

## **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 2018 and to give an overview 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' regulated stock market. The Company holds and manages a 35% participating interest in UCB consisting of 68,076,981 shares issued by UCB, a biopharmaceutical company whose securities are also traded on the regulated stock market.

**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 1 and 5 years preceding 31 December 2018, the share price of Financière de Tubize has performed significantly better than the BEL-20® and the Euro Stoxx 50.

### *Evolution of the share price*

	Periods preceding 31 December 2018	
	1 year	5 years
Financière de Tubize	-5%	+29%
BEL20®	-18%	+11%
Euro Stoxx 50	-15%	-4%

### 1.2. Significant events that occurred during the financial year 2018

**Dividends** – Tubize has received the dividend from UCB in relation to financial year 2017 (€ 80,3 million) and has paid to its shareholders its own dividend in relation to financial year 2017 (€ 24,1 million).

**Debt** – Bank debt exposure has moved from € 192.0 million at 31 December 2017 to €142.5 million at 31 December 2018, thus a decrease of €49.5 million.

**Cash flow risk management** – A portion of the participation in UCB is financed by bank borrowings (€142.5 million at 31 December 2018). The entirety of these borrowings 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 hedges since October 2017 its entire floating rate debt. To that objective, the Company has concluded, in March 2016, two deferred start interest rate swaps which are effective since 2 October 2017, for notional amounts of € 82 million and € 57 million respectively, which will be completely amortised 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 4.2.7. of the EU-IFRS 31 December 2018 financial statements provides further details about the accounting for the swaps.

**Bridge loan** – As a reminder, in November 2016, the Company 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. This credit facility has been paid back the 15<sup>th</sup> of May 2018.

### 1.3. Results

The profit moves from € 72,688k in 2017 to € 76,977k in 2018, thus an increase of € 4,289k or 5.9%.

The condensed profit or loss account looks as follows:

<b>€ 000</b>	<b>2018</b>	<b>2017</b>
Dividend from UCB	80,331	78,289
Financial income	-	-
Cost of borrowing	-2,401	-4,613
Other financial expenses	-2	-46
General expenses	-951	-942
<b>Profit before tax</b>	<b>76,977</b>	<b>72,688</b>
Income taxes	-	-
<b>Profit</b>	<b>76,977</b>	<b>72,688</b>

The dividend received from UCB in 2018 in relation to financial year 2017 amounts to € 80,331k (gross dividend of € 1.18 per share) against € 78,289k (€ 1.15 per share) for the prior year.

The cost of bank borrowings has moved from € 4,613k in 2017 to € 2,401k in 2018, thus a decrease of € 2,212k. This decrease is linked to the reduction of the average outstanding debt of € 206 million in 2017 to € 157 million in 2018. The average borrowing cost which remained stable between 2016 (2.11%) and 2017 (2.18%) thanks to favourable market conditions and active management of the debt, decreases in 2018 at 1.51%. In 2018, the Company has supported less important commitment fees on the non-utilised part of confirmed credit lines.

Other financial expenses of 2018 include a provision of € 5k for the ineffectiveness of hedge accounting according to the Belgian accounting rules on the subject.

General expenses move from € 942k in 2017 to € 951k in 2018. These general overheads include the directors' remuneration.

Following the application of the system of tax credits for dividends received, no corporate income taxes are due. Indeed, the firm benefits from a 100% tax exemption in accordance with the law of December 25<sup>th</sup>, 2017.

### 1.4. Financial position

The condensed balance sheet at 31 December 2018 looks as follows:

<b>€ 000</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
Participation in UCB	1,717,992	1,717,992
Current investments and cash at bank and in hand	3,653	1,452
Other assets	133	33
<b>Total assets</b>	<b>1,721,778</b>	<b>1,719,477</b>
Equity	1,553,431	1,501,402
Bank borrowings	142,500	192,000
Other liabilities	25,847	26,075
<b>Total equity and liabilities</b>	<b>1,721,778</b>	<b>1,719,477</b>

#### Participation 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 € 71.30 at 31 December 2018 (€ 66.18 at 31 December 2017) against an average acquisition value of € 25.24

#### Equity

Equity moves from € 1,501,402k at 31 December 2017 to € 1,553,431k at 31 December 2018. This increase of € 52,029 stems from the profit of the year (€ 76,977), partially compensated by the dividend payable in relation to the financial year (€ 24,927 k).

The market capitalization of Tubize amounts to € 2,704,100k at 31 December 2018 (44,548,598 shares at € 60.70 prior to the cancellation of own shares which took place in January 2019) against € 2,845,764k at 31 December 2017 (44,548,598 shares at € 63.88).

The solvency ratio (equity as a percentage of total assets) has increased from 87.32% at 31 December 2017, to 90.22% at 31 December 2018. The ratio remains very strong and largely exceeds the minimum threshold of 70% that the Company has agreed with its banks.

### Bank borrowings

The outstanding bank debt has decreased from € 192,000k at 31 December 2017, to € 142,500 at 31 December 2018. The changes during the year 2018 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 decreased from 4.26% at 31 December 2017, to 2.94% at 31 December 2018. This ratio is still very low and largely under the maximum threshold of 30% agreed with the banks.

### 1.5. Own shares

Within the framework of the authorization from the extraordinary general meeting (held on April 25<sup>th</sup> 2018), the Board of Directors of Financière de Tubize has acquired, on the 26<sup>th</sup> of November 2018, 36.000 own shares at a price of €59 per share, adding up to 0.081% of shares representing the firm's capital. The Board of Directors has deemed the acquisition of such shares, transaction that occurred outside of the regulated market, to be an interesting opportunity considering the offered price. The Board of Directors then decided, on the 14<sup>th</sup> of December 2018, to proceed to the cancellation of the 36.000 own shares the firm owned. The shares have been cancelled on January 30<sup>th</sup>, 2019. Consequently, as of December 31<sup>st</sup>, 2018, the firm's capital is represented by 44,548,598 shares.

### 1.6. Dividend

In May 2018, the Company has received the dividend from UCB related to financial year 2017 (€ 80.331k) and paid its own dividend related to financial year 2017 (€ 24,056k).

Each year, 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 2018, to distribute a gross dividend of € 0.56 per share, thus an increase of 3.7% compared to the preceding year. For this purpose, a total amount of € 24,927k has been recorded as a liability in the annual accounts as at 31 December 2018.

If the general meeting of the 24<sup>th</sup> April 2019 approves the 2018 annual accounts and the proposed results appropriation, the dividend will be paid as from 6<sup>th</sup> of May 2019 onwards at the offices, seats and branches of BNP Paribas Fortis, in exchange of coupon n° 14.

<b>Coupon n° 14</b>	<b>Dates</b>
Ex-coupon	2 May 2019
Record	3 May 2019
Payment	6 May 2019

### 1.7. 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	2018	2017
<b>Profit BE GAAP</b>	<b>76,977</b>	<b>72,687</b>
Elimination of received dividend from UCB	-80,331	-78,289
Share of the profit of UCB	288,251	272,233
Amortisation, after tax effect, of 2009 debt restructuring costs	-	-259
Changes in deferred taxes on non-distributed reserves of UCB SA	-	19,464
Ineffectiveness hedge accounting	8	29
Reclassification adjustments related to derivatives	-586	-553
Re-measurement of fair value of derivatives	837	850
Other	-	-228
<b>Profit EU-IFRS</b>	<b>286,156</b>	<b>285,934</b>
Cash flow hedge	152	1,030
Reclassification adjustments, after tax effect, related to derivatives	586	553
Share of other comprehensive income of UCB	-35,702	-88,661
<b>Comprehensive income EU-IFRS</b>	<b>250,192</b>	<b>198,856</b>
Paid dividend	-24,056	-23,165
Repurchase of own shares	-2,124	-
Share of the other changes of net assets of UCB <sup>1</sup>	7,639	-22,560
Impact of changes in the percentage of the participation in UCB	-7,763	4,991
<b>Changes in EU-IFRS equity</b>	<b>223,888</b>	<b>158,120</b>
EU-IFRS equity beginning of the period	2,115,675	1,957,555
EU-IFRS equity end of period	2,339,564	2,115,675
<b>Changes in EU-IFRS equity</b>	<b>223,888</b>	<b>158,120</b>

### 1.8. Key figures for 5 year

	2018	2017	2016	2015	2014
<b>Participation in UCB at 31/12</b>					
Number of UCB shares held by Tubize	68,076,981	68,076,981	68,076,981	68,076,981	66,370,000
% of total shares issued by UCB	35,00	35,00	35,00	35,00	34,12
Acquisition value (€ 000)	1,717,992	1,717,992	1,717,992	1,717,992	1,580,240
Equity method value (€ 000)	2,481,939	2,309,844	2,222,130	2,258,543	1,835,036
Fair value (€ 000)	4,853,889	4,505,335	4,146,569	5,666,047	4,194,584
<b>Total assets at 31/12 (€ 000)</b>					
BE GAAP	1,721,778	1,719,477	1,718,681	1,718,604	1,580,628
EU-IFRS	2,483,601	2,311,329	2,222,819	2,259,155	1,835,424
<b>Equity at 31/12 (€ 000)</b>					
BE GAAP	1,553,431	1,501,402	1,452,770	1,406,892	1,369,456
EU-IFRS	2,339,563	2,115,676	1,957,555	1,947,314	1,621,876
<b>Bank borrowings at 31/12 (€ 000)</b>	142,500	192,000	241,000	286,328	187,000
<b>Balance sheet structure at 31/12 (%)</b>					
Solvency <sup>2</sup>	90,22	87,32	84,53	81,86	86,64
Indebtedness <sup>3</sup>	2,94	4,26	5,81	5,05	4,46
<b>Profit (€ 000)</b>					
BE GAAP	76,977	72,688	69,044	63,116	59,733
EU-IFRS	285,156	285,934	181,186	212,526	60,845
<b>Gross dividend per share (€)</b>	0.56	0.54	0.52	0.50	0.48
<b>Share price(€)</b>					
Minimum	58.20	55.43	50.58	49.00	45.75
Maximum	69.90	71.35	68.00	70.70	63.00
Au 31/12	60.70	63.88	59.32	68.03	52.59
<b>Number of shares</b>	44,548,598	44,548,598	44,548,598	44,548,598	44,608,831
<b>Market capitalisation at 31/12 (€ 000)</b>	2,704,100	2,845,764	2,642,623	3,030,641	2,345,978
<b>Daily average volume at Euronext Brussels (number of shares)</b>	6,925	7,121	7,625	12,231	11,716

### 1.9. 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.

<sup>1</sup> v. See the statement of changes in equity for a breakdown by category of equity.

<sup>2</sup> Equity as a percentage of total assets (in BE GAAP)

<sup>3</sup> Outstanding bank debts as a percentage of the market value of the participation in 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.

**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.

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

**Compliance risk** – This risk stems from non-compliance with applicable laws and regulations. The board relies regularly 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**

The Board of Directors decided, on the 14<sup>th</sup> of December 2018, to proceed to the cancellation of the 36.000 own shares the firm owned. The shares have been cancelled on January 30<sup>th</sup>, 2019. Therefore, the firm does no longer own “own shares”. Consequently, to date, the number of shares representing the firm’s capital is 44,512,598.

## **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**

**Article 523, §1 and §3** – During the accounting year 2018, 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 2018, 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.

**Article 630** – 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, including swaps with deferred start. All the relevant information concerning these instruments is included in the notes 4.2.6 et 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 Belgian Code on Corporate Governance. He is competent with respect to accounting and auditing matters.

## **10. Corporate governance statement**

### **10.1. reference Code**

Tubize adopts the 2009 Belgian Code on Corporate Governance (the 'Code') as reference Code. This Code can be consulted on the website [www.corporategovernancecommittee.be](http://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](http://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, and the appointment of an additional independent director will be proposed at the general meeting held on April 24<sup>th</sup>, 2019.
- The Board has not established any specialised committees (audit committee, appointment or remuneration committee). Under articles 526bis, §3 and 526quater, §4 of the Companies code, the Company is exempt from the obligation to establish an audit committee and a remuneration committee. The functions assigned to those committees are exercised by the board in its entirety. For the same

reasons of size, structure and simplicity of operations, the board is of opinion that the same practice can also be applied with respect to 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 internal control measures are selected on the basis of the pertinent legal requirements, the principles of the 2009 Belgian Code on corporate governance, the guidelines of the Corporate Governance Commission and the five 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 Code on corporate governance, 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. The data is encrypted locally during the transfer to the server (SSL-1024) and can not be read without a decrypting key (AES-256). The data is stored-encrypt on the server (AES-256). Moreover, the physical protection of datacenters is ensured according to the standards state of art against fire, intrusions and water damage...

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

The section 1.8. of the present report shows the risks to which the Company may be exposed and the way to manage these risks.

#### 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 held 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 accounting software used is Exact Online. The bookkeeping data processed in this software are safeguarded on professional certified servers. Moreover, most of the documents in possession of the accountant are digitalized and are 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 annual accounts are prepared by an accountant mandated by the general manager on the basis of the model made available by the Central Balance Sheet Office. The annual accounts are prepared on the basis of the balance of accounts and based on non-accounting information necessary to complete the notes to the annual accounts. After their approval by the shareholders during the annual general meeting, the annual accounts are filed in XBRL format via SOFISTA at the Central Balance Sheet Office. This application contains consistency checks.

In accordance with standard equity accounting practiced by UCB, the EU-IFRS accounts are established by an accountant mandated by the general manager. IFRS adjustments and equity method are managed using the software SIGMA. Concerning the notes, the accountant relies on disclosure checklists of 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.

Apart from the organizational measures, there are specific procedures such as analytical review by the general manager/accountant of the account balance, the preparation of a closing file with detailed justification of balances, the reconciliation of accounts with external counterparties, the use of disclosure checklists to ensure compliance with accounting standards, the follow-up if the Commissioner's recommendations, etc.

### 10.4. Transparency information

#### 10.4.1. Shareholder 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 at 31 December 2018:

	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%	26,468	0.06%	4,996,263	11.22%
Barnfin SA	3,903,835	8.76%	-	-	3,903,835	8.76%
Jean van Rijckevorsel	11,744	0.03%	-	-	11,744	0.03%
<b>Total voting rights held by the concert</b>	<b>23,292,065</b>	<b>52.29%</b>	<b>2,015,268</b>	<b>4.52%</b>	<b>25,307,303</b>	<b>56.81%</b>
Other shareholders	-	-	19,241,265	43.19%	19,241,265	43.19%
<b>Total voting rights</b>	<b>23,292,065</b>	<b>52.29%</b>	<b>21,256,533</b>	<b>47.71%</b>	<b>44,548,598</b>	<b>100.00%</b>

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 terms of the concert, see section 10.4.7. here after.

#### 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 at December 31<sup>st</sup> 2018. Since the cancellation of the 36.000 own shares observed by notary deed the 30<sup>th</sup> of January 2019, the capital is represented by 44,512,598 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 midnight Belgian time (being Wednesday 10<sup>th</sup> April 2019, 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 18 April 2019 for the ordinary general meeting of 2019).

#### 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 3/4<sup>th</sup> 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 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.

The general shareholders meeting of 25 April 2018 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. Moreover, the general shareholders meeting of 27 April 2016 has authorised the board of directors, 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, to acquire shares of the Company in order to avoid a serious and imminent damage to the Company. The renewal of this authorization, under the same conditions, is proposed to the general meeting of shareholders of this 24 April 2019.

#### 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 Tubize 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 2018 of respectively € 5 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**

#### 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).

	Function	Independent <sup>4</sup>	Executive <sup>5</sup>	Mandate <sup>6</sup>
François Tesch	Chairman	Yes	No	2016-20
NV Vauban represented by Gaëtan Hannecart	Member	Yes	No	2017-21
Marc Speeckaert	Member	No	No	2018-22
Cyril Janssen	Member	No	No	2015-19
Charles-Antoine Janssen	Member	No	No	2015-19
Nicolas Janssen	Member	No	No	2018-22
Evelyn du Monceau	Member	No	No	2015-19
Fiona de Hemptinne	Member	No	No	2018-22
Cédric van Rijckevorsel	Member	No	No	2017-21
Cynthia Favre d'Echallens	Member	No	No	2018-22

At the ordinary general meeting of 24 April 2019, propositions will be made to appoint Annick van Overstraeten as new member of the board and to renew the mandate of Cyril Janssen, Charles-Antoine Janssen and Evelyn du Monceau. These four mandates will have a 4-year duration and will expire at the ordinary general meeting of 2023.

### 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 2018 the board has met six times. The individual attendance rates of the directors is summarized in the table hereafter:

Name	Attendance
François Tesch	83%
NV Vauban represented by Gaëtan Hannecart	83%
Marc Speeckaert	100%
Cyril Janssen	100%
Charles-Antoine Janssen	83%
Nicolas Janssen	83%
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 the accounting year 2018, one could mention: the follow up on the performance of UCB, the financial reports (31 December 2017 and 30 June 2018), the preparation of both the ordinary general meeting and the extraordinary general meeting of 2018, the 2019 budget, several aspects of the functioning of the board (search of a new independent director, valuation, training) and the management of own funds and bank debt.

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

<sup>5</sup> Executive according to article 526bis §3 of the Company Code

<sup>6</sup> Years of the ordinary shareholders meetings that indicate beginning and end of the mandate

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 2018, 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 or of general manager of Tubize.

The board assesses regularly if its functioning is effective. An evaluation occurred in 2018. At its meeting on November 12<sup>th</sup>, 2018, the Board allocated some time to discuss the evaluation of its functioning effectiveness. The Board concluded that, overall, the functioning was very efficient. One-off specific steps were taken to address a few recommendations for improvement.

## **10.6. Gender diversity**

Since the Company has a very simple structure and has no staff so it put in place a diversity policy which essentially concerns the composition of its board of directors. This policy implies that several elements be taken into account, such as the compliance with legal requirements and the Code, but also the reference shareholders representation, the complementarity of expertise and skills, the diversity of functions, the age, the transition from one generation to another, the gender, the independence, the motivation, the personal qualities, the availability, etc.

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 come into effect only as from the accounting year 2019. In 2018, the composition of the board with 7 male and 3 female members complied with the legal requirements. At the Ordinary General Meeting of April 24<sup>th</sup> 2019, a proposition will be made to appoint a fourth female Director in the person of Mrs. Annick van Overstraeten, which will also meet the legal demands.

Furthermore, since July 2017, as part of the implementation of its diversity policy, Mrs. Anne Sophie Pijcke as the manager of the company Other Look SPRL whose head office is Chaussée de Tervuren 111 at 1160 Auderghem, works as a director of the company.

Finally, Tubize company holding a stable stake in UCB participates in the Diversity Policy of UCB's Board of Directors.

## **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 establish 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 ordinary general meeting of 26 April 2017 has fixed from the accounting year 2017 onwards the remuneration to € 30,000 per year and per director and has also granted an attendance fee of € 1,000 per meeting (general meeting included) for each director. The fixed fee of the chairman of the board of directors is twice the fee of a director. He receives the same attendance fee as a director.

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 services 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 the directors

In accordance with the decision taken by the ordinary general meeting of 2017, the fixed remuneration for the directors amounts to €30.000 per person for the accounting year 2018. The fixed remuneration of the chairman of the board amounts to €60.000.

The following attendance fees have been paid to each director during accounting year 2018:

<b>Name</b>	<b>Attendance</b>
François Tesch	6.000
NV Vauban represented by Gaëtan Hannecart	6.000
Marc Speeckaert	5.000
Cyril Janssen	7.000
Charles-Antoine Janssen	6.000
Nicolas Janssen	5.000
Evelyn du Monceau	7.000
Fiona de Hemptinne	7.000
Cédric van Rijckevorsel	7.000
Cynthia Favre d'Echallens	7.000

### 10.7.4. Remuneration and other benefits granted to the general manager

The mandate of general manager is exercised by the company Other Look SPRL (OI2EF) whose head office is Chaussée de Tervuren, 111 in 1160 Auderghem, represented by its manager Anne Sophie Pijcke (ASP) since the 1<sup>st</sup> of July 2017.

The management fees granted to ASP for accounting year 2018 amounted to € 78.400 (exclusive VAT).

The general manager does not benefit from a variable remuneration, a pension scheme or any other benefits, and nore does he or she receive shares, share options or any other rights to acquire shares of Tubize.

The service agreement between the Company and the general manager, foresee that everyone could end it by notifying to the one a prior notice of 3 months beginning on 3 days after the notification date of the prior notice by registered letter. No other severance pay has been foreseen in this agreement.

### 10.7.5. Remuneration and other benefits granted to other directors or executives

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

### 10.7.6. Remuneration policy granted to for the two forthcoming financial years

The remuneration policy in place shouldn't be modified during the next two accounting years.

Brussels, the 27<sup>th</sup> of February 2019

The board of directors

Cyril Janssen  
Member of the board of directors

Evelyn du Monceau  
Member of the board of directors