

UCB Pharma Limited

Annual Report and Financial Statements for the
year ended 31 December 2020

Company registration number: 00209905



UCB Pharma Limited
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their Strategic Report of UCB Pharma Limited (the "Company") for the year ended 31 December 2020, detailing the main factors impacting upon the business during the year and a review of progress.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The Company is a member of the UCB Group which is a multinational bio-pharmaceutical company.

The principal activity of the Company, registered number 00209905, is the sale and marketing of a range of branded speciality pharmaceutical products.

The first quarter of 2020 was notably marked by the start of Covid-19 pandemic which impacted the United Kingdom and the rest of the world. In March 2020 the British government decided, amongst others, to place the United Kingdom into total containment in order to prevent the spread of the virus. UCB continued to manufacture and supply all products during this period with no supply issues. There was very little financial impact of this event on the 2020 results of the Company. Some patients who were not able to see specialists were impacted as they were unable to start new treatments and our new patient starts were impacted, however this was offset by less patients dropping off our treatments due to the same reasons.

The Company made a profit before taxation of £11.6 million (2019: £53.9 million), and has net assets of £76.4 million (2019: £114.5 million) at the Balance Sheet date. The lower profit is due to the gain (£48m) made in 2019 with the transfer of Xyrem to group company.

Turnover increased during the year by 16% to £128 million (2019: £111 million). This was due to the growth in net sales of our underlying core products Cimzia by 13%, Vimpat by 17%, Neupro by 22% and Briviact by 15%. This was partially offset by a reduction in sales our established brand portfolio where net sales fell by 20%.

RISKS AND UNCERTAINTIES

A global Risk Management policy, applicable for the whole UCB Group and its affiliates worldwide, describes the UCB Group's commitment to provide an effective risk management system across the company in order to minimise its exposure to risks that could threaten the UCB Group's corporate objectives.

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

The main risks faced by the Company relate to financial risks, in particular pricing and foreign exchange risk. In order to mitigate these, the Company conducts financial risk assessments on a regular basis.

In particular the pricing of products in the United Kingdom are reviewed both in relation to pricing competition and cost benefit (health economics) analyses. The Company believes it operates within the guidelines set out by the various competent authorities, particularly the United Kingdom Department of Health (DOH) under the 2019 Voluntary Scheme for Branded Medicines Pricing and Access (VPAS).

The Company is a member of the Scheme, which aims to limit the growth in the DOH branded medicine budget over a five year period. A percentage of sales rebates is payable to the DOH during 2019 - 2023 based on the previous years growth in the branded medicine spend. For 2021 this percentage is 5.1%, and for 2020 it was 5.9%. The Company is also a member of the Association of the British Pharmaceutical Industry (APBI) which undertakes these negotiations with the DOH.

The Company's performance is impacted by parallel trade. Management will be monitoring the parallel trade situation closely as there maybe changes in trading following the United Kingdom's exit from the European Union at the end of 2020.

Other insurable risks are insured by the Company to the extent that the Directors consider appropriate having due regard to the considered impact from said risk.

BREXIT IMPACTS

The Directors continue to monitor the risks as a result of the decision on the part of the UK to leave the European Union (Brexit) as the Company's turnover is currently mainly derived from the direct sale of pharmaceutical products supplied from Europe. This includes monitoring the impact of the current trade deal negotiated at the end of 2020. Under this deal there is expected to be no impact to the supply of pharmaceutical products to mainland United Kingdom, however there are expected implications to the supply to Northern Ireland. There is currently during 2021 an additional transition period for the supply of pharmaceutical products to Northern Ireland which will end on 1st of January 2022. During 2021 the company will assess how best to supply Northern Ireland given the changes in legislation.

COMPLIANCE

Compliance with all applicable laws, regulations and conducting business in an ethical manner always remains a top priority. In the financial year 2020, no major compliance issues were identified. Previous audits have repeatedly indicated that the current compliance systems are robust and adequate to meet with the current regulatory requirements.

The UCB Group is committed to conducting its worldwide business in such a manner that it protects the health and safety of people and preserves the environment. The Company is committed to ensuring the health, safety and welfare of all its employees and other persons involved in our business operations. It is therefore Company policy to manage its activities to ensure compliance to legal obligations as well as avoid unacceptable risks to persons and the environment in which we operate.

SECTION 172 (1) STATEMENT

The directors have a duty to promote the success of the Company which is a key consideration when determining the Company's strategy. The Directors ensure they have suitable access to information to allow them to make informed business decisions and the directors consider whether they possess sufficient information regarding the stakeholder interests which are affected by their actions. In instances when the directors do not have all the information relevant to a decision, it is important to consider the expertise of others and care is taken to assess the source, quality and quantity of all information available.

Delivering UCB's strategy requires strong mutually beneficial relationships with suppliers, customers, government, National Health Authorities and other partners. The Company seeks the promotion and application of certain general principles in such relationships. The ability to promote these principles effectively is an important factor in the decision to enter into or remain in such relationships and this alongside other standards are reviewed and approved by the Board periodically.

The Board also reviews and approves UCB's approach to suppliers which is set out by UCB's Global purchasing function. The businesses continuously assess the priorities related to customers and those with whom we do business, and the Board engages with the businesses on these topics, for example, within the context of business strategy updates and investment proposals.

Moreover, the Directors receive information updates on a variety of topics that indicate and inform how these stakeholders have been engaged. These range from information provided from the Purchasing function (on suppliers and supplier contract management topics) to information provided by the businesses (on customers for example, business strategies, projects and investment or divestment proposals).

The Directors aim to attract and retain talented employees from diverse backgrounds and industries by building a world-class culture based on integrity, respect and inclusion in which people have opportunities to do purpose-driven work that impacts customers, communities and co-workers globally.

KEY PERFORMANCE INDICATORS (KPI'S)

The Company uses a series of Key Performance Indicators (KPI's), such as debtor days, stock days and gross profit margin to measure the performance of the Company. As a result debtors are on terms of 60 days credit and stocks are targeted at limits of eight weeks need. Targets are set for gross margin on a product by product line basis. All KPI's are reviewed on a daily to monthly basis by the Directors to ensure that the Company is meeting its performance criteria and operating overall in line with the UCB Group policies and strategies.

| | 2020 | 2019 |
|---------------------|-----------------|-------------|
| Debtor days | 80 days | 67 days |
| Stock days | 158 days | 157 days |
| Gross profit margin | 49.1% | 50.7% |

Stock days have remained high due to stock holdings to cover for Brexit uncertainties. Debtor days have increased slightly due to high level of sales in the last two months of 2020. Gross profit margin decreased by 1.6% in the current year. This is mainly due to the fall in net sales of the established brand portfolio, which traditionally has a higher gross margin.

On behalf of the board:



Y Khatri
Director

Date: 04/05/2021

UCB Pharma Limited
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors are responsible for preparing the Strategic Report, the Directors' Report and audited financial statements of the Company for the year ended 31 December 2020 (referred to as "2020" and "year" throughout the financial statements).

FINANCIAL RISK MANAGEMENT

The Company is exposed to various financial risks arising from its operations and UCB Group corporate finance activities. The Group manages, on behalf of the subsidiaries, these financial risks. These financial risks are market risk (including currency risk, interest risk and price risk), credit risk and liquidity risk.

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 Company's Statement of Comprehensive Income. 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.

Foreign exchange risk

The Company as part of the UCB Group operates across the world and is exposed to movements in foreign currencies affecting its net income and financial position, as expressed in Sterling. 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.

Interest rate risk

Changes in interest rates may cause variations in interest income and expenses resulting from interest bearing assets and liabilities. The Group uses interest rate derivatives to manage its interest rate risk.

Price risk

There is a price risk on non-patented products such as Keppra, whereby competition with generic products puts downwards pressure on prices. For patented products, profit margins are determined by the VPRS scheme.

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 Company. Trade receivables are subject to a policy of active risk management, which focuses on the assessment of country risk, credit availability, ongoing credit evaluation and account monitoring procedures.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's liquidity risk is managed by the Group. 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 unutilised revolving committed credit facilities at its disposal.

RESEARCH AND DEVELOPMENT

Research and development expenditure of £0.4 million (2019: £2.9 million) is mainly in relation to the on going development and clinical trials of Xyrem.

FUTURE DEVELOPMENTS

In 2021 the Company expects to continue to grow its current portfolio of Cimzia, Neupro, Vimpat and Briviact ('CNVB') product sales and Evenity which was approved in 2020. The Company expects to launch new products in the coming years as the R&D portfolio gains approvals.

EMPLOYEE ENGAGEMENT

In 2020 the Company employed 171 (2019: 168) staff, for further detail see note 6.

The UCB Group measures employee engagement through "UCB Voices", our internal global employee engagement survey which runs on a bi-annual basis and "Pulse" which is run in between years to get timely feedback on specific focus areas, to gauge whether or not initiatives that have been put in place following UCB Voices are effective.

In 2020, we ran a global UCB Voices survey to obtain feedback on our strategy, confidence in the future, our feedback culture and our commitment to Diversity, Equality and Inclusion. This also coincided with the emergence of the Coronavirus pandemic in the UK and provided insight into the early impact on our colleagues.

We were very encouraged by an employee engagement score of 87% within an uncertain environment.

Key highlights from the 2020 UCB Voices survey were; pride in working for UCB remains high and increased from 80% in our last Voices survey to 93% in 2020; 87% of our employees strongly believe that UCB fosters diversity and inclusion. Areas for improvement included timely decision making (29% favourable) and awareness of learning and development opportunities.

In 2020, we made significant efforts to widen our wellbeing support and offered access to regular wellbeing sessions spanning mindfulness, resilience and physical exercise. In addition, we partnered with our Occupational Health Teams to provide our teams with confidential access to trained counsellors in support of their mental health through an evolving crisis. Against the backdrop of growing unrest relating to social injustices globally, we tailored our Diversity & inclusion agenda to include focused trainings on Unconscious Bias and the importance of standing as allies to those facing unjust levels of adversity.

UCB Pharma Limited
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

EMPLOYEE ENGAGEMENT (CONTINUED)

In October 2020, the UK leadership team announced the acquisition of an exciting new UK site in Windlesham in the summer of 2020. Whilst in early stages of planning, the full move of UCB Pharma staff is anticipated by 2024. JC Tellier (CEO of UCB Sa) has defined the site as supporting not only UCB's future drug discovery ambitions and commitment to the UK, but also providing an environment which supports the physical and mental wellbeing of our people.

In April we published our 2nd Gender Pay Gap report including our plans to address our gap over the coming years. UCB has made Diversity and Inclusion a strategic business objective with the ambition to "inspire a culture of inclusion by embracing diverse talents, motivating our people, leveraging diversity of thought and experience, and creating value for patients". In the UK we have D&I sponsors from various parts of the business engaged in our Diversity and Inclusion journey.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

SUPPLIERS, CUSTOMERS AND OTHERS

In the Strategic report, within the Section 172 (1) Statement on pages "1&2", the Directors have summarised how they have engaged with suppliers, customers and others in a business relationship.

DIRECTORS

The Directors, who held office during the year and up to the date of signing the Financial Statements, unless otherwise stated, are listed below:

M G Hardy (Company Secretary)
S Price
Y Khatri
D Coombes (resigned 1st January 2021)
I Villa
Claire Brading (appointed 1st January 2021)

No director held any interest in the share capital of the Company. No director had a material interest in any contract to which the Company was a party during the financial year.

DIVIDENDS

The Directors have proposed a final dividend and was duly paid in respect of the current financial year of £48,600,000 (2019: 16,450,000).

DIRECTORS' INDEMNITIES

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

GOING CONCERN

The Directors consider that the Company has adequate resources to continue in business for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the Financial Statements.

POST BALANCE SHEET EVENTS

There has been no reportable post balance sheet events.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

INDEPENDENT AUDITORS

Pursuant to Section 487 of the Companies Act 2006, Auditors will be deemed to be appointed.

STREAMLINED ENERGY AND CARBON REPORTING

In line with the mandatory Streamlined Energy and Carbon Reporting (SECR) requirements, the Company's energy use and associated greenhouse gas (GHG) emissions have been totalled for the financial year 1st January to 31st December 2020, data is presented in the table below. This covers all aspects of the Company, using the financial control approach in keeping with the financial accounts reporting.

UCB Pharma Limited
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

STREAMLINED ENERGY AND CARBON REPORTING (CONTINUED)

Energy consumption and gas emission

| | |
|--|--------------------------|
| Energy Consumption | kWh |
| Natural Gas | 0 |
| Electricity | 0 |
| Fuel for Generators | 0 |
| Fuel for Transport | 160,161 |
| Total Energy Consumption | 160,161 |
| Scope 1 emissions | tonnes CO ₂ e |
| Natural Gas | 0 |
| Fuel for Generators | 0 |
| Company-owned/controlled vehicles | 0 |
| Total Gross Scope 1 Emissions | 0 |
| Scope 2 emissions | tonnes CO ₂ e |
| Purchase of electricity (location-based) | 0 |
| Purchase of electricity (market-based) | 0 |
| Total Gross Scope 2 Emissions | 0 |
| Scope 3 emissions | tonnes CO ₂ e |
| Electricity Transmission and Distribution Losses | 0 |
| Leased and Private/rented vehicles on company business | 39.80 |
| Total Gross Scope 3 Emissions | 39.80 |
| Total Gross Emissions (tonnes CO₂e) | 39.80 |
| Intensity Ratio (tonnes CO₂e/FTE) | 0.233 |

Methodology

The SECR was assembled following the 2019 UK Government Environmental Reporting Guidelines, and the GHG Protocol Corporate Standard. Emissions are reported in terms of the metric tonne of carbon dioxide equivalent (tonnes CO₂e), using the conversion factors as taken from the 2020 UK Government GHG Conversion Factors for Company Reporting.

Activity data covers the financial control boundary of reporting. The Company has financial control over the business travel operation which is fully consolidated in the financial statements. The leased properties used under this subsidiary and their associated energy consumption and carbon emissions are reported under a separate reporting within Celltech Group Ltd.

Travel in leased and private/rental vehicles was provided as a mileage figure. The mileage was multiplied by the appropriate kWh and carbon factors for a medium-sized car with the fuel type unknown to calculate its associated GHG emissions.

The Company has calculated intensity ratios based on the number of full-time employees averaged over the reporting year.

UCB Pharma Limited
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

STREAMLINED ENERGY AND CARBON REPORTING (CONTINUED)

Energy Efficiency Action

Transport related emissions for 2020 were atypically low due to significant reductions in business travel during the COVID-19 pandemic, these are anticipated to increase in future reporting periods. The Company has provided advanced driver training for employees with significant driving responsibilities, that includes training in energy efficient driving. The Company promotes electric vehicle usage by offering their employees free electric charging with 26 charging points available at the Slough site. The Company has ambition to use hybrid/electric fleet vehicles for their business travel in future.

On behalf of the board:



Y Khatri
Director

208 Bath Road
Slough
Berkshire
United Kingdom
SL1 3WE

Date: 04/05/2021

UCB Pharma Limited**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with the applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

On behalf of the board:

Y Khatri
Director



208 Bath Road
Slough
Berkshire
United Kingdom
SL1 3WE

Independent auditors' report to the members of UCB Pharma Limited

Report on the audit of the financial statements

Opinion

In our opinion, UCB Pharma Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2020; the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the members of UCB Pharma Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 (UK) 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 financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Independent auditors' report to the members of UCB Pharma Limited (continued)

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation, employment regulation and other legislation specific to the industry in which the company operates, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate revenue or expenses and management bias in determining accounting estimates. Audit procedures performed by the engagement team included:

- Discussion with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates and judgements, in particular in relation to the impairment of intangible assets and the completeness of the customer rebates accrual; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

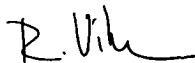
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Radek Vik (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
4 May 2021

UCB Pharma Limited
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note | 2020 £'000 | 2019 £'000 |
|---|------|----------------|---------------|
| Turnover | 3 | 128,391 | 110,763 |
| Cost of sales | | (65,299) | (60,070) |
| Gross profit | | 63,092 | 50,693 |
| Administrative expenses | | (52,129) | (45,864) |
| Operating profit | 4 | 10,963 | 4,829 |
| Analysed as: | | | |
| Operating profit before goodwill impairment loss | | 13,250 | 9,221 |
| Goodwill impairment loss | 10 | (2,287) | (4,392) |
| Profit before gain on disposal of intangible assets, interest and taxation | | 10,963 | 4,829 |
| Gain on disposal of intangible assets | 10 | - | 48,653 |
| Interest receivable and similar income | 7 | 647 | 3,466 |
| Interest payable and similar expenses | 8 | (38) | (3,042) |
| Profit before taxation | | 11,572 | 53,906 |
| Tax on profit | 9 | (2,838) | (5,265) |
| Profit for the financial year | | 8,734 | 48,641 |
| Total other comprehensive income for the year | | - | - |
| Total other comprehensive income for the year | | 8,734 | 48,641 |

The notes on pages 14 to 27 form an integral part of these Financial Statements.

All results derive from continuing operations.

There is no material difference between the profit before taxation and the total comprehensive income for the year stated above and their historical cost equivalents.

UCB Pharma Limited
BALANCE SHEET
AT 31 DECEMBER 2020

| | Note | 2020 £'000 | 2019 £'000 |
|--|------|----------------------|-----------------------|
| Fixed assets | | | |
| Intangible assets | 10 | - | 2,287 |
| Right-of-use assets | 11 | 204 | 274 |
| | | <u>204</u> | <u>2,561</u> |
| Current assets | | | |
| Stocks | 12 | 28,356 | 26,564 |
| Debtors | 13 | 95,431 | 144,627 |
| Cash at bank and in hand | | 2,684 | 2,734 |
| | | <u>126,471</u> | <u>173,925</u> |
| Creditors: amounts falling due within one year | 14 | (50,199) | (61,635) |
| Net current assets | | <u>76,272</u> | <u>112,290</u> |
| Total assets less current liabilities | | 76,476 | 114,851 |
| Creditors: amounts falling due after more than one year | 15 | (96) | (170) |
| Provisions for liabilities | 17 | (30) | (148) |
| Net assets | | <u>76,350</u> | <u>114,533</u> |
| Capital and reserves | | | |
| Called up share capital | 19 | - | - |
| Share premium account | | 55,000 | 55,000 |
| Other reserves | | 1,550 | 1,550 |
| Profit and loss account | | 19,800 | 57,983 |
| Total Shareholders' funds | | <u>76,350</u> | <u>114,533</u> |

The notes on pages 14 to 27 form part of these Financial Statements.

The Financial Statements on pages 11 to 27 were approved on behalf of the board on 04/05/2021 and were signed on its behalf by:



Y Khatri
Director

COMPANY REGISTERED NUMBER: 00209905

UCB Pharma Limited
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

| | Called up share capital £'000 | Share premium account £'000 | Other reserve £'000 | Profit and loss account £'000 | Total Shareholders' funds £'000 |
|--|--|--|--------------------------------|--|--|
| Balance at 1 January 2019 | - | 55,000 | 1,550 | 24,631 | 81,181 |
| Total comprehensive income for the year | | | | | |
| Profit for the financial year | - | - | - | 48,641 | 48,641 |
| Total comprehensive income for the year | - | - | - | 48,641 | 48,641 |
| Transactions with owners, recorded directly in equity | | | | | |
| Equity-settled share based payments | - | - | - | 1,394 | 1,394 |
| Deferred tax on equity-settled share based payments | - | - | - | (233) | (233) |
| Dividends | | | | (16,450) | (16,450) |
| Total transactions with owners, recognised directly in equity | - | - | - | (15,289) | (15,289) |
| Balance at 31 December 2019 and 1 January 2020 | - | 55,000 | 1,550 | 57,983 | 114,533 |
| Total comprehensive income for the year | | | | | |
| Profit for the financial year | - | - | - | 8,734 | 8,734 |
| Total comprehensive income for the year | - | - | - | 8,734 | 8,734 |
| Transactions with owners, recorded directly in equity | | | | | |
| Equity-settled share based payments | - | - | - | 1,339 | 1,339 |
| Deferred tax on equity-settled share based payments | - | - | - | 344 | 344 |
| Dividends | | | | (48,600) | (48,600) |
| Total transactions with owners, recognised directly in equity | - | - | - | (46,917) | (46,917) |
| Balance at 31 December 2020 | - | 55,000 | 1,550 | 19,800 | 76,350 |

UCB Pharma Limited
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1 ACCOUNTING POLICIES

BASIS OF PREPARATION

UCB Pharma Limited ("the Company") is a private company limited by shares and is incorporated in England and Wales and domiciled and registered in Berkshire, United Kingdom. The registered number is 00209905 and the registered address is 208 Bath Road, Slough, Berkshire, SL1 3WE.

The principal activity of the Company is the sale and marketing of a range of branded speciality and generic pharmaceutical products.

These Financial Statements were prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, UCB S.A. includes the Company in its consolidated Financial Statements. The consolidated Financial Statements of UCB S.A. are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Celltech Group Limited, 208 Bath Road, Slough, Berkshire, SL1 3WE.

In these Financial Statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of Paragraph 38 of IAS 1, 'Presentation of financial statements' - comparative information requirements in respect of:
 - i) Paragraph 79(a)(iv) of IAS 1;
 - ii) Paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
 - iii) Paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- with respect to IFRS 15 disclosure exemptions from the second sentence of paragraph 110, and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129; and
- majority of the disclosures in respect of share based payments required under IFRS 2, as outlined in FRS101 paragraph 8(a).

As the consolidated Financial Statements of UCB S.A. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- The disclosures required by IFRS7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of a trading portfolio or derivatives; and
- The disclosures required by IAS36 paragraph 134 (d) to 134 (f), Impairment of assets.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the Financial Statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

SHORT TERM LEASES AND LEASES OF LOW-VALUE ASSETS

The Company has elected not to recognise right-to-use assets and lease liabilities for short-term leases of equipment/machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ACCOUNTING CONVENTION

The Financial Statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom, except that the following assets and liabilities that are stated at their fair value: derivatives are measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 ACCOUNTING POLICIES (CONTINUED)

GOING CONCERN

The Directors consider that the Company has adequate resources to continue in business in the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the Financial Statements

TURNOVER AND INCOME RECOGNITION

Turnover is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns, rebates, sales taxes and value added taxes. The Company recognises revenue when performance obligations have been satisfied and for the Company this is when the goods have transferred to the customer and the customer has control of these. The Company's activities are described in detail below. The Company bases its estimate of return and rebates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of goods

The Company sells a range of branded and speciality and generic pharmaceutical products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The pharmaceutical products are often sold with rebates based on sales of branded products used in generic product prescriptions. Turnover from these sales is recognised based on the price specified in the contract, net of the actual and estimated rebates. Accumulated experience is used to estimate and provide for the rebates, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A rebate liability (included in Accruals and deferred income) is recognised for expected rebates payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 60 days, which is consistent with market practice. The Company's obligation to replace faulty products under the standard warranty terms is recognised as a provision.

A debtor is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Royalty income

Royalties are recognised on an accruals basis in accordance with the substance of the relevant agreement.

INTEREST RECEIVABLE AND PAYABLE

Interest receivable and payable are recognised on an accruals basis.

DIVIDENDS

Dividends receivable are recognised at the date on which their payment becomes irrevocable. Dividend distributions to the Company shareholders are recognised in the period in which the dividends are approved by the shareholders.

FOREIGN CURRENCY TRANSLATION

Transactions denominated in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling on the Balance Sheet date and the gains or losses arising on translation are dealt with through the Statement of Comprehensive Income in the period in which they arise. Foreign currency differences are recognised within finance income or expense.

DEFERRED TAXATION

Deferred taxation is provided on timing differences that have originated but not reversed by the Balance Sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which the asset can be utilised.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax is measured on an undiscounted basis.

UCB Pharma Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

1 ACCOUNTING POLICIES (CONTINUED)

LEASE ASSETS

The Company leases several cars in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows.

- Motor vehicles - 3 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

INTANGIBLE ASSETS

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. The Company does not amortise goodwill, but reviews it for impairment on an annual basis or wherever there are indicators of impairment. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act.

Other intangible assets

Other intangible fixed assets comprise certain acquired separable brands, licences, trademarks and patents and are valued at historical cost or the fair value attributed at the time of acquisition. Amortisation is provided so as to write off these assets from the point of first commercial sale of product relating to the assets acquired over their estimated useful economic lives, generally over a period of fifteen years unless a lesser period is appropriate to a specific asset. Amortisation of intangible assets is included with Administrative expenses line in the P&L.

STOCKS

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis and is calculated as the average direct cost of production plus attributable overheads. Obsolete stock is fully provided for and any stock older than three months is provided for at a rate of ten percent of its cost of production plus attributable overheads.

OPERATING LEASES

Operating lease rental costs are charged to the Statement of Comprehensive Income on a straight line basis.

EMPLOYEE BENEFITS

The Company participates in contributory and non-contributory defined benefit and defined contribution pension schemes covering the majority of its employees.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is another member of the group. The Company then recognises a cost equal to its contribution payable for the period. Contributions are paid to the scheme in accordance with the recommendations of independent actuaries.

Share-based payment transactions

The Company participates in the ultimate parent's stock option plan and share award plan, both of which are equity-settled. The services rendered by the employees as consideration for stock options are recognised as an expense with a corresponding entry to equity. The expense corresponds to the fair value of the stock options granted and is charged to profit before interest and taxation on a straight-line basis over the vesting period of the plan. The fair value of the stock option plan is measured at the grant date using the Black-Scholes valuation model taking into account the expected life and cancellation rate of the options. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the Statement of Comprehensive Income, and a corresponding adjustment to equity over the remaining vesting period.

UCB Pharma Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

1 ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS

i) Recognition and initial measurement

Trade debtors are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade debtor without a significant financing component is initially measured at the transaction price.

ii) Classification and subsequent measurement

Financial assets

a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

The Company's financial assets include intercompany loans and cash, classified as measured at amortised cost and investments in subsidiaries carried at cost less impairment.

b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method.

The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

UCB Pharma Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

1 ACCOUNTING POLICIES (CONTINUED)

iii) Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income and contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

NON-DERIVATIVE FINANCIAL INSTRUMENTS

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other debtors.

To measure the expected credit losses, trade and other debtors have been grouped based on shared credit risk characteristics and the days past due.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

The carrying amount less impairment of the carrying amount of trade receivables and the carrying amount of 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 Company for similar financial instruments.

UCB Pharma Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

1 ACCOUNTING POLICIES (CONTINUED)

DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments to hedge its exposure to foreign exchange arising from operational activities. These are carried at fair value through profit or loss. The Company does not engage in speculative transactions.

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 Company uses a variety of methods and makes assumptions that are based on market conditions existing at each Balance Sheet date. 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 Company has not applied hedge accounting and all derivatives are measured at fair value through profit and loss.

LEASES

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of 'plant and equipment and lease liabilities in 'loans and borrowings' in the statement of financial position.

PROVISIONS

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

UCB Pharma Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

2 ACCOUNTING ESTIMATES AND JUDGEMENTS

Tax positions

The Company operates in complex legal and tax regulatory environments. The income tax positions taken are considered by the Company to be supportable and are intended to withstand challenge from tax authorities. However, it is accepted that some of the positions are uncertain and include interpretations of complex tax laws as well as transfer pricing considerations which could be disputed by tax authorities. A liability is recorded for each item that is not probable of being sustained on examination by the tax authorities based on all relevant information. The liability is calculated by the entity as the single best estimate of the current tax it expects to pay. These estimates are based on facts and circumstances existing at the end of the reporting period. The tax liability and income tax expense include penalties and late payment interests arising from tax disputes.

The recognition of deferred tax assets is based upon whether it is probable that sufficient taxable profits will be available in the future against which the reversal of temporary differences can be used.

Goodwill

Goodwill is reviewed for impairment at least annually. To assess if there is any impairment, estimates are made of the future cash flows expected to result from the use of these assets. 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.

3 TURNOVER

| | 2020 £'000 | 2019 £'000 |
|---|----------------|----------------|
| <i>Turnover by destination</i> | | |
| United Kingdom | 115,185 | 96,684 |
| Rest of Europe | 12,727 | 13,931 |
| Rest of the world | 479 | 148 |
| | 128,391 | 110,763 |
| <i>Turnover by activity</i> | | |
| Direct sales of pharmaceutical products | 115,623 | 110,669 |
| Royalties | 94 | 94 |
| Service income | 12,674 | - |
| | 128,391 | 110,763 |

All sales originate from the United Kingdom and are recognised at a point in time with the exception of Royalty Income which is recognised over time. Following the adoption of IFRS 15, the disaggregation shown above is still appropriate with no reclassification required.

4 PROFIT BEFORE INTEREST AND TAXATION

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Profit before interest and taxation is stated after charging: | | |
| Staff Costs (note 6) | 22,974 | 20,598 |
| Auditors' remuneration for the statutory audit of UCB Pharma Limited | 83 | 88 |
| Research and development expenditure | 365 | 2,983 |
| Goodwill impairment loss (note 10) | 2,287 | 4,392 |
| Depreciation on right of use assets (note 11) | 119 | 129 |
| Gain on disposal of right of use assets (note 11) | 9 | 10 |

UCB Pharma Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

5 DIRECTORS' EMOLUMENTS

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Aggregate emoluments | 457 | 407 |
| Company contributions to money purchase pension schemes | 63 | 84 |
| | <u>520</u> | <u>491</u> |

Highest paid director

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Aggregate emoluments | 259 | 219 |
| Company contributions to money purchase pension schemes | 11 | 34 |
| | <u>270</u> | <u>253</u> |

None of the Directors exercised their share options during the year (2019: nil). 2 Directors (2019: 2 Directors) were members of the Company pension scheme at the year end. 3 Directors (2019: 3 Directors) were paid by other group undertakings.

6 STAFF NUMBERS AND COSTS

The average monthly number of persons employed by the Company (including Directors) during the year, analysed by category, was as follows:

| | 2020 Number | 2019 Number |
|--|----------------|----------------|
| Sales and marketing, administration and distribution | 140 | 149 |
| Medical research and development | 31 | 19 |
| | <u>171</u> | <u>168</u> |

The aggregate payroll costs of these persons were as follows:

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Wages and salaries | 16,644 | 14,742 |
| Social security costs | 2,446 | 2,150 |
| Other pension costs | 2,545 | 2,312 |
| Cost of employee share schemes (note 20) | 1,339 | 1,394 |
| | <u>22,974</u> | <u>20,598</u> |

7 INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Net gain on financial instruments designated as fair value through profit or loss | - | 3,036 |
| Bank interest receivable | 14 | 40 |
| Interest receivable from group undertakings | 187 | 390 |
| Foreign exchange gain | 446 | - |
| | <u>647</u> | <u>3,466</u> |

UCB Pharma Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

8 INTEREST PAYABLE AND SIMILAR EXPENSES

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Net loss on financial instruments designated as fair value through profit or loss | 26 | - |
| Interest payable on bank loans and overdrafts | 9 | 18 |
| Foreign exchange losses | - | 3,022 |
| Bank charges | 3 | 2 |
| | 38 | 3,042 |

9 TAX ON PROFIT

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Current tax | | |
| UK corporation tax on profits of the year at 19% (2019: 19%) | 2,691 | 6,986 |
| Adjustments in respect of prior years | 350 | (1,793) |
| Total current tax | 3,041 | 5,193 |
| Deferred tax | | |
| Origination and reversal of temporary difference | (203) | 72 |
| Total deferred tax | (203) | 72 |
| Tax on profit | 2,838 | 5,265 |

Factors affecting the tax expense

The tax on profit assessed for the year is higher (2019: lower) than the standard rate of corporation tax in the United Kingdom 19% (2019: 19%). The differences are explained below:

Reconciliation of tax rate

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Profit for the year | 8,734 | 48,641 |
| Total tax expense | 2,838 | 5,265 |
| Profit before taxation | 11,572 | 53,906 |
| Tax using the UK corporation tax rate of 19% (2019: 19%) | 2,199 | 10,242 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 691 | 1,137 |
| Other deductible items | (4) | - |
| Share scheme deduction | (195) | (14) |
| Adjustments in respect of prior years | 350 | (1,793) |
| Patent box | - | (4,379) |
| Other | (203) | 72 |
| Total tax expense | 2,838 | 5,265 |

Factors that may affect future tax charges

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax asset at 31 December 2020 has been calculated at 19% (2019: 17%).

An intention to increase the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was announced in the UK Budget on 3 March 2021. Deferred taxes have been measured using appropriate rates substantively enacted at the balance sheet date.

UCB Pharma Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

10 INTANGIBLE ASSETS

| | Goodwill | | Brands, licenses trademarks and patents | Total |
|--|-------------------------|-------------------------------------|--|-----------------|
| | Keppra £'000 | Schwarz Pharma £'000 | £'000 | £'000 |
| Cost | | | | |
| Balance at 1 January 2020 | 27,157 | 57,399 | - | 84,556 |
| Balance at 31 December 2020 | 27,157 | 57,399 | - | 84,556 |
| Accumulated amortisation and impairment | | | | |
| Balance at 1 January 2020 | (24,870) | (57,399) | - | (82,269) |
| Impairment | (2,287) | - | - | (2,287) |
| Balance at 31 December 2020 | (27,157) | (57,399) | - | (84,556) |
| Net book value | | | | |
| Balance at 31 December 2020 | - | - | - | - |
| Balance at 31 December 2019 | 2,287 | - | - | 2,287 |

Goodwill is recognised separately as an intangible asset and is test for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the cash-generating-unit (CGU).

An impairment loss is recognised when the carrying amount of a CGU exceeds its recoverable amount. The recoverable amounts of the CGU's have been determined using the value in use models.

During the year the Company recognised a total impairment loss of £2.3m (2019: £4.4m) in relation to the product Keppra.

The key assumptions for the value in use calculations are those regarding the discount rate, revenue growth rates and terminal growth rate. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows into perpetuity using a terminal growth rate.

11 RIGHT-OF-USE ASSETS

The Company leases many vehicles. Information about leases for which the Company is a lessee is presented below.

| | Motor vehicles £'000 | Total £'000 |
|--|-------------------------------------|------------------------|
| Cost | | |
| Balance as at 1 January 2020 | 459 | 459 |
| Disposal | (6) | (6) |
| Balance at 31 December 2020 | 453 | 453 |
| Accumulated depreciation and impairment | | |
| Balance at 1 January 2020 | (185) | (185) |
| Depreciation charge for the year | (119) | (119) |
| Disposal | 55 | 55 |
| Balance at 31 December 2020 | (249) | (249) |
| Net book value | | |
| Balance at 31 December 2020 | 204 | 204 |
| Balance at 31 December 2019 | 274 | 274 |

UCB Pharma Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

12 STOCKS

| | 2020 £'000 | 2019 £'000 |
|-------------------------------------|---------------|---------------|
| Raw materials and consumables | 32 | 33 |
| Work in progress | 112 | 688 |
| Finished goods and goods for resale | 28,212 | 25,843 |
| | <u>28,356</u> | <u>26,564</u> |

The difference between purchase price or production cost of stocks and their replacement cost is not considered to be material.

Raw materials, consumables and changes in finished goods and goods for resale recognised as cost of sales in the year amounted to £65,263,903 (2019: £63,195,892). The write-down of stocks to net realisable value amounted to £2,090,718 (2019: £1,366,828).

13 DEBTORS

| | 2020 £'000 | 2019 £'000 |
|------------------------------------|---------------|----------------|
| Trade debtors | 38,927 | 34,813 |
| Amounts owed by group undertakings | 54,282 | 103,780 |
| Other debtors | 411 | 1,813 |
| Deferred tax assets (see note 16) | 1,090 | 543 |
| Other financial assets | 32 | 33 |
| Prepayments and accrued income | 689 | 3,645 |
| | <u>95,431</u> | <u>144,627</u> |

The amounts owed by group undertakings are unsecured, and are repayable on demand. £12,304,914 (2019: £20,593,332) is interest free; £31,880,604 (2019: £70,186,648) bears interest of LIBOR 1 month less 0.10% (2019: LIBOR 1 month less 0.10%) and £13,000,000 (2019: £13,000,000) bears interest of 0.052%.

Trade receivables are stated after a provision of £nil (2019: £nil).

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Trade creditors | 5,177 | 2,205 |
| Amounts owed to group undertakings | 18,904 | 31,200 |
| Lease obligation for right-of-use assets | 110 | 116 |
| Taxation and social security | 6,012 | 4,593 |
| Corporation tax | 532 | 1,248 |
| Accruals and deferred income | 19,464 | 22,273 |
| | <u>50,199</u> | <u>61,635</u> |

The amounts owed to group undertakings are unsecured, interest free and repayable on demand.

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Lease obligation for right-of-use assets | 96 | 170 |
| | <u>96</u> | <u>170</u> |

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16 DEFERRED TAX ASSETS

Recognised deferred tax assets are attributable to the following:

| | 2020 £'000 | 2019 £'000 |
|------------------------|---------------|---------------|
| Share - based payments | <u>1,090</u> | <u>543</u> |

Movement in deferred tax during the year:

| | 1 January 2020 £'000 | Recognised in income £'000 | Recognised in equity £'000 | 31 December 2020 £'000 |
|------------------------|-------------------------|----------------------------------|----------------------------------|------------------------------|
| Share - based payments | <u>543</u> | <u>203</u> | <u>344</u> | <u>1,090</u> |

Movement in deferred tax during the prior year:

| | 1 January 2019 £'000 | Recognised in income £'000 | Recognised in equity £'000 | 31 December 2019 £'000 |
|------------------------|-------------------------|----------------------------------|----------------------------------|------------------------------|
| Share - based payments | <u>848</u> | <u>(72)</u> | <u>(233)</u> | <u>543</u> |

17 PROVISIONS FOR LIABILITIES

| | Restructuring provision £'000 | Total £'000 |
|---------------------------------|-------------------------------------|------------------|
| Balance as at 1 January 2020 | 148 | 148 |
| Provisions made during the year | <u>(118)</u> | <u>(118)</u> |
| At 31 December 2020 | <u>30</u> | <u>30</u> |

Restructuring provision

Restructuring provision costs predominantly relate to redundancy costs as a result of the European reorganisation.

18 LEASE OBLIGATION

At 31 December 2020 the Company had non-cancellable lease obligation payable as follows:

The corresponding assets are recognised as right-of-use assets under IFRS 16.

| | 2020 £'000 | 2019 £'000 |
|---|-------------------|-------------------|
| In one year or less | 110 | 116 |
| In more than one year, but not more than five years | 96 | 170 |
| Over five years | - | - |
| | <u>206</u> | <u>286</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

19 CALLED UP SHARE CAPITAL

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Called up share capital | | |
| Deferred shares | | |
| 6,200,000 (2019: 6,200,000) ordinary shares of £0.25 at 1 January and 31 December | 1,550 | 1,550 |
| Allotted, called up and fully paid | | |
| 500 (2019: 500) ordinary shares of £0.25 at 1 January and 31 December | - | - |

Dividends

The following dividends were recognised during the year:

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Equity - Ordinary | | |
| Final dividends paid £7.84 per share (2019: £2.65 per share) | 48,600 | 16,450 |

20 EMPLOYEE BENEFITS

Pension schemes

The Company is a participating employer of the Celltech Pension and Life Assurance Scheme (CP&LAS). The scheme is constituted through a separate independent trust and is contributory, funded, and the benefits of which are based on final pensionable pay.

The Company accounts for the scheme as if it was a defined contribution scheme, as there is no policy in place to allocate the deficit and costs to participating employers. Consequently, the Company will continue to recognise the contributions paid into the scheme over the financial year as an expense item in the Statement of Comprehensive Income.

The Company also participates in defined contribution schemes.

Total pension charges for the Company for the year were £0.8 million (2019: £0.8 million) for defined benefit schemes and £1.8 million (2019: £1.5 million) for defined contribution schemes (see also note 6). There were no material contributions outstanding to any of the schemes at either year-end.

The Company's contributions for the defined benefit scheme is assessed on a triennial basis, in accordance with the advice of a qualified actuary using the projected unit method. The contributions are determined on the basis of long-term funding assumptions and are set at a level to meet the future benefit accrual and eliminate any funding surplus or shortfall over the long-term.

Celltech Group Limited is the principal employer of the Celltech Pension and Life Assurance Scheme (CP&LAS) and full disclosures are in its accounts.

The scheme is a contributory, funded, defined benefit scheme, the benefits of which are based on final pensionable pay.

CP&LAS - the last full actuarial valuation of this scheme was carried out on 30 September 2016 and has been updated in accordance with IAS 19 to 31 December 2020 by a qualified independent actuary.

The market value of assets were £241.9 million (2019: £211.8 million) and the present value of scheme liabilities were £281.3 million (2019: £250.9 million) leading to net liabilities of £39.4 million (2019: £39.0 million).

Share based payments

The UCB S.A. Group operates several share based compensation plans, including a stock option plan and a share award plan to compensate employees for services rendered. Both of these plans are equity settled.

The Remuneration Committee granted free shares in UCB S.A. shares to the Executive Committee members, the Senior Executives and the senior and middle management of the UCB Group. The free shares have service conditions attached to them whereby beneficiaries are required to remain in service for three years post grant date. Share awards lapse upon leaving the Group, except upon retirement or death in which case they vest immediately. The beneficiary is not entitled to dividends during the vesting period.

The exercise price of the granted options in 2020 is equal to the lower of the following two values: (i) the average of the closing price of UCB share on Euronext Brussels, during 30 days preceding the offer or (ii) the closing price of the UCB shares on Euronext Brussels the day before the grant.

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20 EMPLOYEE BENEFITS (CONTINUED)

The options become exercisable after a vesting period of about three years. If the employee leaves the Group, his/her options lapse upon expiry of a period of six months, except if taxes have been prepaid. The Group has no obligation to repurchase or settle the options in cash. There are no reload features, the options are not transferable (except in case of death).

The weighted average share price at the date of exercise of share options exercised during the financial year was €80.17 (2019: €77.50).

The options outstanding at the year-end have an exercise price in the range of €26.72 to €79.00 and weighted average contractual life of 5 years and 1 month.

The weighted average share price at the date of exercise of share award exercised during the financial year was €91.01 (2019: €76.47).

The share awards outstanding at the year-end have an exercise price in the range of €nil to €nil and a weighted average contractual life of 1 year 4 months.

The total expenses recognised for the year arising from share based payments are as follows:

| | 2020 £'000 | 2019 £'000 |
|-------------------------------------|---------------|---------------|
| Equity settled share based payments | <u>1,339</u> | <u>1,394</u> |

21 AMOUNTS RECOGNISED IN THE PROFIT AND LOSS ACCOUNT

The Profit and Loss Account shows the following amounts relating to leases:

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Depreciation charge of right-of-use assets | | |
| - Motor vehicles | <u>119</u> | <u>129</u> |

22 RELATED PARTY TRANSACTIONS

The Company is exempt, under paragraph 8(k) of FRS 101, from the requirement to disclose related party transactions on the grounds that it is a wholly owned subsidiary undertaking. This exemption covers transactions with other group undertakings.

There were no other related party transactions in the year. Directors' emoluments are disclosed in note 5.

23 ULTIMATE PARENT COMPANY AND PARENT COMPANY OF A LARGER GROUP

The Company is a subsidiary undertaking of Celltech Group Limited. The ultimate controlling party is UCB S.A., a company incorporated in Belgium.

The smallest and largest group in which the Company's results are consolidated is that headed by UCB S.A., Allée de la Recherche, 60, Brussels, 1070, Belgium. The consolidated financial statements of UCB S.A can be obtained from the Company Secretary at the following address: Celltech Group Limited, 208 Bath Road, Slough, Berkshire, SL1 3WE.

24 SUBSEQUENT EVENTS

There has been no reportable post balance sheet events.