	<b>159</b>	<b>-303</b>	<b>-1</b>	<b>-10</b>	<b>55</b>	<b>4 699</b>	<b>2</b>	<b>4 701</b>
Profit for the period				249						249	-4	245
Other comprehensive income / loss (-)					-63	-75	-2	6		-134		-134
<b>Total comprehensive income</b>				<b>249</b>	<b>-63</b>	<b>-75</b>	<b>-2</b>	<b>6</b>		<b>115</b>	<b>-4</b>	<b>111</b>
Dividends				-178						-178		-178
Share-based payments				16						16		16
Transfer between reserves			17	-17						0		0
Treasury shares			6							6		6
Equity component linked to the convertible bond					-7					-7		-7
Redemption liability for non-controlling interest					-29					-29		-29
Dividend to shareholders of perpetual subordinated bonds				-23						-23		-23
Business combination					-11					-11	7	-4
<b>Balance at 31 December 2012 (Restated)</b>	<b>2 151</b>	<b>295</b>	<b>-239</b>	<b>2 662</b>	<b>49</b>	<b>-378</b>	<b>-3</b>	<b>-4</b>	<b>55</b>	<b>4 588</b>	<b>5</b>	<b>4 593</b>

# IV.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



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# 1. General information

UCB S.A. (UCB or the Company) and its subsidiaries (together the Group) is a global biopharmaceutical company focused on severe diseases in two therapeutic areas namely Central Nervous System disorders and Immunology.

The consolidated financial statements of the Company as at and for the year ended 31 December 2013 comprise the Company and its subsidiaries. Within the Group, only UCB Pharma S.A., a wholly owned subsidiary, has a branch in the U.K. that is integrated into its accounts.

UCB S.A., 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 S.A. is listed on the Euronext Brussels Stock Exchange.

The Board of Directors approved these consolidated financial statements and the statutory financial statements of UCB S.A. for issue on 25 February 2014. The shareholders will be requested to approve the statutory financial statements of UCB S.A. at their annual meeting on 24 April 2014.

# 2. Summary of significant accounting policies

The principal 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 IFRIC interpretations as adopted for use by the European Union. All IFRS's issued by the International Accounting Standards Board (IASB) and effective at the time of preparing these consolidated financial statements have been adopted for use in the European Union through the endorsement procedure established by the European Commission.

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.

Where necessary, the comparatives have been reclassified in order to enhance inter-period comparability of information presented in current and prior years.

## 2.2 | CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The following new standards, amendments to existing standard or new accounting policies have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013:

- ▶ The Group has opted to adopt the government grant model as from 1 January 2013, leading to a reclassification of the R&D tax credits from the income tax expense line to the research and development expenses and a restatement of the 31 December 2012 (€ 29 million) consolidated income statement.
- ▶ IFRS 13, "Fair value measurement" was issued by the Board in May 2011 and endorsed by the European Union in December 2012. The Group has adopted IFRS 13 prospectively from 1 January 2013. The new standard defines fair value, establishes in a single IFRS a framework for measuring fair value and sets out extensive disclosure requirements. The adoption of IFRS 13 had no material financial impact on the Group, although more extensive disclosures are provided.
- ▶ Amendment to IAS 1, "Financial statement presentation" regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).
- ▶ The finalization of the Meizler Biopharma purchase price allocation resulted in a restatement of the 2012 balance sheet and income statement (Note 6).

## 2.3 | NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following new standards, amendments to existing standards, and interpretations have been issued but are not effective for the financial year beginning on 1 January 2013 and have not been early adopted.

- ▶ **IFRS 9, *Financial instruments***, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.
- ▶ **IFRS 10, *Consolidated Financial Statements*** (effective from 1 January 2014), builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. As a result of the adoption of IFRS 10 in 2014, the Group will consolidate 2 additional entities that manage clinical trials for the Company. Audited information for these entities is not yet available and the impact of adopting this standard is currently under review. Based on unaudited information, management expects the impact to the balance sheet to be primarily comprised of a reduction of intangible assets of approximately €102 million and €149 million as of January 1, 2013 and December 31, 2013, respectively, and an increase in non-current liabilities of approximately €145 million and €143 million over the same periods. Consolidating these entities is also expected to result in a reduction to operating profit of approximately €34 million and net income of €57 million for the year ended December 31, 2013. Of the loss for the period, €47 million will be allocated to UCB shareholders and €10 million will be allocated to non-controlling interests.
- ▶ **IFRS 11, *Joint Arrangements*** (effective from 1 January 2014). IFRS 11 seeks to provide users of financial statements with greater clarity about an entity's involvement in joint arrangements by requiring the entity to recognize the contractual rights and obligations arising from the joint arrangement in which it participates, independently from the arrangement's legal structure. There are now only two forms of joint arrangement under IFRS 11 – joint operations and joint ventures. The Group is currently evaluating the impact of this standard.
- ▶ **IFRS 12, *Disclosures on Interests in Other Entities*** (effective from 1 January 2014). IFRS 12 includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group will include the required disclosures in the 2014 annual report.
- ▶ **IFRIC 21, *Levies***, sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognized. The Group is currently evaluating the impact of this standard.
- ▶ **Amendment to IAS 36, *Impairment of assets***, on the recoverable amount disclosures for non-financial assets removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory for the Group until 1 January 2014, however the Group has decided to early adopt the amendment as of 1 January 2013.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

## 2.4 | CONSOLIDATION

### 2.4.1 | SUBSIDIARIES

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another 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 values 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 recognises 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 accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. 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 investors share of the profit or loss of the investee at the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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 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.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group 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.

## 2.5 | 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.

## 2.6 | FOREIGN CURRENCY TRANSLATION

The following important exchange rates were used in preparing the consolidated financial statements:

	CLOSING RATE		AVERAGE RATE	
	2013	2012	2013	2012
<b>USD</b>	1 379	1 320	1 328	1 285
<b>JPY</b>	145 140	114 320	129 381	102 485
<b>GBP</b>	0 832	0 813	0 849	0 811
<b>CHF</b>	1 225	1 207	1 231	1 205

The closing rates represent spot rates as at 31 December 2013 and 31 December 2012.

#### 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, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed 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.



Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss.

Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available for sale reserve in other comprehensive income.

### 2.6.3 | GROUP COMPANIES

The results and financial position of all the 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 it is probable that future economic benefits associated with the transaction will flow to the entity and that these benefits can be measured reliably. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved.

Revenue represents the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group activities. Revenue is shown net of value added tax, returns, rebates, trade discounts, and cash discounts related to Medicaid and Medicare in the U.S. and similar programs in other countries.

### 2.7.1 | NET SALES

Revenue from the sale of goods is recognized when:

- ▶ The significant risks and rewards of the ownership of goods are transferred to the buyer;
- ▶ The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- ▶ The amount of revenue can be measured reliably;
- ▶ It is probable that the economic benefits associated with the transaction will flow to the entity; and

- ▶ The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Estimates of expected sales returns, charge-backs granted to government agencies, wholesalers, managed care and other customers are deducted from revenue at the time the related revenue is recorded or when the incentives are offered.

Such estimates are calculated on the basis of historical experience and the specific terms in the individual agreements.

### 2.7.2 | ROYALTY INCOME

Royalties are recognized on an accrual basis in accordance with the substance of the relevant agreement.

### 2.7.3 | OTHER REVENUE

Other revenue comprises revenue generated through out-licensing and profit-sharing agreements as well as contract manufacturing agreements. Other revenue is recognized as it is earned or as the related service is performed.

The Group receives from third parties upfront, milestone and other similar payments related to the sale or out-licensing of products. Revenue associated with performance milestones is recognized based upon the achievement of the milestone event if the event is substantive, objectively determinable and represents an important point in the development life cycle of the pharmaceutical product. Upfront payments and license fees for which there are subsequent deliverables are initially reported as deferred income and are recognized as revenue when earned over the period of the development collaboration or the 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 and development costs are expensed as incurred. 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), it has been concluded that the Group internal development costs in general do not qualify for capitalization as intangible assets.

## 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 regulatory approval is obtained.

## 2.10 | IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Group reviews the carrying amounts of its intangible assets, goodwill and property, plant and equipment 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. In respect of R&D tax credits these amounts are recognized in the research and development expenses line.

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.

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. Deferred tax assets and liabilities are not discounted.

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.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax

regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## 2.13 | INTANGIBLE ASSETS

### 2.13.1 | 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. when regulatory approval has been obtained). 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.

### 2.13.2 | 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.

## 2.14 | GOODWILL

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures 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 a joint venture, 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.

## 2.15 | 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.

## 2.16 | 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.

### 2.16.1 | 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.

### 2.16.2 | 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.

## 2.17 | FINANCIAL ASSETS

### 2.17.1 | 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.

### 2.17.2 | 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.

### 2.17.3 | 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.

### 2.17.4 | 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.

### 2.17.5 | 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.

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. 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.

## 2.18 | IMPAIRMENT OF FINANCIAL ASSETS

### 2.18.1 | 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 or held-to-maturity investment 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.

#### 2.18.2 | 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. 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 assets are 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. 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.

## 2.19 | DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The Group does not engage in speculative transactions.

Derivative financial instruments are initially recorded at fair value and attributable transaction costs are recognized in the income statement when incurred. Derivative financial instruments are subsequently re-measured at their fair value.

As per application of IFRS 13, the Group also 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 recognising 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 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.

#### 2.19.1 | CASH FLOW HEDGES

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within "financial income".

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.

#### 2.19.2 | FAIR VALUE HEDGES

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

#### 2.19.3 | NET INVESTMENT HEDGES

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income; the gain or loss relating to the ineffective portion is recognized immediately in the income statement within "financial income". Gains and losses accumulated in equity are recycled to the income statement when the foreign operation is partially disposed of or sold.

#### 2.19.4 | DERIVATIVE FINANCIAL INSTRUMENTS THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING

Certain derivative financial instruments do not qualify for hedge accounting. Changes in the fair value of any derivative financial instruments that do not qualify for hedge accounting are recognized immediately in the income statement within "financial income".

## 2.20 | INVENTORIES

Raw materials, consumables and goods purchased for resale are valued at the lower of cost and net realisable 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 realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

## 2.21 | TRADE RECEIVABLES

Trade receivables are recognized initially at fair value, and are subsequently measured at amortized cost using the effective interest rate method, less provision for impairment.

## 2.22 | CASH AND CASH EQUIVALENTS

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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

## 2.23 | NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE AND DISCONTINUED OPERATIONS

A discontinued operation is a component of the company that either has been disposed of, or that is classified as held for sale. It represents a major separate line of business or geographical area of operations and is part of a single coordinated plan to dispose of; or is a subsidiary acquired exclusively with a view to resale.

Non-current assets or a disposal group are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Non-current assets and disposal groups are measured at the lower of the carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Impairment losses upon initial classification as held for sale are recognized in the income statement. Non-current assets classified as held for sale are neither depreciated nor amortized.

## 2.24 | SHARE CAPITAL

### 2.24.1 | ORDINARY SHARES

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. The Company did not issue any preference or mandatory redeemable preference shares.

### 2.24.2 | TREASURY SHARES

When any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including attributable direct costs (net of income taxes) is deducted from the equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

### 2.24.3 | HYBRID CAPITAL

If the bond conditions of the hybrid capital issued satisfy the criteria as stipulated under IAS 32, Financial Instruments: Presentation, such instruments are accounted for as an equity instrument of the Group.

If the hybrid capital is classified as equity, the interest is reflected as a "dividend" to shareholders in the statement of Changes in Equity.

### 2.25 | BONDS AND BORROWINGS

Bonds, borrowings and overdrafts are initially measured at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Group accounting policy.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### 2.26 | COMPOUND FINANCIAL INSTRUMENTS

Compound financial instruments issued by the Group comprise convertible bonds that can be converted into ordinary shares at the option of the Issuer. The number of shares to be issued does not vary with changes in their fair value. In the past, due to the existence of the Option by the Issuer to redeem in cash, such convertible bonds were separated into a debt and a derivative component.

Upon initial recognition of the bond, the fair value of the debt component was determined based on the present value of the contractually determined stream of cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option.

Subsequent to initial recognition, the Debt component is measured based on its amortized cost, using the effective interest method.

The remainder of the proceeds was allocated to the conversion option and recognized within "Other derivatives". Subsequent to initial recognition, the Derivative component was measured at fair value, with all gains and losses upon re-measurement being recognized in the Income Statement.

As a result of the Board's decision in 2010 to revoke UCB's rights related to the cash settlement option, the derivative component was reclassified to equity based on its fair value at the date of revocation. The equity component is not re-measured subsequent to initial recognition except on conversion or expiry.

Transaction costs that are directly attributable to the bond offering and incremental, are included in the calculation of the amortized cost, using the effective interest method, and are amortized through the Income Statement over the life of the instrument.

### 2.27 | TRADE PAYABLES

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

### 2.28 | EMPLOYEE BENEFITS

#### 2.28.1 | PENSION OBLIGATIONS

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligations to pay further contributions in the event that the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the consolidated income statement when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation less the fair value of plan assets. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

The defined benefit obligation is calculated by independent actuaries using the Projected Unit Credit Method. A full actuarial valuation based on updated personnel information is performed at least every three years. Additionally, if the net fluctuation recognized on the balance sheet is more than 10% from one year to the next due to plan circumstances (significant membership changes, modification to plan, etc.), a full actuarial valuation is also required. For years where a full actuarial valuation is not required, projections (known as "roll-forwards") from the previous year with updated assumptions (discount rate, salary increase, turnover) is used. For these "roll-forward" valuations, the individual employee data from the last full valuation date are used taking into account assumptions for salary increases and possibly turnover. All valuations should measure liabilities at the applicable balance sheet date (31 December) and the market value of retirement plan assets should also be established and 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). Curtailments gains and losses are accounted for as past-service cost. Remeasurements are recorded in other comprehensive income.

#### 2.28.2 | OTHER POST-RETIREMENT EMPLOYEE BENEFITS

Some Group companies provide post-retirement healthcare benefits to their retirees. The Group's net obligation is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The expected costs of these benefits are accrued over the period of employment using the same methodology used for defined benefit plans.

#### 2.28.3 | TERMINATION BENEFITS

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

#### 2.28.4 | PROFIT-SHARING AND BONUS PLANS

The Group recognises 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 recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

#### 2.28.5 | 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 non-market service and performance vesting conditions (for example profitability, remaining an employee of the entity over a specified time period).

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 recognises 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, which are settled in cash, is recognized as an expense, with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each balance sheet date and at settlement date.

Any changes in the fair value of the liability are recognized as personnel expenses in the income statement.

#### 2.29 | PROVISIONS

Provisions are recognized in the balance sheet when:

- ▶ There is a present obligation (legal or constructive) as a result of a past event;
- ▶ It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- ▶ A reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

A restructuring provision is recognized when the Group has a detailed formal plan and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.



## 3. Critical judgements and accounting estimates

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 3.1 | CRITICAL JUDGEMENTS IN APPLYING THE GROUP ACCOUNTING POLICIES

#### REVENUE RECOGNITION

The nature of the Group business is such that many sales transactions do not have a simple structure.

Sales agreements may consist of multiple arrangements occurring at the same or at different times. The Group is also party to out-licensing agreements, which can involve upfront and milestone payments that may occur over several years and involve certain future obligations. Revenue is only recognized when the significant risks and rewards of ownership have been transferred and when the Group does not retain continuing managerial involvement or effective control over the goods sold or when the obligations are fulfilled. This might result in cash receipts being initially recognized as deferred income and then released to income in subsequent accounting periods based on the different conditions specified in the agreement.

### 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, charge-backs 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, charge-backs, 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.

#### 3.2.2 | INTANGIBLE ASSETS AND GOODWILL

The Group has intangible assets with a carrying amount of € 1 462 million (Note 18) and goodwill with a carrying amount of € 4 694 million (Note 19). 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 regulatory approval has been obtained).

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 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	8.8%
▶ 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 32. 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 31. 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.

## 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 & 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. Currency exposure arising from the net assets of the Group foreign operations in the U.S. is managed through borrowings denominated in U.S. dollar. This provides an economic hedge. Currency exposure arising from the net assets of the Group foreign operations in Switzerland and U.K. is managed through forward contracts. The Group investments in other subsidiaries are not hedged by means of borrowings or forward contracts as those currencies are not considered to be material or are long-term neutral.

The effect of translation exposure arising from the consolidation of the foreign currency denominated financial statements of the Group foreign subsidiaries 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 2013, 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 would have been as follows:

€ million	CHANGE IN RATE. STRENGTHENING / WEAKENING (-) EUR	IMPACT ON EQUITY: LOSS (-) / GAIN	IMPACT ON INCOME STATEMENT: LOSS (-) / GAIN
<b>At 31 December 2013</b>			
<b>USD</b>	<b>+10%</b>	<b>-128</b>	<b>3</b>
	-10%	156	-3
<b>GBP</b>	<b>+10%</b>	<b>-26</b>	<b>10</b>
	-10%	32	-12
<b>CHF</b>	<b>+10%</b>	<b>-47</b>	<b>-7</b>
	-10%	57	8

€ million	CHANGE IN RATE. STRENGTHENING / WEAKENING (-) EUR	IMPACT ON EQUITY: LOSS (-) / GAIN	IMPACT ON INCOME STATEMENT: LOSS (-) / GAIN
<b>At 31 December 2012</b>			
<b>USD</b>	<b>+10%</b>	<b>-140</b>	<b>-1</b>
	-10%	174	-2
<b>GBP</b>	<b>+10%</b>	<b>72</b>	<b>0</b>
	-10%	-88	0
<b>CHF</b>	<b>+10%</b>	<b>-36</b>	<b>0</b>
	-10%	44	0

The Group policy and practice not to enter into derivative transactions for speculative purposes.

#### 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 27 and 28. The Group uses interest rate derivatives to manage its interest rate risk, as described in Note 36.

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 2013, changes in fair value resulting from interest rate derivatives designated to the euro denominated floating rate liabilities of the Group or to highly probable future cash flows from fixed rate debt instruments to be issued in 2014 have been accounted for through equity under IAS 39. All changes in fair value resulting from interest rate derivatives designated to the foreign currency denominated floating rate liabilities of the Group are accounted for through profit or loss. This is a consequence of the underlying future cash flows, which result from derivative instruments, not qualifying for accounting of changes in fair value 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 € 5 million (2012: € 19 million); a 100 basis points decrease in interest rates would have decreased equity by € 5 million (2012: € 20 million).

A 100 basis points increase in interest rates at balance sheet date would have increased profit and loss by € 3 million (2012: € 5 million); a 100 basis points decrease in interest rates would have decreased profit and loss by € 4 million (2012: € 5 million). These changes to the profit and loss would result from the change in fair value of the cash flow interest rate derivatives designated to the foreign currency denominated floating rate liabilities of the Group, which do not qualify for hedge accounting, as well as the inefficient portion of the fair value hedges designated to a portion of the fixed rate borrowings of the Group (retail bonds and institutional Eurobonds).

#### 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 are held for mainly 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 2012, during 2013 the Group traded on treasury shares as well as American style call options providing the right to purchase shares of UCB S.A., both of which were accounted for through equity. In 2012, the Group repurchased € 70 million out of the 2009 issued convertible bond maturing in 2015 and the equity component linked to the convertible bond amounts in 2013 to € 41 million (2012: € 41 million) net of taxes as a result of UCB's decision to revoke the cash settlement option linked to the convertible bond.

#### 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 23). For some credit exposures in critical countries, such as certain Southern European countries, the Group has obtained credit insurance.

In the U.S., 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 realisable 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 24)  
€ 740 million (2012: € 318 million)
- ▶ Marketable non-equity securities (Note 21)  
€ 2 million (2012: € 3 million)
- ▶ Unutilized committed facilities (Note 27)  
€ 1 085 million (2012: € 1 045 million)

The existing € 1 billion syndicated committed revolving credit facility of the Group, maturing in 2016, was undrawn per end 2013. A further € 85 million bilateral committed credit facility undrawn per end 2013 (2012: drawn € 40 million) will be linearly degressive from 2016 until 2025.

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
<b>At 31 December 2013</b>							
Bank Borrowings and other long term loans	27	360	360	103	0	7	250
Debentures and other short term loans	27	24	24	24	0	0	0
Finance lease liabilities	27	15	15	3	11	1	0
Retail bond maturing in 2023	28	169	266	9	9	27	221
Institutional Eurobond maturing in 2021	28	344	454	0	18	43	393
Retail bond maturing in 2020	28	248	315	9	9	28	269
EMTN notes maturing in 2019	28	75	90	2	3	7	78
Institutional Eurobond maturing in 2016	28	516	586	29	29	528	0
Convertible bond maturing in 2015	28	406	469	19	450	0	0
Retail bond maturing in 2014	28	588	607	607	0	0	0
Trade and other liabilities	33	1 451	1 451	1 258	70	104	19
Bank overdrafts	27	5	5	5	0	0	0
Interest rate swaps		70	70	2	8	27	33
Forward exchange contracts used for hedging purposes							
Outflow		885	885	848	37	0	0
Inflow		905	905	868	37	0	0
Forward exchange contracts and other derivative financial instruments at fair value through profit or loss							
Outflow		1 627	1 627	1 627	0	0	0
Inflow		1 617	1 617	1 617	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
<b>At 31 December 2012 (Restated)</b>							
Bank Borrowings	27	252	252	73	0	29	150
Debentures and other short term loans	27	111	111	111	0	0	0
Finance lease liabilities	27	17	17	3	10	2	2
Convertible bond maturing in 2015	28	393	484	19	19	446	0
Retail bond maturing in 2014	28	780	833	43	790	0	0
Institutional Eurobond maturing in 2016	28	524	614	29	29	556	0
Trade and other liabilities	33	1 474	1 491	1 295	46	135	15
Bank overdrafts	27	10	10	10	0	0	0
Interest rate swaps		-17	-17	-7	-2	-5	-2
Forward exchange contracts used for hedging purposes							
Outflow		579	579	560	19	0	0
Inflow		576	576	557	19	0	0
Forward exchange contracts and other derivative financial instruments at fair value through profit or loss							
Outflow		2 104	2 104	1 877	227	0	0
Inflow		2 092	2 092	1 889	203	0	0

## 4.4 | CAPITAL RISK MANAGEMENT

The Group policy with respect to managing capital is to safeguard the Group 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	2013	2012
Total borrowings (Note 27)	404	390
Bonds (Note 28)	2 346	1 697
Less: cash and cash equivalents (Note 24), available for sale debt securities (Note 21) and cash collateral related to the financial lease obligation	-742	-321
Net debt	2 008	1 766
Total equity	4 602	4 593
Total financial capital	6 610	6 359
<b>Gearing ratio</b>	<b>30%</b>	<b>28%</b>

## 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 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.

As a result of IFRS 13 adoption, the Group reflects the credit and the non-performance risks into its valuation techniques but those changes had no material impact on the valuation.

#### 4.5.2 | FINANCIAL ASSETS MEASURED AT FAIR VALUE

€ million	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>31 December 2013</b>				
<b>Financial assets</b>				
Available for sale assets (Note 21)				
Quoted equity securities	17	0	0	17
Quoted debt securities	2	0	0	2
Derivative financial assets (Note 36)				
Forward foreign exchange contracts – cash flow hedges	0	24	0	24
Forward exchange contracts – fair value through profit and loss	0	17	0	17
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	1	0	1
Call option for non-controlling interest	0	0	0	0

€ million	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>31 December 2012 (Restated)</b>				
<b>Financial assets</b>				
Available for sale assets (Note 21)				
Quoted equity securities	23	0	0	23
Quoted debt securities	3	0	0	3
Derivative financial assets (Note 36)				
Forward foreign exchange contracts – cash flow hedges	0	6	0	6
Forward exchange contracts – fair value through profit and loss	0	27	0	27
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	7	0	7
Call option for non-controlling interest	0	0	7	7

#### 4.5.3 | FINANCIAL LIABILITIES MEASURE AT FAIR VALUE

€ million	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>31 December 2013</b>				
<b>Financial liabilities</b>				
Derivative financial liabilities (Note 36)				
Forward foreign exchange contracts – cash flow hedges	0	1	0	1
Forward exchange contracts – fair value through profit and loss	0	24	0	24
Interest rate derivatives – cash flow hedges	0	1	0	1
Interest rate derivatives – fair value through profit and loss	0	15	0	15

€ million	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>31 December 2012 (Restated)</b>				
<b>Financial liabilities</b>				
Derivative financial liabilities (Note 36)				
Forward foreign exchange contracts – cash flow hedges	0	7	0	7
Forward exchange contracts – fair value through profit and loss	0	36	0	36
Interest rate derivatives – cash flow hedges	0	1	0	1
Interest rate derivatives – fair value through profit and loss	0	14	0	14

During the reporting period ending 31 December 2013, 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 and Scholes" method (for FX options only) and market data publicly available.



Fair value measurements using significant unobservable inputs (level 3):

€ million	CALL OPTION FOR NON-CONTROLLING INTEREST
<b>Opening balance (Restated)</b>	<b>7</b>
Effect of changes in fair value recognized in profit and loss	-5
Effect of movements in exchange rates in Other Comprehensive Income	-2
<b>Closing balance</b>	<b>0</b>

The fair value of the Call Option received as part of the Meizler acquisition (Note 6) is determined using a Monte Carlo Simulation Option Pricing Model. In addition to the market based volatility and Brazilian risk free interest rate, the key assumptions used in this valuation model

include unobservable inputs for forecasted revenue and EBITDA amounts.

## 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	2013	2012
Keppra® (including Keppra® XR)	712	838
Cimzia®	594	467
Vimpat®	411	334
Zyrtec® (including Zyrtec-D® / Cirrus®)	204	249
Neupro®	182	133
Xyzal®	114	128
Metadate™ CD (including <i>methylphenidate ER</i> )	79	65
Nootropil®	58	63
<i>omeprazole</i>	57	79
<i>venlafaxine XR</i>	39	40
Other products	599	674
<b>Total net sales</b>	<b>3 049</b>	<b>3 070</b>

## 5.2 | GEOGRAPHIC INFORMATION

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

€ million	2013	2012
North America	1 282	1 171
Emerging markets (BRICMT)	313	278
Japan	231	250
Germany	230	297
France	156	172
Italy	145	172
Spain	127	138
U.K. and Ireland	115	125
Belgium	31	36
Other countries	419	431
<b>Total net sales</b>	<b>3 049</b>	<b>3 070</b>

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

€ million	2013	2012
Belgium	259	233
Switzerland	248	154
North America	91	79
U.K. and Ireland	80	91
Germany	21	22
Emerging markets (BRICMT)	13	8
Japan	7	10
Spain	1	2
France	0	2
Other countries	2	1
<b>Total</b>	<b>722</b>	<b>602</b>

BRICMT: Brazil, Russia, India, China, Mexico and Turkey

## 5.3 | INFORMATION ABOUT MAJOR CUSTOMERS

UCB has 1 customer which individually accounts for more than 14% of the total net sales at the end of 2013.

In the U.S., sales to 3 wholesalers accounted for approximately 73% of U.S. sales (2012: 85%).

## 6. Business combinations

On 30 May 2012, UCB acquired 51% of the issued and outstanding shares of Meizler Biopharma ("Meizler"), a privately-owned Brazilian pharmaceutical company, for a cash consideration equal to US\$ 80 million (€ 64 million) minus 51% of Meizler's net debt. Under the terms of the deal, the purchase price may be increased by up to US\$ 30 million for certain contingent payments but no contingent liabilities have been recognized based on current expectations.

Meizler commercializes a portfolio of in-licensed specialty products on the Brazilian market. UCB will bring parts of its mature and new medicines into Meizler's portfolio for commercialization in Brazil. Based on the UCB's control of the Board of Directors and management, UCB has fully consolidated Meizler.

The purchase agreement grants the selling shareholders a put option and UCB a call option on the remaining shares in Meizler priced based on a multiple of the EBITDA results (respectively, the "Put Option" and the "Call Option"). The Call Option has been included in the determination of goodwill and a liability of € 29 million has been recorded against equity for the present value of the estimated obligation to purchase the minority's shares under the Put Option (the "Redemption Liability").

The purchase price allocation has been finalized and the consideration has been allocated to the net assets based upon their estimated fair values as of 30 May 2012 as set forth below. The consolidated income statement for the year ended 31 December 2012 was restated to reflect the decrease in financial income of € 8 million.

### Amendment to the Meizler Purchase Agreement:

During July 2013, UCB and the Selling Shareholders signed amendments to the original Sale and Purchase Agreement and Shareholders Agreement to (a) adjust the percentage ownership of Meizler acquired by UCB from 51% to 70%, (b) amend the terms of the Put and Call Options and (c) release US\$ 2 million from the escrow account to UCB. Under the revised terms, the Put Option is now exercisable in 2014, 2015, 2016 or 2017 and the Call Option is exercisable in 2017 at an exercise price based on a multiple of the average EBITDA results for the preceding two years rather than one year. The reduction in the non-controlling interest and changes in the Put and Call Options were recorded in other reserves. The refund from the escrow account account was included in other income and expenses in the consolidated income statements

€ million	ORIGINAL OPENING BALANCE SHEET	ADJUSTMENTS	FINAL OPENING BALANCE SHEET
Cash consideration	64	0	64
Less: Fair value of the call option	0	-15	-15
<b>Total acquisition value</b>	<b>64</b>	<b>-15</b>	<b>49</b>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>			
Non-current assets	4	6	10
Current assets	17	0	17
Non-current liabilities	-5	3	-2
Current liabilities	-10	0	-10
<b>Total identifiable net assets</b>	<b>6</b>	<b>9</b>	<b>15</b>
Non-controlling interests and currency translation adjustment	0	7	7
<b>Goodwill</b>	<b>58</b>	<b>-17</b>	<b>41</b>

## 7. Discontinued operations

The profit from discontinued operations of € 5 million (2012: profit of € 17 million) arose mainly from the partial reversal of provisions related to the legacy films and chemical activities, including terminations of environmental claims

for sites for which UCB retained liability and which were settled in the past 12 months as well as the unwinding of the discount rate.

## 8. Other revenue

€ million	2013	2012
Revenue generated by means of profit-sharing agreements	34	31
Upfront payments, milestone payments and reimbursements	75	108
Contract manufacturing revenues	81	85
<b>Total other revenue</b>	<b>190</b>	<b>224</b>

The revenue generated through profit-sharing agreements relates primarily to the following items:

- ▶ Revenue from the co-promotion of Provas™, Jalra® and Icandra® in Germany with Novartis.
- ▶ Revenue from the co-promotion of Xyzal® in the U.S. with Sanofi.

During 2013, UCB received milestone payments and reimbursements from different parties, mainly from:

- ▶ Otsuka for co-development of E Keppra® in Japan;
- ▶ Astellas for the jointly development and commercialization of Cimzia® in Japan.

The revenue from contract manufacturing activities is mainly linked to the toll manufacturing agreements entered into with GSK and Shire as well as contract manufacturing revenue earned on products related to Delsym™.

## 9. 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	2013	2012
Employee benefit expenses	10	965	902
Depreciation of property, plant and equipment	20	54	55
Amortization of intangible assets	18	184	175
Impairment of non-financial assets	12	29	10
<b>Total</b>		<b>1 232</b>	<b>1 142</b>

## 10. Employee benefit expense

€ million	NOTE	2013	2012
Wages and salaries		621	667
Social security costs		90	84
Post-employment benefits – defined benefit plans	31	37	30
Post-employment benefits – defined contribution plans		15	24
Share-based payments to employees and directors	26	45	34
Insurance		59	36
Other employee benefits		98	27
<b>Total employee benefit expense</b>		<b>965</b>	<b>902</b>

The total employee benefit expense has been allocated along functional lines within the income statement, except in the case of discontinued operations where they have been included, if relevant, in the determination of the profit from

discontinued operations. Other employee benefits consist mainly of termination benefits, severance payments, and other long-term / short-term disability benefits.

Headcount at 31 December	2013	2012
Hourly Paid	717	869
Monthly Paid	3 724	3 716
Management	4 291	4 463
<b>Total</b>	<b>8 732</b>	<b>9 048</b>

Further information regarding post-employment benefits and share-based payments can be found in Notes 26 and 31.

## 11. Other operating income / expenses (-)

Other operating income / expenses (-) amounted to € 7 million (2012: € 0 million) and consists mainly of the amortization of non-production related intangible assets of - € 4 million (2012: - € 6 million); the reversal of provisions of € 5 million (2012: € 3 million); the impairment in respect of trade receivables and tangible fixed assets of -€ 2 million

(2012: € 1 million reversal of impairment); the reimbursement by third parties for development expenses incurred by the Group of € 8 million (2012: € 3 million); grants received of € 3 million (2012: € 3 million), other income and expenses related to the health care reform in the U.S.

## 12. 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 € 29 million (2012: € 10 million).

As a result of the yearly impairment testing an impairment charge of € 7 million on the trademarks, patents and licences was recognized and is mainly related to CMC544, a development project in oncology out-licensed to Pfizer (2012: € 7 million).

The impairment charge related to the Group property, plant and equipment of certain administrative buildings and manufacturing facilities amounted to € 22 million and relates to the damaged Bioplant in Bulle due to an explosion in 2013 (2012: € 3 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.

## 13. Restructuring expenses

The restructuring expenses as at 31 December 2013 amount to € 32 million (2012: € 40 million) and are related to further reorganisation and optimization. In 2012 the

restructuring expenses were mainly related to further Shape restructuring costs, reorganization of support functions and severance costs.

## 14. Other income and expenses

Other income amounted to € 23 million (2012: income of € 24 million) and comprised of the following items:

- ▶ Other income for € 47 million in 2013 compared to € 31 million in 2012
  - Divestment of primary care markets;
  - Insurance cover related to the damaged Bioplant in Bulle (CH) due to an explosion in November 2013.
- ▶ Other expenses amounted to € 23 million (2012: € 7 million) in 2013 and mainly relate to:
  - Optimization expenses;
  - A patent infringement suit by aaiPharma against UCB in the U.S. for the sales of *omeprazole* products;

- A Hatch-Waxman patent infringement suit by UCB against Mallinckrodt in the U.S. who filed an ANDA on Metadate CD® with paragraph IV certification.

## 15. Financial income and financing costs

The net financing costs for the year amounted to € 121 million (2012: € 155 million).  
The breakdown of the financing costs and financial income is as follows:

### FINANCING COSTS

€ million	2013	2012
Interest expenses on:		
Convertible bond	-30	-31
Retail bonds	-50	-43
Institutional Eurobonds	-29	-29
Other borrowings	-43	-40
Interest expenses related to interest rate derivatives	-7	0
Financial charges on finance leases	-1	-1
Impairment of equity securities	-3	-13
Impairment of long term loans	-2	0
Net foreign exchange losses	0	-62
Net other financial income / expense (-)	-7	-5
Loss on debt extinguishment	0	-9
<b>Total financing costs</b>	<b>-172</b>	<b>-233</b>

### FINANCIAL INCOME

€ million	2013	2012 (RESTATED)
Interest income on:		
On bank deposits	37	16
On interest rate derivatives	0	3
Net gain on interest rate derivatives	0	3
Net fair value gain on foreign exchange derivatives	0	56
Net foreign exchange gains	14	0
<b>Total financial income</b>	<b>51</b>	<b>78</b>

The impairment of equity securities is related to the investment in WILEX (Note 21.3).

## 16. Income tax expense (-) / credit

€ million	2013	2012 (RESTATED)
Current income taxes	-78	-136
Deferred income taxes	-9	101
<b>Total income tax expense (-) / credit</b>	<b>-87</b>	<b>-35</b>

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 differs 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	2013	2012 (RESTATED)
Profit / loss (-) before tax	282	263
<b>Income tax expense (-) / credit calculated at domestic tax rates applicable in the respective countries</b>	<b>-93</b>	<b>5</b>
Theoretical income tax rate	33%	-2%
Reported current income tax	-78	-136
Reported deferred income tax	-9	101
<b>Total reported tax charge (-) / credit</b>	<b>-87</b>	<b>-35</b>
Effective income tax rate	30.9%	13.3%
<b>Difference between theoretical and reported tax</b>	<b>6</b>	<b>-40</b>
Expenses non-deductible for tax purposes	-89	-118
Non-taxable income	33	39
Increase (-) / decrease in tax provisions	91	24
Effect of previously unrecognized tax losses used in the period	50	9
Tax credits	62	87
Variation in tax rates	-6	13
Other tax rate effects	0	0
Current tax adjustments related to prior years	2	11
Deferred tax adjustments related to prior years	-7	-66
Effect of unused tax credits and tax losses not recognized for deferred tax	-124	-28
Withholding tax	-4	-10
Other taxes	-2	-1
<b>Total income tax expense (-) / credit</b>	<b>6</b>	<b>-40</b>

The low theoretical income tax rate in 2012 was due to a significant proportion of losses arising in a higher rate tax jurisdiction. This has not been repeated in 2013.

## 17. Components of other comprehensive income

In 2013, there were no reclassifications from other comprehensive income to the consolidated income statement.



## 18. Intangible assets

<b>2013</b>			
€ million	TRADEMARKS, PATENTS AND LICENCES	OTHER	TOTAL
<b>Gross carrying amount at 1 January</b>	<b>2 442</b>	<b>321</b>	<b>2 763</b>
Additions	10	157	167
Disposals	-6	-4	-10
Transfer from one heading to another	117	-93	24
Effect of movements in exchange rates	-50	-5	-55
<b>Gross carrying amount at 31 December</b>	<b>2 513</b>	<b>376</b>	<b>2 889</b>
<b>Accumulated amortization and impairment losses at 1 January</b>	<b>-1 164</b>	<b>-111</b>	<b>-1 275</b>
Amortization charge for the year	-153	-31	-184
Disposals	6	3	9
Impairment losses recognized in the income statement	-7		-7
Transfer from one heading to another			
Transfer to assets held for sale			
Effect of movements in exchange rates	29	1	30
<b>Accumulated amortization and impairment losses at 31 December</b>	<b>-1 289</b>	<b>-138</b>	<b>-1 427</b>
<b>Net carrying amount at 31 December</b>	<b>1 224</b>	<b>238</b>	<b>1 462</b>

<b>2012 (Restated)</b>			
€ million	TRADEMARKS, PATENTS AND LICENCES	OTHER	TOTAL
<b>Gross carrying amount at 1 January</b>	<b>2 505</b>	<b>170</b>	<b>2 675</b>
Additions	3	137	140
Disposals	-62	-1	-63
Transfer from one heading to another	-7	15	8
Business combinations	5	1	6
Effect of movements in exchange rates	-2	-1	-3
<b>Gross carrying amount at 31 December (Restated)</b>	<b>2 442</b>	<b>321</b>	<b>2 763</b>
<b>Accumulated amortization and impairment losses at 1 January</b>	<b>-1 072</b>	<b>-78</b>	<b>-1 150</b>
Amortization charge for the year	-151	-24	-175
Disposals	58		58
Impairment losses recognized in the income statement	-7		-7
Transfer from one heading to another	7	-9	-2
Transfer to assets held for sale			
Effect of movements in exchange rates	1		1
<b>Accumulated amortization and impairment losses at 31 December</b>	<b>-1 164</b>	<b>-111</b>	<b>-1 275</b>
<b>Net carrying amount at 31 December (Restated)</b>	<b>1 278</b>	<b>210</b>	<b>1 488</b>

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 2013, the Group acquired intangible assets totalling € 167 million (2012: € 140 million). These additions related mainly milestones incurred under collaboration agreements and through in-licencing deals, additions to software and capitalized eligible software development costs.

During the year, the Group recognized total impairment charges of € 7 million (2012: € 7 million) related to the yearly impairment testing. The impairment charges are detailed in Note 12 and have been presented in the income statement under the caption "impairment of non-financial assets".

Other intangible assets is primarily comprised of in process development projects and milestones paid under collaboration agreements. These assets are not amortized until they are available for use (i.e. when regulatory approval has been obtained) and transferred to the licences caption. Other intangible assets also includes software and other intangibles.

## 19. Goodwill

€ million	2013	2012 (RESTATED)
<b>Cost at 1 January</b>	<b>4 808</b>	<b>4 799</b>
Acquisition	0	41
Effect of movements in exchange rates	-114	-32
<b>Net book value at 31 December</b>	<b>4 694</b>	<b>4 808</b>

The Group tests goodwill for impairment at each reporting date 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 2012.

### KEY ASSUMPTIONS

The calculations performed are based on the cash flow projections as derived from the financials underlying the strategic plan approved by management, covering a period of 10 years. 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 assumption when comparing to 2012.

Cash flows beyond the projected forecasted period (terminal value) are extrapolated using an estimated growth rate of 3% (2012: 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:

	2013	2012
USD	1.315	1.25
GBP	0.85	0.835
JPY	130	120
CHF	1.20	1.20

Starting from risk free short term Libor EUR 6 months and long term EU generic government bonds 10 years, the discount rates applied are determined based on the weighted average cost of capital for DCF models, including the 10 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 8.8% (2012: 9.0%) and for pipeline products 13.0% (2012: 13.0%). 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 of 28% was used (2012: 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 15.6% discount rate would not result in an impairment of the goodwill.

## 20. Property, plant and equipment

<b>2013</b>					
€ million	LAND AND BUILDINGS	PLANT AND MACHINERY	OFFICE, COMPUTER EQUIPMENT, VEHICLES & OTHER	ASSETS UNDER CONSTRUCTION	TOTAL
<b>Gross carrying amount at 1 January</b>	<b>550</b>	<b>588</b>	<b>136</b>	<b>183</b>	<b>1 457</b>
Additions	2	14	4	218	238
Disposals	-40	-6	-2	0	-48
Transfers from one heading to another	18	53	1	-96	-24
Effect of movements in exchange rates	-9	-9	-3	-2	-23
<b>Gross carrying amount at 31 December</b>	<b>521</b>	<b>640</b>	<b>136</b>	<b>303</b>	<b>1 600</b>
<b>Accumulated depreciation at 1 January</b>	<b>-286</b>	<b>-467</b>	<b>-100</b>	<b>-2</b>	<b>-855</b>
Depreciation charge for the year	-19	-27	-8	0	-54
Impairment charge	-1	0	0	-21	-22
Disposals	32	5	2	0	39
Transfers from one heading to another	-1	2	0	0	1
Effect of movements in exchange rates	5	6	2	0	13
<b>Accumulated depreciation at 31 December</b>	<b>-270</b>	<b>-481</b>	<b>-104</b>	<b>-23</b>	<b>-878</b>
<b>Net carrying amount at 31 December</b>	<b>251</b>	<b>159</b>	<b>32</b>	<b>280</b>	<b>722</b>

<b>2012</b>					
€ million	LAND AND BUILDINGS	PLANT AND MACHINERY	OFFICE, COMPUTER EQUIPMENT, VEHICLES & OTHER	ASSETS UNDER CONSTRUCTION	TOTAL
<b>Gross carrying amount at 1 January</b>	<b>569</b>	<b>541</b>	<b>128</b>	<b>69</b>	<b>1 307</b>
Additions	2	16	7	135	160
Disposals	-2	-3	-8	-10	-23
Transfers from one heading to another	-18	33	9	-11	13
Business combinations	0	3	0	0	3
Effect of movements in exchange rates	-1	-2	0	0	-3
<b>Gross carrying amount at 31 December</b>	<b>550</b>	<b>588</b>	<b>136</b>	<b>183</b>	<b>1 457</b>
<b>Accumulated depreciation at 1 January</b>	<b>-271</b>	<b>-424</b>	<b>-112</b>	<b>0</b>	<b>-807</b>
Depreciation charge for the year	-20	-27	-8	0	-55
Impairment charge	-1	-1	0	-1	-3
Disposals	2	2	8	0	12
Transfers from one heading to another	3	-18	12	0	-3
Effect of movements in exchange rates	1	1	0	-1	1
<b>Accumulated depreciation at 31 December</b>	<b>-286</b>	<b>-467</b>	<b>-100</b>	<b>-2</b>	<b>-855</b>
<b>Net carrying amount at 31 December</b>	<b>264</b>	<b>121</b>	<b>36</b>	<b>181</b>	<b>602</b>

None of the Group property, plant and equipment is subject to restrictions on title. Nor has any property, plant and equipment been pledged as security for liabilities.

During 2013, the Group acquired property, plant and equipment totalling € 238 million (2012: € 160 million).

These additions related mainly to investments on the construction of a biological plant in Bulle (Switzerland) supporting new product and delivery devices as well as improvement and replacement of capital expenditure.

During the year, the Group recognized total impairment charges of € 22 million (2012: € 3 million) on its property, plant and equipment and is related to the damage of the Bioplant in Bulle after an explosion in November 2013.

The impairment charges are detailed in Note 12 and have been presented in the income statement under the caption "impairment of non-financial assets".

### CAPITALIZED BORROWING COSTS

During the 12 months of 2013, the capitalized borrowing costs amounted to € 6 million (2012: € 3 million).

### LEASED ASSETS

UCB leases buildings and office equipment under a number of finance lease agreements. The carrying value of the leased buildings is € 15 million (2012: € 17 million).

## 21. Financial and other assets

### 21.1 | NON-CURRENT FINANCIAL AND OTHER ASSETS

€ million	2013	2012 (RESTATED)
Available for sale financial assets (refer below)	19	25
Cash deposits	7	6
Derivative financial instruments (Note 36)	0	15
Loans granted to third parties	0	3
Reimbursement rights with respect to German Defined Benefit plans	24	23
Other financial assets	60	60
<b>Total financial and other assets at year end</b>	<b>110</b>	<b>132</b>

### 21.2 | CURRENT FINANCIAL AND OTHER ASSETS

€ million	2013	2012
Clinical trial material	24	7
Available for sale financial assets (refer below)	0	1
Derivative financial instruments (Note 36)	42	32
<b>Total financial and other assets at year end</b>	<b>66</b>	<b>40</b>

### 21.3 | AVAILABLE FOR SALE FINANCIAL ASSETS

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

€ million	2013	2012
Equity securities	17	23
Debt securities	2	3
<b>Total available for sale financial assets at year end</b>	<b>19</b>	<b>26</b>

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

€ million	2013		2012	
	EQUITY SECURITIES	DEBT SECURITIES	EQUITY SECURITIES	DEBT SECURITIES
At 1 January	23	3	31	2
Additions	1	0	7	1
Disposals	0	-1	0	0
Revaluation through equity	-4	0	-2	0
Gain / loss (-) reclassified from equity to the income statement	0	0	0	0
Impairment charge (Note 15)	-3	0	-13	0
<b>At 31 December</b>	<b>17</b>	<b>2</b>	<b>23</b>	<b>3</b>

The Group has investments in listed debt securities, mainly issued by European governments as well as by some financial institutions. These bonds have been classified as available for sale and are measured at fair value. The fair value of the listed debt securities is determined by reference to published price quotations in an active market.

The financial assets include investments in Wilex and Biotie Therapies that have been classified as available for sale, as UCB does not have significant influence, and measured at fair value upon initial recognition.

During 2013, UCB's stake in Wilex remained stable at 14.47%. The material decrease in the fair value of the investment led to an impairment of € 3 million thru profit and loss (2012: € 13 million) (Note 15).

At the reporting date, UCB's participation in the Biotie Therapies capital is 9.2% (2012: 9.2%). A decrease in the fair value related to the investment amounting to € 5 million is recognized in other comprehensive income.

None of these financial assets is either past due at year end.

## 22. Inventories

€ million	2013	2012
Raw materials and consumables	85	79
Work in progress	403	388
Finished goods	135	141
Goods purchased for resale	4	8
<b>Inventories</b>	<b>627</b>	<b>616</b>

The cost of inventories recognized as an expense and included in "cost of sales" amounted to € 671 million (2012: € 659 million). There are no inventories pledged for security, nor is there any inventory stated at net realisable

value. The write-down on inventories amounted to € 17 million in 2013 (2012: € 16 million) and has been included in cost of sales. Total inventory increased with € 11 million, mainly related to the build-up of the Cimzia® stock.

## 23. Trade and other receivables

€ million	2013	2012
Trade receivables	763	673
Less: provision for impairment	-6	-4
Trade receivables – net	757	669
VAT receivable	53	36
Interest receivables	8	5
Prepaid expenses	62	35
Accrued income	40	16
Other receivables	21	35
Royalty receivables	38	40
<b>Trade and other receivables</b>	<b>979</b>	<b>835</b>

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 2013 from a single customer is 28% (2012: 22%) from McKesson Corp. U.S.

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

€ million	2013		2012	
	GROSS CARRYING AMOUNTS	IMPAIRMENT	GROSS CARRYING AMOUNTS	IMPAIRMENT
Not past due	706	0	620	0
Past due – less than one month	18	0	15	0
Past due more than one month and not more than three months	18	0	5	0
Past due more than three months and not more than six months	10	-1	12	0
Past due more than six months and not more than one year	4	-2	7	-1
Past due more than one year	8	-3	14	-3
<b>Total</b>	<b>764</b>	<b>-6</b>	<b>673</b>	<b>-4</b>

Based on historical default rates, the Group believes that no provision for impairment is necessary in respect of trade receivables not past due or past due up to one month. This concerns more than 92% (2012: 92%) 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	2013	2012
<b>Balance at 1 January</b>	<b>-4</b>	<b>-5</b>
Impairment charge recognized in the income statement	-2	-1
Utilization / reversal of provision for impairment	0	2
Effects of movements in exchange rates	0	0
<b>Balance at 31 December</b>	<b>-6</b>	<b>-4</b>

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	2013	2012
EUR	256	232
USD	470	359
JPY	44	43
GBP	62	54
Other currencies	147	147
<b>Trade and other receivables</b>	<b>979</b>	<b>835</b>

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.

## 24. Cash and cash equivalents

€ million	2013	2012
Short-term bank deposits	567	201
Cash at bank and on hand	173	117
<b>Cash and cash equivalents</b>	<b>740</b>	<b>318</b>
Bank overdrafts (Note 27)	-5	-10
<b>Cash and cash equivalents, less bank overdrafts as reported in the cash flow statement</b>	<b>735</b>	<b>308</b>

## 25. Capital and reserves

### 25.1 | SHARE CAPITAL AND SHARE PREMIUM

The issued share capital of the company amounted to € 550 million (2012: € 550 million), and is represented by 183 427 152 shares (2012: 183 365 052 shares). The company's shares are without par value. At 31 December 2013, 66 402 161 shares were registered and 117 024 991 were bearer / 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 2013, the share premium reserves amounted to € 1 604 million (2012: € 1 601 million).

### 25.2 | HYBRID CAPITAL

On 8 March 2011, UCB S.A. completed the placement of € 300 million perpetual subordinated bonds (the "bonds") that were issued at 99.499% and offer investors a coupon of 7.75% per annum during the first five years. The bonds have no maturity date, however UCB will have a right to redeem the bonds at 101% on the 5th anniversary of their issue, on 18 March 2016 and each quarter thereafter. After the First Call Date the interest is floating at 3 months EURIBOR + 988.9 bps. The bonds are listed on the Luxembourg Stock Exchange.

The perpetual subordinated bonds qualify as "Equity" instruments for the Group under IAS 32: Financial Instruments Presentation due to:

- ▶ the bonds have a perpetual maturity;
- ▶ are subordinated;
- ▶ UCB may elect to defer interest payments if no Mandatory Payment Events occurred in the previous 12 months on junior securities or repurchases or redemption of parity of junior securities.

Accordingly, interest is not presented as interest expenses in the income statement but accounted for corresponding to the accounting for dividends to the shareholders, that is within the Statement of Changes in Equity. Any transaction costs are deducted from the Hybrid capital, taking tax effects into account.

Hybrid capital amounted to € 295 million at 31 December 2013. The € 23 million dividend to shareholders of the perpetual subordinated bonds are presented in retained earnings.

### 25.3 | TREASURY SHARES

The Group acquired, thru UCB S.A. and UCB Fipar S.A., 1 127 691 treasury shares for a total amount of € 41 million and disposed 2 977 871 treasury shares for a total amount of € 109 million (net disposal of 1 850 180 treasury shares for a net amount of € 68 million).

The Group retained 4 143 060 treasury shares (of which 3.7 million related to share swap deals) at 31 December 2013 (2012: 5 993 240). These treasury shares have been acquired in order to honour the exercise of share options and share awards granted to the Board of Directors and certain categories of employees. UCB Fipar or UCB S.A. have the right to resell these shares at a later date.

The Group exercised 460 000 call options on UCB shares leading to a decrease in equity of € 3 million.

### 25.4 | OTHER RESERVES

Other reserves amounted to € 61 million (2012: € 49 million) and consists of the following items:

- ▶ the IFRS acquisition value surplus that arose during the Schwarz Pharma business combination for € 232 million (2012: € 232 million);
- ▶ the equity component linked to the convertible bond for € 41 million (2012: € 41 million) net of taxes as a result of UCB's decision to revoke the cash settlement option linked to the convertible bond (refer to Note 2.26);
- ▶ the remeasurement value of the defined benefit obligation for € -178 million (2012: € -184 million);
- ▶ the put and call options related to Meizler Biopharma for € -23 million (2012: € -29 million); and
- ▶ the purchase of the remaining 25% non-controlling interest in Schwarz Pharma Zuhai Company Ltd. for € -11 million (2012: € -11 million).

### 25.5 | 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.

## 26. Share-based payments

The Group operates several equity-based and cash-based compensation plans, including a share option plan, a share appreciation rights plan, a share award plan and a performance share plan to compensate employees for services rendered.

The share option plan, the share award plan and the performance share plan are equity-settled, whereas the share appreciation rights plan is a cash-settled plan. Besides these plans, the Group also operates employee share purchase plans in the U.K. and the U.S.

### 26.1 | SHARE OPTION PLAN AND SHARE APPRECIATION RIGHTS PLAN

The Remuneration Committee granted options on UCB S.A. shares to the Executive Committee members, the Senior Executives and the senior and middle management 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.

There are no reload features, and the options are not transferable (except in case of death).

The Share Appreciation Rights (S.A.R.'s) plan has similar characteristics to the share option plan, except that it is reserved for UCB employees in the U.S. This plan is cash-settled. All share options granted to U.S. option holders in 2005 and 2006 were transformed into S.A.R.'s, except for three employees. Since 2007 all eligible U.S. employees have been granted S.A.R.'s.

### 26.2 | SHARE AWARD PLAN

The Remuneration Committee granted free UCB S.A. shares to the Executive Committee members and Senior Executives. The free shares have service conditions attached to them whereby beneficiaries are required to remain in service for

three years post grant date Share 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.

### 26.3 | PERFORMANCE SHARE PLAN

The Remuneration Committee granted performance shares to the Executive Committee members and Senior Executives who achieved an outstanding performance. The performance shares are conditional on the beneficiary completing three years of service (the vesting period) and are also subject to the fulfilment of certain company performance conditions.

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.

### 26.4 | PHANTOM SHARE OPTION, SHARE AWARD AND PERFORMANCE SHARE PLANS

The Group also has phantom share option, phantom share award and performance phantom 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 share option, share award and performance share plans except for their settlement.

### 26.5 | EMPLOYEE SHARE 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 shares 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;
- ▶ US\$ 25 000 per year per participant;
- ▶ maximum of US\$ 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 2013, the plan had 563 participants (2012: 512). There are no specific vesting conditions and the share-based payment expense incurred for this plan is immaterial.



## 26.6 | SHARE 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 2013, the plan had 90 participants (2012: 86) and the share-based payment expense incurred for this plan is immaterial.

## 26.7 | SHARE-BASED PAYMENT EXPENSE

The total share-based payment expense incurred for the Group amounted to € 45 million (2012: € 34 million), and has been included in the relevant functional lines within the income statement as follows:

€ million	2013	2012
Cost of sales	6	4
Marketing and selling expenses	14	8
Research and development expenses	12	9
General and administrative expenses	13	11
Other operating expenses	0	2
<b>Total operating expense</b>	<b>45</b>	<b>34</b>
Of which, equity-settled:		
Share option plans	14	12
Share award plans	5	3
Performance share plan	2	2
Of which, cash-settled:		
Share appreciation rights plan	20	15
Phantom share option, share award and performance share plans	4	2

## 26.8 | SHARE OPTION PLANS

The movements in the number of share options outstanding and their related weighted average exercise prices as at 31 December are:

	2013			2012		
	WEIGHTED AVERAGE FAIR VALUE	WEIGHTED AVERAGE EXERCISE PRICE (€)	NUMBER OF SHARE OPTIONS	WEIGHTED AVERAGE FAIR VALUE	WEIGHTED AVERAGE EXERCISE PRICE (€)	NUMBER OF SHARE OPTIONS
Outstanding at 1 January	7.27	30.88	9 627 607	6.60	29.72	9 089 547
+ New options granted	12.20	48.73	1 800 735	8.82	32.36	2 153 700
(-) Options forfeited	6.21	27.13	474 739	7.07	30.10	253 600
(-) Options exercised	6.78	30.87	2 214 520	5.25	25.62	1 362 040
(-) Options expired	4.43	26.58	40 039	-	-	0
<b>Outstanding at 31 December</b>	<b>8.49</b>	<b>34.80</b>	<b>8 699 044</b>	<b>7.27</b>	<b>30.88</b>	<b>9 627 607</b>
Number of options fully vested:						
At 1 January			3 625 207			3 362 747
At 31 December			2 641 108			3 625 207

The share options outstanding as at 31 December 2013 with the following last exercise dates and exercise prices are:

LAST EXERCISE DATE	RANGE OF EXERCISE PRICES (€)	NUMBER OF SHARE OPTIONS
31 August 2014	[31.28 - 40.20]	151 300
31 March 2015	[37.33 - 37.60]	183 564
31 March 2016	[40.14 - 40.57]	305 727
31 March 2017	[43.57 - 46.54]	670 163
31 March 2018	[22.01 - 25.73]	385 590
31 March 2019	[21.38 - 22.75]	484 800
31 March 2020	31.62	908 264
31 March 2021	[25.32 - 26.80]	1 770 200
31 March 2022	32.36	2 057 600
31 March 2023	[48.69 - 49.80]	1 781 836
<b>Total outstanding</b>		<b>8 699 044</b>

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 share options granted in 2013 and 2012 are:

		2013	2012
Share price at grant date	€	50.00	33.83
Weighted average exercise price	€	48.73	32.36
Expected volatility	%	31.16	34.85
Expected option life	Years	5	5
Expected dividend yield	%	2.08	3.02
Risk free interest rate	%	1.47	2.12
Expected annual forfeiture rate	%	7.00	7.00

## 26.9 | SHARE APPRECIATION RIGHTS (S.A.R.'S) PLAN

The movements of the S.A.R.'s and the model inputs as at 31 December 2013 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.

		2013	2012
<b>Outstanding rights as of 1 January</b>		<b>2 414 100</b>	<b>2 096 250</b>
+ New rights granted		879 959	796 400
(-) Rights forfeited		149 248	84 500
(-) Rights exercised		572 000	394 050
<b>Outstanding rights as of 31 December</b>		<b>2 572 811</b>	<b>2 414 100</b>
The significant assumptions used in the measurement of the fair value of the share appreciation rights are:			
Share price at year end	€	54.14	43.22
Exercise price	€	49.80	32.36
Expected volatility	%	26.23	34.06
Expected option life	Years	5	5
Expected dividend yield	%	1.92	2.36
Risk free interest rate	%	1.24	0.75
Expected annual forfeiture rate	%	7	7

## 26.10 | SHARE AWARD PLANS

The share-based payment expense related to these share 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 share awards outstanding at 31 December is as follows:

	2013		2012	
	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR VALUE (€)	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR VALUE (€)
<b>Outstanding at 1 January</b>	<b>263 460</b>	<b>31.14</b>	<b>268 995</b>	<b>27.18</b>
+ New share awards granted	161 470	46.68	105 190	34.66
(-) Awards forfeited	23 454	35.03	2 000	26.95
(-) Awards vested and paid out	98 145	34.73	108 725	22.66
<b>Outstanding at 31 December</b>	<b>303 331</b>	<b>37.95</b>	<b>263 460</b>	<b>31.14</b>

## 26.11 | PERFORMANCE SHARE PLANS

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

	2013		2012	
	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR VALUE (€)	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR VALUE (€)
<b>Outstanding at 1 January</b>	<b>225 800</b>	<b>31.21</b>	<b>233 125</b>	<b>27.29</b>
+ New performance shares granted	126 670	49.77	97 475	33.83
(-) Performance shares forfeited	62 486	33.41	19 261	22.75
(-) Performance shares vested	17 164	32.06	85 539	25.44
<b>Outstanding at 31 December</b>	<b>272 820</b>	<b>39.27</b>	<b>225 800</b>	<b>31.21</b>

## 26.12 | OPTIONS GRANTED BEFORE 7 NOVEMBER 2002

According to the transitional provisions included in IFRS 2, the options granted before 7 November 2002 and not yet vested at 1 January 2005 are not amortized through the income statement.

In 2000, UCB issued 236 700 warrants that each conferred the right to subscribe for one ordinary share. At 31 December

2012, 32 600 warrants could still be exercised up to 28 February 2013.

During 2013, all 32 600 warrants have either been exercised (27 000) or expired (5 600).

The movement in the number of options and warrants not accounted for under IFRS 2 can be described as follows:

	2013		2012	
	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR VALUE (€)	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR VALUE (€)
<b>Outstanding at 1 January</b>	<b>198 424</b>	<b>39.33</b>	<b>482 089</b>	<b>40.51</b>
(-) Options forfeited	-	-	400	41.68
(-) Options exercised	119 100	38.87	68 200	37.75
(-) Options expired	5 600	38.21	215 065	42.48
<b>Outstanding at 31 December</b>	<b>73 724</b>	<b>40.15</b>	<b>198 424</b>	<b>39.33</b>

## 27. Borrowings

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

€ million	CARRYING AMOUNT		FAIR VALUE	
	2013	2012	2013	2012
<i>Non-current</i>				
Bank borrowings	250	174	250	174
Other long-term loans	7	5	7	5
Finance leases	12	14	12	14
<b>Total non-current borrowings</b>	<b>269</b>	<b>193</b>	<b>269</b>	<b>193</b>
<i>Current</i>				
Bank overdrafts	5	10	5	10
Current portion of bank borrowings	103	73	103	73
Debentures and other short-term loans	24	111	24	111
Finance leases	3	3	3	3
<b>Total current borrowings</b>	<b>135</b>	<b>197</b>	<b>135</b>	<b>197</b>
<b>Total borrowings</b>	<b>404</b>	<b>390</b>	<b>404</b>	<b>390</b>

### 27.1 | BORROWINGS

On 31 December 2013, the Groups weighted average interest rate was 4.43% (2012: 4.73%) 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 3.93% (2012: 3.71%) post hedging. The fees paid for the arrangement of the bonds (Note 28), 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 (2012: € 0 million) on the € 1 billion syndicated revolving facility which, on the balance sheet date, expired 7 October 2016. In January 2014, the facility has been amended and extended till 9 January 2019.

The Group has access to certain committed and non-committed bilateral credit facilities as well as the Belgian commercial paper market. In this respect, in 2013, UCB entered into a new 7 year floating rate bullet loan agreement with the European Investment Bank (EIB) for

an amount of € 100 million, additional to the € 150 million loan outstanding per end 2012.

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	2013	2012
EUR	339	247
BRL	14	0
Other	7	5
<b>Total interest bearing loans by currency</b>	<b>360</b>	<b>252</b>
Bank overdrafts – EUR	5	10
Debentures and other short term loans – EUR	24	76
Debentures and other short term loans – USD	0	19
Debentures and other short term loans – other	0	16
Finance lease liabilities – EUR	15	17
<b>Total borrowings</b>	<b>404</b>	<b>390</b>

## 27.2 | FINANCE LEASE LIABILITIES – MINIMUM LEASE PAYMENTS

€ million	2013	2012
Amounts payable under finance leases:		
1 year or less	3	3
1-2 years	11	10
2-5 years	1	2
More than 5 years	0	2
<b>Present value of finance lease liabilities</b>	<b>15</b>	<b>17</b>
Less: amount due for settlement within 12 months	3	3
<b>Amount due for settlement after 12 months</b>	<b>12</b>	<b>14</b>

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

## 28. Bonds

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

€ million	COUPON RATE	MATURITY DATE	CARRYING AMOUNT		FAIR VALUE	
			2013	2012	2013	2012
<i>Non-current</i>						
Retail Bond	5.125%	2023	169	0	186	0
Institutional Eurobond	4.125%	2021	344	0	360	0
Retail Bond	3.750%	2020	248	0	255	0
EMTN Note	3.284%	2019	20	0	20	0
EMTN Note	3.292%	2019	55	0	55	0
Institutional Eurobond	5.750%	2016	516	524	549	551
Convertible Bond	4.500%	2015	406	393	597	450
Retail Bond	5.750%	2014	0	780	0	793
<b>Total non-current bonds</b>			<b>1 758</b>	<b>1 697</b>	<b>2 022</b>	<b>1 794</b>
<i>Current</i>						
Retail Bond	5.750%	2014	588	0	595	0
<b>Total current bonds</b>			<b>588</b>	<b>0</b>	<b>595</b>	<b>0</b>

## 28.1 | CONVERTIBLE BOND

During September 2009, UCB issued senior unsecured convertible bonds amounting to € 500 million. The closing date for the transaction was 22 October 2009 and the bonds will mature on 22 October 2015 (i.e. 6-year duration).

The convertible bonds were issued and will be redeemed at 100% of their principal amount and bear a coupon of 4.5%, payable semi-annually in arrears. The conversion price has been set at € 38.746. Bondholders have the right to convert the Bonds into new and / or existing (at the option of the Company) shares of the Company.

The fair value of the debt component is based on the present value of the contractually determined stream of cash flows discounted at the rate of interest applied at the 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. The residual amount, being the difference between the total gross proceeds on bond issuance and the fair value of the debt component, was attributed to the fair value of the

derivative component. As a result of the Board's decision 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 (refer to Note 25.4).

In April 2012 UCB purchased € 70 million par value of the outstanding convertible bond for a total proceed of € 82 million. The total carrying value amounted € 63 million, which led to a loss on extinguishment of € 9 million (Note 15) and a € 11 million reduction of the fair value of the option recognized in equity in 2012.

At 31 December 2013, the debt component is measured based on its amortized cost, using an effective interest rate of 7.670% per annum. In accordance with IAS 39, the remaining transaction costs included in the calculation of the effective interest rate will be amortized over the expected life of the instrument (i.e. 6 years). The bonds have been listed on the Luxembourg Stock Exchange.

The fair value of the debt component of the convertible bond at 31 December 2013 amounted to € 597 million (2013: € 450 million). The fair value is determined by a third party financial institution.

The convertible bond recognized in the statement of financial position is calculated as follows:

€ million	2013	2012
<b>Balance at 1 January</b>	<b>393</b>	<b>444</b>
Effective interest expense (Note 15)	31	31
Nominal interest accrued for / not yet due	-4	-4
Nominal interest accrual of previous period, paid in current period	4	4
Interest paid	-19	-20
Unamortized transaction costs upon initial recognition	1	0
Amortization charge for the period	0	1
Repurchase of convertible bond	0	-63
<b>Balance at 31 December</b>	<b>406</b>	<b>393</b>

## 28.2 | RETAIL BONDS

### ► MATURING IN 2014:

During October 2009, UCB completed a public offering of € 750 million fixed rate bonds, due in 2014 and aimed at retail investors. These retail bonds will be redeemed at 100% of their principal amount and carry a coupon and an effective interest rate of 5.75% per annum. The bonds have been listed on the Luxembourg Stock Exchange.

### ► 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 NYSE Euronext Brussels.

### ► MATURING IN 2023:

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 existing bonds exchanged in the exchange offer were cancelled by UCB. As a consequence, 574 283 of the retail bonds maturing in 2014 remain outstanding.

The 175 717 new bonds, representing a nominal amount of € 176 million, were issued on October 2013. The new bonds have been listed on NYSE Euronext Brussels.

## 28.3 | INSTITUTIONAL EUROBONDS

### ► MATURING 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 will be redeemed at 100% of their principal amount. These bonds carry a coupon of 5.75% per annum while their effective interest rate is 5.8150% per annum. The bonds have 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 NYSE Euronext Brussels.

## 28.4 | EMTN NOTES

### ► MATURING IN 2019:

In November 2013, UCB completed an offering of € 55 million 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 3.292% per annum while their effective interest rate is 3.384% per annum. The notes have been listed on NYSE Euronext Brussels.

### ► MATURING IN 2019:

In December 2013, UCB completed an offering of € 20 million 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 NYSE Euronext Brussels.

## 28.5 | 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.

## 29. Other financial liabilities

€ million	CARRYING AMOUNT		FAIR VALUE	
	2013	2012 (RESTATED)	2013	2012 (RESTATED)
<i>Non-current</i>				
Derivative financial instruments (Note 36)	13	39	13	39
<b>Total non-current other financial liabilities</b>	<b>13</b>	<b>39</b>	<b>13</b>	<b>39</b>
<i>Current</i>				
Derivative financial instruments (Note 36)	28	19	28	19
Other financial liabilities	167	181	167	181
<b>Total current other financial liabilities</b>	<b>195</b>	<b>200</b>	<b>195</b>	<b>200</b>
<b>Total other financial liabilities</b>	<b>208</b>	<b>239</b>	<b>208</b>	<b>239</b>

The other financial liabilities include a share swap transaction of 3.7 million UCB shares OTC (2012: 4.3 million) amounting to € 167 million (2012: € 176 million). Refer to Note 40.5.

## 30. Deferred tax assets and liabilities

### 30.1 | RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

€ million	2013	2012
Intangible assets	-199	-216
Property, plant and equipment	-15	1
Inventories	84	64
Trade and other receivables	78	61
Employee benefits	58	58
Provisions	8	13
Other short-term liabilities	-271	-249
Tax losses	505	536
Unused tax credits	138	114
<b>Total net deferred tax assets / liabilities (-)</b>	<b>386</b>	<b>382</b>

### 30.2 | UNUSED TAX LOSSES

The amount and expiry date of unused tax losses for which no deferred tax asset is recognized in the balance sheet is detailed below:

€ million	2013	2012
Expiry date:		
1 year or less	0	0
1-2 years	0	0
2-3 years	0	0
3-4 years	0	0
More than 4 years	0	13
Without expiration	1 683	1 722
<b>Unutilized tax losses</b>	<b>1 683</b>	<b>1 735</b>

### 30.3 | TEMPORARY DIFFERENCES FOR WHICH NO DEFERRED TAX LIABILITY IS RECOGNIZED

No deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries. The unrecognized deferred tax liabilities amount to approximately € 13 million (2012: € 8 million).

### 30.4 | TEMPORARY DIFFERENCES FOR WHICH NO DEFERRED TAX ASSET 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 € 404 million (2012: € 372 million) in respect of unutilized tax credits and intangible assets have not been recognized in view of the uncertain character of the recovery.

### 30.5 | DEFERRED TAX WAS DIRECTLY RECOGNIZED IN EQUITY

€ million	2013	2012
Deferred tax recognized in OCI	0	5
Effective portion of changes in fair value of cash flow hedges	0	0
Deferred tax liability on convertible bond	0	4
<b>Deferred tax directly recognized in equity</b>	<b>0</b>	<b>9</b>



## 31. 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.

### 31.1 | DEFINED CONTRIBUTION PLANS

Post-employment benefit plans are classified as "defined contribution" plans if the Group pays fixed contributions into a separate fund or to a third party financial institution and has no further legal or constructive obligation to pay further contributions. Therefore no assets or liabilities are recognized in the Group balance sheet in respect of such plans, apart from regular prepayments and accruals of contributions.

### 31.2 | 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.

Since 2008, 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 the U.K., Belgium, Germany and the U.S. 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 externalised before being paid as an annuity.

Over the last years, UCB has implemented major de-risking projects.

In the U.K., an investment decision, known as a buy-in was implemented for the UCB British Scheme. The buy-ins have been performed in three tranches (the last one completed in December 2012), and secure the benefits of all pensioner, dependant and deferred members of the Scheme. All remaining active members also transferred to the Celltech Pension and Life Assurance Scheme on 30 June 2012. The Pension Board is currently working towards a full buy-out of the Scheme.

Following the "enhanced transfer value exercise" performed in 2011 for the U.K. Celltech Pension and Life Assurance Scheme, under which approximately £ 10.0 million liabilities for 164 members were transferred out of the Scheme, the Pension Board is now focusing on de-risking progressively from a 50% growth / 50% bonds investment strategy to a 10% growth / 90% bonds investment strategy by 2018 using funding level triggers.

In the U.S., UCB implemented a lump sum window exercise in 2012 under which approximately \$ 21 million liabilities (around 40% of all deferred liabilities) transferred out of the Scheme.

The Belgian Pension Board has revised the structure of assets portfolio based on the asset and liability management study performed in 2012, focusing on the diversification of the growth assets and fixed income

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	2013	2012
Present value of defined benefit obligation	854	781
Fair value of plan assets	608	528
Funded status – Deficit / surplus (-)	246	253
Effect of asset ceiling	4	7
<b>Net liability arising from defined benefit obligation</b>	<b>250</b>	<b>260</b>
Add: Liability with respect to cash settled share based payments (Note 26)	44	30
<b>Total employee benefit liabilities</b>	<b>294</b>	<b>290</b>
Of which:		
Portion recognized in non-current liabilities	294	290
Portion recognized in non-current assets	0	0

Movements in the present value of the defined benefit obligation in the current year were as follows:

€ million	2013	2012
<b>At 1 January</b>	<b>781</b>	<b>688</b>
Current service cost	28	21
Interest expense	28	30
Remeasurement gain(-) / loss		
Effect of changes in demographic assumptions	0	-7
Effect of changes in financial assumptions	8	93
Effect of experience adjustments	1	-3
Past service cost and gain(-) / loss on settlements	-2	-5
Effect of change in foreign exchange rates	-12	7
Benefit payments from the plan	-17	-20
Benefit payments from the employer	-6	-8
Settlement payments	0	-16
Plan participants contributions	2	1
Change in scope	43	0
Other	0	0
<b>At 31 December</b>	<b>854</b>	<b>781</b>

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

€ million	2013	2012
<b>At 1 January</b>	<b>528</b>	<b>472</b>
Interest income	20	21
Remeasurement gain / loss(-)		
Return on plan assets (excl. interest income)	13	23
Changes in asset ceiling (excl. interest income)	0	0
Effect of change in foreign exchange rates	-10	6
Plan participants contributions	1	1
Employer contributions	35	47
Benefit payments from the plan	-17	-20
Settlement payments	0	-16
Expenses, taxes and premiums paid	-5	-6
Change in scope	43	0
<b>At 31 December</b>	<b>608</b>	<b>528</b>

The fair value of plan assets amounts to € 608 million (2012: € 528 million), representing 71% (2012: 68%) of the defined benefit obligation. The total deficit of € 246 million (2012: € 253 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	2013	2012 (RESTATED)
Total service cost (incl. gain (-) / loss from settlements)	26	17
Net interest cost	7	7
Remeasurement of other long term benefits	0	1
Administrative expenses and taxes	4	5
<b>Components of defined benefit costs recorded in income statement</b>	<b>37</b>	<b>30</b>
Remeasurements gain (-) / loss		
Effect of changes in demographic assumptions	1	-7
Effect of changes in financial assumptions	8	93
Effect of experience adjustments	1	-1
Return on plan assets (excluding interest income)	-13	-23
Changes in the asset ceiling (excluding interest income)	-3	6
<b>Components of defined benefit costs recorded in OCI</b>	<b>-6</b>	<b>68</b>
<b>Total components of defined benefit cost</b>	<b>31</b>	<b>98</b>

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 benefits expense in the consolidated income statement. The remeasurement on the net defined benefit liability is included in the statement of comprehensive income as part of other comprehensive income.

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

€ million	2013	2012
Cost of sales	7	6
Marketing and selling expenses	6	6
Research and development expenses	13	10
General and administrative expenses	10	7
Other income and expenses	1	1
<b>Total</b>	<b>37</b>	<b>30</b>

The actual return on plan assets is € 13 million (2012: € 23 million) and the actual return on reimbursement rights is € 0 million (2012:€ 0 million).

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

€ million	2013	2012
<b>Cash and cash equivalent</b>	<b>17</b>	<b>21</b>
<b>Equity instruments</b>	<b>96</b>	<b>100</b>
Europe	76	71
U.S.	2	7
Rest of the World	18	22
<b>Debt instruments</b>	<b>163</b>	<b>115</b>
Corporate bonds	7	21
Government bonds	62	43
Other	94	51
<b>Properties</b>	<b>5</b>	<b>4</b>
<b>Qualifying insurance policies</b>	<b>229</b>	<b>192</b>
<b>Investment funds</b>	<b>95</b>	<b>96</b>
<b>Other</b>	<b>3</b>	<b>0</b>
<b>Total</b>	<b>608</b>	<b>528</b>

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	
	2013	2012	2013	2012	2013	2012	2013	2012
Discount rate	3.39%	3.39%	4.42%	4.28%	4.75%	4.00%	2.20%	1.99
Inflation	2.00%	2.00%	3.50%	3.00%	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 25 basis points higher (lower), the defined benefit obligation would decrease by € 29 million (increase by € 33 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 € 16 million (decrease by € 17 million) if all other assumptions were held constant.

In reality one might expect interrelationships between the assumptions, especially between discount rate and expected salary increases that both depends to a certain extent on expected inflation rates. The analysis above abstracts from these interdependence between the assumptions.

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 14.04 years (2012: 16.38 years).

This number can be subdivided into the duration related to:

- ▶ Eurozone: 13.71 years (2012: 14.49 years);
- ▶ U.K.: 18.30 years (2012: 18.48 years);
- ▶ U.S.: 10.36 years (2012: 13.80 years);
- ▶ Other: 15.76 years (2012: 16.41 years).

The Group expects to make a contribution of € 50 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 analysed in terms of risk-and-return profiles.

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.

## 32. Provisions

The movements in provisions have been disclosed below:

€ million	ENVIRONMENT	RESTRUCTURING	TAX	OTHER	TOTAL
<b>At 1 January 2013 (Restated)</b>	<b>37</b>	<b>31</b>	<b>389</b>	<b>29</b>	<b>486</b>
Business combinations					
Arising during the year		6	8	6	20
Unused amounts reversed	-4	-1	-75	-1	-81
Transfer from one heading to another		-1	-24		-25
Effect of movements in exchange rates		-1	-4	-1	-6
Utilized during the year	-2	-9		-7	-18
<b>At 31 December 2013</b>	<b>31</b>	<b>25</b>	<b>294</b>	<b>26</b>	<b>376</b>
Non-current portion	12	13	289	16	330
Current portion	19	12	5	10	46
<b>Total provisions</b>	<b>31</b>	<b>25</b>	<b>294</b>	<b>26</b>	<b>376</b>

### 32.1 | ENVIRONMENTAL PROVISIONS

UCB has in the past retained certain environmental liabilities which were associated to the acquisition of Schwarz Pharma and the divestiture of Surface Specialties. The latter relates to the divested sites on which UCB has retained full responsibility in accordance with the contractual terms agreed upon with Cytec Industries Inc. In 2013 a part of the provisions related to the Surface Specialties business was reversed.

### 32.2 | RESTRUCTURING PROVISIONS

The restructuring provisions arising during 2013 are related to further optimization and reorganization, while the utilization is mainly related to support functions and other severance costs.

### 32.3 | TAX PROVISIONS

Tax provisions 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 provision individually and the resulting provision is the Group's best estimate of the expected exposure in the event of a tax authority challenge.

The reversal of the 2013 tax provisions is mainly related to the favorable clarification from tax authorities in respect of the availability of a tax exemption on the payment of undistributed reserves.

A total of € 24 million, related to the finalization of a tax audit, is transferred from provisions to current taxes payable.

### 32.4 | OTHER PROVISIONS

Other provisions relate mainly to litigations and product liabilities (Note 14):

- ▶ If Provisions for litigation comprise mainly provisions for litigations where UCB or a subsidiary is or might be a defendant against claims of previous employees. UCB
- ▶ If Product liability provisions relate to the risks related to the normal course of business and for which the Group might be liable by selling these kinds of drugs.
- ▶ If An assessment is performed with respect to the above-mentioned risks together with the Group legal advisers and experts in the different domains.

## 33. Trade and other liabilities

### 33.1 | NON-CURRENT TRADE AND OTHER LIABILITIES

€ million	2013	2012 (RESTATED)
GSK / Sumitomo (Japan)	1	5
GSK Japan (Switzerland)	14	16
Non-current liabilities on collaboration agreements	123	64
Redemption liability for non controlling interest	0	29
Other payables	55	65
<b>Total non-current trade and other liabilities</b>	<b>193</b>	<b>179</b>

### 33.2 | CURRENT TRADE AND OTHER LIABILITIES

€ million	2013	2012
Trade payables	247	261
Taxes payable, other than income tax	56	46
Payroll and social security liabilities	166	149
Other payables	68	75
Deferred income linked to collaboration agreements	17	47
Other deferred income	7	10
Royalties payables	52	46
Dividend to shareholders of perpetual subordinated bond	18	18
Rebates / discount payable	420	353
Accrued interest	27	16
Other accrued expenses	180	274
<b>Total current trade and other liabilities</b>	<b>1 258</b>	<b>1 295</b>

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.

## 34. 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.

€ million	NOTE	2013	2012 (RESTATED)
<b>Adjustment for non-cash transactions</b>		<b>315</b>	<b>154</b>
Depreciation and amortization	9, 18, 20	238	230
Impairment / reversal (-) charges	9, 12, 15	34	23
Equity settled share based payment expense	26	-4	-1
Other non-cash transactions in the income statement		-29	-9
Adjustment IAS 39	15	0	-60
Unrealized exchange gain (-) / losses		50	14
Change in provisions & employee benefits		29	-42
Change in inventories and bad debt provisions		-3	-1
<b>Adjustment for items to disclose separately under operating cash flow</b>		<b>87</b>	<b>35</b>
Tax charge of the period	16	87	35
<b>Adjustment for items to disclose under investing and financing cash flows</b>		<b>100</b>	<b>103</b>
Gain (-) / loss on disposal of fixed assets		-23	-31
Dividend income (-) / expenses		0	0
Interest income (-) / charge		123	134
<b>Change in working capital</b>			
Inventories movement per consolidated BS		-12	-79
Trade and other receivables and other assets movement per consolidated BS		-159	2
Trade and other payables movement per consolidated BS		-37	196
<b>As it appears in the consolidated balance sheet and corrected by:</b>		<b>-208</b>	<b>119</b>
Non-cash items <sup>1</sup>		-54	-74
Change in inventories and bad debt provisions disclosed separately under operating cash flow		-19	1
Change in interest receivable / payable disclosed separately under operating cash flow		-9	5
Change in dividend receivable disclosed separately under investing cash flow		0	0
Change in dividend payable disclosed separately under financing cash flow		23	23
Change in payable balance disclosed under cash flow from discontinued operations		2	0
Currency translation adjustments		-35	-59
<b>As it appears in the consolidated cash flow statement</b>		<b>-300</b>	<b>15</b>

<sup>1</sup> 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.

## 35. Financial instruments by category

€ million 31 December 2013		LOANS AND RECEIVABLES	ASSETS AT FAIR VALUE THROUGH THE PROFIT AND LOSS	DERIVATIVES USED FOR HEDGING	AVAILABLE FOR SALE	TOTAL
<b>Assets as per balance sheet</b>	NOTE					
Financial assets and other assets (excluding derivative financial instruments)	21	115	0	0	19	134
Derivative financial assets	36	0	18	24	0	42
Trade and other receivables (including prepaid expenses)	23	979	0	0	0	979
Cash and cash equivalents	24	740	0	0	0	740
<b>Total</b>		<b>1 834</b>	<b>18</b>	<b>24</b>	<b>19</b>	<b>1 895</b>

€ million 31 December 2013		LIABILITIES AT FAIR VALUE THROUGH THE PROFIT AND LOSS	DERIVATIVES USED FOR HEDGING	OTHER FINANCIAL LIABILITIES AT AMORTIZED COST	TOTAL
<b>Liabilities as per balance sheet</b>	NOTE				
Borrowings	27	0	0	404	404
Bonds	28	0	0	2 346	2 346
Derivative financial liabilities	36	39	2	0	41
Trade and other liabilities	33	0	0	1 451	1 451
Other financial liabilities (excluding derivatives financial instruments)	29	0	0	167	167
<b>Total</b>		<b>39</b>	<b>2</b>	<b>4 368</b>	<b>4 409</b>

€ million 31 December 2012 (Restated)		LOANS AND RECEIVABLES	ASSETS AT FAIR VALUE THROUGH THE PROFIT AND LOSS	DERIVATIVES USED FOR HEDGING	AVAILABLE FOR SALE	TOTAL
<b>Assets as per balance sheet</b>	NOTE					
Financial assets and other assets (excluding derivative financial instruments)	21	99	0	0	26	125
Derivative financial assets	36	0	41	6	0	47
Trade and other receivables (including prepaid expenses)	23	835	0	0	0	835
Cash and cash equivalents	24	318	0	0	0	318
<b>Total</b>		<b>1 252</b>	<b>41</b>	<b>6</b>	<b>26</b>	<b>1 325</b>

€ million 31 December 2012 (Restated)		LIABILITIES AT FAIR VALUE THROUGH THE PROFIT AND LOSS	DERIVATIVES USED FOR HEDGING	OTHER FINANCIAL LIABILITIES AT AMORTIZED COST	TOTAL
<b>Liabilities as per balance sheet</b>	NOTE				
Borrowings	27	0	0	390	390
Bonds	28	0	0	1 697	1 697
Derivative financial liabilities	36	50	8	0	58
Trade and other liabilities	33	0	0	1 474	1 474
Other financial liabilities (excluding derivatives financial instruments)	29	0	0	181	181
<b>Total</b>		<b>50</b>	<b>8</b>	<b>3 742</b>	<b>3 800</b>

## 36. Derivative financial instruments

€ million	ASSETS		LIABILITIES	
	2013	2012 (RESTATED)	2013	2012 (RESTATED)
Forward foreign exchange contracts – cash flow hedges	24	6	1	7
Forward foreign exchange contracts – fair value through profit and loss	17	27	24	36
Interest rate derivatives – cash flow hedges	0	0	1	1
Interest rate derivatives – fair value through profit and loss	1	7	15	14
Put and call options for non-controlling interest	0	7	0	0
<b>Total</b>	<b>42</b>	<b>47</b>	<b>41</b>	<b>58</b>
Of which:				
Non-current – (Notes 21 and 29)	0	15	13	39
Current – (Notes 21 and 29)	42	32	28	19

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 as at 31 December 2012, a net unrealized gain of € 25 million (2012: net unrealized

gain of € 6 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 (2012: € 0 million).

### 36.1 | 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 2012.

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

€ million	ASSETS		LIABILITIES	
	2013	2012	2013	2012
USD	25	24	20	30
GBP	0	3	2	1
EUR	0	1	0	10
PLN	0	0	0	1
JPY	9	4	1	0
CHF	1	0	0	0
Other currencies	6	1	2	1
<b>Total foreign currency derivatives</b>	<b>41</b>	<b>33</b>	<b>25</b>	<b>43</b>

The foreign currency derivatives maturity analysis is noted below:

€ million	2013	2012
1 year or less	15	13
1-5 years	1	-23
Beyond 5 years	0	0
<b>Total foreign currency derivatives – net asset / net liability (-)</b>	<b>16</b>	<b>-10</b>



The following table shows the split of foreign currency derivatives by currency of denomination (currencies sold view) as at 31 December 2013:

Notional amounts in € million	USD	GBP	EUR	JPY	CHF	OTHER CURRENCIES	TOTAL
Forward contracts	286	27	230	103	4	164	814
Currency swaps	1 109	204	285	7	0	54	1 659
Option / collar	11	0	0	16	0	0	27
<b>Total</b>	<b>1 406</b>	<b>231</b>	<b>515</b>	<b>126</b>	<b>4</b>	<b>218</b>	<b>2 500</b>

## 36.2 | 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	USD 50	-3,21%		23-01-12	22-01-14	USD LIBOR 3 Months
IRS	EUR 50	-3,64%		23-01-12	22-01-14	EURIBOR 6 Months
IRS	EUR 50	-3,61%		23-01-12	22-01-14	EURIBOR 6 Months
IRS	EUR 50	-3,53%		23-01-12	22-01-14	EURIBOR 6 Months
IRS	USD 150	-3,30%		22-01-13	22-01-14	USD LIBOR 3 Months
IRS	USD 125	-0,76%		28-11-11	28-11-14	USD LIBOR 3 Months
IRS	USD 125	-0,76%		28-11-11	28-11-14	USD LIBOR 3 Months
IRS	EUR 150	-0,87%		21-08-12	21-08-17	EURIBOR 3 Months
IRS	EUR 175	-0,35%		27-11-13	27-11-14	EURIBOR 3 Months
IRS	EUR 150	3,09%		23-01-12	22-01-14	-EURIBOR 6 Months
IRS	USD 150	2,15%		22-01-13	22-01-14	-USD LIBOR 3 Months
IRS	USD 50	1,61%		23-01-12	22-01-14	-USD LIBOR 3 Months
IRS	EUR 180	0,26%		06-12-12	27-11-14	-EURIBOR 3 Months
IRS	EUR 165	0,54%		06-12-12	10-12-16	-EURIBOR 3 Months
IRS	EUR 160	0,54%		06-12-12	10-12-16	-EURIBOR 3 Months
IRS	EUR 120	0,25%		06-12-12	27-11-14	-EURIBOR 3 Months
IRS	EUR 200	0,26%		06-12-12	27-11-14	-EURIBOR 3 Months
IRS	EUR 200	1,53%		04-10-13	04-01-21	-EURIBOR 3 Months
IRS	EUR 150	1,59%		04-10-13	04-01-21	-EURIBOR 3 Months
IRS	EUR 250	1,36%		27-11-13	27-03-20	-EURIBOR 3 Months
IRS	EUR 175	1,91%		27-11-13	02-10-23	-EURIBOR 3 Months
CCIRS	USD 150	-USD LIBOR 3 Months	-0,25%	27-11-09	27-11-14	EURIBOR 3 Months
CCIRS	USD 150	-USD LIBOR 3 Months	-0,26%	27-11-09	27-11-14	EURIBOR 3 Months
CCIRS	USD 250	USD LIBOR 3 Months	0,32%	29-11-10	28-11-14	-EURIBOR 3 Months
CCIRS	USD 130	-USD LIBOR 3 Months	-0,36%	27-11-12	28-11-14	EURIBOR 3 Months
CCIRS	USD 70	-USD LIBOR 3 Months	-0,25%	11-03-13	10-12-16	EURIBOR 3 Months
CCIRS	USD 60	-USD LIBOR 3 Months	-0,29%	10-06-13	10-12-16	EURIBOR 3 Months
CCIRS	USD 50	-USD LIBOR 3 Months	-0,31%	10-06-13	10-12-16	EURIBOR 3 Months
CCIRS	USD 250	-USD LIBOR 3 Months	-0,25%	10-06-13	10-12-16	EURIBOR 3 Months
CCIRS	USD 200	-USD LIBOR 3 Months	-0,16%	27-11-13	27-03-20	EURIBOR 3 Months
CCIRS	USD 230	-USD LIBOR 3 Months	-0,16%	27-11-13	02-10-23	EURIBOR 3 Months

### 36.3 | HEDGE OF NET INVESTMENT IN A FOREIGN ENTITY

In 2006, the Company entered into a loan agreement which was partly designated as a hedge of the net investment in the Group's U.S. operations. Following an internal corporate restructuring, this net investment hedge relationship was terminated in December 2007.

The unrealized cumulative foreign exchange gain of € 55 million has been reported in a separate component of equity, under "Net Investment Hedge" in 2007. This unrealized gain will remain in equity and will only be recycled to profit or loss when the Group no longer holds the underlying USD assets.

### 36.4 | DERIVATIVE LINKED TO CONVERTIBLE BOND

As a result of the decision of UCB to revoke the cash settlement option linked to the convertible bond in 2010, the fair value of the derivative component linked to the convertible bond has been reclassified to equity (€ 56 million before tax or € 41 million net of tax) (refer to Note 2.26).

## 37. Earnings per share

### 37.1 | BASIC EARNINGS PER SHARE

€	2013	2012 (RESTATED)
From continuing operations	1.12	1.30
From discontinued operations	0.02	0.09
<b>Basic earnings per share</b>	<b>1.14</b>	<b>1.39</b>

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.

### 37.2 | DILUTED EARNINGS PER SHARE

€	2013	2012 (RESTATED)
From continuing operations	1.12	1.30
From discontinued operations	0.02	0.09
<b>Diluted earning per share</b>	<b>1.14</b>	<b>1.39</b>

Diluted earnings per share are calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The shares related to the convertible debt have no dilutive impact.

### 37.3 | 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	2013	2012 (RESTATED)
Profit / loss (-) from continuing operations attributable to shareholders of UCB S.A.	203	232
Profit / loss (-) from discontinued operations	4	17
<b>Profit attributable to shareholders of UCB S.A.</b>	<b>207</b>	<b>249</b>

#### DILUTED

€ million	2013	2012 (RESTATED)
Profit / loss (-) from continuing operations attributable to shareholders of UCB S.A.	203	232
Adjusted for:		
interest expense on convertible debt (net of tax)		
<b>Profit / loss (-) from continuing operations used to determine diluted EPS</b>	<b>203</b>	<b>232</b>
Profit / loss (-) from discontinued operations	4	17
<b>Adjusted profit attributable to shareholders of UCB S.A.</b>	<b>207</b>	<b>249</b>

### 37.4 | NUMBER OF SHARES

In thousands of shares	2013	2012 (RESTATED)
Weighted average number of ordinary shares for basic earnings per share	182 157	179 279
Adjusted for:		
warrants		62
assumed conversion of convertible debt		
<b>Weighted average number of ordinary shares for diluted earnings per share</b>	<b>182 157</b>	<b>1 79 341</b>

On 24 April 2008, the Group has issued a stock loan note represented by 30 000 loan stock units with a nominal value of € 20 each, each having 1 000 defensive warrants attached to it. Each defensive warrant confers the right to its holders to subscribe to one share newly issued by UCB S.A. (Note 40). The UCB shares that might result from the exercise of these warrants will be issued with reference to the market price over a period prior to the issue.

Therefore, those contingently issuable shares have no dilutive effect as at 31 December 2012. As per 23 April 2013, the loan note and the defensive warrants attached expired and were not renewed.

The shares related to the convertible debt have no dilutive impact.

## 38. Dividend per share

The gross dividends paid in 2012 and 2011 were € 186 million (€ 1.02 per share) and € 181 million (€ 1.00 per share) respectively.

A dividend in respect of the year ended 31 December 2013 of € 1.04 per share, amounting to a total dividend of € 202 million, is to be proposed at the annual general meeting of the shareholders on 24 April 2014.

The dividend proposal includes next to the current amount of shares, a maximum of 11 097 919 shares related to the exercise of the option to redeem all outstanding convertible bonds (note 41 - Events after the balance sheet date).

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

## 39. Commitments and contingencies

### 39.1 | OPERATING LEASE COMMITMENTS

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

€ million	2013	2012
Less than 1 year	37	38
Between 1 and 5 years	79	93
More than 5 years	34	33
<b>Total</b>	<b>150</b>	<b>164</b>

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

The leases cover an initial period of three to five years. Lease payments are increased annually to reflect market rentals. None of the leases include contingent rentals. In 2013, € 45 million (2012: € 44 million) was recognized as an expense in the income statement in respect of operating leases.

## 39.2 | CAPITAL COMMITMENTS

At 31 December 2013, the Group has committed to spend € 43 million (2012: € 128 million) mainly with respect to capital expenditure on the construction of a biological plant in Bulle (Switzerland). In December 2010, UCB initiated a project to build an in-house biotech manufacturing capacity in Bulle (Switzerland) in order to meet the rising future demand for Cimzia®. The new manufacturing plant should be operational in 2015.

UCB has entered into long-term development agreements with various pharmaceutical, clinical trial operators and private equity companies. Such collaboration agreements 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.

€ million	2013	2012
Less than one year	72	39
Between one and five years	235	256
More than five years	600	567
<b>Total</b>	<b>907</b>	<b>862</b>

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.

## 39.3 | GUARANTEES

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

## 39.4 | CONTINGENT LIABILITIES

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.

UCB continues to be a defendant in slightly less than 4 600 Reglan® product liability cases. These cases have been largely consolidated in three different jurisdictions, San Francisco, Philadelphia and Atlantic City. Each of the litigations involve claims of injury resulting from alleged failure to warn of the risk associated with the use of the metoclopramide for more than 12 weeks. The vast majority of the claims involve alleged injuries sustained as a result of the use of generic metoclopramide. There are a number of legal issues before the courts awaiting decisions that could impact the timing and outcome of the resolution of these cases. Currently there are no cases scheduled for trial before the third quarter of 2014. It is too early to predict with certainty the outcome or potential liability arising from any such trials. The Company believes it has meritorious defenses to these claims.

In May 2012, APOTEX sued UCB and Kremers Urban in the Southern District of Florida for infringement of its USP 6,767,556 by Univasc® and Uniretic®, which contain moexipril as the active pharmaceutical ingredient, and by Kremers Urban's generic moexipril product. In July 2013, the Court held a bench trial to hear UCB's equitable defenses to infringement of the '556 Patent, including, unenforceability, judicial estoppel and laches. On September 19, 2013, the Court entered final judgment in favor of UCB on all issues. APOTEX filed an appeal of the Court's ruling on November 25, 2013.

Furthermore, the Group entered into various agreements in order to conduct its activities which provide for potential contingent liabilities such as the financial arrangements with the Walloon Region amounting to € 41 million (2012: € 41 million).

It is not anticipated that any other material liabilities will arise from the contingent liabilities other than those provided for in Note 32 (2012: no material liabilities).

## 40. Related party transactions

### 40.1 | INTRA-GROUP SALES AND SERVICES

During the financial years ended 31 December 2013 and 2012, 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.

### 40.4 | 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	2013	2012
Short-term employee benefits	10	11
Termination benefits	0	0
Post-employment benefits	3	3
Share-based payments	6	5
<b>Total key management compensation</b>	<b>19</b>	<b>19</b>

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

### 40.2 | FINANCIAL TRANSACTIONS WITH RELATED PARTIES OTHER THAN UCB S.A. AFFILIATES

There are no financial transactions with other related parties other than affiliates of UCB S.A.

### 40.3 | DEFENSIVE WARRANTS

On 24 April 2008, the General Meeting of Shareholders resolved to issue a stock loan represented by 30 000 loan stock units with a nominal value of € 20 each, each having 1 000 defensive warrants attached to it (the "defensive warrants").

Each defensive warrant confers the right to its holders to subscribe to one share newly issued by UCB S.A. The loan was subscribed for by Financière de Tubize. The holders of the defensive warrants have entered into an agreement with UCB S.A. to comply with the terms and conditions relating to the issue and exercise of the defensive warrants.

The defensive warrants and the agreement between the holders of the defensive warrants and UCB S.A. expired on 23 April 2013 and were not renewed.

shares as further explained in Note 26. 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.

## 40.5 | SHAREHOLDERS AND SHAREHOLDERS STRUCTURE

UCB's main shareholder is Financière de Tubize S.A., a company listed on Euronext Brussels (hereafter "Financière de Tubize" or the "Reference Shareholder").

Financière de Tubize has made a transparency notification of its holding in UCB on 1 September 2008 and in subsequent notifications, in compliance with the Law of 2 May 2007 on the publication of significant shareholdings in listed companies. According to article 3, § 1, 13° of the Law of 2 May 2007, Financière de Tubize acts in concert with Schwarz Vermögensverwaltung GmbH.

Their holdings are listed under # 1 - 4 in the table hereunder. The shares that are covered by this agreement, including the shares held by Financière de Tubize represent 40.81% of the share capital of UCB.

According to the latest transparency declaration related to Financière de Tubize dated 13 March 2013, 51.98% of the voting rights of Financière de Tubize is held by a group of shareholders, acting in concert and consisting of members of the Janssen Family and companies controlled by members of the Janssen family.

The remainder of UCB shares is held by the public.

In accordance with the latest subsequent notifications made in compliance with the Law of 2 May 2007, the present UCB major shareholdings are:

### UCB CONTROLLING AND MAJOR SHAREHOLDINGS ON 15 JANUARY 2014

	CURRENT	VOTING	DATE OF THE LAST RELEVANT NOTIFICATION
<b>Share capital €</b>	<b>550 281 456</b>		14 June 2013
<b>Total number of voting</b>	<b>183 427 152</b>		14 June 2013
<b>1 Financière de Tubize S.A. ("Tubize")</b>			
securities carrying voting rights (shares)	66 370 000	36.18%	1 March 2012
<b>2 UCB S.A./N.V.</b>			
securities carrying voting rights (shares)	2 302 044	1.26%	15 January 2014
assimilated financial instruments (options) <sup>1</sup>	6 146 638	3.35%	15 January 2014
assimilated financial instruments (other) <sup>1</sup>	0	0.00%	15 January 2014
<b>TOTAL</b>	<b>8 448 682</b>	<b>4.61%</b>	
<b>3 UCB Fipar S.A.</b>			
securities carrying voting rights (shares)	1 705 664	0.93%	15 January 2014
assimilated financial instruments <sup>1</sup>	0	0.00%	15 January 2014
<b>TOTAL</b>	<b>1 705 664</b>	<b>0.93%</b>	
<b>4 Schwarz Vermögensverwaltung GmbH &amp; Co. KG ("Schwarz")</b>			
securities carrying voting rights (shares)	2 471 404	1.35%	1 March 2012
<b>Tubize<sup>2,3</sup> + UCB S.A./N.V. + UCB Fipar S.A. + Schwarz<sup>3</sup></b>	<b>78 995 750</b>	<b>43.07%</b>	
securities carrying voting rights (shares)	72 849 112	39.72%	
assimilated financial instruments <sup>1</sup>	6 146 638	3.35%	
<b>Free float<sup>4</sup> (securities carrying voting rights (shares))</b>	<b>110 578 040</b>	<b>60.28%</b>	
<b>5 Capital Research and Management Company (subsidiary of The Capital Group Companies Inc.)</b>			
securities carrying voting rights (shares)	13 905 411	7.58%	8 January 2014
<b>6 Vanguard Health Care Fund</b>			
securities carrying voting rights (shares)	9 345 949	5.10%	12 June 2013

<sup>1</sup> 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.

<sup>2</sup> Tubize controls UCB S.A./N.V., which indirectly controls UCB Fipar S.A. | article 6, §5, 2° and article 9, §3, 2° of the Law on the disclosure of large shareholders.

<sup>3</sup> Tubize and Schwarz have declared to be acting in concert | article 6, §4 and article 9, §3, 3° of the Law on the disclosure of large shareholders.

<sup>4</sup> Free float being the UCB shares not held by Tubize, UCB S.A./N.V., UCB Fipar S.A. or Schwarz. Only shares held by these entities are taken into account for this calculation, to the exclusion of assimilated financial instruments.

## 41. Events after the balance sheet date

- ▶ January 2014 – **UCB convertible bond early redemption.** UCB decided to make use of the early redemption option of the € 500 million 4.50% Convertible Bonds due in 2015. As an alternative to the redemption of the bonds, each bondholder may exercise its conversion rights following which UCB transfers shares. The conversion period ends 5 March 2014. If all bondholders exercise their conversion rights the total number of shares would increase to 194 525 071.
- ▶ January 2014 – **UCB and Biogen Idec enter agreement to commercialize multiple sclerosis and hemophilia therapies in Asia.** The relationship leverages UCB's expertise and presence in Asia to bring Biogen Idec's innovative therapies to patients in new markets. The exclusive agreements grant UCB the right to commercialize Biogen Idec products in South Korea, Hong Kong, Thailand, Singapore, Malaysia and Taiwan, and both develop and commercialize products in China.

## 42. UCB companies (fully consolidated)

NAME AND OFFICE	HOLDING	PARENT
<b>Australia</b>		
UCB Australia Pty. Ltd. – Level 1, 1155 Malvern Road – 3144 Malvern, Victoria	100%	Celltech Group Ltd
<b>Austria</b>		
UCB Pharma Gesellschaft m.b.H. – Geis Elbergstrasse 17-19, 1110 Wien	100%	UCB Finance N.V.
<b>Belgium</b>		
UCB Fipar S.A. – Allée de la Recherche 60 – 1070 Brussels (BE0403.198.811)	100%	UCB Belgium S.A.
UCB Biopharma Sprl – Allée de la Recherche 60 – 1070 Brussels (BE0426.831.078)	100%	UCB Pharma S.A.
UCB Belgium S.A. – Allée de la Recherche 60 – 1070 Brussels (BE0402.040.254)	100%	UCB Pharma S.A.
UCB Pharma S.A. – Allée de la Recherche 60 – 1070 Brussels (BE0403.096.168)	100%	UCB S.A.
Sifar S.A. – Allée de la Recherche 60 – 1070 Brussels (BE0453.612.580)	100%	UCB Finance N.V.
<b>Brazil</b>		
UCB Farma Brasil Ltda – Alameda Araguaia 3833 (part) Tamboré – Barueri- 06455-000	100%	UCB S.A.
Meizler UCB – Alameda Araguaia 3833 Tamboré – Barueri- 06455-000 Sao Paulo	70%	UCB Farma Brasil Ltda
<b>Bulgaria</b>		
UCB Bulgaria EOOD – 15, Lyubata Str., Fl. 4 apt. 10-11, Lozenetz, Sofia 1407	100%	UCB S.A.
<b>Canada</b>		
UCB Canada Inc. – 2060 Winston Park Drive, Suite 401 – ON L6H5R7 Oakville	100%	UCB Holdings Inc.
<b>China</b>		
UCB Trading (Shanghai) Co Ltd – Room 317, No. 439 Fu Te Xi Yi Road, Shanghai (Waigaoqiao Free Trade Zone)	100%	UCB S.A.
UCB Pharma (Hong Kong) Ltd – Room 1501-08 Millennium City 5, 418 Kwun Tong Road, Kwun Tong, Kowloon	100%	UCB Pharma GmbH
Schwarz Pharma Zuhai Company Ltd – Block A. Changsa Industrial zone. Qianshan District – 519070 Zhuhai Guangdong Province	100%	UCB Pharma GmbH
<b>Czech Republic</b>		
UCB S.R.O. – Thámova 13 – 186 00 Praha	100%	UCB S.A.
<b>Denmark</b>		
UCB Nordic AS – Arne Jacobsen Alle 15 – 2300 Copenhagen	100%	UCB Finance NV



NAME AND OFFICE	HOLDING	PARENT
<b>Finland</b>		
UCB Pharma Oy (Finland) – Itsehallintokuja 6 – 02600 Espoo	100%	UCB Finance N.V.
<b>France</b>		
UCB Pharma S.A. – 420 rue d’Etienne d’Orves – 92700 Colombes	100%	UCB S.A.
<b>Germany</b>		
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 N.V.
UCB BioSciences GmbH – Alfred-Nobel-Strasse 10 – 40789 Monheim am Rhein	100%	UCB Pharma GmbH
Sanol GmbH – Alfred-Nobel-Strasse 10 – 40789 Monheim am Rhein	100%	UCB Pharma GmbH
<b>Greece</b>		
UCB A.E. – 63 Agiou Dimitriou Street – 17456 Alimos – Athens	100%	UCB S.A.
<b>Hungary</b>		
UCB Hungary Ltd – Obuda Gate Building Arpad Fejedelem utja 26-28, 1023 Budapest	100%	UCB S.A.
<b>India</b>		
UCB India Private Ltd – 504 Peninsula Towers, Peninsula Corporate Park, Ganpatrao Kadam Marg, Lower Parel – 400 013 Mumbai	100%	UCB S.A.
Uni-Mediflex Private Ltd – 504 Peninsula Towers, Peninsula Corporate Park, Ganpatrao Kadam Marg, Lower Parel – 400 013 Mumbai	100%	UCB S.A.
<b>Ireland</b>		
UCB (Pharma) Ireland Ltd – United Drug House Magna Drive, Magna Business Park, City West Road – Dublin 24	100%	UCB S.A.
UCB Manufacturing Ireland Ltd – Shannon Industrial Estate – Shannon County Clare	100%	UCB Pharma GmbH
Kudco Ireland Ltd – Shannon Industrial Estate – Shannon County Clare	100%	Kremers Urban Pharmaceuticals Inc.
<b>Italy</b>		
UCB Pharma SpA – Via Gadames 57 – 20151 Milano	100%	Celltech Group Ltd
<b>Japan</b>		
UCB Japan Co Ltd – Shinjuku Grand Tower, 8-17 Nishi-Shinjuku 160-0023 Shinjuku, Tokyo	100%	UCB S.A.
<b>Luxembourg</b>		
UCB Lux S.A. – Rue Eugène Ruppert, 12 – 2453 Luxembourg	100%	UCB S.A.
<b>Malaysia</b>		
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 S.A.
<b>Mexico</b>		
UCB de Mexico S.A. de C.V. – Homero#440, 7fl Col. Chapultepec Morales – 11570 Mexico D.F.	100%	UCB S.A.
Vedim S.A. de C.V. – Homero #440, 7fl Col. Chapultepec Morales – 11570 Mexico D.F.	100%	Sifar S.A.
<b>Netherlands</b>		
UCB Finance N.V. – Lage Mosten 33 – 4822 NK Breda	100%	UCB S.A.
UCB Pharma B.V. (Netherlands) – Lage Mosten 33 – 4822 NK Breda	100%	UCB Finance N.V.
<b>Norway</b>		
UCB Pharma A.S. – Grini Naeringspark 8b – 1361 Osteras, Baerum	100%	UCB Finance N.V.

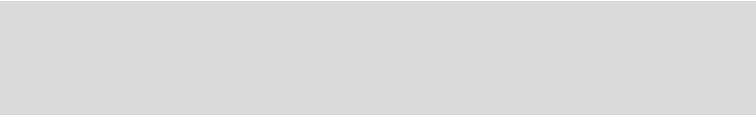
NAME AND OFFICE	HOLDING	PARENT
<b>Poland</b>		
Vedim Sp. z.o.o. – Ul. Kruczkowskiego 8 – 00-380 Warszawa	100%	Sifar S.A.
UCB Pharma Sp. z.o.o. – Ul. Kruczkowskiego 8 – 00-380 Warszawa	100%	UCB S.A.
<b>Portugal</b>		
UCB Pharma (Produtos Farmaceuticos) Lda – Ed. D. Amelia, piso 0 sala A2, Quinta da Fonte, 2770-229 Paço de Arcos	100%	Vedim Pharma S.A.
<b>Romania</b>		
UCB Pharma Romania S.R.L. – 40-44 Banu Antonache, 4 <sup>th</sup> fl., district 1, 011655 Bucharest	100%	UCB S.A.
<b>Russia</b>		
UCB Pharma LLC – Shturvaluaya 5 bldg 1 – 125364 Moscow	100%	UCB S.A.
UCB Pharma Logistics LLC– Perevedenovky pereulok 13 bldg 21 – 105082 Moscow	100%	UCB S.A.
<b>Singapore</b>		
UCB Trading (SG) Pte. Ltd. - 8 Marina Boulevard #05-02, Marina Bay Financial Centre Tower 1, 18981 Singapore	100%	UCB S.A.
<b>South Korea</b>		
Korea UCB Co Ltd. – 5 <sup>th</sup> Floor Grace tower 127 Teheran-ro 135-411 Seoul	100%	UCB S.A.
<b>Spain</b>		
Vedim Pharma S.A. – Paseo de la Castellana 141, Planta 15 – 28046 Madrid	100%	UCB S.A.
UCB Pharma S.A. – Paseo de la Castellana 141, Planta 15 – 28046 Madrid	100%	Vedim Pharma S.A.
<b>Sweden</b>		
UCB Pharma AB (Sweden) – Stureplan 4C 4 van – 11435 Stockholm	100%	UCB Finance N.V.
<b>Switzerland</b>		
UCB Farchim S.A. (A.G. – Ltd.) – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Investissements S.A.
UCB Investissements S.A. – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Finance N.V.
Doutors Réassurance S.A. – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Investissements S.A.
UCB-Pharma AG – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Investissements S.A.
Medeva Pharma Suisse S.A. – Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Investissements S.A.
UCB Medical Devices S.A. – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Investissements S.A.
<b>Turkey</b>		
UCB Pharma A.S. – Rüzgarlibahçe, Cumhuriyet Caddesi Gerçekler Sitesi, B-Blok Kat:6, Kavacik, Beykoz – 34805 Istanbul	100%	UCB Lux S.A.
<b>U.K.</b>		
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 Lux S.A.
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
UCB Ireland – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB Lux S.A.
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
International Medication Systems (U.K.) Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB Pharma GmbH
Schwarz Pharma Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Celltech Group Ltd

NAME AND OFFICE	HOLDING	PARENT
<b>Ukraine</b>		
UCB Ukraine LLC – 19 Grygoriya Skovorody Str., Business-center "Podil Plaza", 4070 Kiev	100%	UCB Pharma GmbH
<b>U.S.</b>		
UCB Holdings Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	UCB Finance N.V.
Fipar U.S. Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	Fipar U.K. Ltd
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 Pharco Inc. – 300 Delaware Avenue 9 <sup>th</sup> floor – 19801 Wilmington, Delaware	100%	UCB Inc.
Celltech U.S. LLC – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington Delaware	100%	Celltech Group Ltd
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.
Kremers Urban Pharmaceuticals Inc. – 251 E. Ohio Street Suite 1100 – 46204 Indianapolis	100%	UCB Manufacturing Inc.

# V. RESPONSIBILITY STATEMENT



**Mercedes,**  
living with epilepsy



## Responsibility statement

We hereby confirm that, to the best of our knowledge, the consolidated financial statements as of 31 December 2013, 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 Roch Doliveux (CEO) and Detlef Thielgen (CFO)  
on behalf of the Board of Directors.

Roch Doliveux  
Chief Executive Officer

Detlef Thielgen  
Chief Financial Officer

# VI. REPORT OF THE STATUTORY AUDITOR



# Statutory Auditor's Report to the General Shareholders' meeting on the consolidated accounts of the company UCB S.A./N.V. as of and for the year ended 31 December 2013

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report includes our opinion on the consolidated financial statements, as well as the required additional statement. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated income statement and the consolidated statements of other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS – UNQUALIFIED OPINION

We have audited the consolidated financial statements of UCB SA ("the CompAny") and its subsidiaries (jointly "the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. The total of the consolidated statement of financial position amounts to EUR 9.907 million and the consolidated income statement shows a profit for the year (attributable to equity holders) of EUR 207 million.

### BOARD OF DIRECTORS' RESPONSIBILITY FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

### STATUTORY AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements

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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

We have obtained from the board of directors and the company's 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.

### UNQUALIFIED OPINION

In our opinion, the consolidated financial statements set forth on pages 54-127 give a true and fair view of the group's net equity and consolidated financial position as at 31 December 2013 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The board of directors is responsible for the preparation and the content of the management report on the consolidated financial statements.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not impact our opinion on the consolidated financial statements:

- The management report on the consolidated financial statements set forth on pages 19-53 includes the information required by law, is consistent with the consolidated financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Brussels, 25 February 2014

The statutory auditor PricewaterhouseCoopers Reviseurs d'Entreprises / Bedrijfsrevisoren

Represented by

Jean Fossion  
Bedrijfsrevisor

# VII. ABBREVIATED STATUTORY FINANCIAL STATEMENTS OF UCB S.A.



**Philip,**  
living with  
axial spondyloarthritis



## 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 S.A.

The statutory financial statements of UCB S.A. 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 S.A. for the year ended 31 December 2013 give a true and fair view of the financial position and results of UCB S.A. 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](http://www.ucb.com) or on simple request, addressed to:

UCB S.A.  
Corporate Communication  
Allée de la Recherche 60  
B-1070 Brussels (Belgium)

## 2. Balance sheet

€ million	AT 31 DECEMBER 2013	AT 31 DECEMBER 2012
<b>ASSETS</b>		
Formation expenses	25	25
Intangible assets	0	0
Tangible assets	7	7
Financial assets	7 226	6 993
<b>Fixed assets</b>	<b>7 258</b>	<b>7 025</b>
Amounts receivable after more than one year	2 141	1 801
Amounts receivable within one year or less	38	61
Short-term investments	117	147
Cash at bank and on hand	4	122
Deferred charges and accrued income	23	18
<b>Current assets</b>	<b>2 323</b>	<b>2 149</b>
<b>Total assets</b>	<b>9 581</b>	<b>9 174</b>
<b>LIABILITIES</b>		
Capital	550	550
Share premium	1 604	1 601
Reserves	3 229	3 229
Profit brought forward	123	132
<b>Equity</b>	<b>5 506</b>	<b>5 512</b>
Provisions	55	57
<b>Provisions and deferred taxes</b>	<b>55</b>	<b>57</b>
Amounts payable after more than one year	2 762	2 097
Amounts payable within one year or less	1 160	1 418
Accrued charges and deferred income	98	90
<b>Current liabilities</b>	<b>4 020</b>	<b>3 605</b>
<b>Total liabilities</b>	<b>9 581</b>	<b>9 174</b>

### 3. Income statement

€ million	AT 31 DECEMBER 2013	AT 31 DECEMBER 2012
Operating income	62	46
Operating charges	-87	-87
<b>Operating result</b>	<b>-25</b>	<b>-41</b>
Financial income	410	478
Financial charges	-185	-203
<b>Financial result</b>	<b>225</b>	<b>275</b>
<b>Operating result before income taxes</b>	<b>200</b>	<b>234</b>
Exceptional income	0	94
Exceptional charges	-6	-3
<b>Exceptional result</b>	<b>-6</b>	<b>91</b>
<b>Profit before income taxes</b>	<b>194</b>	<b>325</b>
Income taxes	-1	-2
<b>Profit for the year available for appropriation</b>	<b>193</b>	<b>323</b>

### 4. Appropriation account

€ million	AT 31 DECEMBER 2013	AT 31 DECEMBER 2012
Profit for the period available for appropriation	193	323
Profit brought forward from previous year	132	145
<b>Profit to be appropriated</b>	<b>325</b>	<b>468</b>
To legal reserve	0	0
To other reserves	0	-150
<b>Appropriation to capital and reserves</b>	<b>0</b>	<b>-150</b>
Profit to be carried forward	-123	-132
<b>Result to be carried forward</b>	<b>-123</b>	<b>-132</b>
Dividends	-202	-186
<b>Profit to be distributed</b>	<b>-202</b>	<b>-186</b>
If the proposed allocation of the profit is approved, the total gross dividend will be fixed at:	€ 1.04	€ 1.02
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:	€ 0.780	€ 0.765

The activities of UCB S.A. generated in 2013 a net profit of € 193 million after income taxes. After taking into account the profit brought forward of € 132 million, the amount available for distribution is € 325 million.

The issued share capital of UCB S.A. is represented by 183 427 152 shares without par value as per 31 December 2013, including capital increase on 5 March 2013 of 52 300 shares without par value and of 9 800 shares without par value on 14 June 2013. The 639 797 own shares are in order to honour the exercise of share options and share awards granted to the Board of Directors and certain categories of employees.

On 21 January 2014 UCB SA announced that, in accordance with the Terms and Conditions of its € 500 million 4.50 per cent convertible bond, due in 2015, the company

has exercised its option to redeem all outstanding Bonds on March 12, 2014 at par together with interest accrued to that date. As alternative to the redemption of the Bonds, each Bondholder may exercise its Conversion Right in accordance with Condition. As a consequence 11 097 919 new shares are included in the calculation of the dividend proposal.

The Board of Directors proposes to pay a gross dividend of € 1.04 to the holders of the 193 885 274 UCB shares, or a total dividend distribution of € 202 million. If this dividend proposal is approved by the company's shareholders on their Meeting on 24 April 2014, the net dividend of € 0.78 per share will be payable as of 5 May 2014 against the delivery of coupon nr 17 attached to the company's bearer shares.

## 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 | INTANGIBLE ASSETS

Research and development costs have been capitalised as intangible assets at their purchase or at cost. These capitalised costs have been entirely depreciated in the year but the difference between the actual amount of depreciation taken in the year and the gross amount capitalised has been treated as a write-back of depreciation on the exceptional income.

A straight-line depreciation rate of 33 1/3% has been applied to these costs, based on a three-year life considering "pro rata temporis". The depreciation of the purchase price of patents, licenses and similar items is either in accordance with a prudent assessment of the economic life of such intangible assets or at a minimum rate equal to that of the assets required to handle the patent or process, or by a fixed period of the depreciation not lower than five years considering "pro rata temporis".

### 5.2 | 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 & office machines	33.3%
▶ Prototype equipment	33.3%

### 5.3 | FINANCIAL ASSETS

Shareholdings have been valued in accordance with the proportion held in shareholders' funds of the company concerned. Shareholdings which are not included in the scope of the consolidation have been valued at cost. A specific write-down has been made whenever the valuation made each year shows a permanent loss in value.

### 5.4 | 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.

### 5.5 | 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 exchange differences on foreign currency transactions are recognised in the income statement, as are non-realised exchange losses, whilst non-realised exchange profits are included under accrued charges and deferred income in the balance sheet.

### 5.6 | 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.

# VIII. CORPORATE SOCIETAL RESPONSIBILITY PERFORMANCE REPORT

**Bernadette,**  
living with lupus



1. Patients and planet at the heart
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# 1. | Patients and planet at the heart

UCB's Corporate Societal Responsibility (CSR) strategy is embedded in UCB's strategy to the discovery and development of innovative medicines and solutions to transform lives of people living with severe diseases of the immune system and central nervous system. Long-term social, environmental and economic perspectives are intertwined in order to engage in sustainability and responsibility and form the basis of our CSR strategy.

In the patient-centric dimension, initiatives focus on access to care and respect for persons living with epilepsy in low to middle income countries in Africa and Asia, enabling a successful reintegration of those persons in their communities and economic environment, especially, considering the disabling stigma and social exclusion.

In the planet-centric dimension, initiatives target a commanding reduction of UCB's ecological footprint as an indicator of human demands on our planet.

These dimensions are in line with the European Commission's definition of CSR as *"a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis"*.<sup>1</sup>

<sup>1</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions; a renewed EU Strategy 2011-14 for Corporate Social Responsibility. COM (2011) 681 final

## 2. | 2013 CSR activities at a glance



**Caleb**  
Brothers of Charity, Lubumbashi (DRC)



**Rainbow Bridge**  
Project HOPE, Shanghai (China)

### JANUARY

#### ► WORLD HEALTH ORGANIZATION

Dr R. Doliveux welcomed Dr S. Saxena and Dr T. Dua of the Mental Health Division, World Health Organization (WHO) and Dr H. de Boer of the International Bureau for Epilepsy (IBE) and subscribed to the WHO's epilepsy initiatives in Myanmar and Mozambique.

### FEBRUARY

#### ► BROTHERS OF CHARITY/FRACARITA BELGIUM

Mr F. Enderlin visited the Brothers of Charity at the "Neuropsychiatric Center Joseph Guislain" in Lubumbashi, Democratic Republic of Congo (DRC) and reviewed the mobile clinics to Likasi and Kipushi. In Kinshasa, meetings with the Regional Office of the Brothers of Charity were organized as well as a meeting with the Belgian Ambassador, his Excellence M. Lastchenko, to discuss mental and neurological care in the DRC.

### MARCH

#### ► GREEN STRATEGY AT UCB

The Executive Committee approved the strategy of six mainstream activities to contribute a better environment and a green planet.

#### ► RAINBOW BRIDGE

Inauguration of the three-year "Rainbow Bridge" initiative by Project HOPE, the Chinese Association Against Epilepsy, ten collaborating university hospitals and UCB; initiative aimed to provide education and diagnosis to 43,000 children living with epilepsy.

### APRIL

#### ► VILLAGE DOCTORS XINJIANG UYGHUR AUTONOMOUS REGION

The "Health and Hope Fund" of the Business Development Center (BDC), Red Cross Society of China and UCB launched an advanced training of 95 village doctors from the Xinjiang in Beijing. Staff of the China-Japan Friendship Hospital and other academic institutions provided general medical refresher courses, telemedicine training and a one-day epilepsy course.

#### ► ENGAGING COLLEAGUES ON A GREEN JOURNEY

A UCB's first Green Week engaging colleagues in Belgium, initiated by a lively debate "The Environment: should I care?".

### MAY

#### ► MYANMAR & MOZAMBIQUE FIRST CONSULTATION

Senior staff of the WHO Mental Health division, visiting Yangon, initiated discussions with the Ministry of Health (MoH) and interested parties and completed an epilepsy gap analysis. Senior staff also visited Maputo and met with the MoH and interested parties and completed a first epilepsy gap analysis.

### JULY

#### ► CLEANER ELECTRICITY

The Bulle site switched towards using 100% green hydroelectricity produced in power plants in neighbouring cantons, joining three other UCB sites having made previously a similar choice.



**Closing ceremony training Xizang village doctors  
Beijing (China)** courtesy Qinglan Wu, China Tibet online



**Doctors in Africa**  
"How to reduce the burden of epilepsy disease in Africa?"

► **MS. JIANG DAN, DIRECTOR OF BDC,  
RED CROSS SOCIETY OF CHINA**

Ms Jiang Dan visited UCB HQ in appreciation of the "Health and Hope Fund" and successful initiatives to bring epilepsy care to persons living with epilepsy.

► **HOPE ON WHEELS FOUNDATION**

UCB's "Hope on Wheels Foundation" was established in India, aimed to support different initiatives of care for persons living with epilepsy in rural and remote India.

**AUGUST**

► **YAO YANG NURSING HOMES  
STAFF TRAINING PROGRAM**

The "Health and Hope Fund" trained 115 nurses from eleven provinces in a seven-day boot camp course on chronic neurological conditions of the elderly.

► **IMPROVING ENERGY EFFICIENCY**

In Shannon, an enhanced environmental performance achieved the energy efficiency of its waste gases treatment installation to improve by 40%; hence, saving approximately 340 tons of CO<sub>2</sub> emissions annually.

**SEPTEMBER**

► **RAINBOW BRIDGE & NATIONAL WORKSHOP  
ON CHILD NEUROLOGY DISEASE**

"Rainbow Bridge" organized for physicians of different provinces a week-long training session on child neurology. Also in-patient family education sessions in the neurology unit of the Shanghai Children's Medical Center were organized to allow parents to learn the daily care of their children living with epilepsy.

**NOVEMBER**

► **UCB SOCIETAL RESPONSIBILITY FUND  
& KING BAUDOIN FOUNDATION**

Signing of the "UCB Societal Responsibility Fund" contract by Baron Luc Tayart de Borms (King Baudouin Foundation), Dr Roch Doliveux and Mr Fabrice Enderlin.

► **PRINCESS ASTRID INAUGURATES  
HOPE ON WHEELS EPILEPSY PROGRAM**

During the economic mission, Princess Astrid inaugurated, in presence of the founding fathers of the "Hope on Wheels Foundation", the Hope on Wheels Epilepsy program in the district of Alwar in the state of Rajasthan.

► **TRAINING PROGRAM  
VILLAGE DOCTORS OF XIZANG**

Closing ceremony of the training course for 100 village doctors of Xizang Autonomous Region at the Great Hall of the People.

**DECEMBER**

► **DOCTORS IN AFRICA**

"How to reduce the burden of epilepsy disease in Africa?" was the leading question bringing a young Belgian physician and two UCB staff members to Congo in a Belgian TV documentary. One child out of five living with epilepsy develops the disease following difficulties during pregnancy and delivery and two out of five children living with epilepsy develop the disease resulting from infectious diseases, e.g., neurocystocercosis, tuberculosis, malaria etc.

► **RAINBOW BRIDGE & NATIONAL  
PEDIATRIC WORKSHOP**

"Rainbow Bridge" organized for 177 physicians of different provinces, a three day training on child neurology in Beijing.

## 3. | Materiality and stakeholders dialogue



“UCB’s most material societal impact are the contribution to improving care of people living with severe diseases for which UCB provides treatments and the preservation of the environment.”

### 3.1 | MATERIALITY

It is UCB’s responsibility to ensure that financial, societal and environmental areas are addressed in which the company has significant impact. UCB initiated a materiality assessment to define what is material to UCB’s business and what should be included in the future reporting. Societal and environmental questions were prioritized to be reported either in the printed annual report format (mostly material and business critical) or not reported (not material). The outcomes of reviews, research, stakeholder engagement and internal materiality discussions were reviewed by the CSR team.

As a biopharmaceutical company, UCB’s most material societal impact is the contribution to improving care for people with severe diseases for which UCB provides treatments. The utmost material impact relates to trust and confidence societies worldwide hold to UCB’s implementation of its core values, ethical standards worldwide and product pipeline. In addition, in assessing benefits for patients, the scope of UCB’s research and development and clinical development programs and efforts to progress and expand access are also reviewed. A safe and enjoyable workplace facilitating innovation and co-creation is another important dimension of UCB’s societal performance. The most material dimension of the environmental impact is the consumption of energy and other natural resources and the subsequent emissions and waste generation linked thereto. This materiality is reflected into the environmental strategy approved by the Executive Committee in March 2013 and will, on the longer term, also reach beyond UCB as the business model is changing with contract manufacturing organizations increasing substantially.

### 3.2 | UCB Societal Responsibility Fund

The CSR team received the endorsement to create the “UCB Societal Responsibility Fund”. It came as a response to what was very often heard from UCB colleagues throughout the company: “How can we help? What can we do?”

The “UCB Societal Responsibility Fund” takes the form of an independent fund which will be managed by the King Baudouin Foundation (KBF), an independent, not-for-profit

and highly-recognized organization based in Belgium. The KBF has been running for more than 35 years and has grown internationally through partnerships with similar foundations – extending far beyond the borders of Belgium. It is present in the United States, as well as several European countries, and collaborates with projects in Asia Pacific and Latin American as well.

The “UCB Societal Responsibility Fund” first chairman is Dr Peter Piot, currently Director of the London School of Hygiene and Tropical Medicine, former executive director of UNAIDS and undersecretary-general of the United Nations.

In its first stage, the “UCB Societal Responsibility Fund” is giving all UCB colleagues a possibility of donating to two projects from our CSR program. These are the Brothers of Charity initiative (in the Democratic Republic of Congo and Rwanda) and the China “Rainbow Bridge” initiative with the Project HOPE. Donations will help to support education, diagnosis and access to care for people living with epilepsy in these three countries.

### 3.3 | UCB CSR GOVERNANCE

UCB’s CSR team is responsible for management and integration of the CSR strategy at every level of UCB – locally, regionally and globally. The CSR team coordinates initiatives and embraces an implementation of good CSR practices and reporting.

Through the CSR Board the most relevant societal topics for UCB are examined and selected based on UCB’s fundamental business principles and core values. This is handled in close involvement of our main stakeholders.

Applying the shared UCB vision allows internal stakeholders to review initiatives continuously and determine their internal and external relevance as well as potential social impact. Those review process embraces systematically lessons learned and therefore is in everlasting change, relying on feedback of selected categories of patients and external stakeholders as to revise and improve our added value for our patients and our planet.

It is important to recognize that 2013 performance review of several CSR Board members are reliant of the outcome and results of the CSR initiatives.



### 3.4 | ENCOURAGING STAKEHOLDER DIALOGUE

#### SEARCHING FUTURE DIRECTIONS

##### HOW TO OPEN A DIALOGUE WITH STAKEHOLDERS?

A UCB colleague initiated, as part of a MBA programme of the University of Warwick, a qualitative research with internal and external stakeholders. Through semi-structured interviews, stakeholders were asked about their knowledge of CSR, UCB's CSR initiatives and most importantly, to describe the top five future CSR priorities deemed important to them.

UCB colleagues from different regions, seniority level, age and gender, representative of a diverse sample were interviewed. External stakeholders were patients living with epilepsy and physicians involved in the treatment of the disease.

Responses were analyzed and enabled an identification of seven main topics. Although those material topics are already considered in UCB's overall strategy and in CSR projects specifically, it is noted that when combining the level of importance of different topics by both stakeholders four groups could be observed. A first group includes the aspects of public awareness on diseases and the reduction of social stigma. A second group combines the topics of training of healthcare staff in remote and rural areas, sustained education of patients on diseases and treatment and access to medicines for the underprivileged. The third group combines the topics of environmental responsibility and an active communication of UCB's strategy and objectives. Fewer external and internal stakeholders considered the fourth topic of discovery of innovative medicines as a vital component of UCB's CSR. Overall, stakeholders considered engagement in such projects would bring value to both UCB and the society and all advocated and supported an active involvement in CSR.

These seven topics will be considered in UCB's CSR future actions and reporting.



- Public awareness on disease and reduce social stigma
- Training healthcare professionals in rural areas
- Educate patients on disease and treatment
- Access to medicines for the underprivileged
- Environmental responsibility
- Communication of CSR strategy and goals
- Discovery innovative treatment

#### PATIENTS SHARING INSIGHTS

The following examples are only a snapshot of initiatives involving patients and engaging in activities bringing staff and patients closer.

##### “PARKINSON’S NETWORK” OR HOW TO STEP INTO THE PATIENT’S WORLD?

Parkinson’s patients require intensive care and a seamless and close-knit post-hospital care, including support for speech therapy and physiotherapy.

UCB colleagues spent time at the Cologne University hospital, private practices and homes of patients to observe the Cologne “Parkinson’s Network”, aimed to improve a holistic treatment of these patients.

##### “ASK A PATIENT” OR HOW TO OBTAIN AN ANSWER TO MY QUESTION ON A CHRONIC DISEASE?

UCB colleagues aspire to come closer to patients and have many questions that only patients living with the condition could clarify. For example, colleagues want to know “what

would be a patient’s perspective on a project I am working on?” or “how can I know how a patient faces the challenges of managing a chronic illness?”, among others. The interaction resulted in an innovative initiative “Ask a Patient”.

A first “Ask a Patient” on Parkinson’s disease brought three ambassadors to address the questions, for example “How did Parkinson’s affect your relationship with your loved ones?”, “Did your relationship to your close family change?” or “What are the needs of a caregiver, particularly when the caregiving is 24/7?”, among others.

The ambassadors responded in all honesty, often with a captivating personal touch, and connected through the dedicated web page to other UCB colleagues, transforming their insight and their focus on the job at hand, in whatever department at whatever level in our company.

## 4. | CSR Patient projects today



Brother Ghislain Basubi & Dirk, UCB  
Mobile clinic stop nearby Tumbwe



Closing ceremony training Xizang village doctors  
Beijing (China) courtesy Qinglan Wu, China Tibet online

### 4.1 | AFRICA – BROTHERS OF CHARITY

*Fracarita Belgium*, an international non-governmental organization (NGO) for development cooperation of the Brothers of Charity, dedicates itself to the challenge of improving the health condition of the most vulnerable people, especially children and is strongly anchored in local communities in 32 countries.

#### LUBUMBASHI (DEMOCRATIC REPUBLIC OF CONGO)

In Lubumbashi, capital of the Katanga province, access to neurological care is limited as the public health system is fractured. The Brothers of Charity initiative aims to bring education on neurology to physicians and neuropsychiatric nursing staff, to bring awareness on epilepsy and social impact for persons living with epilepsy, their family and the communities and to enhance the accessibility to diagnosis and treatment.

The Brothers of Charity operate the only neuro-psychiatric hospital “*Centre Neuropsychiatrique Joseph Guislain*” (CNPJG) in Katanga and persons living with epilepsy are seen by qualified physicians. Those patients requiring an electroencephalogram are seen immediately so to reduce the burden of travel.

Fitri Oktaviani is UCB’s project leader of the Brothers of Charity initiative and when she returned from her first visit she stated: “*I am humbled by the eagerness and complete engagement of all staff at the center. Taking responsibility was and is sharing responsibility. My dream is to build a sustainable project in the difficult economic environment in Congo. Having witnessed causes of epilepsy in newborn babies with Helena and Dirk makes me try harder and share stronger with my colleagues our dream to give the life to these patients they so much deserve; a life without epilepsy*”.

Persons living with epilepsy in villages and cities away from Lubumbashi benefit from the mobile clinic. The mobile clinic visits primary care health centers Saint-Luc and M’Linzi in Likasi, Saint Charles in Kipushi and Don Bosco in Kitumaini on a bimonthly schedule to ensure adequate follow-up and adherence to treatment, an essential aspect for the well-being of patients. Brother Ghislain Basubi, director CNPJG,

summarized this patient approach as “*In the past the patient came to the physician, now, the physician goes to the patient*”.

Odile, the aunt of Kerel, brought her nine year-old niece to Saint Charles center: “*Kerel was treated by traditional medicines when presenting convulsions at the age of seven. When I learned of the mobile clinic in church, I brought her to the physician. I am so happy that Kerel is now seizure-free and goes back to school. I help teachers and classmates understand that epilepsy is not contagious. Sorceress and witch doctors are not helpful. I now help parents to bring their children to the center. It is my dream.*”

With the objective to strengthen the local knowledge, UCB supported the presentation of epilepsy data gathered at Lubumbashi at the 30<sup>th</sup> conference of the International Epilepsy Association.

#### NDERA, KIGALI (RWANDA)

The “*Centre Neuropsychiatrique Caraes*” in Ndera is the only tertiary referral hospital for psychiatry and neurology in Rwanda. Together with the Rwandan League against Epilepsy (RLAE) efforts are underway to enhance awareness, education and access to appropriate diagnosis and treatment. In this partnership, UCB contributes to the scientific and medical education and training of medical and paramedical colleagues. Dr Peter Dedeken, neurologist and UCB’s project leader, affirmed after his last visit: “*What a joy to return. This team progressed! Recommendations made last time are being effectively implemented and, I dare say, they improved with their field experience. The small team of my dedicated Rwandan colleagues fostered their network, with Ministry of Health, International League against Epilepsy (ILAE), RLAE and others. Our educational programs now reach patients, nurses and doctors through our epilepsy caravan. Developing the Ndera center of excellence is now our next step. I am thrilled to see their unconditional commitment.*”

With the objective to strengthen the local knowledge, UCB supported the first epilepsy conference with the International Brain Research Organization (IBRO) in Kigali and the presentation of Rwandan epilepsy data at the American Epilepsy Society annual conference in Washington DC.

## 4.2 | AFRICA – MOZAMBIQUE

The WHO Epilepsy initiative in Mozambique carried out a consultation on epilepsy specifically and neurological care in general with different stakeholders to improve the quality of life of patients living with epilepsy and their families and to reduce the treatment gap. This meeting in Maputo provided a basis to further complete their situation analysis and roll-out of the initiative to different provinces.

## 4.3 | ASIA – INDIA

After the incorporation of UCB's "Hope on Wheels Foundation", a first program in the Alwar district in the state of Rajasthan has been shaped. The Hope on Wheels Epilepsy program will, with a mobile clinic, service community health centers with help of local organizations and the Indian Epilepsy Association. The staff will pay special attention to reducing social stigma and isolation and to improving awareness and education of patients and families. The mobile clinic will be equipped with state-of-the-art equipment for diagnosis of epilepsy and, through telemedicine, will provide real-time consultation with neurology departments of participating university hospitals.

Dr Kunal Oswal joined the "Hope on Wheels Foundation" and is project leader. His observation after a first visit to Alwar: *"patients with epilepsy carry this disease as a rock on their shoulder. I was shocked to see their disbelief, their exclusion, their suffering and the stigma they carry. Then, I realized that our Hope on Wheels will make their difference. I shall be their bridge to a life and hope for a better future"*.

## 4.4 | ASIA – MYANMAR

The WHO Epilepsy initiative in Myanmar carried out a consultation with different stakeholders. Furthermore, field visits to the Hlegu and Hmaw Bi townships enabled WHO staff to obtain an understanding of challenges and barriers as part of a situation analysis. Fabian Seunier described the relationship as *"[My] motivation to participate in the project is seeing the impact we can have in different areas than those were we most usually work. UCB and WHO not only bring together their complementary expertise; however, we collaborate to gather insights from many relevant stakeholders. This is the key to narrow the gap in epilepsy awareness, diagnosis and treatment in Myanmar in an impactful way."*

## 4.5 | ASIA – CHINA

### RAINBOW BRIDGE AND PROJECT HOPE

In March, UCB and Project HOPE inaugurated, with the Shanghai Children's Medical Center, a three-year "Rainbow Bridge" program to improve medical care for children living with epilepsy and to provide psychological support for their families. Patients living with epilepsy deserve the same quality of care and respect as any other patient, especially children who suffer from discrimination in a society that is ill-informed about the disease. Through a nationwide network of ten major children's hospitals the program will share health education and offer professional training for pediatric neurologists.

Isabelle de Cambry, as project leader, is in close contact with the teams and stated *"Despite the language barrier, I am very enthusiastic about the new educational and awareness materials. They are joyful and full of practical information and have been very well received by families. My wishes go to these families so they see this disease as something they can overcome and manage. This program will allow children to return to a normal life without prejudice and enjoy a kind of carefree childhood they very much deserve"*.

The program will also reach out to health providers at schools to build a comfortable learning environment for children and to teach educators and students alike to dispel the myths around and improve public perception of epilepsy.

### "HEALTH AND HOPE FUND" AND BUSINESS DEVELOPMENT UNIT RED CROSS SOCIETY OF CHINA (BDC-RCSC)

In April, UCB and the BDC launched a training program for village doctors of the Xinjiang Uyghur Autonomous Region, a first within the five-year "Health and Hope Fund" partnership. Alongside with theory, doctors were introduced to new techniques and investigations. Most importantly, the telemedicine facility at the Sino-Japan Friendship Hospital trained doctors to offer access for remote care; a significant innovative initiative destined to change education and diagnosis. The program also made mobile health clinics available; ambulances equipped with state-of-the-art technical and communication tools so doctors can gain insight by expert advice from Beijing at any moment in time.

Encouraged by the impact of the Xinjiang village doctors training program, a boot camp training for nursing staff of Yao Yang nursing homes was organized; program encompassing education and training in neurology care for elderly.

In November, Tibetan village doctors of the Xizang Autonomous Region completed their training course at the Sino-Japan Friendship Hospital. Dr Dirk Teuwen, project leader, reflected upon his return of attending the neurology course and closing ceremony: *"The commitment of the village doctors during their course was marvellous. [They] were thrilled to have the best in class Beijing teachers share their knowledge; science absorbed as a sponge. We were no longer two groups of strangers that could barely communicate; we both revealed these precious moments of sharing and presence, we marvelled at this unique and precious encounter; a first step of many to come..."*

## 4.6 | FAMILY PLANNING & PREGNANCY IN IMMUNOLOGY

Informed decisions about use of medicines during times of family planning and pregnancy are hampered by paucity of data, research and guidelines. For people living with a chronic condition this implies they often have to make very difficult decisions without satisfying or consistent medical support. This important issue, which is global and exists across most areas of medicine, is particularly present in immunological diseases.

UCB has decided to raise awareness on this issue and fostered the creation of independent and professional initiatives aimed at improving the situation for patients. TEDx "ideas worth spreading" was the first to recognize the global importance for those who are or want to become pregnant. It resulted in two invited web-streamed talks by Dr Lode Dewulf on the topic: TEDxChange (April) and TEDxBrussels (October).

The Drug Information Association ([www.diahome.org](http://www.diahome.org)) also engaged on these questions by inviting different stakeholders to further expand on this unrecognized need and by

publishing an invited paper in their journal (September). Also in 2013, the American Society for Rheumatology and the European League Against Rheumatism have initiated several educational actions.

It is hoped that these initiatives, and others, will contribute to better decision making and medical care for pregnant women.

## 5. | CSR Planet projects today

Inevitably, UCB's activities impact the planet, directly or indirectly. Manufacturing plants produce waste, emit greenhouse gases and consume water, fuel, gas and electricity. Contract manufacturing operators, with whom UCB partners, meet similar challenges.

An important milestone in 2013 was the approval of UCB's Green Strategy by the Executive Committee, confirming UCB's ambition to continuously improve its ecological footprint by actively engaging management, employees and stakeholders in seven areas of engagement:

1. ensuring legal and regulatory compliance
2. responsibly using natural resources
3. enhancing energy efficiency while minimizing carbon footprint
4. promoting green chemistry
5. controlling emissions
6. actively managing waste streams: preventing, sorting and recycling
7. applying greener lifecycle management principles

An implementation roadmap, detailing key milestones also was approved: precise scope and metrics have been defined in 2013, targets at site and corporate level will be set in 2014 (focusing on energy efficiency and waste management first).

## 6 | Recognition

### 6.1 | ECPI SENSE IN SUSTAINABILITY



ECPI, an independent company, is dedicated to sustainability research, rating and indices. Since 1997, It is active in integrating intangible value/non-traditional risk factor research, *i.e.*, environmental, social and governance. (For more details please refer to [www.ecpigroup.com](http://www.ecpigroup.com).) ECPI® Indices are used for benchmarks, investment and risk management tools.

For the second year, UCB is present in two ECPI indices. First, the ECPI Emu Ethical Equity index, an adjusted capitalization-weighted index comprised of 150 listed companies within the economic and monetary union market, chosen for their good practices on social, environmental and ethical matters. Second, the ECPI Euro Ethical Equity index, an index selecting 150 top capitalized companies in the European market which are eligible investments according to ECPI Social Responsible Investment (SRI) screening methodology.

### 6.2 | CORPORATE KNIGHTS & GLOBAL 100

For the second year, UCB is ranked in the "Global 100 list of world's most sustainable companies" by Corporate Knights, a specialized media and financial information products company based in Toronto (Canada). The selection process comprises of an evaluation on selected key environmental, social and governance performance indicators.

UCB ranked in 18<sup>th</sup> position in January 2014 (76<sup>th</sup> in 2013).

For the 2013 evaluation, UCB is performing particularly well in terms of innovation capacity, waste management, and "Clean Capitalism Pay Link, which connects the pay of senior executives to clean capitalism targets", as defined by Corporate Knights.

# 7. | Global Reporting Initiative (GRI) indicators

## 7.1 | LABOR PRACTICES

### 7.1.1 | OUR TALENTS

UCB's ability to create a significant difference to the lives of people living with severe diseases depends on the talent and commitment of our people.

#### PEOPLE

At the end of 2013, UCB employed 8 732 people world-wide, composed of 71 nationalities and an almost equity between men and women, with respectively 53.0% and 47.0%. In 2013, 1 190 new colleagues joined, whereas 1 433 colleagues left the company. The latter figure includes 232 colleagues of Rochester, U.S., and 69 colleagues of Vapi, India; both manufacturing sites sold in 2013.

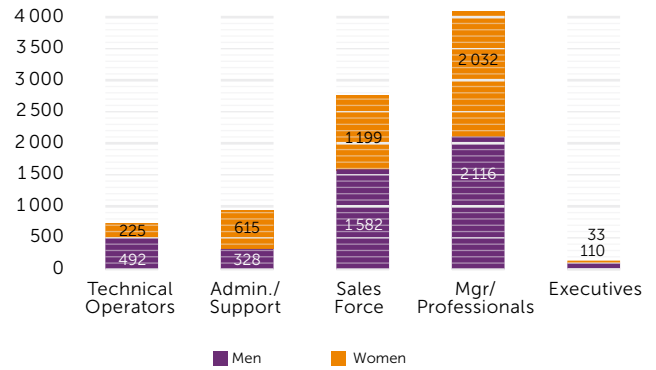
UCB is present in 37 countries. A total of 47.2% of UCB colleagues are located in Europe, 20.8 % in North America, 19.2% in Asia, Pacific and Australia and 12.7% in the rest of the world.

UCB fosters diversity of their talents. It is pivotal for UCB to engage dedicated staff to execute rigorously on strategies in a highly connected, collaborative, innovative and learning way as to successfully implement UCB's engagements and to deliver superior and sustainable value for patients.

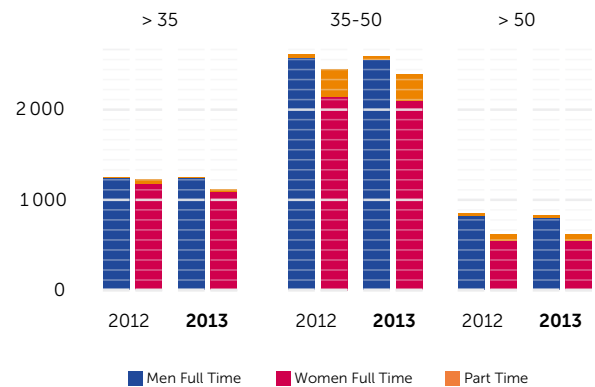
UCB's "Patient Driven" strategy will require a comprehensive ability to think and embrace "the outside in" and therefore to accurately translate customer expectations, meaning all different stakeholders involved in the value creation of the business (i.e., patients, payors, health care providers, and broader external and internal stakeholders).

This is why in 2013, UCB is focusing its attention to re-enforce and build on three strategies: (i) organizational capabilities; (ii) future leadership capabilities; and (iii) organization culture. These strategies are embedded in guidelines provided to all people related activities (Management, Human Resources (HR), Communication, Operational Excellence, CSR,...).

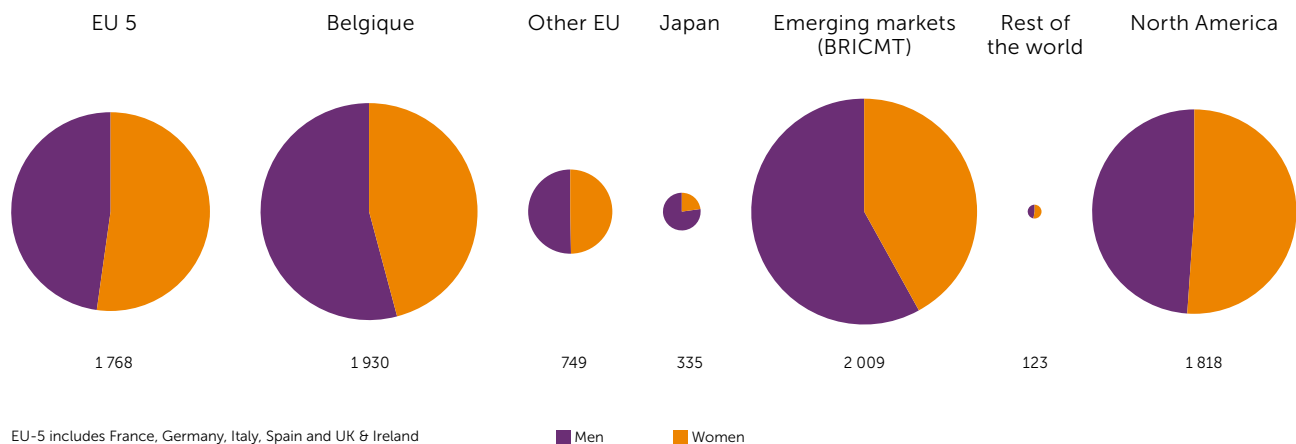
#### WORKFORCE: GENDER DISTRIBUTION BY FUNCTION



#### WORKFORCE: AGE PYRAMID



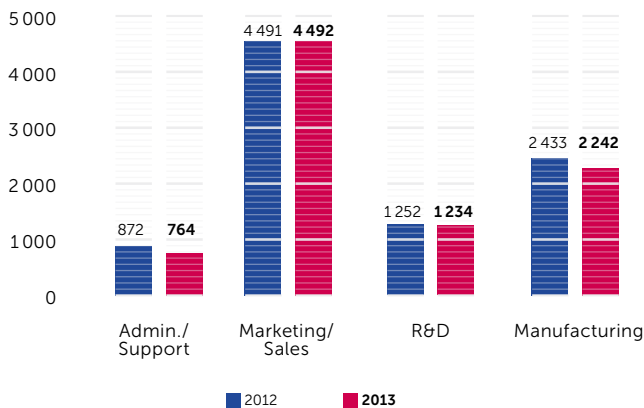
#### WORKFORCE: GENDER & REGION DISTRIBUTION 2013



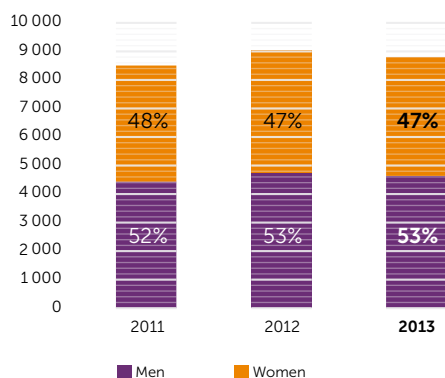
## WORKFORCE: TURNOVER EVOLUTION



## WORKFORCE: ORGANIZATION DISTRIBUTION



## WORKFORCE: HEADCOUNT & GENDER DISTRIBUTION



## ORGANIZATIONAL CAPABILITIES

In 2013, UCB deployed the "Patient solutions organization" based on five key principles:

- ▶ Inspired by patients, with constant learning from all customers;
- ▶ Organized by dedicated, empowered Patient Solutions teams;
- ▶ Supported by shared knowledgeable practices and talents;
- ▶ Accountable to deliver globally; and
- ▶ Fast in quality decision making and agile in resource allocation.

These five principles are the basis of UCB's new business model to act and make decisions in ways that are rigorously consistent with our patient-centric vision, our values, our culture and our seven corporate strategies.

UCB's new organization, launched early 2013, builds around four operating units, each with a clear focus on clusters of medicines and other solutions for patients.

- ▶ **NewMedicines**, with a focus on early discovery and research through clinical proof of concept of breakthrough solutions for patients, which will drive UCB's long-term growth
- ▶ **Biopharma Development Solutions**, with a focus on medicines and other solutions in clinical development stage and preparing UCB's medium-term growth
- ▶ **Biopharma Brands and Solutions** with a focus on providing solutions to patients who can benefit from **Cimzia**<sup>®</sup>, **Vimpat**<sup>®</sup> and **Neupro**<sup>®</sup>, as well as driving UCB's current fast-track growth drivers in the U.S. and EU
- ▶ **Established Brands, Solutions and Supply** with a focus on bringing solutions to patients in Emerging Markets and maximizing the value of UCB's mature portfolio, including **Keppra**<sup>®</sup>, world-wide. This unit includes Technical Operations and Corporate Business Development

Products are governed by multi-disciplinary **Patient Solutions Teams** (PSTs), each containing all services and resources needed to develop and manage the product lifecycle, bringing them closer to patients. PSTs are built and empowered with a specific mandate to gather deep insight into their customers, to explore new solutions providing better care to patient and to create true differentiation from the competition.

**Practices** are built around UCB's experts in critical disciplines (e.g., Regulatory Affairs, Clinical Development, Market Access, Marketing, Medical, etc.) to ensure access to expertise, maintenance and nurturing of best practice sharing, talent development and overall management. The goal is to foster world class functional capabilities in core competencies. The goal is to foster world class functional capabilities in core competencies.

## 7.1.2 | KNOWLEDGE, TRAINING AND EDUCATION

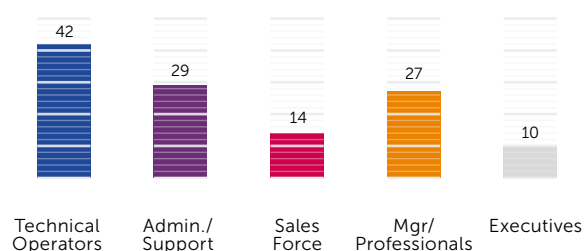
Initiatives of knowledge gathering and improvement of skills are pivotal in the development of our UCB colleagues.

Every year, the UCB training community creates training programs that target personal and technical development to ensure UCB has the essential skills to move forward in our journey to be the patient-centric global biopharmaceutical leader transforming lives of people living with severe diseases. Training and development is the basis of continuous improvement for our people to engage in the rapidly changing environment and to ensure UCB's sustainable growth.

At UCB, a blended approach to training is adopted. While much of our training consists of interactive on-line training, UCB appreciates instructor-led training and on-the-job coaching. The primary objective of any of our training is to build continuous improvement in performance and, of course, to ensure compliance with the multitude of regulations and policies that are a part of the global biopharmaceutical business.

In 2013, UCB invested € 11.3 million in training and developing our colleagues, offering them over 5 500 different trainings. The average number of training hours per employee was 23, representing 221 320 hours in total. The training hours are well distributed between men and women, respectively 53% and 47%.

### TRAINING HOURS PER EMPLOYEE IN 2013



In addition, UCB encourages everyone completes the mandatory corporate trainings to guarantee colleagues share the same base and that patients are at the heart of all we do. UCB requires all colleagues to take the Code of Conduct, IT Security and Drug Safety trainings. Compliance rate for these trainings is calculated as a percentage of active internal UCB employees who completed the training. Table below provides a summary of the compliance rates.

	COMPLIANCE RATES (%)
Code of Conduct	90.6
IT Security	92.8
Drug Safety	92.0

## EXAMPLES OF TRAININGS INITIATIVES IN 2013

### LEADERSHIP DEVELOPMENT PROGRAMS

In 2013, UCB continued the concept of "leadership pipeline" training programs.

It refers to preparing UCB's emerging leaders for successful performance in future roles by teaching skills/behaviors that will be required as they transition into new positions and providing a place to practice those skills and obtain feedback, guaranteeing that individuals have the correct skills and expectations before and after a transition occurs.

The "Accelerate" course provides insight on a transition from an individual contributor to manager of others and 300 colleagues from 16 countries participated. The "Navigate" course expands on a transition from manager of others to manager of managers and 88 colleagues of 22 countries participated. The "Orchestrate" course guides a transition from functional leadership to business-wide leadership with 43 colleagues from 16 countries enrolled in this course.

### E-LEARNING PLATFORM

An E-learning platform was deployed to apply learning from leadership training and to apply better broadly used business, management and leadership skills.

By proposing, on a single platform, access to a multitude of courses (what you would like to learn) as well as a multitude of pedagogic methods (how you would like to learn, e.g., E-learning, classroom training, video casts, sharing your knowledge within a virtual community, etc.), alternative learning approaches are made available to UCB colleagues.

### SOCIAL MEDIA

Social media can improve UCB's ability to integrate ideas, knowledge and activities to better understand external stakeholders and enable UCB to respond to their needs and to find better solutions.

In this ever-changing world, UCB created several self-learning tools to help to use social media responsibly. UCB employees are encouraged to leverage the Code of Conduct and IT security training (both with sections focusing on social media usage) as well as our dedicated intranet section on social media including educational tools, e.g., UCB social media playbook. This playbook describes UCB's principles and guidelines on social media.

In October 2013, UCB held a Social Media Awareness Week.

### BIOETHICS COURSE

Our industry is experiencing an unprecedented array of regulatory changes and challenges, e.g., in drug safety, end-to-end supply chain security and sales representative-physician relationship.

To ensure UCB is prepared for the future a new training on Bioethics, entitled "How can ethical principles be the foundation of my decision-making?" was introduced. In October, a first Lync session on Bioethics was organized with 70 people from 15 UCB locations (Atlanta, Braine, Bucharest, Budapest, Bulle, Center, Istanbul, Madrid, Milan, Monheim, Oakville, Raleigh, Slough, Vienna, Warsaw).

**DATA PRIVACY**

Fast-paced advances in information technology require the development of new standards for personal data protection and personal health information in several countries. UCB responded to this emerging need of privacy and data security laws by creating communication and training so that our colleagues understand the principles of data privacy and become aware of how to ensure proper handling of personal data.

**DRUG DISCOVERY AND DEVELOPMENT TRAINING PROGRAM**

First implemented in 2011, the program evolved in order to provide a broader knowledge of UCB's drug discovery and development process and to facilitate cross-functional and cross-departmental understanding and collaboration.

Since its launch a total 56 sessions have been held with 894 attendees.

**7.1.3 | DIVERSITY – SHARED UCB**

At UCB, employee engagement and work culture is vital. In 2013, employee engagement continued to build on what brings people together – UCB's dedication to patients – while leveraging the broad diversity of UCB people across the world.

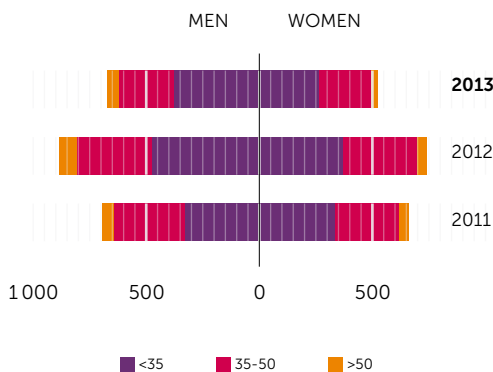
Work culture demands active sharing and collecting insights from patients and other stakeholders and dictates creative sharing of knowledge and expertise in key partnerships. It demands an inspired sharing among each other in order to connect, to collaborate and to co-create a different future.

UCB's ability to understand colleagues' way of working across nations and education, our commitment to live values without boundaries build the company that unites us. Diversity is a first richness. Shared UCB is built on the belief that being generous and helpful to each other will create the conditions by which patients will ultimately benefit from better solutions.

Leverage differences of employees, particularly women, in order to transcend the personal best and to actively and constructively contribute to organizational objectives are cornerstones of the Women in Leadership (WiL) group with the Diversity & Inclusion initiative in the U.S. WiL strives to maximize leadership potential of all UCB colleagues through professional activities designed to foster new competencies and create and engage in a broad and dynamic network of colleagues.

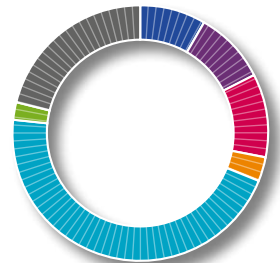
UCB's IT departments continue to bring new sharing platforms and UCB adopts new and innovative communication approaches aimed at facilitating the connecting, collaboration and co-creation.

**NEWCOMERS 2013 – 2011**  
(by age bracket)

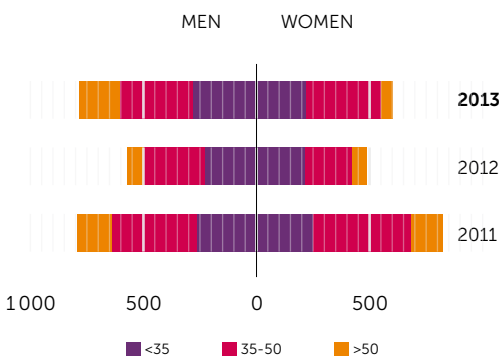


**NEWCOMERS BY REGIONS**  
(year-end 2013)

1.	EU-5	101
2.	BELGIUM	110
3.	EUROPE OTHER	126
4.	JAPAN	36
5.	EMERGING MARKETS	542
6.	REST OF THE WORLD	27
7.	NORTH AMERICA	248

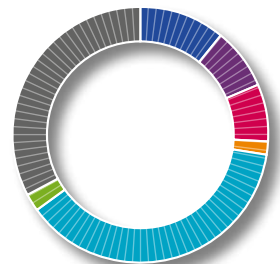


**DEPARTURES 2013 – 2011**  
(by age bracket)



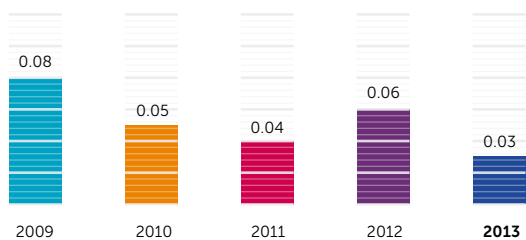
**DEPARTURES BY REGIONS**  
(year-end 2013)

1.	EU-5	158
2.	BELGIUM	109
3.	EUROPE OTHER	107
4.	JAPAN	22
5.	EMERGING MARKETS	537
6.	REST OF THE WORLD	33
7.	NORTH AMERICA	467

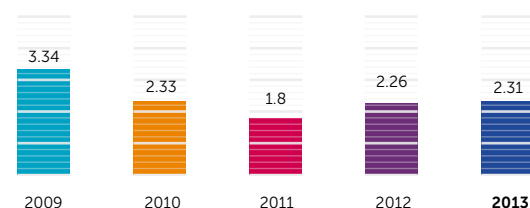




## SAFETY PERFORMANCE: SEVERITY RATE (Lost Time Severity Rate – LTSR)



## SAFETY PERFORMANCE: INCIDENT RATE (Lost Time Incident Rate – LTIR)



### 7.1.4 | TALENT & ORGANIZATION

The talent and organization review is designed to identify key talents based on their annual performance and growth potential. A key outcome is the design and implementation of specific action plans to develop, engage and grow key talents. It also serves to identify and prepare successors for our most business critical positions.

In 2013, UCB reviewed 6 732 of the employee population and identified 1 954 (of which 276 Top Talents) of them as top talents for the future.

UCB is also driven by a performance culture with an annual cycle of SMART objective setting, mid-year objective review and year-end final appraisals with on-going measurable performance feedback throughout the year. At least, 7 112 employees (81% of total employees, 51% men, 49% women) of UCB participated and completed the cycle during 2013.

Employees are rewarded and acknowledged for individual contributions to the company success.

### 7.1.5 | WELL-BEING AT WORK

A major priority at UCB is to create a positive environment where both company and individual objectives are met and people express their talents.

Well-being in the professional context encompasses several areas of attention, e.g., safety at work, employee health, psycho-social stress, hygiene, ergonomics, beautification of the workplace and environmental management.

Several generations are working together and experience the use of novel social media communication technology, redesigned offices, keen to adapt new ways of working. UCB is adapting to flexible work arrangements to stimulate innovation and collaboration by blending open spaces for individuals and spaces for collaborative teams. These new offices equally serve as the connector to patients and healthcare stakeholders. Embracing connectivity considering well-being has become a natural feature of UCB's future, in every site world-wide.

Sustainable employee engagement will be based on UCB creativity and ability to provide to every colleague a corporate identity through symbols (logos, images, behavior,...) that are consistent and reflect UCB's sense of purpose. Through simplified processes employees do create and bring added value for patients and other stakeholders.

### 7.1.6 | HEALTH & SAFETY

In 2013, UCB did regret two fatal accidents. A first fatality occurred in July when a subcontractor working on a construction site where a new UCB facility is being built got electrocuted. A second fatality occurred in August when a UCB employee was involved in a road accident driving to a meeting venue.

Overall, the Lost Time Incident Rate (LTIR) for 2013 was calculated at 2.31 incidents with more than one day of absence per one million hours worked. The Lost Time Severity Rate (LTSR) was calculated at 0.30 day lost per 1 000 hours worked. The "Global Severity Rate" as defined by Belgian legislation, which includes a default of 7 500 lost days for a fatal accident, was calculated to be 0.47 day lost per 1 000 hours worked.

Focus areas in 2013 included the launch of a peer review program at the production and research sites aimed at identifying and leveraging best HSE practice, spotting areas for improvement as well as raising overall health & safety awareness, the continuation of the program for further improving the occupational hygiene practices at these same locations and the organization of health care days at multiple sites.

In addition to the above, specific actions to address the two main causes of accidents (slips, trips & falls and car accidents), as well a thorough review of the programs related to contractor management and process safety will be initiated in 2014. The successful efforts to share knowledge and identify best practices which were initiated within the production and research environment will be extended to the affiliates.

<b>Employee engagement</b>			
I am proud to work for UCB	81%	73%	66%
Overall, I am satisfied with UCB as a place to work	78%	79%	76%
I would recommend UCB as a great place to work	70%	71%	62%
<b>Well-being</b>			
My work gives me a feeling of personal accomplishment	77%	76%	79%
My job makes good use of my talent / skills and abilities	78%	77%	75%
I am able to manage my work responsibilities in a way that allows me to maintain a healthy balance between work & home	69%	68%	66%
My immediate manager treats me with respect and care	87%	84%	81%
I feel I am part of a team	83%	82%	78%
UCB conducts business in an ethical and compliant manner	90%	89%	89%

## 7.1.7 | ORGANIZATION CULTURE AND EMPLOYEES VOICE

### SHARED UCB CULTURE

"Shared UCB", a cultural initiative, is about enabling people to live the strategies and facilitating connectivity, co-creation and collaboration between colleagues and teams. It is connecting UCB's sense of purpose "Patient Centricity". This long-term and pivotal initiative is supporting our ability to anticipate and react with agility throughout the departments to changes. It is based on the principles of open-mindedness and customer insights.

To accelerate the initiative the "Herrmann Brain Dominance Instrument®" tool was introduced. To understand the degree of preferences persons have for thinking "whole brain" resulted in a deployment of a toolkit of 15 tools, supporting management to develop cultural intelligence and consistency and strong patient insight. Helpfulness and generosity are two key enablers to succeed in the evolution of the cultural agenda, all of this for the benefit of the patient.

### COMMUNICATION AND NEW TAGLINE

A major priority in external communication is to build company trust through a strong corporate brand and identity, illustrated through the new tagline "Inspired by patients. Driven by science."

This new identity of UCB changed the perception of our company and it reflects the earnest essence of every UCB colleague's engagement, at every level. It is a driving force to design bold and courageous strategies to deliver and rethink our actions. The identity nurtures consistency, harmony and efficiency in communication approaches, essential to ensure synergies and "cross-re-enforcement" between corporate, product and scientific voices.

Internal communication is a critical facilitator and focusses on engaging and sharing, building on open, two-way communication strategies.

## COMMUNICATION AND UCB VOICES

Employees' engagement is continuously measured. "UCB Voices", the global employee engagement survey, was organized for the third time. In 2013, the results were stable after an important increase in 2012. It places UCB above the external benchmark.

The 2013 survey resulted in a response rate of 86%, or over 7 700, of our colleagues recognizing the value in completing the survey and willing to contribute in actions that are taking place at every management level.

## 7.2 | SOCIETY

### 7.2.1 | HUMAN RIGHTS AND ANTI-CORRUPTION

The United Nations Global Compact (UNGC) principles on human rights, labor, environment and anti-corruption are embedded in the Code of Conduct. The Code of Conduct is one of the three mandatory trainings, available in 14 different languages applicable within UCB affiliates world-wide.

The training is required to be completed by every colleague (see compliance rates on p 145).

The Code of Conduct calls for "Performance with Integrity" outlining general principles of business conduct and ethical behavior that are expected from every UCB colleague and third parties acting on behalf of UCB. The objectives of the Code of Conduct are to provide (i) guidance on the spirit and direction of UCB's business practices; (ii) guidance on what UCB expects of its colleagues and third parties acting for or on UCB's behalf; and (iii) a set of ethical principles in decision making processes. The Code of Conduct can be found on UCB's external website under the section "Governance".

The Code of Conduct is also added as a link to our contracts with external parties – to ensure our partners work in the same framework of reference described in our Code of Conduct.

### 7.2.2 | OUR INVOLVEMENT WITH LOCAL COMMUNITIES

As part of our commitment to patients, UCB supports a number of programs for patients and their families.

Considering donations exceeding € 10 000, UCB spent in 2013 more than € 2.5 million on community sponsorships and charitable donations worldwide, including CSR initiatives.

The following are just some examples of those commitments.

### *DRAGON BOAT RACE IN AUSTRALIA OR TO PARTICIPATE EQUALS WINNING FOR PATIENTS*

UCB Australia colleagues and their family participated in a dragon boat race in the 20<sup>th</sup> Australian Corporate Games at the Melbourne Docklands in support to the Epilepsy Foundation of Victoria, this year's official Games Charity.

Funds raised will help support people living with epilepsy and provide emergency medication and training to families and caregivers of people living with uncontrolled epilepsy to help them live better lives.

### *SYSTEMIC LUPUS ERYTHEMATOSUS – U.S.*

Lupus LA, the West Coast division of the *Systemic Lupus Erythematosus* (SLE) Lupus Foundation serves the needs of persons living with lupus and their families in Los Angeles County and across Southern California. Lupus LA promotes lupus awareness and education and works with patients and their families to better manage their disease and enhance their quality of life.

### *RHEUMATOID ARTHRITIS – FRANCE*

The Association d'Information Médicale Situation Urgente (AIMSU) in France supports the Sanoia.com initiative, an on-line service for patients living with chronic disease to have a permanent electronic access to and report their medical data and symptoms and to engage in an active dialogue with their physician.

AIMSU works with the Association Nationale de Défense contre l'Arthrite Rhumatoïde (ANDAR) and the Société Française de Rhumatologie (SFR) and to date, over 3 000 patients living with rheumatoid arthritis use the Sanoia.com.

### *ARTBUS SOUTH KOREA OR HOW ART BRINGS INSPIRATION FOR CHILDREN LIVING WITH EPILEPSY*

UCB Korea colleagues rallied behind the ArtBus Project, where children living with epilepsy were invited onto a bus turned into a five-week art project. Children used their imagination to create 3-D sculptures using translucent clay and color painting.

The objectives (i) helping children with epilepsy to develop creativity and social skills through art; (ii) providing a place and time for children and caretakers in similar life situations to connect; and (iii) engaging UCB employees to interact with patients directly in a casual setting, were accomplished and attracted widespread support and attention.

### *DRESS FOR SUCCESS AND UCB'S WOMEN IN LEADERSHIP*

"Dress for Success" is a non-profit organization promoting the economic independence of disadvantaged women by providing professional attire, a close network of support and career development and tools to help those women thrive in work and life.

UCB's Women in Leadership organized promotional events to enable true support for ongoing career coaching and networking opportunities for career advancement for these disadvantaged women.

### **7.2.3 | ANIMAL WELFARE**

#### *ASSOCIATION FOR ASSESSMENT AND ACCREDITATION OF LABORATORY ANIMAL CARE INTERNATIONAL (AAALAC)*

In 2013, UCB has applied for the AAALAC accreditation for its Braine-l'Alleud research site.

This private non-profit association promotes a responsible treatment of laboratory animals through voluntary accreditation and assessment programs. This accreditation represents a label of quality and of high professionalism in terms of animal care and use. It also helps continuously improving scientific excellence in animal experimentation and research.

#### *ANIMAL WELFARE PRINCIPLES AND 3RS INTO ACTION*

UCB is using animals responsibly and appropriately and is complying with all applicable laws and industry standards.

UCB also adheres to the standards of the U.K. National Centre for Replacement, Refinement & Reduction of Animals in Research (NC3R<sup>s</sup>) <http://www.nc3rs.org.uk>. Animal welfare based on the principles of "replace" when work without animals is possible; "reduce" when animal experimentation cannot be avoided, use the less possible; and "refine" the use of animals with utmost respect for the animals.

UCB is involved in working groups of the NC3R<sup>s</sup>, for example, the mammalian models of epilepsy.

In order to strive for 3Rs improvement, UCB Slough organized a competition for 3Rs innovation and awarded three researchers bringing an original contribution in the 3Rs.

Of the animals that UCB researchers and contractors use in experiments, 99.0% are rodents.

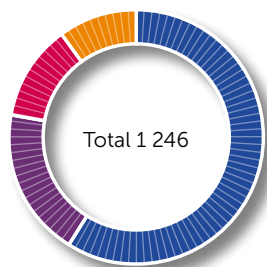
### **7.2.4 | RELATIONS WITH PUBLIC AUTHORITIES**

Countries in which UCB does business have laws regulating activities of corporations in the political process. Some of these laws set strict limits on contributions by corporations to political parties and candidates, whereas some laws prohibit them altogether. Also, in many countries the act of "lobbying" (presenting the company's position or advocating the company's interests to any government employee or agency) is regulated or requires public disclosure. As described in UCB's Code of Conduct all UCB employees must comply with such laws.

Although UCB is not reporting significant issues or formal policy positions in 2013, UCB is actively connected with public policy makers, regulators and other stakeholders. UCB is member of local trade associations and generally, when it is appropriate, the General Manager is board member in the countries where it operates around the world. In the U.S., UCB is member of Biotechnology Industry Organization (Bio) and our CEO is member of the Health Section Governing Board. At European level, our CEO is Vice-president of the Board of the European Federation of Pharmaceutical Industries and Associations (EFPIA).

UCB is also member of International Federation of Pharmaceutical Manufacturers & Associations (IFPMA). Several UCB colleagues actively participate to various taskforces dealing with current sector issues.

1.	SCIENTIFIC	59%
2.	PROMOTIONAL	19%
3.	PRESS	12%
4.	OTHER	10%



### 7.3 | PRODUCT RESPONSIBILITY

#### 7.3.1 | PRODUCTS COMMUNICATIONS & UNSOLICITED REQUESTS

Promotion and sales of pharmaceutical products are highly regulated. UCB has a strong commitment to comply with all applicable laws, regulations and industry codes, such as the European Directive on the Community Code relating to medicinal products for human use, IFPMA, among others. UCB fully respects the position of trust of healthcare professionals, which have to select the best treatment option for their patients. Always, UCB promotes its products based on the approved labelling.

UCB's interactions with healthcare professionals focus on providing and exchanging scientific information with the ultimate objective of enabling healthcare professionals to select the most appropriate treatment for their patients. These interactions are based on standards of ethics, integrity and fair market value.

All promotional, press and scientific communication relating to our compounds and products are submitted to our global and local promotional scientific review committees.

In 2013, a total of 1 246 global communications have been reviewed as shown in the graph above.

UCB regularly receives unsolicited requests from patients, healthcare professionals, institutions, medical representatives, among others. Such requests may include questions about our products and various demands for support and donations (investigator-initiated study, medical education program, patient groups, charities). UCB has well-established internal processes for deciding how to respond to each and every request.

UCB receives an average of 3 300 questions per month regarding our products (21.2% **Cimzia**<sup>®</sup>, 12.5% **Vimpat**<sup>®</sup>, 19.9% **Neupro**<sup>®</sup> and 46.4% other products).

#### 7.3.2 | DRUG SAFETY

Patient health and safety are of utmost importance – as a patient-centric company, patients are at the heart of everything we do.

One key obligation of UCB and its colleagues is the monitoring and reporting of adverse events. Like other biopharmaceutical companies, every year UCB receives thousands of adverse event reports from various people (e.g., patients, physicians, pharmacists, etc.) concerning our investigational and marketed medicines. These reports along with other internal and external data (e.g., literature, external databases, etc.) are reviewed and analyzed by our safety teams in order to identify potential safety signals which may be associated with our medicines.

The goal of these reviews is to help ensure the benefit-risk profile of our medicines remains favorable and to ensure the right actions are taken throughout a product's lifecycle. To better characterize important risks or missing information and implement appropriate risk minimization and mitigation activities, a Risk Management Plan (RMP) is sometimes developed. For example, during the preparation of the **Keppra**<sup>®</sup> RMP, the Drug Safety and Keppra PST established collaboration with three epilepsy patients to develop an easy to understand summary of the RMP that will be accessible to the general public.

In addition to RMPs and in accordance with legislation, UCB also provides information about individual adverse event reports, periodic summary reports and Benefit-Risk Assessments to the Health Authorities.

### 7.4 | CSR & PURCHASING

UCB's Purchasing Department integrated UCB's CSR vision in their 2014 strategy. The value proposition is to influence behavior and performance of their staff. First, a change in behavior with an integration of patient and planet-centric CSR aspects in the daily contact and interactions with suppliers. Second, a change in the performance in the management of supplier relations, with an upfront association of CSR opportunities in the choice of strategic sourcing.

### 7.5 | ENVIRONMENT

In 2013, the scope of the environmental performance reporting changed significantly. Firstly, the production sites in Vapi (India) and Rochester (U.S.) were divested as of June 1<sup>st</sup> and October 1<sup>st</sup>, respectively. Secondly, additional production capacity is added to sites of Seymour (U.S.) and Shannon (Ireland), a new pilot bio-plant was opened in Braine (Belgium) and a new bio-plant is under construction in Bulle (Switzerland). As a result, these changes impact UCB's ecological footprint. As of next year, normalized Key Performance Indicators will therefore be added to this report.

### 7.5.1 | ENERGY

This year, the overall energy consumption decreased by 5.2%; usage of gas and fuel were reduced by 5.7% and 4.9% respectively, whereas electricity usage remained unchanged compared to last year. The changes in energy consumption are linked to the above stated changes in reporting scope, to UCB's production volumes in general, to fluctuations in climatological conditions (with an impact on the need for cooling and/or heating) and to energy saving programs implemented at various UCB sites.

These energy saving initiatives led to a recurrent energy saving of 26.3 million mega joules, which is ~2% of UCB's scope 1 and scope 2 energy usage. Key contributors were a resin replacement in the Thermal Oxidation Unit and improved energy efficiency of the boilers in Shannon (Ireland) and a recycled air conversion of the HVAC installation at the PP2 building in Bulle (Switzerland).

In 2013, 50.2% of the electricity consumed by UCB originated from renewable sources with four UCB sites now fully relied on green electricity, *i.e.*, Bulle (Switzerland), Monheim (Germany), Braine and Anderlecht (Belgium).

The lower energy consumption resulted in a reduction of 7.2% or 6 188 Tons of scope 1 and scope 2 CO<sub>2</sub> emissions. This is the equivalent of an average yearly emission of 300 households.

### 7.5.2 | WATER

This year the water consumption at the UCB facilities decreased by 5.9% or 50 000m<sup>3</sup>. Especially, the volume of groundwater used was significantly reduced (by about 60 000m<sup>3</sup>). Factors which influenced water consumption are similar to those mentioned in the energy subsection, *i.e.*, change in reporting scope, UCB's production volumes in general, fluctuations in climatological conditions (with an impact on the need for cooling) and water saving programs implemented at various UCB sites.

UCB's transformation to a leading biopharma company, however, may impact future water consumption as these production processes tend to be more water demanding.

### 7.5.3 | WASTE

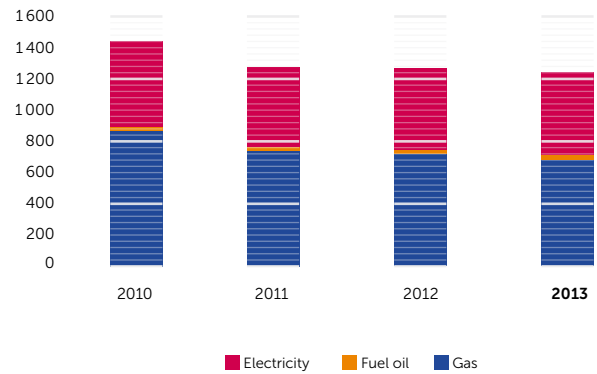
In 2013, waste generated at different UCB's facilities decreased by just over 10.3% , building upon a 4.5% reduction achieved in 2012.

In addition, UCB globally managed to recover 93.9% of its waste, predominantly through incineration and subsequent energy recovery, re-use as a secondary liquid fuel and recycling of solvents and packaging by third parties. This percentage of recuperated waste steadily improved by 8.3%, when compared to 2010.

Improved waste recovery by an active management of various waste streams remains a key pillar in further lowering UCB's ecological footprint.

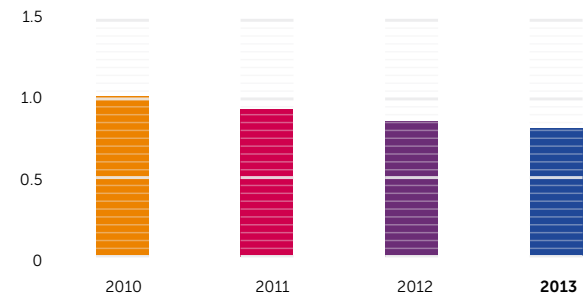
## ENERGY CONSUMPTION

(million MegaJoules)



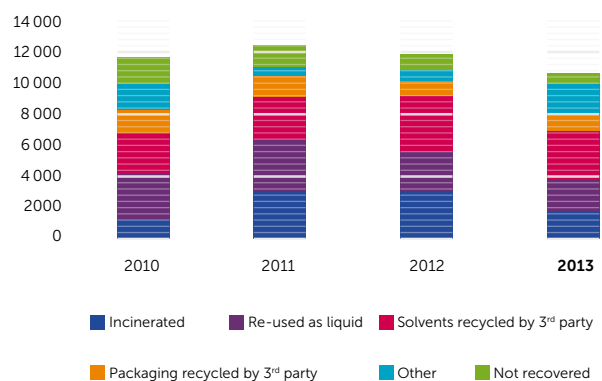
## WATER CONSUMPTION

(million m<sup>3</sup>)



## WASTE MANAGEMENT

(tons)



# 8. | Global Reporting Initiative Disclosure

The table summarises the performance indicators on the economic, environmental and social performance of UCB in 2013. The indicators are reported in line with the GRI Guidelines: 17 fully and 4 partially reported.

Legend: ● indicators fully reported and compliant with the GRI indicators definition  
 ◐ indicators partially reported and partially compliant with the GRI indicators definition

		REPORTED	PAGE
<b>GENERAL</b>			
<b>1.</b>	<b>Strategy and analysis</b>		
1.1	Statement of CEO		Letter to the stakeholders, p 8-17
<b>2.</b>	<b>Organisational profile</b>		
2.1 - 2.2	Name, products / services	●	p 4-7
2.3 - 2.7	Structure, geographical presence, markets served	●	p 11; Operating and financial review p 48-53
2.8	Scale	●	Letter to the stakeholders, p 8-17; Corporate Governance, p 20-42
2.9	Significant changes in size, structure or ownership	●	Letter to the stakeholders, p 8-17; Business Perf Review, p 43-45; Corporate Governance, p 20-42
2.10	Awards received in 2013	●	CSR Performance report, p 140
<b>3.</b>	<b>Report parameters</b>		
3.1 - 3.4	Report profile, contacts points	●	Back cover
3.5 - 3.13	Report scope and assurance	●	CSR Performance report, p 154-155
<b>4.</b>	<b>Governance, commitments, and engagement</b>		
4.1 - 4.13	Structure and governance	●	Corporate Governance, p 20-42; CSR Performance Report, p 136
4.14 - 4.17	Stakeholder engagement	●	Letter to the stakeholders, p 8-17; CSR Perf. Report, p 136-137
<b>ECONOMIC</b>			
<b>Economic performance</b>			
EC1 (β)	Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.(Core)	●	Letter to the stakeholders, p 8-17; Business Perf. Review, p 43-45; Financial Statements, p 46-53
EC3 (β)	Coverage of the organisation's defined benefit plan obligations. (Core)	●	Financial Statements, p 85; p 105-108
<b>ENVIRONMENTAL</b>			
<b>Energy</b>			
EN3 (β)	Direct energy consumption by primary energy source. (Core)	●	CSR Perf. report, 7.5.1, p 149; p 153
EN4 (β)	Indirect energy consumption by primary source. (Core)	●	CSR Perf. report, 7.5.1, p 149; p 153
EN5 (β)	Energy saved due to conservation and efficiency improvements. (Additional)	●	CSR Perf. report, 7.5.1, p 149; p 153
EN7	Initiatives to reduce indirect energy consumption and reductions achieved (Additional)	◐	CSR Perf. report, 7.5.1, p 149; p 153
<b>WATER</b>			
EN8 (β)	Total water withdrawal by source. (Core)	●	CSR Perf. report, 7.5.2, p 149; p 153

<b>Emissions, effluents, and waste</b>			
EN16 (β)	Total direct and indirect greenhouse gas emissions by weight. (Core)	●	CSR Performance report p 153
EN22 (β)	Total weight of waste by type and disposal method. (Core)	●	CSR Perf. report, 7.5.3 p 149; 153
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally. (Additional)	◐	CSR Performance report p 153

#### SOCIAL PERFORMANCE: LABOR PRACTICES & DECENT WORK

<b>Employment</b>			
LA1 (β)	Total workforce by employment type, employment contract, and region. (Core)	●	CSR Performance report, 7.1.1, p 141-142; p 152
LA2 (β)	Total number and rate of employee turnover by age group, gender, and region. (Core)	●	CSR Performance report, 7.1.1, p 141-144 (Graphs); p 152

<b>Occupational health and safety</b>			
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region. (Core)	◐	CSR Performance report, p 145; p 152

<b>Training and education</b>			
LA10 (β)	Average hours of training per year per employee by employee category. (Core)	●	CSR Performance report, 7.1.2, p 143-144
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. (Additional)	◐	CSR Performance report, 7.1.2, p 143-144
LA12 (β)	Percentage of employees receiving regular performance and career development reviews. (Additional)	●	CSR Perf. report, 7.1.4, p 145

<b>Diversity and equal opportunity</b>			
LA13 (β)	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity. (Core)	●	Corporate Governance, p 20-42; CSR Performance report, 7.1.1, p 141-142; p 152

#### SOCIAL PERFORMANCE: HUMAN RIGHTS

<b>Investment and procurement practices</b>			
HR3 (β)	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. (Additional)	●	CSR Perf. report 7.1.2 table "compliance rates", p 143; 7.2.1, p 146

#### SOCIAL PERFORMANCE: SOCIETY

<b>Corruption</b>			
SO3 (β)	Percentage of employees trained in organization's anti-corruption policies and procedures. (Core)	●	CSR Perf. report, 7.1.2, table "compliance rates", p 143; 7.2.1, p 146

<b>Public policy</b>			
SO5 (β)	Public policy positions and participation in public policy development and lobbying. (Core)	●	CSR Performance report, 7.2.4, p 147

#### SOCIAL PERFORMANCE: PRODUCT RESPONSIBILITY

<b>Marketing communications</b>			
PR6 (β)	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. (Core)	●	CSR Performance report, 7.3.1, p 148

(β) have been reviewed for the year 2013 by KPMG. Their assurance statement, detailing the work they have performed as well as their comments and conclusions, appears on pages 155 of this CSR report.

# 9. | Human Resources and Environmental Data

## HUMAN RESOURCES DATA

GRI INDICATOR	DEFINITION	UNIT OF MEASURE	2010	2011	2012	2013	
<b>LA 1</b> (B)	Total workforce	Workforce as of 31 December	Total number of employees	8 898	8 506	9 048	8 732
	Workforce by gender	Male and female employees	Number of women	4 167	4 064	4 297	4 104
				48%	48%	47%	47%
			Number of men	4 583	4 442	4 751	4 628
				52%	52%	53%	53%
	Workforce by area	Europe-5/Belgium/Other Europe/Japan/Emerging markets (BRICMT)/North America/Rest of the World	Number of employees				
			- EU-5	2 453	1 839	1 859	1 768
			- Belgium	1 800	1 883	1 950	1 930
			- Other EU	781	778	750	749
			- Japan	281	280	322	335
- North America			1 829	1 899	2 036	1 818	
- Rest of the World			139	139	130	123	
- Emerging market (BRICMT)	1 615	1 688	2 001	1 818			
Workforce by FTE and PTE	Full Time Employees (FTE) and Part-Time Employees (PTE) Group	Number of FTE	8 352	7 992	8 535	8 224	
			94%	94%	94%	94%	
		Number of PTE	546	514	513	508	
			6%	6%	6%	6%	
<b>LA 2</b> (B)	Recruitment	Hired	Number of employees hired	1 547	1 252	1 637	1 190
	Departure	Left	Number of employees who left the company	1 973	1 618	1 066	1 433
			Turnover in %	22%	19%	12%	16%
<b>LA 7</b>	LTIR	Lost Time Incident Rate	Number of incidents resulting in lost time of one day or more within a 12-month period, per million hours worked	2.33	1.80	2.26	2.31
	LTSR	Lost Time Severity Rate	Number of lost days resulting from a lost time incident within a 12-month period, per thousand hours worked	0.05	0.04	0.06	0.03



## ENVIRONMENTAL DATA

GRI INDICATOR	DEFINITION	UNIT OF MEASURE	2010	2011	2012	2013	
<b>EN 3</b> (B)	Total	Total gas, fuel oil and vehicle fuel consumption	GigaJoules	907 367	774 500	754 415	711 780
	Gas	Gas consumption	GigaJoules	877 599	749 110	726 111	684 867
	Fuel oil	Fuel oil consumption	GigaJoules	29 332	24 354	28 017	26 634
	Fuel for utility vehicle	Vehicle fuel consumption	GigaJoules	436	1 036	287	278
<b>EN 4</b> (B)	Electricity	Electricity consumption	GigaJoules	556 161	516 724	531 093	531 565
<b>EN 5</b> (B)	Energy Saved	Energy saved due to conservation and efficiency improvements	GigaJoules	21 218	2 676	35 492	26 300
<b>EN 8</b> (B)	Water	Total water	m <sup>3</sup>	1 015 918	936 025	860 924	810 579
		Main water		651 573	596 755	646 067	655 991
		Ground and surface water		364 345	339 270	214 857	154 588
		Other		0	0	0	0
<b>EN 16</b> (B)	Direct & Indirect CO <sub>2</sub> emissions – Scope 1&2	Electricity	Tons CO <sub>2</sub>	52 341	46 450	43 306	39 350
		Gas		42 749	34 990	40 703	38 421
		Fuel		1 849	1 706	1 949	1 999
<b>EN 22</b> (B)	Waste disposal	Total waste	Tons	11 556	12 339	11 789	10 576
		Incinerated		1 235	3 098	3 091	1 749
		Re-used as liquid		2 923	3 187	2 503	2 088
		Solvent recycled by 3 <sup>rd</sup> party		2 577	2 785	3 525	3 063
		Packaging recycled by 3 <sup>rd</sup> party		1 524	1 359	954	966
		Recovered by other methods		1 636	544	667	2 069
		Not recovered		1 661	1 366	1 049	640
<b>EN 24</b>	Hazardous waste	Hazardous waste products as defined by locally applicable regulations	Tons	8 801	9 607	8 730	7 750
	Non-hazardous waste	Other solid waste (excluding emissions and effluents)	Tons	2 755	2 732	3 059	2 826

# 10. | Scope and reporting principles

## Scope

Data regarding people are consolidated for all UCB companies worldwide that are globally integrated into our financial consolidation, regardless of their activity (research or industrial sites, sales affiliates, headquarters).

A corporate tool “*UCB learning*” allowed consolidation of all trainings organized by UCB and followed by UCB employees with the exception of two sites where the tool has been launched in June and in November 2013 respectively, São Paulo (Brazil) and Zhuhai (China). The population not covered by this tool represents less than 3% of the total population.

Mandatory trainings, *i.e.*, Code of Conduct, Drug Safety and IT Security, however, are followed and consolidated for all UCB employees.

Alongside with Belgium and Japan the regional split is as following:

- ▶ EU-5: France, Germany, Italy, Spain and United Kingdom & Ireland
- ▶ Europe - other: Austria, Bulgaria, Czech Republic, Denmark, Finland, Greece, Hungary, Luxemburg, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Sweden, Switzerland
- ▶ Emerging markets (BRICMT): Brazil, Russia, India, China, Mexico and Turkey
- ▶ North America: United States and Canada
- ▶ Rest of the World (RoW): Australia, Hong Kong, Kazakhstan, South Korea, Ukraine

Occupational, Health and Safety data relate to the whole UCB population, excluding affiliates with less than 10 employees.

Planet data are consolidated for:

- ▶ all manufacturing sites and research sites
- ▶ sales affiliates from China, India, Italy, Japan, Mexico, U.S.
- ▶ headquarters in Belgium.

This scope covers 85% of UCB's workforce (same as previous year).

For each of these elements we state whether UCB's level of reporting covers the requirements fully or partially. Observations made during the data validation and consolidation:

1. In Atlanta and Monheim, there are rented facilities to third parties and there are no separate meters installed yet. As a consequence, utilities consumptions are overestimated but the impact of this overestimation cannot be reliably measured.
2. In Braine, diesel for utility vehicles is reported within fuel consumption as it is stored in the same tank and because it is difficult to estimate precisely the consumption related to utility vehicles.

3. The calculation of 2013 direct CO<sub>2</sub>-emissions for natural gas consumption is taking into account the high or low heating value and is using conversion factors published in the Intergovernmental Panel on Climate Change 2006 Guidelines for National Greenhouse Gas Inventories and the UK Department of Environment, Food and Rural Affairs 2013 Government GHG Conversion Factors. Emissions for gas reported previous years have not been updated in accordance with this new method.
4. Taking into account the growing percentage of electricity generated from renewable sources, CO<sub>2</sub>-emissions resulting from electricity consumption was calculated on specific CO<sub>2</sub> equivalents of the electricity mix consumed as reported by the UCB sites. When for a given site a specific ratio was not available, the International Energy Agency (IEA) 2013 ratio's were applied by default.

## Reporting Principles

In order to ensure uniformity and reliability of indicators used for all entities, UCB Group implemented the Global Reporting Initiative's G3.1. Sustainability Reporting Guidelines covering social factors, safety and environmental impact of a company's performance. UCB assessed themselves as a C+ reporter according to GRI-defined application levels.

These GRI G3.1 guidelines specify the indicator reporting methodologies to be used for UCB.

### ACCURACY

The UCB Corporate Health, Safety & Environment and Corporate Societal Responsibility departments are responsible for ensuring that all data are consolidated on the basis of information provided by the manufacturing and research sites as well as sales affiliates and administrative sites throughout the world.

HSE coordinators perform an initial validation of safety and environmental data prior to their consolidation. Corporate HSE and CSR also verify data consistency during consolidation. These validations include data comparisons from previous years as well as careful analysis of any significant discrepancies.

Social data regarding the workforce are extracted from global IT HR systems used as management control database for UCB worldwide.

### RELIABILITY

In order to obtain an external review of the reliability and thoroughness of our data and reporting procedures, KPMG is asked to perform specific verification of selected social and HSE indicators, appearing in tables pages 150-153. Their assurance statement, describing the work performed as well as their comments and conclusions, appears on page 155.

In UCB, we will continue to enhance the reliability of data collection and further strengthen reporting processes.



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## Independent Limited Assurance Report on the UCB Corporate Societal Responsibility Performance Report 2013

To the Board of directors of UCB SA

We were engaged by the Board of directors of UCB SA ("the Company" or "UCB") to provide limited assurance on selected indicators for the year 2013 in the UCB's Corporate Societal Responsibility Performance Report 2013 (the "CSR Report").

### UCB's Responsibilities

The Board of directors of UCB SA (the "Company") is responsible for the preparation and presentation, of the selected indicators for the year 2013 marked with a Greek small letter beta (β) (the "Subject Matter Information") in the CSR Report in accordance with the Sustainability Reporting Guidelines G3.1 of the Global Reporting Initiative supported by internally developed reporting principles, definitions and units of measure as set out on pages 150 to 154 of the CSR Report (the "Reporting Criteria") and for the determination of the GRI Application Level.

This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the Subject Matter Information free from material misstatement, whether due to fraud or error. It also includes selecting and developing the Reporting Criteria, making judgments and estimates that are reasonable in the circumstances, and maintaining adequate processes and records in relation to the Subject Matter Information.

### Our Responsibilities

Our responsibility is to examine the Subject Matter Information prepared by UCB and to report thereon in the form of an independent limited assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. That standard requires that we comply with ethical requirements, including independence requirements, and that we plan and perform our procedures to obtain a meaningful level of assurance about whether the Subject Matter Information is prepared and presented in all material respects in accordance with the Reporting Criteria, as the basis for our limited assurance conclusion.

The procedures selected depend on our understanding of the Subject Matter Information and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise.

Our engagement also included assessing the appropriateness of the Subject Matter Information, the suitability of the Reporting Criteria used by the Company in preparing the Subject Matter Information in the circumstances of the engagement, evaluating the appropriateness of the methods, policies and procedures used and the reasonableness of the estimates made by UCB.

In addition, we were asked to verify whether UCB's GRI Application Level as disclosed on page 154 of the CSR Report is consistent with the GRI criteria for the disclosed Application Level (the "Application Level Criteria").

Limited assurance is less than reasonable assurance. Evidence-gathering procedures for a limited assurance engagement are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We do not provide any assurance on the achievability of the objectives, targets and expectations of UCB.

Our engagement procedures performed included:

- interviews with relevant staff and management at corporate and local level;
- site visits in Belgium and UK to review the source data and the design and implementation of internal controls at the level of these two sites which have been selected by us on the basis of a risk analysis including the consideration of both quantitative and qualitative criteria;
- inspecting internal and external documentation as appropriate; and
- analytical review procedures on the data submitted for consolidation at group level.

With respect to our work on the disclosed GRI Application Level, our procedures were limited to verifying whether the GRI Content Index is consistent with the criteria for the disclosed Application Level and that the relevant information is publicly reported.

### Reporting Criteria

UCB applies the Sustainability Reporting Guidelines G3.1 of the Global Reporting Initiative supported by internally developed reporting principles, definitions and units of measure as set out on pages 150 to 154 of the CSR Report. It is important to view the performance data in the context of these criteria.

### Conclusion

Based on the procedures performed, as described in this report, nothing has come to our attention that causes us to believe that the selected indicators for the year 2013 marked with a Greek small letter beta (β) in the UCB's CSR Report 2013, have not been prepared, in all material respects, in accordance with the Reporting Criteria.

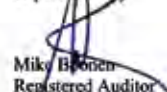
### Report on GRI Application Level

Based on the procedures performed we conclude that the Application Level C+ as disclosed on page 154 and based on the GRI Content Index as disclosed on pages 150 to 151 in the UCB's CSR Report 2013 is consistent with the Application Level Criteria.

Kontich, 25 February 2014

KPMG Bedrijfsrevisoren Burg, CVBA

Represented by

  
 Miky Boonen  
 Registered Auditor

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises, a Belgian civil CVBA/SCRL and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (KPMG International) a Swiss entity

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## Financial calendar 2014

24 April	Annual general meeting
24 April	Interim report
30 July	2014 half-year financial results
24 October	Interim report

## 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. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors 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. 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, or circumstances on which any such statement is based, unless such statement is required pursuant to applicable laws and regulations.

### Official 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. In the event of any differences in translations or interpretations, the French version shall prevail.

### Availability of the Annual Report

The Annual Report is as such available on the website of UCB ([www.ucb.com](http://www.ucb.com)). Other information on the website of UCB or on any other website, does not form part of this Annual Report.

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