

Impact of the European Single Electronic Format on the IFRS annual report

10th October 2018



Thomas, living with epilepsy

Agenda

UCB: Creating value for patients

What is European Single Electronic Format (ESEF)?

ESEF Field test organized by ESMA

Impact on our future closing process

UCB: Creating value for patients

Bringing solutions to people living with neurological & immunological diseases

Key facts and figures 2017:

- Revenue: €4.5 billion
- rEBITDA: €1375 million
- About 7500 employees globally
- Operations in ~40 countries
- R&D Spend: 23% of revenue
- Listed on Euronext

Everything we
do starts with
a simple
question:



“How will this make
a difference to the
lives of people
living with severe
diseases?”

UCB: Creating value for patients

Key products of Immunology, Neurology and Established Brands


cimzia[®]
(certolizumab pegol)


VIMPAT[®]
lacosamide


Neupro[®]
rotigotine transdermal patch

BRIVIACT[®] 

KEPPRA
XR (levetiracetam)
extended-release tablets

Keppra

Zyrtec[®]
Cetirizine dihydrochloride

Xyzal[®]
LEVOCETIRIZINE HCl

What is European Single Electronic Format (ESEF)?

Harmonization, Accessibility and comparability of financial reporting

- The EU Transparency Directive has been amended in 2013 and requires issuers on EU regulated markets to prepare their annual financial reporting in a **European Single Electronic Format** or **ESEF**
 - **Objective:**
 - **Harmonize** financial information
 - Facilitate the **accessibility** and **comparability** of financial reporting
 - **Technology** to meet the requirement: **Inline XBRL**
- **XBRL** or eXtensible Business Reporting Language, is an open, international standard for the exchange of financial and non-financial information in digital form. The technology makes reporting more standardized and enables computer systems to automatically recognize and process data throughout the entire reporting chain. This simplifies the delivery of digital reports to various parties and enables better access of information for analyses and benchmarking purposes.
- ESMA requires financial information to be structured according to the **ESEF taxonomy**, which is an extension of the IFRS requirements for information tagging. By structuring financial information in a standardized way, reports will be more understandable, accessible and comparable.
- **Timing:** Once endorsed by the European Union, issuers will be required to prepare their annual financial report in a single electronic reporting format from 1 January 2020 onwards

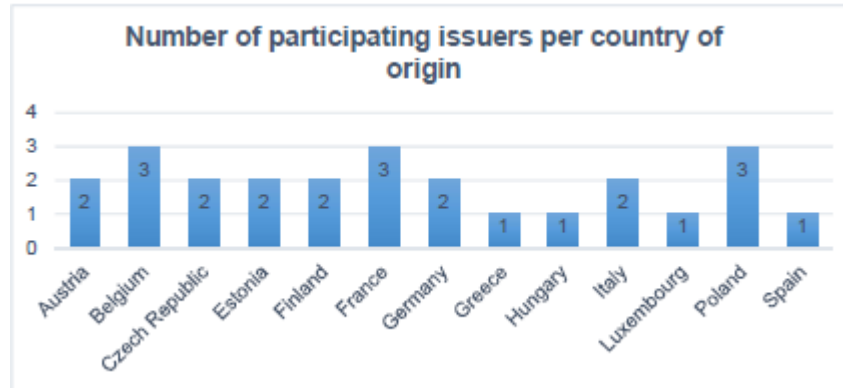
ESEF field tests organized by ESMA

25 participants: maximum variety in terms of size, sector & location

- Objective: **Transform** IFRS consolidated financial statement to **Inline XBRL** and test
 - The software tools available on the market
 - The core taxonomy files prepared by ESMA through a hands-on exercise of mapping of financial statements
 - The practicality

} - Sufficient comparable outcome?
 } - Burden for companies?

- Participants*



Industry	Number of participants
Banking	5
Energy/renewable energy	2
Insurance	2
Airlines	1
Bio and Forest	1
Biotechnology	1
Consumer goods	1
Infrastructure operator and service provider	1
IT	1
Manufacturing and sale of industrial machinery	1
Medical Diagnostic Technologies	1
Oil&Gas	1
Pharmaceutical	1
Railways	1
Technology	1
Telecom	1
Water supply and wastewater collection and treatment services	1
Metals, Mining and Minerals	1
Steel	1
Total	25

ESEF field tests organized by ESMA

Core taxonomy structure

- Based on the IFRS taxonomy

Consolidated financial statements IFRS MAP

Net sales				
Royalty income and fees	ReceiptsFromRoyaltiesFeesCommissionsAndOtherRevenue	Receipts from royalties, fees, commissions and other revenue	X, duration, debit	IAS 7 14 b
Other revenue	RevenueFromRoyalties	Royalty income	X, duration, credit	Expiry date 2018-01-01 IAS 18 35 b iv, IAS 1 112 c

Consolidated financial statements

Intangible assets	ifrs-full	IntangibleAssetsOtherThanGoodwill	Total intangible assets other than goodwill	X, instant, debit	IAS 1 54 c, IAS 38 118 e
Goodwill	ifrs-full	Goodwill	Goodwill	X, instant, debit	IAS 36 134 a, IAS 1 54 c, IAS 36 135 a, IFRS 3 B67 d

[815000] Notes - Events after reporting period

[816000] Notes - Hyperinflationary reporting

[817000] Notes - Business combinations

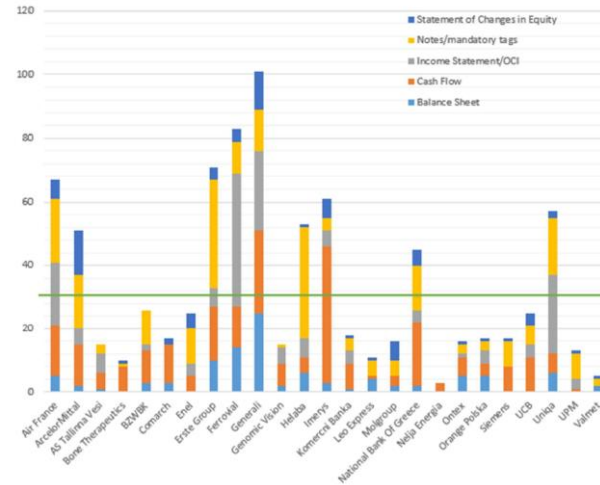
[818000] Notes - Related party

- All elements of the primary financial statements were mapped to the closest definition available. Some extensions needed to be asked for due to detailed presentation in the own Annual Financial Reporting.
- Notes were mapped in entire sections (block tagging), despite where present in the Annual Financial Reporting
- Mapping to the taxonomy structure was mostly manual. Sanity checks were done (assets=liabilities,...)

ESEF field tests organized by ESMA

Outcome

- Extension concepts by issuers and components of the Annual Financial Reporting*



- UCB extension concept examples

Issuer	Closest wider element	Extension element
UCB	Impairment loss recognised in profit or loss	Impairment of non-financial assets
UCB	Other gains (losses)	Other income/expenses
UCB	Equity (member)	Share capital and share premium (member)
UCB	Increase (decrease) through other changes, equity	Repayment of capital
UCB	Dividends recognised as distributions to owners	Dividend to shareholders of perpetual subordinated bonds
UCB	Other adjustments to reconcile profit (loss)	Adjustment for profit (-)/loss from discontinued operations
UCB	Adjustments for income tax expense	Adjustment for items to disclose separately under operating cash flow
UCB	Increase (decrease) in working capital	Share swaps
UCB	Cash flows from losing control of subsidiaries or other businesses, classified as investing activities	Proceeds from sale of subsidiaries, net of cash disposed
UCB	Cash flows from losing control of subsidiaries or other businesses, classified as investing activities	Proceeds from sale of other activities, net of cash disposed
UCB	Cash flows from (used in) financing activities	Sub-total disposals
UCB	Equity (member)	Hybrid capital (member)

ESEF field tests organized by ESMA

Example outcome Consolidated Statement of Changes in Equity

€ million
For the year ended 31 December

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2016

	Share capital and share premium	Hybrid capital	Treasury shares	Retained earnings	Other reserves	Cumulative translation adjustments	Available for sale financial assets	Cash flow hedges	Total	Non-controlling interests	Total stockholder equity
Balance at 1 January 2016	2614	295	-295	2915	-66	182	43	-16	5672	-126	5546
Profit for the period				520					520	22	542
Other comprehensive income/loss (-)					-89	-50	-1	-4	-144	-3	-147
Total comprehensive income				520	-89	-50	-1	-4	376	19	395
Dividends (Note 38)				-207					-207		-207
Share-based payments (Note 25)				52					52		52
Transfer between reserves		5	16	-12	-9				0		0
Treasury shares (Note 24)			-4						-4		-4
Repayment of capital		-300							-300		-300
Dividend to shareholders of perpetual subordinated bonds				-5					-5		-5
Balance at 31 December 2016	2614	0	-283	3263	-164	132	42	-20	5584	-107	5477

DISCLAIMER

1. This document was prepared in connection with ESMA's field testing for the purposes of the development of a European Single Electronic Format ("ESEF") pursuant to ESMA's obligations under Article 4(7) of Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 as amended by Directive 2013/50/EU.
2. The purpose of the field testing is to assess the practicability of, and options for the further enhancement of, the draft specifications of ESEF under development by ESMA. The field testing has involved the participation of issuers in the transformation of their IFRS consolidated financial statements to Inline XBRL format.
3. When creating the Inline XBRL reports, only limited effort was made to style and design the human readable XHTML presentation layer as the focus of the field test lay on the transformation of the financial information to the machine readable XBRL format. XHTML allows significantly better designed reports, but such styling and presentation matters were not in the scope of the field test.
4. This published document is intended solely for the purposes of the field testing. In particular, ESMA publishes this material in order to inform the public of how ESEF will work and to provide the opportunity for feedback on matters relating to the development of ESEF. The published document should not be considered or used for any other purpose without the prior consent of ESMA and the issuer concerned.
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7. As the field test was, amongst others, used to determine how the ESEF draft specifications could be further improved, the final requirements for the European Single Electronic Format will differ from the draft rules that were applied to transform the issuer's financial statements to Inline XBRL. Therefore, the published material is not and may not be considered to provide guidance on or interpretation of any rules or regulations of any source whatsoever, including as regards compliance with Article 4(7) of Directive 2004/109/EC, and no party should infer from the published material or the manner of its presentation how financial statements, annual financial reports or regulated information should be prepared.

Impact on our future closing process

Lessons learned from ESEF field tests

- Understanding ESEF requirements
- IFRS
 - Compliance is key
 - Yearly update of taxonomy if applicable
 - New IFRS
 - Reach out when early adopting new IFRS
 - New disclosures in the annual report of the UCB Group
- Effort / complexity of tagging
 - Add extra workflows in the year-end closing process
 - Maximum of 3 man-days to manually tag our full annual report data (after familiarizing with the topic)
 - Further leverage our disclosure management tool used for publication of the annual report: XBRL tagging automation / mapping
- Outcome
 - Overall harmonization of reporting
 - Re-use of XBRL-tagged reports
 - Comparability/Benchmarking with peers in IFRS environment

Thanks!