

REPORT OF THE BOARD OF DIRECTORS

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Ladies and Gentlemen,

In accordance with the legal and statutory requirements, we are honoured to report to you on the financial year 2016 and to account of our management of Financière de Tubize (the 'Company' or 'Tubize').

1. Briefing on the evolution of the business, the results and the financial position of the Company, as well as a description of main risks and uncertainties it is facing

1.1. Activities and mission of the Company

Tubize is the reference shareholder of UCB - Tubize is a mono-holding company whose securities are traded on Euronext Brussels. The Company holds and manages a participating interest in UCB consisting of 68,076,981 shares issued by UCB, a biopharmaceutical company whose securities are also traded on Euronext Brussels. The participation of Tubize represents 35.00% of all shares issued by UCB. Furthermore, the Company acts in concert with Schwarz Vermögensverwaltung GmbH & Co KG, that holds, within the concert, 2,021,404 UCB shares, representing 1.04% of the total number of UCB shares.

Creating long-term value - The mission of Tubize is to create long-term value for its shareholders, by supporting, as a stable reference shareholder, the maximisation of UCB's potential and the sustainable growth of its industrial project. This long-term approach is particularly important to support research, development and commercialisation of products in a sector with very long cycles. Tubize is a committed investor. Its board of directors monitors, evaluates and influences, through its representatives in the board of directors of UCB, the significant strategic decisions, the performance and the risk profile of UCB. This strategy of primacy to the long term and to stability has been beneficial to the shareholders. During the periods of 3 and 5 years preceding 31 December 2016, the share price of Financière de Tubize has performed significantly better than the BEL-20 and the Euronext 100 indices.

Evolution of the share price

| | Periods preceding 31 December 2016 | |
|----------------------|------------------------------------|---------|
| | 3 years | 5 years |
| Financière de Tubize | +26% | +144% |
| BEL20 | +23% | +73% |
| Euronext 100 | +15% | +58% |

1.2. Significant events that occurred during the financial year 2016

Dividends - Tubize has received the dividend from UCB in relation to financial year 2015 (€ 74,885k) and has paid to its shareholders its own dividend in relation to financial year 2015 (€ 22,272k).

Debt - Bank debt exposure has moved from € 286.3 million at 31 December 2015 to € 241.0 million at 31 December 2016, a decrease with € 45.3 million.

Cash flow risk management - A portion of the participation in UCB is financed by bank borrowings (€ 241 million at 31 December 2016). The majority of these borrowings (€ 181 million) are short term floating rate drawings under a roll-over credit facility. This has allowed the Company to benefit from a low borrowing cost. To face the risk of possible future increases of interest rates, the Company has decided to hedge its entire floating rate debt as from 2 October 2017 onwards. To that objective, the Company has concluded, in March 2016, two deferred start interest rate swaps which will become effective on 2 October 2017, for notional amounts of € 82 million and € 57 million respectively, which will completely amortise by mid-May 2021. Both swaps have been designated as hedging instruments against the cash flow risk embedded in the underlying borrowings. Hedge effectiveness has been documented. Note 4.2.6. of the EU-IFRS 31 December 2016 financial statements provides further details about the accounting for the swaps.

Bridge loan - In November 2016, the Company has concluded a new credit facility of € 36 million, utilisable during the period from 30 September 2017 through 15 May 2018 in order to cover the expected cash needs during this period.

Adjustment of the provision for non-collected dividends - The provision for attributed but not yet collected dividends in relation to previous years, has been re-measured on the basis of the accounting principles set out by the *Commission des Normes Comptables* in its advice 2016/12 of 15 June 2016 concerning prescribed debts and on the basis of a legal analysis of the applicable prescription periods for

the different types of coupons. On the basis of these analyses it was concluded that the provision was overstated with € 303k. The adjustment of the provision (decrease of € 303k) has been recorded as a non-recurrent financial income of the second half of 2016.

1.3. Results

The profit moves from € 63,116k in 2015 to € 69,044k in 2016, an increase of € 5,928k or 9.39%.

The condensed profit or loss account looks as follows:

| € 000 | 2016 | 2015 |
|--------------------------------------|---------------|---------------|
| Dividend from UCB | 74,885 | 70,352 |
| Financial income | 303 | 1 |
| Cost of borrowing | -5,445 | -6,642 |
| Other financial expenses | -24 | -3 |
| General expenses | -674 | -592 |
| Profit of the year before tax | 69,044 | 63,116 |
| Income taxes | - | - |
| Profit of the year | 69,044 | 63,116 |

The dividend received from UCB in 2016 in relation to financial year 2015, amounts to € 74,885k (gross dividend of € 1.10 per share) against € 70,352k (€ 1.06 per share) for the prior year.

Financial income of 2016 has a non-recurrent character and results from the re-measurement of the provision of non-collected dividends (see 1.2.).

The cost of bank borrowings moves from € 6,642k in 2015 to € 5,445k in 2016, notwithstanding the increase of the average outstanding debt from € 172 million in 2015 to € 256 million in 2016, resulting from the purchase programme of UCB shares at the end of 2015. Favourable market conditions and an active management of the debt have enabled the decrease of the average borrowing cost from 3.65% in 2015 to 2.11% in 2016. Furthermore, commitment fees on the non-utilised part of confirmed credit lines have decreased as a result of a better utilisation of these lines during 2016.

Other financial expenses of 2016 include a provision of € 22k for ineffectiveness of hedge accounting according to the Belgian accounting rules on the subject.

General expenses move from € 592k in 2015 to € 674k in 2016. The 2015 number has been favourably influenced by the recovery of € 67k expenses related to previous years.

Following the application of the system of tax credits for dividends received in accordance with Belgian tax rules, no corporate income taxes are due. The objective of the tax credit system is to avoid multiple taxation of dividends received from companies; the profits distributed by the company that pays the dividend (UCB) are included in the taxable basis, whereas 95% of the amounts of dividends received by the beneficiary company (Tubize) is deductible from the taxable basis.

1.4. Financial position

The condensed balance sheet looks as follows:

| € 000 | 31/12/2016 | 31/12/2015 |
|--|------------------|------------------|
| Participation in UCB | 1,717,992 | 1,717,992 |
| Current investments and cash at bank and in hand | 662 | 565 |
| Other assets | 27 | 46 |
| Total assets | 1,718,681 | 1,718,603 |
| Equity | 1,452,770 | 1,406,892 |
| Bank borrowings | 241,000 | 286,328 |
| Other liabilities | 24,911 | 25,383 |
| Total equity and liabilities | 1,718,681 | 1,718,603 |

Participating in UCB

The participation in the capital of UCB is recorded at its acquisition value for an amount of € 1,717,992k. The share price of UCB quoted € 60.91 at 31 December 2016 (€ 83.23 at 31 December 2015) against an average acquisition value of € 25.24.

Equity

Equity moves from € 1,406,892k at 31 December 2015 to € 1,452,770k at 31 December 2016. This increase of € 45,878k stems from the profit of the year (€ 69,044k), partially compensated by the dividend payable in relation to financial year 2016 (€ 23,165k).

The market capitalisation of Tubize amounts to € 2,642,623k at 31 December 2016 (44,548,598 shares at € 59.32) against € 3,030,641k at 31 December 2015 (44,548,598 shares at € 68.03).

The solvency ratio (equity as a percentage of total assets) has increased from 81.86% at 31 December 2015 to 84.53% at 31 December 2016. The ratio is very strong and largely exceeds the minimum threshold of 70% that has been agreed with the banks.

Bank borrowings

The outstanding bank debt has decreased from € 286,328k at 31 December 2015 to € 241,000k at 31 December 2016. The changes during the year 2016 in the confirmed lines and their utilisation are described in note 4.2.6. of the EU-IFRS financial statements.

The indebtedness ratio (outstanding bank debt as a percentage of the market value of the participation in UCB) has slightly increased from 5.05% at 31 December 2015 to 5.81% at 31 December 2016, but is still very low and largely under the maximum threshold of 30% agreed with the banks.

1.5. Dividend

In May 2016, the Company has received the dividend from UCB related to financial year 2015 (€ 74,885k) and paid its own dividend related to financial year 2015 (€ 22,272k).

When submitting the annual result appropriation for approval by the general meeting, the board of directors takes several elements into consideration. Key considerations impacting the amount of the dividend are the primacy of the long term, the dependency of the dividend of UCB, compliance with contractual debt reimbursements, compliance with bank covenants, and the desire of shareholders to benefit from a recurring remuneration. The board of directors proposes, for the financial year 2016, to distribute a gross dividend of € 0.52 per share, an increase of 4.00% compared to the preceding year. For this purpose, a total amount of € 23,165k has been recorded as a liability in the annual accounts as at 31 December 2016.

If the general meeting of 26 April 2017 approves the 2016 annual accounts and the proposed result appropriation, the dividend will be paid as from 5 May 2017 onwards at the offices, seats and branches of BNP Paribas Fortis, in exchange of coupon n° 12.

| Coupon n° 12 | Dates |
|---------------------|--------------|
| Ex-coupon | 3 May 2017 |
| Record | 4 May 2017 |
| Payment | 5 May 2017 |

1.6. EU-IFRS financial statements

To provide a useful and complete set of information to the market, the Company prepares, in addition to the annual accounts in accordance with the Company Code and Belgian accounting law (BE GAAP), financial statements in accordance with international financial reporting standards as adopted by the European Union (EU-IFRS), with equity accounting of UCB.

The table below compares the BE GAAP net result to the EU-IFRS net result and other changes in equity.

| € 000 | 2016 | 2015 |
|--|----------------|----------------|
| Profit BE GAAP | 69,044 | 63,116 |
| Elimination of received dividend from UCB | -74,885 | -70,352 |
| Share of the profit of UCB | 187,423 | 219,768 |
| Amortisation, after tax effect, of 2009 debt restructuring costs | -859 | -859 |
| Changes in deferred taxes on non-distributed reserves of UCB SA/NV | 364 | 1,269 |
| Ineffectiveness hedge accounting | 13 | - |
| Reclassification adjustments, after tax effect, related to derivatives | -1,076 | -2,244 |
| Re-measurement of fair value of derivatives | 1,162 | 1,828 |
| Profit EU-IFRS | 181,186 | 212,526 |
| Cash flow hedge | -839 | 255 |
| Reclassification adjustments, after tax effect, related to derivatives | 1,076 | 2,244 |
| Share of other comprehensive income of UCB | -51,990 | 138,094 |
| Comprehensive income EU-IFRS | 129,433 | 353,119 |

| € 000 | 2016 | 2015 |
|---|---------------|----------------|
| Paid dividend | -22,274 | -21,383 |
| Repurchase of own shares | - | -3,435 |
| Share of the other changes of net assets of UCB ¹ | -92,618 | -50,287 |
| Impact of changes in the percentage of the participation in UCB | -4,300 | 47,424 |
| Changes in EU-IFRS equity | 10,241 | 325,438 |
| EU-IFRS equity beginning of the period | 1,947,314 | 1,621,876 |
| EU-IFRS equity end of period | 1,957,555 | 1,947,314 |
| Changes in EU-IFRS equity | 10,241 | 325,438 |

1.7. Key figures for 5 year

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|------------|------------|------------|------------|------------|
| Participation in UCB at 31/12 | | | | | |
| Number of UCB shares held by Tubize | 68,076,981 | 68,076,981 | 66,370,000 | 66,370,000 | 66,370,000 |
| % of total shares issued by UCB | 35.00 | 35.00 | 34.12 | 36.18 | 36.20 |
| Acquisition value (€ 000) | 1,717,992 | 1,717,992 | 1,580,240 | 1,580,240 | 1,580,240 |
| Equity method value (€ 000) | 2,222,130 | 2,258,543 | 1,835,036 | 1,749,576 | 1,785,198 |
| Fair value (€ 000) | 4,146,569 | 5,666,047 | 4,194,584 | 3,593,272 | 2,868,511 |
| Total assets at 31/12 (€ 000) | | | | | |
| BE GAAP | 1,718,681 | 1,718,604 | 1,580,628 | 1,580,745 | 1,581,040 |
| EU-IFRS | 2,222,819 | 2,259,155 | 1,835,424 | 1,746,424 | 1,785,998 |
| Equity at 31/12 (€ 000) | | | | | |
| BE GAAP | 1,452,770 | 1,406,892 | 1,369,456 | 1,331,135 | 1,295,864 |
| EU-IFRS | 1,957,555 | 1,947,314 | 1,621,876 | 1,496,850 | 1,492,466 |
| Bank borrowings at 31/12 (€ 000) | 241,000 | 286,328 | 187,000 | 226,000 | 261,000 |
| Balance sheet structure at 31/12 (%) | | | | | |
| Solvency ² | 84,53 | 81,86 | 86,64 | 84,21 | 81,96 |
| Indebtedness ³ | 5,81 | 5,05 | 4,46 | 6,29 | 9,10 |
| Profit (€ 000) | | | | | |
| BE GAAP | 69,044 | 63,116 | 59,733 | 56,683 | 54,177 |
| EU-IFRS | 181,186 | 212,526 | 60,845 | 61,706 | 77,812 |
| Gross dividend per share (€) | 0,52 | 0,50 | 0,48 | 0,48 | 0,48 |
| Share price(€) | | | | | |
| Minimum | 50,58 | 49,00 | 45,75 | 31,80 | 22,37 |
| Maximum | 68,00 | 70,70 | 63,00 | 47,59 | 35,07 |
| At 31/12 | 59,32 | 68,03 | 52,59 | 47,10 | 32,26 |
| Number of shares | 44,548,598 | 44,548,598 | 44,608,831 | 44,608,831 | 44,608,831 |
| Market capitalisation at 31/12 (€ 000) | 2,642,623 | 3,030,641 | 2,345,978 | 2,101,076 | 1,439,081 |
| Daily average volume at Euronext Brussels (number of shares) | 7,625 | 12,231 | 11,716 | 10,344 | 15,409 |

1.8. Main risks and uncertainties

Concentration risk - Tubize's sole asset consisting of a participation in UCB, the main risk factors and uncertainties the Company is facing are similar to those of UCB. The board of Tubize is informed about these risks and the management thereof via its representatives in the board of directors and the audit committee of UCB.

Price risk - Tubize is exposed to the market risk related to the evolution of the UCB share price. Even though elements of market imperfection might affect the share price, the board is confident that the evolution of the share price over a sufficiently long time horizon is a reliable indicator of the performance of the UCB group and its long-term development.

Interest rate risk - Tubize is exposed to interest rate risk from fixed rate bank borrowings. The board monitors this risk through periodic calculations of the fair value of these borrowings.

Cash flow risk - Tubize is exposed to cash flow risk from floating rate bank borrowings. The Company can make use of interest rate swaps (including deferred start interest rate swaps) to cover (part of) its exposure to this risk, if such hedging would be appropriate in light of the results of the periodic reviews of the developments on the interest rate markets.

¹ See the statement of changes in equity for a breakdown by category of equity

² Equity as a percentage of total assets (in BE GAAP)

³ Outstanding bank debt as a percentage of the market value of the participation in UCB

Liquidity risk - Tubize is exposed to liquidity risk, in particular the risk that the Company might have difficulties in satisfying its obligations under the bank debt agreements. The board considers that the expected flux of dividends from UCB will allow the Company to satisfy the committed reimbursements on the existing borrowings.

Refinancing risk – This risk occurs when Tubize would not be able to ensure the necessary funding at reasonable conditions to reimburse existing debt. The solvency and indebtedness ratios are calculated twice a year; they are well within the limits agreed with the banks. The financial conditions of the bank borrowings depend on the interest rate markets and on the assessment of the credit risk of UCB (the Company has pledged UCB shares in favour of the banks). The Company closely monitors these two variables.

Counterparty risk occurs when a bank-counterparty to cash at bank amounts or to interest rate swaps would not meet its obligations and Tubize, as a result thereof, would incur a financial loss. The bank-counterparties are Belgian banks with a rating of ‘upper medium grade’.

Operational risk stems from inadequate or failing internal processes and systems, human errors, or external events. The Company has established detailed accounting and IT controls for each significant process. The Company has no personnel. The responsibility of directors and officers is covered by insurance.

Legal risk is linked to the evolution of the law, which may result in some legal uncertainty or interpretation difficulties. The board relies on legal advice from an external law firm.

Compliance risk stems from non-compliance with applicable laws and regulations. The board relies on external expert advice related to legal, tax and financial matters. The Company has adopted a dealing code that establishes detailed conduct of business rules to avoid insider trading; these rules impose certain prohibitions as well as preventive measures. The Company has established a conflict of interest policy based on strict ethical rules and a rigorous compliance of all legal and regulatory requirements applicable to the subject.

Reputational risk – To avoid damage to its image or reputation, the Company has established a corporate governance system based on proactive risk management, listening to all stakeholders, and transparent communication of significant issues.

2. Post balance sheet events

No significant events, specific to Financière de Tubize, have occurred subsequent to the closing of the accounting year.

3. Circumstances that might have a notable influence on the development of the Company

Future results of the Company will depend on (i) the dividend per share distributed by UCB, (ii) the number of UCB shares held, and (iii) the cost of the bank borrowings. The EU-IFRS results will, given the equity accounting of UCB, depend on the UCB outlook, which is commented in the UCB annual report.

4. Research and development

The Company has not pursued any activities in the field of research and development.

The activities of UCB are described in its own board report.

5. Branches

The Company has no branches.

6. Justification of the application of the valuation rules in going concern

This clause solely applies when the balance sheet shows losses carried forward or the income statement shows a loss for the year during two consecutive years. The Company is not in such position.

7. Other information by virtue of the Company Code

Articles 523, §1 and §3, and 524ter – During the accounting year 2016, no instances have occurred whereby a director or the general manager had a patrimonial interest opposite to a decision or transaction within the authority of the board of directors or the general manager.

Article 524, §1, 2, 3 and 5 - During the accounting year 2016, no decisions or transactions have taken place that are in scope of this article that deals with conflicts of interest in the relationship with certain affiliated entities.

Article 524, §7 – This clause about substantial limitations or charges imposed by the parent company does not apply, as the Company has no parent.

Article 608 - This clause about the utilisation of authorised capital does not apply, as the Company has no authorised capital.

Articles 624 and 630 – The Company does not hold own shares. Furthermore, the Company has not pledged its own shares.

8. Financial instruments

The main financial instruments to which the Company is a party, are bank borrowings and interest rate swaps. All the relevant information concerning these instruments is included in the notes 4.2.6 and 4.2.7 of the EU-IFRS financial statements.

The Company's exposure to financial risks and its objectives and policies to manage these risks are described in section 1.8 of this report and in note 4.2.2 of the EU-IFRS financial statements.

9. Independence and competence with respect to accounting and auditing of at least one member of the audit committee

Based on the exemption set out in article 526bis §3 of the Company Code, the functions assigned to the audit committee are exercised by the board of directors in its entirety. The chairman of the board of directors, François Tesch, is an independent director as defined in article 526ter of the Company Code and Appendix A of the 2009 Corporate Governance Code. He is competent with respect to accounting and auditing matters.

10. Corporate governance statement

10.1. Reference code

Financière de Tubize adopts the 2009 Belgian Code on Corporate Governance (the 'Code') as its reference code. This Code can be consulted on the site www.corporategovernancecommittee.be. The Company does not apply corporate governance practices other than those required by the Code and the law.

The Corporate Governance Charter of Tubize is published on the website www.financiere-tubize.be. It presents the implementation by Tubize of the recommendations of the Code, taking into account the specificities of the Company, and according to the 'comply or explain' principle.

10.2. Departures from the Code

Given the simplicity of its operating structure and the fact that the Company has only one asset, namely its 35% participation in UCB, certain rules of the Code do not appear to be appropriate. It concerns the following items:

- The Code stipulates that minimum three members of the board of directors are independent according to the criteria set out in Appendix A to the Code. At present, the board of Tubize has two independent directors. In composing the board, several elements are taken into consideration such as compliance with the legal requirements and the recommendations of the Code, but also the representation of the reference shareholders, the complementarity of expertise and competences, the diversity of functions, the transition from one generation to another, the size of the board, gender, independence, motivation, personal qualities, availability, ...
- The Board does not have any specialised committees (audit committee, appointment committee or remuneration committee). Given its limited size the Company is exempt from the obligation to install an audit committee and a remuneration committee. The functions assigned to those committees are

exercised by the board in its entirety. The board is of the opinion that the same practice can also be applied in respect of the appointment committee.

10.3. Main characteristics of the internal control and risk management systems

The board of directors has implemented a process and a set of procedures, designed to provide reasonable assurance regarding the achievement of strategic objectives (Strategic), effectiveness and efficiency of operations (Operations), compliance with laws and regulations (Compliance), and the integrity and reliability of financial information (Reporting). Once a year the board, in its capacity of audit committee, evaluates this system of internal control.

The system of internal control is tailored to the limited activities of the Company and its simple operating structure. The procedures are selected on the basis of the pertinent legal requirements, the principles of the 2009 Belgian corporate governance code, the guidelines of the Corporate Governance Commission and the internal control components developed within the international reference framework COSO (2013).

Five components of internal control

| | |
|-------------------------------|---|
| Control environment | Integrity and ethical values; tone at the top supporting internal control; a transparent organisational structure with a clear assignment of authority and responsibility |
| Risk assessment | Identifying and assessing risks to the achievement of the Company's SOCR objectives |
| Control activities | Establishing policies and procedures to mitigate these risks |
| Information and communication | Implementation of information and communication systems to support and monitor the achievement of the objectives |
| Monitoring | Monitoring and regular evaluation of the implemented measures |

In the description of its procedures of internal control and risk management, the Company distinguishes general procedures, specific procedures regarding risk management and specific procedures regarding the process of financial reporting.

General procedures

Integrity and ethical values are fundamental in conducting business. They are embedded in the organisation through several standards and procedures (corporate governance, remuneration policy, dealing code, conflict of interests, social responsibility, gender diversity, ...).

The mission, the objectives and the strategy of the Company are clearly defined.

A clear governance structure, based on the requirements of the Company Code and the principles of the 2009 Belgian corporate governance code, has been implemented and described in the articles of association and the corporate governance charter. The effective and efficient functioning of the board of directors is supported by (i) a set of internal regulations specifying the responsibilities of the board and the directors, the composition of the board, the nomination of the directors, the remuneration of the directors, and the general principles of the organisation and functioning of the board, (ii) an annual cycle of agenda items for the board meetings, (iii) a dedicated procedure for the training of the directors, and (iv) detailed profiles for the functions of (independent) director and general manager. The general manager is responsible for the day-to-day management, the secretariat of the board of directors and the general meeting, and the function of compliance officer.

Responsibilities are clearly defined based on a segregation between the responsibilities of the board of directors and those of the general manager, and detailed rules with respect to signature authorities, special authorities and representation of the Company.

A set of internal procedures ensures compliance with legal and regulatory requirements and best practices.

In the annual budget approved by the board of directors, the cost of the resources to deploy a system of internal control are taken into account as an essential component of the run cost of the Company.

Security measures are implemented to ensure the continuity and the reliability of electronic information systems; the data bases of the day-to-day management are backed up on an hourly basis.

External information flows via the website and internal information flows via the portal of the board of directors, are, with the support of specialised external organisations, set up in conformity with international standards of security and confidentiality (strictly coded access to the production environment, secured hosting sites and systems, ...). Compliance with these standards is confirmed by external audits and by vulnerability analyses and intrusion tests by external organisations.

Concerning the follow up of its participation in UCB – its sole asset – Tubize positions itself as a committed investor. Its board of directors monitors, evaluates and influences, via its representatives on

the board of directors of UCB, the significant strategic decisions, the performance and the risk profile of UCB.

The parameters for managing own funds and debt as well as compliance with financial covenants are strictly adhered to.

Specific procedures regarding risk management

See section 1.8. of the present report.

Specific procedures regarding the financial reporting process

The content of the financial information is clearly defined. The annual financial report consists of (i) the annual accounts prepared in accordance with the legal and regulatory requirements applicable in Belgium (BE GAAP), (ii) the accounts prepared in accordance with the international financial reporting standards adopted by the European Union (EU-IFRS), (iii) the report of the board of directors, and (iv) a statement of the board of directors on the true and fair view of the annual accounts and the EU-IFRS accounts and on the fair review of the board report. The half-year financial report consists of (i) the condensed interim BE GAAP accounts, (ii) the condensed interim accounts in accordance with IAS 34 on interim financial reporting, (iii) the interim report of the board of directors, and (iv) a statement of the board of directors on the true and fair view of the condensed interim accounts.

The bookkeeping is done by an external accountant accredited by the IEC, who uses a detailed procedures manual to ensure ongoing compliance with the legal and regulatory requirements related to bookkeeping of enterprises (Economic Code, Book III, Title 3, Chapter 2 and executory royal decrees as well as the related advices of the *Commission des normes comptables*). The bookkeeping data are processed by the software Exact Online and safeguarded on certified servers of a professional host of which the reliability of its internal control system has been confirmed by an audit. A rigorous system has been put in place to back-up the data on the server.

The BE GAAP accounts are prepared by the general manager on the basis of the model made available in Word by the Central Balance Sheet Office. The IFRS adjustments and the equity accounting are processed by the software SIGMA. For the notes, the general manager makes use of disclosure checklists of the audit firms. The EU-IFRS accounts are influenced by the results of UCB. The latter has adopted a formal procedure of internal control over the process of financial reporting, called the “Transparency Directive Procedure” (for more information on this procedure, see the board report of UCB). The board of Tubize monitors this procedure via its representatives in the board of directors and the audit committee of UCB.

10.4. Transparency information

10.4.1. Shareholders structure

The shareholders structure of Tubize as it results from (i) notifications received by the Company in accordance with the law of 2 May 2007 concerning the publication of significant participations, and (ii) notifications executed in accordance with the market abuse regulation by the leaders of the Company or by persons closely related to them, and taken into account the breakdown of the voting rights between those held in concert and those held outside concert, can be presented as follows:

| 31 December 2016 | In concert | | Outside concert | | Total | |
|--|-------------------|---------------|-------------------|---------------|-------------------|----------------|
| | Number | % | Number | % | Number | % |
| Financière Eric Janssen SPRL | 8,525,014 | 19.14% | 1,988,800 | 4.46% | 10,513,814 | 23.60% |
| Daniel Janssen | 5,881,677 | 13.20% | - | - | 5,881,677 | 13.20% |
| Altai Invest SA | 4,969,795 | 11.16% | 11,500 | 0.03% | 4,981,295 | 11.18% |
| Barnfin SA | 3,899,833 | 8.75% | - | - | 3,899,833 | 8.75% |
| Jean van Rijckevorsel | 7,744 | 0.02% | - | - | 7,744 | 0.02% |
| Total voting rights held by the concert | 23,284,063 | 52.27% | 2,000,300 | 4.49% | 25,284,363 | 56.76% |
| Other shareholders | - | - | 19,264,235 | 43.24% | 19,264,235 | 43.24% |
| Total voting rights | 23,284,063 | 52.27% | 21,264,535 | 47.73% | 44,548,598 | 100.00% |

SPRL Financière Eric Janssen, Daniel Janssen, SA Altai Invest (controlled by Evelyn du Monceau), Barnfin (controlled by Bridget van Rijckevorsel) and Jean van Rijckevorsel act in concert. For a description of the key elements of the concert, see section 10.4.7.

10.4.2. Structure of the capital

The share capital of the Company is fixed at € 235,000,000 and is represented by 44,548,598 ordinary shares. Each share gives the same rights to dividends and entitlement to one vote at the general shareholders meeting.

10.4.3. Restrictions to the transfer of shares

No restrictions apply to the transfer of shares other than those imposed by law or those that might result from shareholders agreements (see section 10.4.7.).

10.4.4. Special control rights

There are no instruments with special control rights.

10.4.5. Control mechanisms in a system of shareholdings by the personnel

No system of shareholdings by the personnel is in place.

10.4.6. Restrictions to the exercise of voting rights

There are no restrictions, other than legal, to the exercise of voting rights.

To attend or be represented at the general meeting and exercise her/his voting right, a shareholder must have carried out the accounting registration of his/her shares no later than the fourteenth day before the general meeting at 24:00h Belgian time (being Wednesday 12 April 2017, the "Registration Date"), either by registering them in the Company's register of nominative shares, or by registering them in the accounts of a licensed account holder or a settlement institution, the number of shares held on the day of the meeting being disregarded.

The shareholder must also inform the Company of her/his desire to attend the general meeting. A holder of nominative shares should send to the Company the signed original of the attendance notice, this form being appended to the convening notice. A holder of dematerialized shares should send to the Company an attestation, issued by the licensed account holder or by the settlement institution, certifying the number of shares that are registered in the accounts of the account holder or settlement institution on the name of the shareholder at the Registration Date and for which the shareholder has declared he/she wants to participate in the general meeting. The attendance notice or the attestation should reach the Company, at its registered seat, no later than six days before the date of the general meeting (being Thursday 20 April 2017).

10.4.7. Agreements between shareholders

The shareholders identified in section 10.4.1. above, act in concert. The terms of the concert are laid down in a shareholders agreement. The key elements of this agreement can be summarised as follows:

- The objective of the concert is to ensure, through Financière de Tubize, the stability of the shareholder structure of UCB in view of the long-term industrial development of the latter. In this perspective, it aims at preserving the predominance of the family shareholder structure of Financière de Tubize.
- The parties to the concert consult with each other about the decisions to be taken at the general meeting of Tubize, and try, to the extent possible, to reach a consensus. They ensure that they are properly represented in the board of directors of Financière de Tubize. Within this board and through their representatives at the board of directors of UCB, they consult with each other about the significant strategic decisions concerning UCB, and try, to the extent possible, to reach a consensus.
- The parties inform each other prior to any project of significant acquisition or sale of shares of Financière de Tubize; pre-emption rights and tag along are also in place within the family.

10.4.8. Rules applicable to the appointment and replacement of members of the board of directors

The board of directors submits to the general shareholders meeting the appointments or renewals of directorships that it proposes. The shareholders may also propose candidates.

Proposals for appointment shall specify the term proposed for the mandate and indicate the useful information on the professional qualifications of the candidate, as well as a list of functions that the proposed director already exercises.

The general shareholders meeting decides on the proposals by a majority of the votes cast.

Directors are appointed by the general shareholders meeting for a term of 4 years. They are re-eligible. The expiring mandates come to an end after the ordinary general shareholders meeting, which has not renewed them.

In the event of a vacancy on the board, the directors may fill the vacancy temporarily. The general shareholders meeting will at its next meeting conduct a definitive election.

An age limit has been set at the date of the ordinary general meeting following the seventy-fifth anniversary of a member. In such a case, the person concerned resigns from his/her mandate.

10.4.9. Rules applicable to the modification of the articles of association

Only the general meeting of shareholders can amend the articles of association.

The general meeting can only deliberate on amendments of the articles of association if the purpose of the proposed amendments is explicitly mentioned in the convening notice and if those who attend the meeting represent at least half of the capital. If the latter condition is not met, a new meeting can validly deliberate irrespective of the portion of capital represented.

An amendment requires a 3/4th majority of the votes, except in those cases where the law requires stricter majority rules.

10.4.10. Powers of the board of directors

The board of directors is the management body of the Company.

It is competent to decide on all matters that the law or the articles of association do not expressly entrust to the general shareholders meeting.

It is responsible for the general strategy of the Company and the implementation thereof.

Within the context of its mission, the tasks of the board of directors include but are not limited to:

- Defining the strategic objectives and implementing structures enabling their achievement
- Establishing the accounts and proposing the appropriation of the result
- Approving investments
- Ensuring the timely publication of the financial statements and other significant financial or non-financial information communicated to the shareholders and to the general public
- Ensuring that all human, IT and financial resources are in place to enable the Company to achieve its objectives
- Implement a system of internal control and risk management
- Assess the performance of the general manager
- Supervise the work of the statutory auditor.

The general shareholders meeting of 24 April 2013 has authorised the board of directors to acquire shares of the Company, under the conditions set out in the law, for a period of five years from the said general meeting. The par value of the purchased shares may not exceed 20% of the subscribed capital. The acquisitions can be realised at a price between € 1 and € 200. To avoid serious and imminent damage to the Company, the general shareholders meeting of 27 April 2016 has further authorised the board of directors to acquire shares of the Company for a period of three years from the date of the publication of the amendment of the articles of association by the before mentioned general meeting.

The board of directors allocates adequate resources to exercise its functions.

The board is jointly responsible towards the Company for the good execution of its authorities.

10.4.11. Significant agreements that might be impacted by a takeover bid

The Company is a party to a credit agreement with KBC Bank SA. The conditions governing this agreement include a clause that confers the right to KBC Bank SA to terminate or suspend, entirely or partly, the credit facility of € 82 million, and all its forms of utilisation, for the utilised part as well as for the non-utilised part, without formal notice or prior judicial recourse, with immediate effect at the date of sending the letter notifying the termination or the suspension, all this in case of substantial modifications of the Company's shareholder structure which might have an impact on the composition of the management bodies or on the overall risk assessment by the bank.

The Company is a party to two credit agreements with BNP Paribas Fortis SA. The conditions governing these agreements include a clause conferring the right to BNP Paribas Fortis SA to suspend or terminate, with immediate effect and without formal notice, entirely or partly, the credit facilities of respectively € 75 million and € 36 million, or one of its forms of utilisation, for the utilised part as well as for the non-utilised part, all this in case of substantial modifications of the shareholders structure which might have an impact on the composition of the governing bodies (as well as on the persons responsible for the day-to-day management) or on the overall risk assessment by the bank.

The Company is a party to three interest rate swap transactions with KBC Bank SA. The conditions governing these transactions include a clause that confers the right to KBC Bank SA to terminate – in case

of a Credit Event Upon Merger (Section 5(b)(v) of the 2002 ISDA Master Agreement) and in accordance with the requirements of Section 6(b) of the 2002 ISDA Master Agreement (Right to Terminate Following Termination Event) – the three interest rate swap transactions with outstanding notional amounts at 31 December 2016 of respectively € 40 million, € 82 million and € 57 million.

10.4.12. Indemnities in case of a takeover bid

There are no agreements between the Company and its directors or officers that would, as a result of a takeover bid, trigger indemnities to directors or officers resigning or being forced to quit their functions without any valid reason. The Company has no personnel.

10.5. Composition and functioning of the board of directors

10.5.1. Composition

The general shareholders meeting fixes the number of directors. According to the articles of association, the board of directors consists of at least three members. Today the board consists of ten members (eight representatives of the reference shareholders and two independent directors).

| Name | Function | Independent⁴ | Executive⁵ | Mandate⁶ |
|--|-----------------|--------------------------------|------------------------------|----------------------------|
| François Tesch | Chairman | Yes | No | 2016-20 |
| Charlofin NV, represented by Karel Boone | Director | Yes | No | 2014-18 |
| Arnoud de Pret | Director | No | No | 2014-18 |
| Cyril Janssen | Director | No | No | 2015-19 |
| Charles-Antoine Janssen | Director | No | No | 2015-19 |
| Nicolas Janssen | Director | No | No | 2014-18 |
| Evelyn du Monceau | Director | No | No | 2015-19 |
| Fiona de Hemptinne | Director | No | No | 2014-18 |
| Cédric van Rijckevorsel | Director | No | No | 2013-17 |
| Cynthia Favre d'Echallens | Director | No | No | 2014-18 |

At the ordinary general meeting of 26 April 2017, Karel Boone will have reached the age limit. His company Charlofin SA will give up its mandate as from that date onwards.

Propositions will be made to the same general meeting to appoint SA Vauban, represented by Gaëtan Hannecart, as new independent member, and to renew the mandate of Cédric van Rijckevorsel. These two mandates will have a term of 4 years and expire at the ordinary general meeting of 2021.

10.5.2. Functioning

The board of directors appoints a chairman from among its members. The chairman coordinates the activities of the board and ensures its proper functioning. He ensures in particular that the best practices of corporate governance apply to the relations between the shareholders, the board of directors and the general manager responsible for the day-to-day management.

The role of company secretary is entrusted to the general manager. The company secretary ensures, under the leadership of the chairman, good information flow within the board of directors. He facilitates the training of board members. Directors can individually call upon the secretary. The company secretary regularly reports to the board, under the leadership of the chairman, on how board procedures, rules and regulations are complied with.

The board of directors meets when it is convened by the chairman or by the director replacing him, as often as the interests of the Company so require. It must in addition be convened when at least two directors so request. Convening is done by a written invitation to each of the directors, eight days before the meeting, except in case of urgency, and including the agenda. The board of directors can validly meet without convening if all directors are present or represented and have agreed on the agenda.

The board of directors meets at least three times a year. In 2016 the board has met five times. The individual attendance rates of the directors is summarized in the table hereafter:

| Name | Attendance |
|--|-------------------|
| François Tesch | 80% |
| Charlofin NV, represented by Karel Boone | 80% |
| Arnoud de Pret | 100% |
| Cyril Janssen | 100% |

⁴ Independent according to article 526ter of the Company Code and Appendix A of the 2009 Corporate Governance Code; the non-independent directors are representatives of the reference shareholders

⁵ Executive according to article 526bis §3 of the Company Code

⁶ Years of the ordinary shareholders meetings that indicate beginning and end of the mandate

| Name | Attendance |
|---------------------------|------------|
| Charles-Antoine Janssen | 100% |
| Nicolas Janssen | 80% |
| Evelyn du Monceau | 100% |
| Fiona de Hemptinne | 100% |
| Cédric van Rijckevorsel | 100% |
| Cynthia Favre d'Echallens | 100% |

Amongst the key agenda items of the board meetings during 2016, one could mention: the follow up on the performance of UCB, the financial reports (31 December 2015 and 30 June 2016), the preparation of the ordinary and extraordinary general meetings of 2016, the 2017 budget, the change of the articles of association, several aspects of the functioning of the board (search of a new independent director, remunerations, training), and the management of own funds and bank debt.

The chairman of the board of directors draws up the agenda of the meetings. He ensures that the directors receive, prior to the meetings and in good time, the same precise and detailed information.

The meetings of the board of directors are chaired by the chairman or by the director replacing him.

The board may validly decide only if half of the members are present or represented. The quorum of presence is calculated on the basis of the number of directors taking part in the voting, without taking into account those who should withdraw from the deliberation pursuant to the Company Code.

Each director may, by simple letter or proxy, delegate another board member the power to represent him/her. However, no director may have more than two votes, including her/his own vote.

Resolutions are adopted by a majority of votes. In the event of a tie, the chairman of the meeting has the casting vote.

In cases where it is permitted by law, which must remain exceptional and must be duly justified by urgency and the interests of the Company, decisions of the board of directors may be taken by the unanimous written consent of the directors.

The deliberations of the board of directors are documented in minutes that are kept in a special register at the seat of the Company. These minutes are signed by at least the majority of the members who have taken part in the deliberations.

During the accounting year 2016 there have been no transactions or contractual relationships between, on the one hand, the directors and/or the general manager and on the other hand the Company, other than those in their capacity of director of Tubize or of general manager of Tubize.

During its session of 17 December 2015, the board of directors has assessed the operating effectiveness of its functioning. The board concluded that its functioning is effective. Punctual actions have been approved in response to the recommendations for further improvement. Next evaluation will take place in 2017.

10.6. Gender diversity within the board of directors

Article 518bis §1 of the Company Code requires minimum one third of the board members to have a gender that is different from that of the other members. The required minimum number is rounded to the nearest whole number.

Because its free float is less than 50%, this legal requirement will not be effective for Tubize until the accounting year 2019. The current composition of the board with 7 male and 3 female members already complies with the legal requirement.

10.7. Remuneration report

10.7.1. Responsibilities

In accordance with article 526quater, §4 of the Company Code, Tubize is exempt from the obligation to install a remuneration committee. The functions assigned to the remuneration committee are exercised by the board of directors in its entirety. The board determines the remuneration policy for the directors and for the executive responsible for the day-to-day management ('general manager'), as well as their individual remuneration.

10.7.2. Policy

Until 2016 included, the remuneration of the directors solely consisted of fixed fees. The general shareholders meeting of 26 April 2017 will be called to approve the proposition to increase the fixed fees of the directors as from 2017 onwards and to attribute an attendance fee which is function of attendance at the board meetings.

The fixed fee of the chairman of the board of directors is twice the fee of a director.

The service agreement between the Company and the general manager provides for a remuneration based on the number of hours performed.

10.7.3. Remuneration and other benefits granted to non-executive directors

The fixed fee for the directors amounts to € 10,000 per person for the accounting year 2016. The fixed fee for the chairman of the board of directors amounts to € 20,000.

The general meeting of shareholders of 26 April 2017 will be called to approve the proposition to fix, as from accounting year 2017 onwards, the fee of the directors at € 30,000 per person per year and the fee of the chairman of the board of directors at € 60,000 per year. These amounts are exclusive of possible VAT and employer social security contributions, which will be borne by Tubize. A comparative analysis of the remunerations of non-executive directors of Belgian listed companies has demonstrated that the remunerations attributed by Tubize were significantly below the median of the remunerations applied by the Belgian listed companies of the BEL Small segment. The remunerations of Tubize were no longer aligned with the ever more demanding requirements of good governance and the ongoing professionalization of the director's function. It was therefore necessary to increase the remunerations to be able to continue to recruit high profile candidates.

The general shareholders meeting of 26 April 2017 will further be called to approve the proposition to attribute, as from accounting year 2017 onwards, an attendance fee of € 1,000 per person for each meeting of the board attended by the directors, including the chairman of the board of directors.

10.7.4. Remuneration of executives in their capacity of director

The general manager is the only executive of the Company. He is not a member of the board of directors.

10.7.5. Performance related remuneration of the general manager

The general manager does not receive any remuneration that is linked to the performance of Tubize or UCB.

10.7.6. Breakdown of the remuneration and other benefits granted to the general manager

Management fees granted to Marc Van Steenvoort (MVS) for accounting year 2016 amount to € 166k (exclusive of VAT), of which an amount of € 20k (exclusive of VAT) has been paid by MVS for subcontracted bookkeeping services.

10.7.7. Breakdown of the remuneration and other benefits granted to other executives

As the general manager is the only executive of the Company, this information is not applicable.

10.7.8. Shares granted to the general manager

The general manager does not receive shares, share options or any other rights to acquire shares of Tubize.

10.7.9. Severance pay clauses with respect to the general manager

The service agreement between the Company and the general manager, foresees that the latter is entitled to an indemnity equal to a quarterly remuneration when the Company terminates the agreement in case the general manager is no longer capable to fully exercise his missions for reasons of illness. The indemnity will be determined based on the average remuneration invoiced by the general manager to the Company and paid by the latter with respect to the four quarters preceding the termination of the agreement.

10.7.10. Severance pay to the general manager

No severance pay has been granted in 2016.

10.7.11. Recovery of variable remuneration granted to the general manager based on erroneous financial information

This section is not applicable, as the remuneration of the general manager does not contain variable components.

Brussels, 22 February 2017

The board of directors

François Tesch
Chairman of the board of directors

Evelyn du Monceau
Member of the board of directors