Lut, living with osteoporosis

CHAPTER

6

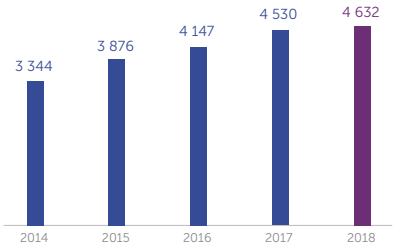
Our **financials**

For the last five years, UCB has delivered continuous growth and built up strong financial foundations, allowing us to:

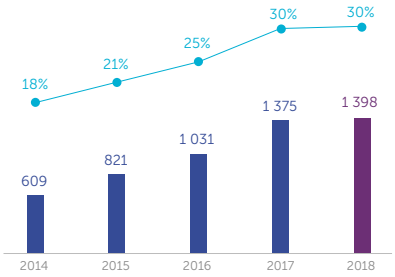
- Invest a substantial part of our revenue in our pipeline with R&D expenses around € 1-1.2 billion
- Increase our financial flexibility by bringing our debt down: net debt / rEBITDA ratio has decreased from 2.65 in 2014 to 0.17 in 2018
- To reach peer profitability with a rEBITDA / revenue ratio which has increased from 18% in 2014 to 30% in 2018.

Delivering continuous profitable growth

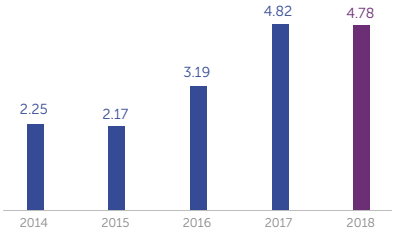
Revenue



Recurring EBITDA

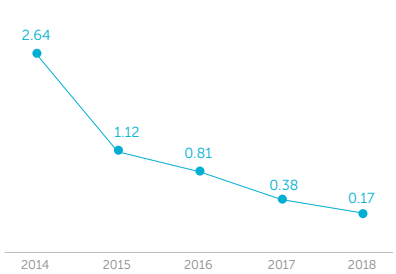


Core EPS

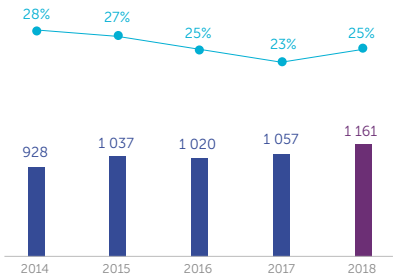


Strong foundations for future growth

Net debt / recurring EBITDA ratio



R&D / revenue ratio



2018 financial report

1 Business performance review

1.1 Key highlights

- 2018 revenue increased by 2%, +5% at constant exchange rates (CER) to € 4 632 million. Net sales went up to € 4 412 million (+5%, +8% CER). This growth was driven by the continued performance of the core products in immunology, Cimzia®, the epilepsy franchise: Vimpat®, Keppra® and Briviact®, as well as the Parkinson drug Neupro®. Royalty income and fees reached € 92 million. Other revenue decreased to € 128 million.
- Recurring EBITDA grew to € 1 398 million by 2% (+5% CER), thanks to core product growth and despite higher R&D expense.
- Profit reached € 823 million from € 771 million, of which € 800 million is attributable to UCB shareholders after € 753 million in 2017.
- Core EPS reached € 4.78 after € 4.82 in 2017.

	Actual[1]		Variance	
€ million	**2018**	2017	Actual rates	CER[2]
Revenue	**4 632**	**4 530**	**2%**	**5%**
Net sales	4 412	4 182	5%	8%
Royalty income and fees	92	108	-15%	-11%
Other revenue	128	240	-47%	-46%
Gross Profit	**3 434**	**3 330**	**3%**	**6%**
Marketing and selling expenses	-964	-940	3%	6%
Research and development expenses	-1 161	-1 057	10%	11%
General and administrative expenses	-180	-192	-6%	-5%
Other operating income/expenses (-)	-24	-11	>100%	>100%
Recurring EBIT (rEBIT)	**1 105**	**1 130**	**-2%**	**1%**
Non-recurring income/expenses (-)	4	-43	>-100%	>-100%
EBIT (operating profit)	**1 109**	**1 087**	**2%**	**5%**
Net financial expenses	-93	-99	-6%	-5%
Profit before income taxes	**1 015**	**988**	**3%**	**6%**
Income tax expenses	-200	-218	-8%	-5%
Profit from continuing operations	**815**	**770**	**6%**	**9%**
Profit/loss (-) from discontinued operations	8	1	>100%	>100%
Profit	**823**	**771**	**7%**	**10%**
Attributable to UCB shareholders	800	753	6%	10%
Attributable to non-controlling interests	23	18	26%	32%
Recurring EBITDA	**1 398**	**1 375**	**2%**	**5%**
Capital expenditure (including intangible assets)	341	209	63%	
Net financial debt	237	525	-55%	
Operating cash flow from continuing operations	1 098	896	23%	
Weighted average number of shares – non-diluted (million)	188	188	0%	
EPS (€ per weighted average number of shares – non-diluted)	**4.24**	**4.00**	**6%**	**6%**
Core EPS (€ per weighted average number of shares – non-diluted)	**4.78**	**4.82**	**-1%**	**3%**

[1] Due to rounding, some financial data may not add up in the tables included in this management report.

[2] CER: constant exchange rates

This Business Performance Review is based on the consolidated financial statements for the UCB Group of companies prepared in accordance with IFRS. The separate statutory financial statements of UCB SA prepared in accordance with Belgian Generally Accepted Accounting Principles, together with the report of the Board of Directors to the General Assembly of Shareholders, as well as the auditors' report, will be filed at the National Bank of Belgium within the statutory periods, and be available on request or on our website.

Scope change: As a result of the divestment of the activities Films (September 2004), Surface Specialties (February 2005), and the divestiture of Kremers Urban Pharmaceuticals Inc. (November 2015), UCB reports the results from those activities as a part of profit from discontinued operations.

Recurring and non-recurring: Transactions and decisions of a one-time nature that affect UCB's results are shown separately ("non-recurring" items). Besides EBIT (earnings before interest and taxes or operating profit), a line for "recurring EBIT" (REBIT or recurring operating profit), reflecting the on-going profitability of the company's biopharmaceutical activities, is included. The recurring EBIT is equal to the line "operating profit before impairment, restructuring and other income and expenses" reported in the consolidated financial statements.

Core EPS is the profit attributable to the UCB shareholders, adjusted for the after-tax impact of non-recurring items, the financial one-offs, the after-tax contribution from discontinued operations and the after-tax amortization of intangibles linked to sales, per non-dilutive weighted average number of shares.

1.2 Key events[1]

There have been a number of key events that have affected or will affect UCB financially:

1.2.1 Important agreements/initiatives

- February 2018 – UCB and an investor syndicate led by Novo Seeds launched **Syndesi Therapeutics** to develop novel therapeutics for cognitive disorders. Syndesi Therapeutics has exclusively licensed a first-in-class small molecule program from UCB. A series A investment totaling € 17 million will fund the clinical development of the lead compound up to early proof-of-concept in humans.
- Early 2018, **UCB and partner Vectura** decided to license out UCB4144/VR942, a dry powder inhaled biologic which successfully completed Phase 1 in 2017.
- March 2018 – **UCB acquired Element Genomics** in the U.S. to strengthen UCB's genomics and epigenomics research platform to identify novel drug targets.
- April 2018 – UCB agreed to acquire ***midazolam* nasal spray** (USL261) from Proximagen. USL261 is a nasally administered investigational *midazolam* formulation intended as a rescue treatment of acute repetitive seizures in patients with epilepsy. Closing occurred in June 2018. The new drug application was accepted for filing by the FDA in August, following previous orphan drug status and fast-track designation.
- May 2018 – UCB has entered into an agreement with **Science 37**, Los Angeles, CA (U.S.), a trailblazing company focused on "site-less" clinical trials. Science 37's decentralized clinical trial approach combines technologies that can fundamentally change the way clinical trials are run. With this collaboration, UCB aims to provide a better patient experience, to innovate and accelerate clinical studies in a patient-focused way and to bring new solutions to patients faster.
- May 2018 – The U.S. Court of Appeals for the Federal Circuit (CAFC) has affirmed the Delaware District Court and confirmed the **validity of U.S. patent RE38,551 related to Vimpat®** (*lacosamide*), UCB's anti-epileptic drug.
- In September, in line with its strategic focus, UCB sold its subsidiary **"Innere Medizin"**. "Innere Medizin" has been successfully promoting pharmaceutical products in Germany for many years, mainly in the internal medicine area for cardiovascular and respiratory diseases.

1.2.2 Regulatory update and pipeline progress

Neurology

- In January 2018, UCB filed **Vimpat®** (*lacosamide*) for pediatric patients living with partial-onset epilepsy at four years and older in Japan.
- In February, the Phase 2b study with ***padsevonil*** started for drug resistant epilepsy patients. First results are expected in H1 2020.
- In March, **UCB0107**, a humanized, immunoglobulin monoclonal antibody with a specificity for human tau, entered the clinical phase 1 program.
- In May, **Briviact® (*brivaracetam*)** oral formulations were approved in the U.S. indicated as monotherapy and adjunctive therapy in the treatment of partial onset (focal) epileptic seizures in patients age four years and older.
- In June, the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency has adopted a positive opinion for Briviact® to extend the therapeutic indication to include adjunctive therapy in the treatment of partial onset seizures with or without secondary generalization in patients with epilepsy from 4 years of age. The European Commission approved this in July.
- In August, the new drug application for ***midazolam* nasal spray** was accepted for filing by the FDA, following previous orphan drug status and fast-track designation.
- Positive phase 2 results for **Briviact® (*brivaracetam*)** in acute repetitive seizures were achieved in July.
- UCB pioneered with the extrapolation concept in China: in March 2018 UCB filed **Keppra® (*levetiracetam*)** for monotherapy of partial onset epilepsy seizures based on extrapolation from adjunctive therapy with sound scientific rationale and was approved in August. In September, UCB submitted **Vimpat® (*lacosamide*)** IV (intravenous) and oral formulation for the adjunctive therapy of partial onset epilepsy seizures in children above 4 years and for adults, based on extrapolation.
- In October, UCB announced positive results from a phase 2 study with a novel, subcutaneous FcRn (neonatal Fc receptor) monoclonal antibody, ***rozanolixizumab***, in patients with myasthenia gravis (MG), achieving proof-of-concept. These results support the acceleration of *rozanolixizumab* development with a confirmatory study in MG starting in Q2 2019.
- In December, **Vimpat® (*lacosamide*)** was approved in China as adjunctive therapy in the treatment of partial-onset seizures with or without secondary generalization in adult and adolescent patients 16 years of age and older with epilepsy. In January 2019, Vimpat® was approved in Japan for the treatment of partial onset seizures in children 4 years of age and older. In addition, two new formulations have been approved, IV (intravenous) and dry syrup.
- In December, **Keppra® (*levetiracetam*)** for monotherapy of epilepsy as well as an updated pregnancy language was submitted to the U.S. authorities. The application was accepted for filing by the FDA in January 2019. The Keppra® pregnancy label has been approved in the EU in April 2018.
- At the end of 2018, one phase 1 project in neurology, UCB3491, was terminated due to lack of patients for recruitment – driven by sufficient standard of care.

Immunology

- A label update for **Cimzia® (*certolizumab pegol*)** in pregnancy and breastfeeding was approved in Europe (January 2018) and in the U.S. (March 2018), making it the first anti-TNF treatment option that could be considered for women with chronic inflammatory disease throughout the pregnancy journey.
  In March 2018, the Cimzia® pre-filed syringe received approval in the U.S. for the option to store it at room temperature for a single period of up to 7 days, within the approved shelf-life, thus helping better address patient needs.
  Also in March, UCB announced the filing of Cimzia® with the State Drug Administration (SDA, former CFDA) in China for the treatment of moderate-to-severe rheumatoid arthritis. In June, the SDA has granted priority review.
  In April, the European Committee for Medicinal Products for Human Use (CHMP) recommended approval of a label extension for Cimzia®, to include a new indication in adult patients with moderate-to-severe plaque psoriasis. The European Commission endorsed this in June.
  In May, Cimzia® was approved for adults with moderate-to-severe plaque psoriasis in the U.S.
  Also in May, UCB announced positive topline results from C-AXSPAND, a Phase 3 placebo-controlled study

to investigate the efficacy of Cimzia® on the signs and symptoms of active axial spondyloarthritis (axSpA) in patients without x-ray evidence of ankylosing spondylitis (AS). In September, these data were submitted to the U.S. regulatory authorities for non-radiographic axial spondyloarthritis (nr-axSpA) and were accepted for filing in October. In August, the Japanese authorities approved the Cimzia® AutoClick® device. In September, the label update for Cimzia® in pregnancy and breastfeeding was approved in Japan. Also in September and in Japan, positive phase 3 results were achieved for Cimzia® in patients with psoriasis and psoriatic arthritis. Submission to the Japanese agency took place in January 2019.

- During the course of the first half of 2018, further studies with ***bimekizumab*** in moderate to severe psoriasis were initiated. Out of the ongoing three Phase 3 studies, two include an active comparator, namely *ustekinumab*, and *adalimumab*. Results are expected by the end of 2019. An additional Phase 3b study to compare *bimekizumab* directly with *secukinumab* was initiated in June. The comparative studies have been designed to demonstrate superiority over active comparators on robust endpoints.
- In July, a full evaluation of early-stage clinical studies of ***seletalisib*** in Sjögren's syndrome and activated P13K Delta Syndrome (APDS) showed positive results and no new safety signal was observed. However, in light of its other upcoming R&D investments and as part of its regular portfolio prioritization, UCB has decided to deprioritize further internal development of *seletalisib*.
- In October, UCB and its partner Biogen announced top-line results from a Phase 2b study with ***dapirolizumab pegol*** (DZP) in moderately-to-severely active systemic lupus erythematosus. UCB and Biogen continue to further evaluate these data while assessing potential next steps.
- At the end of 2018, one phase 1 project, UCB6673, was returned to the partner – due to prioritization within the UCB pipeline.

Bone

- Early January 2019, UCB and Amgen announced the approval of **Evenity™ (*romosozumab*)** in Japan. Evenity™ is approved in Japan to reduce the risk of fractures and increase bone mineral density in men and post-menopausal women with osteoporosis at high risk of fracture. One week later, the U.S. Food and Drug Administration (FDA) Bone, Reproductive and Urologic Drugs Advisory Committee (BRUDAC) voted positively for the approval of *romosozumab*. While the FDA is not bound by the Advisory Committee's recommendations, it takes the advice into consideration when making its decision. The European Medicines Agency (EMA) is currently reviewing a marketing application for *romosozumab* and interactions with the agency are ongoing.

All other clinical development programs are continuing as planned.

[1] From 1 January 2018 up to the publication of date of this report

1.3 Revenue and recurring EBITDA

1.3.1 Net sales by product

Total net sales in 2018 increased to € 4 412 million, 5% higher than last year or +8% CER.

	Actual		Variance	
€ million	**2018**	2017	Actual rates	CER
Immunology				
Cimzia®	1 446	1 424	2%	5%
Neurology				
Vimpat®	1 099	976	13%	17%
Keppra® (including Keppra® XR/E Keppra®)	790	778	2%	5%
Neupro®	321	314	2%	4%
Briviact®	142	87	63%	70%
Established brands				
Zyrtec® (including Zyrtec-D/Cirrus®)	101	103	-2%	2%
Xyzal®	90	104	-14%	-11%
Other products	323	368	-12%	-9%
Net sales before hedging	**4 312**	**4 154**	**4%**	**8%**
Designated hedges reclassified to net sales	100	28	>100%	
Total net sales	**4 412**	**4 182**	**5%**	**8%**

Core products

Cimzia® (*certolizumab pegol*) for patients living with inflammatory TNF mediated diseases, net sales increased in a competitive market environment to € 1 446 million (+2%; +5% CER), driven by newly launched indications.

Vimpat® (*lacosamide*) net sales went up to € 1 099 million (+13%; +17% CER) marking a new blockbuster for UCB and showing strong, double-digit growth in all regions where Vimpat® is available to people living with epilepsy.

Keppra® (*levetiracetam*), also for epilepsy, had net sales of € 790 million (+2%; +5% CER). Mainly driven by the growth in international markets, namely Japan where growth was +13% (+16% CER) reaching € 154 million.

Briviact® (*brivaracetam*) available for people living with epilepsy since 2016, reached net sales of € 142 million after € 87 million in 2017, a plus of 63% (+70% CER).

UCB's epilepsy franchise reached net sales of € 2 031 million, a plus of 10%.

Neupro® (*rotigotine*), the patch for Parkinson's disease reached net sales of € 321 million (+2%; +4% CER), still growing in Europe and the U.S., having reached its peak sales in 2018.

Established brands

Zyrtec® (*cetirizine*, including Zyrtec®-D/Cirrus®) for people living with allergy, had net sales of € 101 million (-2%; +2% CER).

Xyzal® (*levocetirizine*), also for allergy, net sales declined to € 90 million (-14%; -11% CER), mainly in international markets due to generic competition.

Other products: Net sales for other established brands decreased by 12% (-9% CER) to € 323 million mainly due to the divestiture of "Innere Medizin". Adjusted for divested and discontinued non-core products, other established brands decreased by 7%.

Designated hedges reclassified to net sales were positive with € 100 million (after € 28 million in 2017) reflecting UCB's realized transactional hedging activities which have to be recognized in the "net sales" line according to IFRS. These are mainly related to the U.S. Dollar.

1.3.2 Net sales by geographical area

	Actual		Variance actual rates		Variance CER	
€ million	**2018**	2017	€ million	%	€ million	%
Net sales U.S.	**2 158**	**2 069**	**90**	**4%**	**192**	**9%**
Cimzia®	896	918	-21	-2%	21	2%
Vimpat®	822	746	76	10%	115	15%
Keppra®	221	232	-11	-5%	0	0%
Briviact®	109	63	45	72%	51	80%
Neupro®	101	96	5	5%	9	10%
Established brands						
Other	9	14	-5	-34%	-4	-31%
Net sales Europe	**1 325**	**1 288**	**37**	**3%**	**42**	**3%**
Cimzia®	400	370	29	8%	31	8%
Keppra®	216	235	-18	-8%	-18	-8%
Vimpat®	206	177	29	16%	30	17%
Neupro®	174	168	6	3%	6	4%
Briviact®	29	22	7	32%	7	33%
Established brands						
Zyrtec®	55	52	4	7%	4	7%
Xyzal®	27	29	-1	-5%	-1	-5%
Other	218	235	-18	-7%	-17	-7%
Net sales international markets	**829**	**798**	**31**	**4%**	**83**	**10%**
Keppra® (including E Keppra®)	352	311	41	13%	59	19%
Cimzia®	150	136	13	10%	25	19%
Vimpat®	70	53	17	33%	22	42%
Neupro®	46	50	-3	-7%	-2	-4%
Briviact®	4	1	2	>100%	3	>100%
Established brands						
Xyzal®	63	75	-13	-17%	-10	-13%
Zyrtec® (including Cirrus®)	46	51	-5	-10%	-1	-2%
Other	98	120	-22	-19%	-13	-10%
Net sales before hedging	**4 312**	**4 154**	**158**	**4%**	**317**	**8%**
Designated hedges reclassified to net sales	100	28	72	>100%		
Total net sales	**4 412**	**4 182**	**230**	**5%**	**330**	**8%**

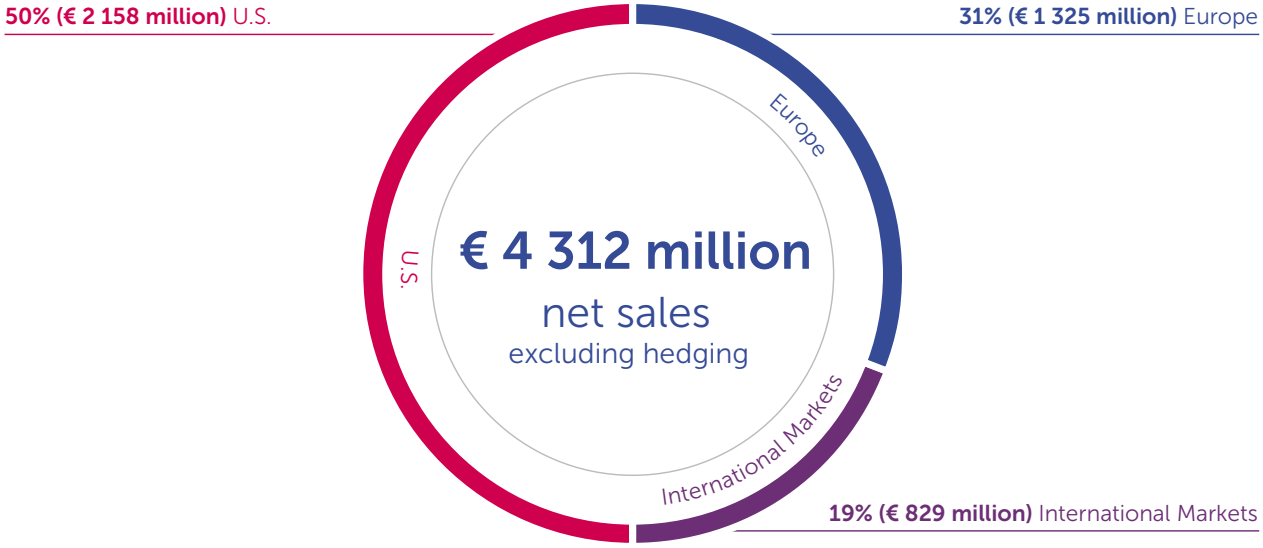
U.S. net sales reported by UCB were up to € 2 158 million (+4%; +9% CER); driven by the core products. Cimzia® net sales decreased by 2% at real rates and increased by 2% at constant rates reaching € 896 million. Vimpat® went up by 10% (+15% CER) to € 822 million. The Keppra® franchise went down to € 221 million (-5%; 0% CER), facing generic competition since 2008, and Briviact® reached € 109 million net sales; +72%; +80% CER. Neupro® net sales were up to € 101 million (+5%).

Europe net sales were € 1 325 million (+3%; +3% CER), driven by the continued sustainable performance of the core products: Cimzia® (€ 400 million; +8%), Vimpat® (€ 206 million; +16%), Keppra® (€ 216 million; -8%) and Briviact® (€ 29 million; +32%) which was launched in 2016 as well as Neupro® (€ 174 million; +3%). The established brands declined, mainly due to mandatory price reductions and generic competition. Adjusted by the divestiture of "innere Medizin", Europe net sales were up by 4%.

International markets net sales – including Japan and China being the largest net sales contributors, amounted to € 829 million (+4%; +10% CER) driven by sustainable growth of the core products. Thereof, net

sales in Japan were up 5% to € 305 million driven by sustainable in-market demand. In Japan, Cimzia® net sales were stable at of € 34 million, Vimpat® reported net sales of € 22 million, E Keppra® had a net sales growth to € 154 million (+13%) and Neupro® reached net sales of € 31 million. Net sales in China were € 151 million.

Designated hedges reclassified for sales were positive with € 100 million (after € 28 million in 2017) reflecting UCB's realized transactional hedging activities which have to be recognized in the "net sales" line according to IFRS.



1.3.3 Royalty income and fees

	Actual		Variance	
€ million	**2018**	2017	Actual rates	CER
Biotechnology IP	56	59	-4%	0%
Zyrtec® U.S.	12	26	-56%	-53%
Toviaz®	19	19	1%	6%
Other	5	4	25%	27%
Royalty income and fees	**92**	**108**	**-15%**	**-11%**

During 2018, **royalty income and fees** decreased to € 92 million (-15%).

Royalties collected for Zyrtec® were driven by the lifecycle of that product.

Royalties collected for Toviaz® were stable. The franchise royalties paid by Pfizer for the overactive bladder treatment reflect the in-market performance of the franchise.

1.3.4 Other revenue

	Actual		Variance	
€ million	**2018**	2017	Actual rates	CER
Contract manufacturing sales	83	91	-9%	-8%
Xyzal® in U.S.	0	56	-100%	-100%
Partnerships in Japan	8	30	-75%	-75%
Product profit sharing	11	16	-32%	-32%
Other	26	47	-44%	-43%
Other revenue	**128**	**240**	**-47%**	**-46%**

Other revenue reached € 128 million (-47%) compared to € 240 million in 2017 that was impacted by the one-time other revenue of € 56 million for out-licensing of the over-the counter-allergy drug Xyzal® in the U.S. Adjusted for this one-time other revenue in 2017, the decrease of other revenue was 30%.

Contract manufacturing sales decreased to € 83 million from € 91 million, contract manufacturing for the 2016 divested established brands is no longer included.

Partnering activities in Japan encompass the collaboration with Otsuka focusing on E Keppra® and Neupro®, with Astellas for Cimzia® and with Daiichi Sankyo for Vimpat®. Revenue reached € 8 million after € 30 million in 2017. 2017 benefitted from a received sales milestone payment, which did not reoccur in 2018 as the next milestone is still to be met.

The **product profit sharing agreements** for Dafiro® and Xyzal® reached a revenue of € 11 million (-32%), driven by the life cycle of these products.

"Other" revenue reached € 26 million (-44%) and includes milestones and other payments from our R&D partners. This is due to the divestiture of "Innere Medizin" and R&D payments received in 2017 not reoccurring.

1.3.5 Gross profit

	Actual		Variance	
€ million	**2018**	2017	Actual rates	CER
Revenue	**4 632**	**4 530**	**2%**	**5%**
Net sales	4 412	4 182	5%	8%
Royalty income and fees	92	108	-15%	-11%
Other revenue	128	240	-47%	-46%
Cost of sales	**-1 198**	**-1 200**	**0%**	**1%**
Cost of sales products and services	-823	-848	-3%	-3%
Royalty expenses	-241	-227	6%	11%
Amortization of intangible assets linked to sales	-134	-125	8%	9%
Gross Profit	**3 434**	**3 330**	**3%**	**6%**

In 2018, gross profit reached € 3 434 million (+3%), driven by the net sales growth and continued improved product mix. The gross margin improved from 73.5% in 2017 to 74.1%.

Cost of sales has three components: the cost of sales for products and services, royalty expenses, and the amortization of intangible assets linked to sales.

- **Cost of sales for products and services** went down 3% to € 823 million.

- **Royalty expenses** at € 241 million from € 227 million. Royalty expenses for marketed products, mainly Cimzia® and Vimpat® continued to increase due to product growth.

Amortization of intangible assets linked to sales: Under IFRS 3 (Business Combinations), UCB has reflected on its balance sheet a significant amount of intangible assets relating to the Celltech and Schwarz Pharma acquisitions (in-process research and development, manufacturing know-how, royalty streams, trade names, etc.). The amortization expenses of the intangible assets for which products have already been launched reached € 134 million after € 125 million in 2017 – driven by the launch of Cimzia® in psoriasis in the EU and the U.S. in 2018.

1.3.6 Recurring EBIT and recurring EBITDA

	Actual		Variance	
€ million	**2018**	2017	Actual rates	CER
Revenue	**4 632**	**4 530**	**2%**	**5%**
Net sales	4 412	4 182	5%	8%
Royalty income and fees	92	108	-15%	-11%
Other revenue	128	240	-47%	-46%
Gross Profit	**3 434**	**3 330**	**3%**	**6%**
Marketing and selling expenses	-964	-940	3%	6%
Research and development expenses	-1 161	-1 057	10%	11%
General and administrative expenses	-180	-192	-6%	-5%
Other operating income/expenses (-)	-24	-11	>100%	>100%
Total operating expenses	**-2 329**	**-2 200**	**6%**	**8%**
Recurring EBIT (rEBIT)	**1 105**	**1 130**	**-2%**	**1%**
Add: Amortization of intangible assets	170	160	6%	8%
Add: Depreciation charges	123	85	44%	47%
Recurring EBITDA (rEBITDA)	**1 398**	**1 375**	**2%**	**5%**

Operating expenses, encompassing marketing and selling expenses, research and development expenses, general and administrative expenses and other operating income/expenses, reached € 2 329 million (+6%) and reflected:

- 3% higher **marketing and selling expenses** to € 964 million; marketing and selling efforts were enhanced and focused on Cimzia®, Vimpat® and Briviact® where most patients can benefit. Neupro® has reached its peak sales in 2018 and is expected to mature in its lifecycle going forward.
- 10% higher **research and development expenses** to € 1 161 driven by the late-stage clinical development pipeline, including the phase 3 program for *bimekizumab* in psoriasis being fully recruited (results expected in Q4 2019). Hence the R&D ratio (as % of revenue) reached 25% after 23% in 2017.
- 6% lower **general and administrative expenses** of € 180 million, thanks to good expense discipline.
- **Other operating expenses** was € 24 million after € 11 million in 2017, mainly related to the collaboration agreement for the development of commercialization of Evenity™ (€ -10 million), provision for VAT & grant recoverability (€-19 million), disposal of assets (€ -6 million), impairment trade receivables (€ -4 million) offset with grants received (€ 15 million).

The total operating expenses in relation to revenue (operating expense ratio) at 50.3% after 48.6% in 2017, due to higher R&D expenses.

Recurring EBIT decreased to € 1 105 million, a minus of 2% compared to 2017, due to higher R&D expenses and higher amortization and depreciation:

- Total amortization of intangible assets (product related and other) reached € 170 million (6%), driven by the launch of Cimzia® in psoriasis in 2018.

- Depreciation charges increased to € 123 million (44%), after implementation of IFRS 16 (Leasing). The charges include € 10 million related to the pre-financing capital expenditure agreement between UCB and Lonza for the manufacturing by Lonza of PEGylated antibody fragment-based bulk active compounds, recognized in the cost of sales and are added back for recurring EBITDA calculation purposes.

Recurring EBITDA increased to € 1 398 million after € 1 375 million (+2%; +5% CER), driven by the core product growth compensating higher marketing and selling and higher R&D expenses. The recurring EBITDA ratio (in % of revenue) surpassed for the second year in a row the 30%-mark, namely 30.2%, from 30.4% in 2017.

1.4 Net profit

	Actual		Variance	
€ million	**2018**	2017	Actual rates	CER
Recurring EBIT	**1 105**	**1 130**	**-2%**	**1%**
Impairment charges	0	-1	-74%	-69%
Restructuring expenses	-20	-23	-11%	-10%
Gain on disposals	47	3	>100%	>100%
Other non-recurring income/expenses (-)	-23	-22	6%	7%
Total non-recurring income/expenses (-)	4	-43	>-100%	>-100%
EBIT (operating profit)	**1 109**	**1 087**	**2%**	**5%**
Net financial expenses (-)	-93	-99	-6%	-5%
Result from associates	-1	0	N/A	N/A
Profit before income taxes	**1 015**	**988**	**3%**	**6%**
Income tax expenses	-200	-218	-8%	-5%
Profit from continuing operations	**815**	**770**	**6%**	**9%**
Profit/loss (-) from discontinued operations	8	1	>100%	>100%
Profit	**823**	**771**	**7%**	**10%**
Attributable to UCB shareholders	800	753	6%	10%
Attributable to non-controlling interests	23	18	26%	32%
Profit attributable to UCB shareholders	**800**	**753**	**6%**	**10%**

Total non-recurring income/expenses (-) reached € 4 million pre-tax income, compared to € 43 million pre-tax expense in 2017. The income in 2018 is related to gain on disposals from divestitures of UCB's non-core assets, income resulting from the cumulative amount of exchange differences for liquidated foreign legal entities in 2018 offset with restructuring expenses and provisions for litigations. In 2017, the expense related to restructuring and litigation.

Net financial expenses decreased to € 93 million from € 99 million.

Income tax expenses went down 8% to € 200 million compared to € 218 million in 2017. The average effective tax rate on recurring activities was 19.7% compared to 22.0% in 2017. The effective tax rate 2018 has decreased thanks to R&D incentives.

Profit/loss from discontinued operations reached a profit of € 8 million after € 1 million in 2017.

The **profit of the Group** amounted to € 823 million (after € 771 million), of which € 800 million is attributable to UCB shareholders and € 23 million to non-controlling interests. For 2017, profit reached € 771 million, of which € 753 million were attributable to UCB shareholders and € 18 million to non-controlling interests.

1.5 Core EPS

	Actual		Variance	
€ million	**2018**	2017	Actual rates	CER
Profit	**823**	**771**	**7%**	**10%**
Attributable to UCB shareholders	800	753	6%	10%
Attributable to non-controlling interests	23	18	26%	32%
Profit attributable to UCB shareholders	**800**	**753**	**6%**	**10%**
Total non-recurring income (-)/expenses	-4	43	>-100%	>-100%
Income tax on non-recurring expenses (-)/credit	7	12	-43%	-43%
Financial one-off income (-)/expenses	0	0	N/A	N/A
Income tax on financial one-off income/expenses (-)	0	0	N/A	N/A
Profit (-)/loss from discontinued operations	-8	-1	>100%	>100%
Amortization of intangibles linked to sales	134	125	8%	9%
Income tax on amortization of intangibles linked to sales	-28	-25	11%	11%
Core profit attributable to UCB shareholders	**901**	**907**	**-1%**	**3%**
Weighted average number of shares (million)	188	188	0%	
Core EPS attributable to UCB shareholders (€)	**4.78**	**4.82**	**-1%**	**3%**

The profit attributable to UCB shareholders, adjusted for the after-tax impact of non-recurring items, the financial one-offs, the after-tax contribution from discontinued operations and the net amortization of intangibles linked to sales, reached € 901 million (-1%), leading to a core earnings per share (EPS) of € 4.78, compared to € 4.82 in 2017, per non-dilutive weighted average number of shares of 188 million. The slight decrease is mainly related to non-recurring income in 2018 and non-recurring expenses in 2017.

1.6 Balance sheet and capital expenditure

1.6.1 Capital expenditure

In 2018, the tangible capital expenditure resulting from UCB biopharmaceutical activities amounted to € 94 million (2017: € 100 million). The 2018 capital expenditures related mainly to other plant & equipment.

Acquisition of intangible assets reached € 247 million in 2018 (2017: € 109 million) and is related to in-licensing deals, software and capitalized eligible development costs. In 2018, the main acquisitions are related to € 132 million for the acquisition of *midazolam* acquired from Proximagen and the final € 33 million milestone related to Dermira for the clinical program designed to evaluate the efficacy and safety of Cimzia® in adult patients with moderate-to-severe chronic plaque psoriasis.

In addition, as foreseen in the agreement between UCB and Lonza for the manufacturing by Lonza of PEGylated antibody fragment-based bulk active compounds, UCB has participated in the pre-financing of the related capital expenditure. Depreciation charges on this investment are recognized in the cost of goods sold and are added back for recurring EBITDA calculation purposes.

1.6.2 Balance sheet

The **intangible assets** increased by € 53 million from € 817 million at 31 December 2017 to € 870 million at 31 December 2018. This includes the ongoing amortization of the intangible assets (€ 170 million), partially offset by additions from the Proximagen acquisition, Dermira milestone, software and capitalized eligible development costs.

Goodwill at € 4 970 million, up € 132 million, stemming from the acquisition of Element Genomics (€ 22 million) and a stronger U.S. dollar compared to December 2017.

Other non-current assets increased by € 139 million, driven by property, plant and equipment following right of use asset recognition following the implementation of IFRS 16.

The **current assets** increase from € 2 677 million as of 31 December 2017 to € 2 950 million as of 31 December 2018 and relates to higher commercial and development inventory and increased cash positions.

UCB's shareholders' equity, at € 6 255 million, showed an increase of € 519 million between 31 December 2017 and 31 December 2018. The important changes stem from the net profit after non-controlling interests (€ 800 million), the cash-flow hedges (€ -141 million), the U.S. dollar and British pound currency translation (€ 66 million), the dividend payments (€ -222 million) and the acquisition of own shares (€ -38 million).

The **non-current liabilities** amounted to € 2 021 million, a decrease of € 211 million mainly due to early repayment of long-term loan and transfer of Bonds to current liabilities.

The **current liabilities** amounted to € 2 238 million, up € 289 million, impacted by changes in financial instruments and higher trade payables.

The **net debt** decreased by € 288 million from € 525 million as of end December 2017 to € 237 million as per end December 2018, and mainly relates to the underlying net profitability, offset by the acquisition of assets, the dividend payment on the 2017 results and the acquisition of own shares. The net debt to recurring EBITDA ratio for 2018 reached 0.17 after 0.38 for 2017.

1.7 Cash flow statement

The evolution of cash flow generated by bio-pharmaceuticals activities is affected by the following:

- **Cash flow from operating activities** amounted to € 1 089 million, of which € 1 098 million from continuing operations, compared to € 896 million in 2017 and stemming from underlying net profitability, offset with a higher need of commercial and development inventory.
- **Cash flow from investing activities** showed an outflow of € 320 million (continuing operations), compared to € 228 million in 2017 after investing in assets such as *midazolam* acquired from Proximagen and the last milestone payment to Dermira, offset with the sale of non-core assets.
- **Cash flow from financing activities** has an outflow of € 538 million, which includes the dividend paid to UCB shareholders (€ 222 million), the acquisition of treasury shares (€ 51 million) and the repayment of borrowings (€ 169 million).

1.8 Outlook 2019

For 2019, UCB expects the continued growth of its core products driving company growth. UCB will also advance its strong development pipeline to offer potential new solutions for patients and complement existing pipeline assets with external opportunities.

2019 **revenue** is expected in the range of € 4.6–4.7 billion. **Recurring EBITDA** in the range of 27-29% of revenue, reflecting higher R&D investments. **Core earnings per share** are therefore expected in the range of € 4.40 – 4.80 based on an average of 188 million shares outstanding.

The figures for the outlook 2019 as mentioned above are calculated on the same basis as the actual figures for 2018.

2 Consolidated financial statements

2.1 Consolidated income statement

For the year ended 31 December € million	Note	2018	2017
Continuing operations			
Net Sales	5	4 412	4 182
Royalty income and fees		92	108
Other revenue	9	128	240
Revenue		**4 632**	**4 530**
Cost of sales		-1 198	-1 200
Gross profit		**3 434**	**3 330**
Marketing and selling expenses		-964	-940
Research and development expenses		-1 161	-1 057
General and administrative expenses		-180	-192
Other operating income/expenses (-)	12	-24	-11
Operating profit before impairment, restructuring and other income and expenses		**1 105**	**1 130**
Impairment of non-financial assets	13	0	-1
Restructuring expenses	14	-20	-23
Other income/expenses (-)	15	24	-19
Operating profit		**1 109**	**1 087**
Financial income	16	16	15
Financial expenses	16	-109	-114
Share of loss of associates		-1	0
Profit before income taxes		**1 015**	**988**
Income tax expense	17	-200	-218
Profit from continuing operations		**815**	**770**
Discontinued operations			
Profit/loss (-) from discontinued operations	8	**8**	**1**
Profit		**823**	**771**
Attributable to:			
Equity holders of UCB SA		800	753
Non-controlling interests		23	18
Basic earnings per share (€)			
From continuing operations	40	4.20	3.99
From discontinued operations	40	0.04	0.01
Total basic earnings per share		**4.24**	**4.00**
Diluted earnings per share (€)			
From continuing operations	40	4.20	3.99
From discontinued operations	40	0.04	0.01
Total diluted earnings per share		**4.24**	**4.00**

2.2 Consolidated statement of comprehensive income

For the year ended 31 December € million	Note	2018	2017
Profit for the period		**823**	**771**
Other comprehensive income			
Items to be reclassified to profit or loss in subsequent periods:			
- Net gain/loss (-) on financial assets at FVOCI[1]		-35	-12
- Exchange differences on translation of foreign operations		65	-340
- Effective portion of gains/losses (-) on cash flow hedges		-194	157
- Income tax relating to the components of other comprehensive income to be reclassified to profit or loss in subsequent periods		53	-47
Items not to be reclassified to profit or loss in subsequent periods:			
- Remeasurement of defined benefit obligation	32	12	27
- Income tax relating to the components of other comprehensive income not to be reclassified to profit or loss in subsequent periods		-3	-18
Other comprehensive income/loss (-) for the period, net of tax		**-102**	**-233**
Total comprehensive income for the period, net of tax		**721**	**538**
Attributable to:			
Equity holders of UCB SA		699	508
Non-controlling interests		22	30
Total comprehensive income for the period, net of tax		**721**	**538**

[1] FVOCI : Fair value through other comprehensive income

2.3 Consolidated statement of financial position

€ million	Note	2018	2017
Assets			
Non-current assets			
Intangible assets	19	870	817
Goodwill	20	4 970	4 838
Property, plant and equipment	21	805	673
Deferred income tax assets	31	760	715
Financial and other assets (including derivative financial instruments)	22	159	197
Total non-current assets		**7 564**	**7 240**
Current assets			
Inventories	23	647	597
Trade and other receivables	24	835	809
Income tax receivables		81	12
Financial and other assets (including derivative financial instruments)	22	105	194
Cash and cash equivalents	25	1 262	1 049
Assets of disposal group classified as held for sale	8.2	20	16
Total current assets		**2 950**	**2 677**
Total assets		**10 514**	**9 917**
Equity and liabilities			
Equity			
Capital and reserves attributable to UCB shareholders	26	6 310	5 813
Non-controlling interests	22.6	-55	-77
Total equity		**6 255**	**5 736**
Non-current liabilities			
Borrowings	28	198	303
Bonds	29	1 152	1 231
Other financial liabilities (including derivative financial instruments)	30	32	57
Deferred income tax liabilities	31	39	53
Employee benefits	32	419	441
Provisions	33	155	121
Trade and other liabilities	34	26	26
Total non-current liabilities		**2 021**	**2 232**
Current liabilities			
Borrowings	28	74	39
Bonds	29	75	0
Other financial liabilities (including derivative financial instruments)	30	133	53
Provisions	33	51	37
Trade and other liabilities	34	1 786	1 724
Income tax payables	35	119	96
Liabilities of disposal group classified as held for sale	8.2	0	0
Total current liabilities		**2 238**	**1 949**
Total liabilities		**4 259**	**4 181**
Total equity and liabilities		**10 514**	**9 917**

2.4 Consolidated statement of cash flows

For the year ended 31 December € million	Note	2018	2017
Profit for the year attributable to UCB shareholders		**800**	**753**
Non-controlling interests		24	18
Adjustment for profit (-)/loss from discontinued operations	8	-11	0
Adjustment for profit (-)/loss from associates		1	0
Adjustment for non-cash transactions	36	254	150
Adjustment for items to disclose separately under operating cash flow	36	202	218
Adjustment for items to disclose under investing and financing cash flows	36	2	35
Change in working capital	36	-35	-79
Interest received	16	20	16
Cash flow generated from operations		**1 257**	**1 111**
Tax paid during the period		-168	-184
Net cash flow used in (-)/generated by operating activities:			
From continuing operations		1 098	896
From discontinued operations		-9	31
Net cash flow generated by operating activities		**1 089**	**927**
Acquisition of property, plant and equipment	21	-94	-100
Acquisition of intangible assets	19	-247	-109
Acquisition of subsidiaries, net of cash acquired		-13	-7
Acquisition of other investments		-21	-17
Sub-total acquisitions		**-375**	**-233**
Proceeds from sale of property, plant and equipment		1	0
Proceeds from sale of other activities, net of cash disposed		52	2
Proceeds from sale of other investments		2	3
Sub-total disposals		**55**	**5**
Net cash flow used in (-)/generated by investing activities:			
From continuing operations		-320	-228
From discontinued operations		0	0
Net cash flow used in (-)/generated by investing activities		**-320**	**-228**
Proceeds from borrowings	28	8	19
Repayments of borrowings (-)	28	-177	-45
Payment of lease liabilities	28	-33	-1
Acquisition (-) of treasury shares	26	-51	-105
Dividend paid to UCB shareholders, net of dividend paid on own shares	26.2, 41	-222	-217
Interest paid	16	-63	-53
Net cash flow used in (-)/generated by financing activities:			
From continuing operations		-538	-402
From discontinued operations		0	0
Net cash flow used in financing activities		**-538**	**-402**
Net increase/decrease (-) in cash and cash equivalents		**231**	**297**
From continuing operations		240	266
From discontinued operations		-9	31
Net cash and cash equivalents at the beginning of the period		**1 022**	**756**
Effect of exchange rate fluctuations		-16	-31
Net cash and cash equivalents at the end of the period		**1 237**	**1 022**

2.5 Consolidated statement of changes in equity

2018	Attributed to equity holders of UCB SA									
€ million	Share capital and share premium	Treasury shares	Retained earnings	Other reserves	Cumulative translation adjustments	Financial assets at FVOCI[1]	Cash flow hedges	**Total**	Non-controlling interests	**Total stock-holders' equity**
Balance at 1 January 2018	**2 614**	**-357**	**3 811**	**-155**	**-220**	**30**	**90**	**5 813**	**-77**	**5 736**
Profit for the period	–	–	800	–	–	–	–	800	23	823
Other comprehensive income/loss (-)	–	–	–	9	66	-35	-141	-101	-1	-102
Total comprehensive income	**–**	**–**	**800**	**9**	**66**	**-35**	**-141**	**699**	**22**	**721**
Dividends (Note 41)	–	–	-222	–	–	–	–	-222	–	-222
Share-based payments (Note 27)	–	–	58	–	–	–	–	58	–	58
Transfer between reserves	–	53	-53	–	–	–	–	–	–	–
Treasury shares (Note 26)	–	-38	–	–	–	–	–	-38	–	-38
Other movements	–	–	–	–	–	–	–	–	–	–
Balance at 31 December 2018	**2 614**	**-342**	**4 394**	**-146**	**-154**	**-5**	**-51**	**6 310**	**-55**	**6 255**

[1] FVOCI : Fair value through other comprehensive income

2017	Attributed to equity holders of UCB SA									
€ million	Share capital and share premium	Treasury shares	Retained earnings	Other reserves	Cumulative translation adjustments	Available for sale financial assets	Cash flow hedges	**Total**	Non-controlling interests	**Total stock-holders' equity**
Balance at 1 January 2017	**2 614**	**-283**	**3 263**	**-164**	**132**	**42**	**-20**	**5 584**	**-107**	**5 477**
Profit for the period	–	–	753	–	–	–	–	753	18	771
Other comprehensive income/loss (-)	–	–	–	9	-352	-12	110	-245	12	-233
Total comprehensive income	**–**	**–**	**753**	**9**	**-352**	**-12**	**110**	**508**	**30**	**538**
Dividends (Note 41)	–	–	-217	–	–	–	–	-217	–	-217
Share-based payments (Note 27)	–	–	60	–	–	–	–	60	–	60
Transfer between reserves	–	45	-45	–	–	–	–	–	–	–
Treasury shares (Note 26)	–	-119	–	–	–	–	–	-119	–	-119
Other movements	–	–	-3	–	–	–	–	-3	–	-3
Balance at 31 December 2017	**2 614**	**-357**	**3 811**	**-155**	**-220**	**30**	**90**	**5 813**	**-77**	**5 736**