



UCB SA

**Statutory auditor's report to the general
shareholders' meeting for the year ended
31 December 2017**

21 February 2018



STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF THE COMPANY UCB SA FOR THE YEAR ENDED 31 DECEMBER 2017

We present to you our statutory auditor's report in the context of our statutory audit of the annual accounts of UCB SA (the "Company"). This report includes our report on the audit of the annual accounts, as well as the report on other legal and regulatory requirements. These reports form part of an integrated whole and are indivisible.

We have been appointed as statutory auditor by the general meeting *d.d.* 30 April 2015, following the proposal formulated by the board of directors and following the recommendation by the audit committee and the proposal formulated by the works' council. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2017. We have performed the statutory audit of the annual accounts of UCB SA for 21 consecutive years.

Report on the audit of the annual accounts

Unqualified opinion

We have performed the statutory audit of the annual accounts of the Company, which comprise the balance sheet as at 31 December 2017, and the profit and loss account for the year then ended, and the notes to the annual accounts, characterised by a balance sheet total of EUR 7.970.205.375 and a profit and loss account showing a profit for the year of EUR 36.323.515.

In our opinion, the annual accounts give a true and fair view of the Company's net equity and financial position as at 31 December 2017, and of its results for the year then ended, in accordance with the financial-reporting framework applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "*Statutory auditor's responsibilities for the audit of the annual accounts*" section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the annual accounts in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of investments in subsidiaries and associates

Area of focus

The Company has investments in subsidiaries (#280) for EUR 4.797.799.212 (31 December 2016 – EUR 4.767.452.752) and in associates (#282) for EUR 15.126.590 (31 December 2016 – EUR 15.126.590).

The carrying values of investments in subsidiaries and associates are contingent on future cash flows that will be generated by the underlying legal entities. If these cash flows do not meet the expectations, there is risk that these assets will be impaired. The impairment reviews performed by Company contain a number of significant judgements and estimates including revenue growth, the success of new product launches, patent expiry dates, profit margins and discount rate.

How our audit addressed the area of focus

We performed the following procedures to assess the carrying values of the investments:

- We compared the carrying value of each individually material investment to the total equity of the concerned legal entity. We discussed with management, for these entities, the current year financial performance and the expected business developments;
- For those entities for which the total equity is lower than the carrying value or for which the business development is expected to be negatively impacted by certain events, decisions or trends, we obtained the impairment analyses based on a discounted cash flow model and tested the reasonableness of the methodology and the key assumptions. These assumptions include profit and cash flow developments, the impact of product portfolio changes, pricing impacts and the selection of discount rates.

As a result of our work, we determined that the carrying values of investments in subsidiaries and associates remain appropriate and we concur with management's conclusion that no impairment is required. We also concur with the impairment reversal of EUR 3.470.461 in the current year, which is supported by the impairment assessment of the related investment.

Responsibilities of the board of directors for the annual accounts

The board of directors is responsible for the preparation of annual accounts that give a true and fair view in accordance with the financial-reporting framework applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the board of directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.





Statutory auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report, the separate report on non-financial information and the other information included in the annual report as well as for the compliance with the legal and regulatory requirements regarding bookkeeping, with the Companies' Code and with the Company's articles of association.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard (Revised) which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report, as well as compliance with the articles of association and certain requirements of the Companies' Code and to report on these matters.

Aspects related to the directors' report

In our opinion, after having performed specific procedures in relation to the directors' report, this report is consistent with the annual accounts for the year under audit, and it is prepared in accordance with the articles 95 and 96 of the Companies' Code.

In the context of our audit of the annual accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you. We do not express any form of assurance conclusion on the directors' report.

The non-financial information is included in a separate report ("UCB Sustainability Report"). This report of non-financial information contains the information required by virtue of article 96, §4 of the Companies' Code, and agrees with the annual accounts for the same year. The Company has prepared the non-financial information, based on Global Reporting Initiative (GRI) G4. However, we do *not* express an opinion as to whether the non-financial information has been prepared, in all material aspects, in accordance with the Global Reporting Initiative (GRI) G4 as disclosed in the annual accounts. Furthermore, we do not express assurance on individual elements included in this non-financial information.

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Statement related to the social balance sheet

The social balance sheet, to be deposited in accordance with article 100, § 1, 6°/2 of the Companies' Code, includes, both in terms of form and content, the information required by virtue of the Companies' Code and does not present any material inconsistencies with the information we have at our disposition in our audit file.

Statement related to independence

- We did not provide services which are incompatible with the statutory audit of the annual accounts and we remained independent of the Company in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the annual accounts referred to in article 134 of the Companies' Code are correctly disclosed and itemized in the notes to the annual accounts.

Other statements

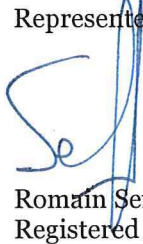
- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of results proposed to the general meeting complies with the legal provisions and the provisions of the articles of association.
- There are no transactions undertaken or decisions taken in breach of the Company's articles of association or the Companies' Code that we have to report to you.
- This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.
- In accordance with article 523 of the Companies' Code, we are also required to report to you on the decisions of the Board of Directors of 22 February 2017 relative to (1) the corporate results 2016 bonus pay-out, Long Term Incentive (LTI) award vesting and the 2017 targets, (2) the issuance of 826.000 stock options to approximately 350 employees with a vesting period of 3 years, (3) the allocation of 891.000 and 163.000 shares (or 1.054.000 shares in total) respectively to about 1.650 employees (Stock Awards) and to about 52 employees of upper management (Performance Share Plan), and (4) the CEO compensation and LTI, including the base salary as from 1 March 2017, bonus pay-out 2017 (performance 2016) and the LTI 2017.



These decisions were recorded in minutes, the text of which is taken in extenso in the directors' report on the consolidated financial statements. As explained in these minutes, the financial consequences of the decisions are that (1) the 2016 bonus pay-out based on the 2016 results (REBITDA), the REBITDA target for the 2017 bonus pay-out and the metrics used for the Performance Share Plan 2017-2019 (pay-out 2020) have been approved, (2) the issuance of 826.000 stock options in 2017 represents a cost to the company that corresponds to the difference between the purchase price of own shares by the company and the price of resale of these shares to the beneficiary upon exercise of the options, (3) the allocation of 1.054.000 shares (Stock Awards and Performance Share Plan) represents a cost to the company that corresponds to the value of the UCB shares at the time of vesting (vesting period of 3 years), and (4) the annual base pay of the CEO will be EUR 1.046.220 as from 1 March 2017, the CEO bonus pay-out 2017 (performance 2016) will be EUR 1.226.409, and the CEO LTI will be 39.273 stock options (vesting period of 3 years and 8 months), 10.804 stock awards (3 years vesting period) and 22.355 performance shares (3 years vesting period).

Brussels, 21 February 2018

The Statutory Auditor
PwC Reviseurs d'Entreprises scrl / Bedrijfsrevisoren bevb
Represented by



Romain Seffer*
Registered Auditor

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