1 Business performance review

1.1 Key highlights

- In 2019 **revenue** increased by 6% (+7% at constant exchange rates (CER)) to € 4 913 million. Net sales also increased and reached € 4 680 million, a plus of 6% (+7% CER). Net sales before "designated hedging reclassified to net sales" were up by 11% (+7% CER). This growth was driven by the continued strong performance of the core products, accounting for more than 90% of the net sales before hedging. Royalty income and fees were € 78 million, other revenue € 155 million.
- **Recurring EBITDA** of € 1 431 million (+2%; +11% CER) was driven by higher marketing and selling expenses due to the Cimzia® launches, Evenity® launch preparation in Europe and higher research and development expenses due to the pipeline progress.
- **Profit** was stable at € 817 million after € 823 million (−1%; +15% CER), of which € 792 million is attributable to UCB shareholders and € 25 million to non-controlling interests.
- **Core earnings per share** reached € 5.20 (after € 4.78 in 2018) based on an average of 187 million shares outstanding.

	Actual[1]		Variance	
€ million	**2019**	2018	Actual rates	CER[2]
Revenue	**4 913**	**4 632**	**6%**	**7%**
Net sales	4 680	4 412	6%	7%
Royalty income and fees	78	92	−15%	−21%
Other revenue	155	128	22%	20%
Gross Profit	**3 645**	**3 434**	**6%**	**8%**
Marketing and selling expenses	−1 108	−964	15%	12%
Research and development expenses	−1 272	−1 161	10%	8%
General and administrative expenses	−195	−180	8%	7%
Other operating income/expenses (−)	48	−24	>100%	>100%
Recurring EBIT (rEBIT)	**1 118**	**1 105**	**1%**	**12%**
Impairment, restructuring and other income/expenses (−)	−50	4	>−100%	>−100%
EBIT (operating profit)	**1 068**	**1 109**	**−4%**	**7%**
Net financial expenses	−107	−93	15%	14%
Profit before income taxes	**960**	**1 015**	**−5%**	**6%**
Income tax expenses	−146	−200	−27%	−26%
Profit from continuing operations	**814**	**815**	**0%**	**16%**
Profit/loss (−) from discontinued operations	2	8	−71%	−73%
Profit	**817**	**823**	**−1%**	**15%**
Attributable to UCB shareholders	792	800	−1%	15%
Attributable to non-controlling interests	25	23	8%	2%
Recurring EBITDA	**1 431**	**1 398**	**2%**	**11%**
Capital expenditure (including intangible assets)	294	341	−14%	
Net financial cash/debt (−)	12	−237	>100%	
Operating cash flow from continuing operations	893	1 098	−19%	
Weighted average number of shares – non-diluted (million)	**187**	**188**	**−1%**	
EPS (€ per weighted average number of shares – non-diluted)	**4.23**	**4.24**	**0%**	**16%**
Core EPS (€ per weighted average number of shares – non-diluted)	**5.20**	**4.78**	**9%**	**24%**

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

[2] CER: constant exchange rates and excluding hedging

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 upon 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/loss from discontinued operations.

Recurring: Transactions and decisions of a one-time nature (impairment, restructuring and other income/expenses) that affect UCB's results, are shown separately (previously called non-recurring). 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 rEBIT 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 after-tax impact of impairment, restructuring, other income/expenses, financial one-offs; 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 2019 – The **UCB real estate 'Creative Campus Monheim' in Monheim (Germany) was divested** to the city of Monheim. The actual transfer of the site took place on 1 February 2019. The Creative Campus Monheim is the site for 10 companies in the life sciences sector, including UCB. UCB has now leased its respective space long-term. The city of Monheim plans to further develop and expand the campus.
- February 2019 – **UCB and the Epilepsy Society, the leading epilepsy medical charity in the UK, announced a pioneering UK Genomics R&D collaboration**. The five-year € 2.5 million R&D collaboration seeks to advance the current disease understanding and aims to progress treatment options by harnessing cutting edge science and data analysis to address a significant unmet need for patients living with epilepsy who do not respond to currently available medicines.
- February 2019 – **UCB expanded its global satellite research site strategy by signing a new three-year research and development collaboration agreement with King's College London (UK)**. This collaboration with King's also builds upon the recent successful execution of three satellite research sites in the U.S. resulting from acquisitions of Beryllium (Boston and Seattle) and Element Genomics (Durham, NC) which will boost UCB's capabilities in genomics, protein engineering and structural biology.
- March 2019 – **UCB divested its Niferex® (iron supplement) franchise in China**. Niferex® generated net sales of € 24 million in 2018 and € 6 million in 2019.
- July 2019 – **Consortium project grant agreement signed: SeizeIT** – a pan-European consortium under UCB's leadership – is currently developing a discrete, personalized epileptic seizure detection device, that paves the way for the continuous collection of real-world data with application for UCB's epilepsy clinical trial programs. A clinical trial-ready device is scheduled for incorporation in UCB's epilepsy studies from 2020 onwards. UCB is committed to transform Epilepsy treatment by leveraging the convergence of science and technology. The SeizeIT consortium secured a grant of € 2.75 million from EIT Health; a public-private partnership in health, which is supported by the European Institute for Innovation & Technology (EIT), a body of the European Union.
- October 2019 – **UCB agrees to acquire Ra Pharmaceuticals**: Under the terms of the agreement, Ra Pharma shareholders would receive USD 48 in cash for each Ra Pharma share at closing (approximately USD 2.5 billion / € 2.2 billion). Total transaction value of approximately USD 2.1 billion / € 2.0 billion (net of Ra Pharma cash). The Boards of Directors of both companies have unanimously approved the transaction, and at a special meeting which took place on 17 December 2019, the Ra Pharma shareholders approved a proposal to adopt the merger agreement. Closing remains subject to receipt of required antitrust clearances. UCB expects to receive all such antitrust clearances and to close the transaction by the end of Q1 2020.

[1] From 1 January 2019 up to the publication of date of this report.

Upon closing, this acquisition would enhance UCB's leadership potential in myasthenia gravis by adding *zilucoplan*, a peptide inhibitor of complement component 5 (C5) currently in Phase 3, to the UCB pipeline alongside to UCB's *rozanolixizumab*, an FcRn targeting antibody also in Phase 3. z*ilucoplan* is a novel, potentially best-in-class investigational molecule also being evaluated in other complement-mediated diseases including amyotrophic lateral sclerosis (ALS) and immune-mediated necrotizing myopathy (IMNM). UCB will develop and, if approved, plans to launch *zilucoplan* worldwide, accelerating and diversifying company growth. The acquisition of Ra Pharma will also accelerate UCB's long-term innovation capabilities through the addition of Ra Pharma's proprietary ExtremeDiversity™ technology platform. The acquisition will enable accelerated top and bottom line growth for UCB from 2024 onwards.

1.2.2 Regulatory update and pipeline progress

Neurology

- January 2019 – **Vimpat®** (***lacosamide***) was approved in Japan for the treatment of partial onset seizures in children 4 years of age and older. In addition, two new formulations were approved, IV (intravenous) and dry syrup.
  In June, the Vimpat® development program for the adjunctive treatment of primary generalized tonic-clonic seizures (PGTCS) in study participants 4 years of age and older achieved statistically significant positive results for both its primary (time to second seizure) and secondary efficacy (seizure freedom) endpoints. The novel primary endpoint "time-to-second-seizure" reduced placebo-exposure of patients substantially. Submissions of this new indication are planned in H1 2020 to multiple regulatory agencies.
- March 2019 – UCB started an international (U.S., EU, Japan and China) Phase 3 study with ***padsevonil*** in drug-resistant focal epilepsy patients. First headline results are expected in H2 2021 and will complement those from the ongoing Phase 2b, expected in H1 2020. p*adsevonil* is an innovative drug purposely designed with a novel dual mechanism of action to address the needs of uncontrolled patients.
- March 2019 – UCB started as planned a Phase 2, proof-of concept, study with its novel, subcutaneous FcRn (neonatal Fc receptor) monoclonal antibody, ***rozanolixizumab***, in patients with chronic inflammatory demyelinating polyneuropathy (CIDP). First headline results are expected in H1 2021.
  In June, UCB started as scheduled the confirmatory study (Phase 3) with *rozanolixizumab* in patients with myasthenia gravis. First headline results are expected in H1 2021.
  In January 2020, the Phase 3 study with *rozanolixizumab* in patients with immune thrombocytopenia (ITP) started, first headline results are expected in H2 2022.
- May 2019 – **Nayzilam®** (***midazolam***) nasal spray was approved in the U.S. to treat intermittent, stereotypic episodes of frequent seizure activity in people living with epilepsy. UCB acquired the rights to *midazolam* nasal spray from Proximagen in June 2018. UCB launched Nayzilam® Nasal Spray CIV, the first nasal rescue treatment for seizure clusters in the U.S., in December 2019.
- September 2019 – New data from a Phase 1 study indicated that **UCB0107** anti-Tau was well tolerated with an acceptable safety profile. UCB aims to initiate an adequate and well controlled study in Q2 2020. UCB0107 is currently being investigated as a potential treatment for patients with tauopathies, initially focusing on progressive supranuclear palsy (PSP).
- October 2019 – **Keppra®** (***levetiracetam***) was approved, in the U.S., for monotherapy in partial onset seizures. The new indication is intended for the use of Keppra® as monotherapy in treatment of partial-onset seizures in patients 1 month of age and older and with an updated labeling to comply with the Pregnancy and Lactation Labeling Rule (PLLR). An important driver for this submission was adding patient value, especially for pregnant women or women of childbearing age.

Immunology

- March 2019 – UCB announced the approval of **Cimzia®** (***certolizumab pegol***) in the U.S. to include a new indication for the treatment of adults with active non-radiographic axial spondyloarthritis (nr-axSpA) with objective signs of inflammation.
  In July, Cimzia® was approved in China in combination with methotrexate for the treatment of moderate to severe, active rheumatoid arthritis in adult patients.
  In December, Cimzia® for the treatment of psoriasis and psoriatic arthritis was approved in Japan.
- March & April 2019 – The Phase 3 programs with ***bimekizumab*** in psoriatic arthritis and axial spondyloarthritis were initiated. First headline results are expected at the end of 2021.
  During the course of the fourth quarter 2019, UCB reported positive results for three Phase 3 studies with *bimekizumab* in psoriasis:
  1. In October, the study BE VIVID, evaluating the efficacy and safety of *bimekizumab* in adults with moderate-to-severe chronic plaque psoriasis met all primary and ranked secondary endpoints, including significantly greater efficacy compared to *ustekinumab*.
  2. In November, the study BE READY, evaluating the efficacy and safety of *bimekizumab* versus placebo in adults with moderate-to-severe chronic plaque psoriasis, met all primary and ranked secondary endpoints.
  3. In December, the study BE SURE, comparing *bimekizumab* to *adalimumab* for the treatment of adults with moderate-to-severe plaque psoriasis, met all co-primary and ranked secondary endpoints, achieving significantly greater efficacy than *adalimumab*.

  UCB plans to submit applications to regulatory authorities for approval of *bimekizumab* to treat adults with moderate-to-severe plaque psoriasis in mid-2020.
  Based on the positive proof-of-concept study, UCB decided to move into late stage development with *bimekizumab* also in moderate to severe hidradenitis suppurativa (HS), a

severe inflammatory skin disease, affecting predominantly women. The Phase 3 program BE HEARD starts in Q1 2020. First headline results are expected in H1 2023.

- June 2019 – UCB and its partner Biogen initiated preparations for a Phase 3 program with ***dapirolizumab pegol*** in patients with active systemic lupus erythematosus despite standard-of-care treatment. The program is expected to start in H1 2020. This decision is based on the promising results of the Phase 2b clinical trial, of which interim results were presented at EULAR in June 2019.
- The Phase 1 project **UCB0159** was terminated.

Bone

- Early January 2019 – UCB and Amgen announced the approval of **Evenity® (*romosozumab*)** in Japan. Evenity® is approved to reduce the risk of fractures and increase bone mineral density in men and post-menopausal women with osteoporosis at high risk of fracture.
  In April, Evenity® was approved in the U.S. for the treatment of osteoporosis in post-menopausal women at high risk for fracture.
  In May, Evenity® was approved in South Korea followed by Canada and Australia in June.
- June 2019 – The Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency adopted a negative opinion for *romosozumab*. The companies sought the re-examination of the CHMP opinion. In October, following re-examination procedure, the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA), has adopted a positive opinion recommending Marketing Authorization. Evenity® was approved by the EMA in December for the treatment of severe osteoporosis in postmenopausal women at high risk of fracture.

All other clinical development programs are continuing as planned.

1.3 Revenue and recurring EBITDA

1.3.1 Net sales by product

Total net sales in 2019 increased to € 4 680 million, 6% higher than last year or +7% at constant exchange rates (CER). Net sales before "designated hedging reclassified to net sales" were up by 11% (+7% CER). Adjusted for divestitures in 2018 (mainly "Innere Medizin" – Germany), in Q1 2019, the iron supplement Niferex® and before hedging growth was +13% (+9% CER).

This was driven by the continued strong growth of the core products, Cimzia®, Vimpat®, Keppra®, Briviact® and Neupro®, to combined net sales of € 4 344 million (+14%; +10% CER) representing more than 90% of UCB's total net sales before hedging.

	Actual		Variance	
€ million	**2019**	2018	Actual rates	CER
Immunology				
Cimzia®	1 712	1 446	18%	14%
Neurology				
Vimpat®	1 322	1 099	20%	15%
Keppra® (including Keppra® XR/E Keppra®)	770	790	−3%	−5%
Neupro®	319	321	−1%	−3%
Briviact®	221	142	56%	49%
Established brands/Other products	440	514	−14%	−15%
Net sales before hedging	**4 784**	**4 312**	**11%**	**7%**
Designated hedges reclassified to net sales	−104	100	>−100%	
Total net sales	**4 680**	**4 412**	**6%**	**7%**

Core products

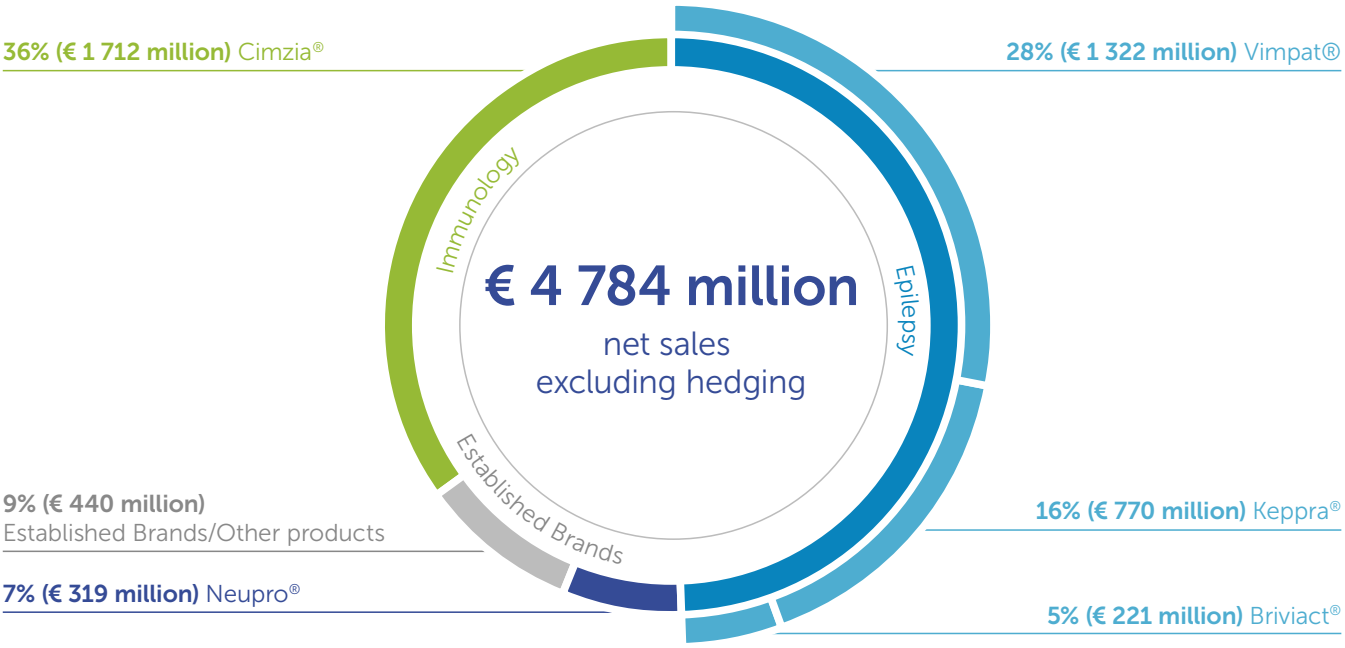
Cimzia® (***certolizumab pegol***), for patients living with inflammatory TNF mediated diseases, net sales went up to € 1 712 million (+18%; +14% CER), driven by continued, sustainable growth in all regions. Growth is also driven by new patient populations like women in childbearing age and people living with non-radio graphic axial spondyloarthritis and psoriasis.

Vimpat® (***lacosamide***) with net sales of € 1 322 million (+20%; +15% CER) shows continued strong growth in all regions thanks to reaching more and more people living with epilepsy. Treatment options available to patients cover mono- and adjunctive therapy as well as for pediatric use.

Keppra® (***levetiracetam***), available for patients living with epilepsy, reported net sales of € 770 million (−3%; −5% CER). The evolution reflects the established brand and the maturity of the product. In Europe, Keppra® net sales were affected by a local, one-time rebate adjustment in the first half 2019.

Briviact® (***brivaracetam***) available for people living with epilepsy, reached net sales of € 221 million, a plus of 56%, (+49% CER). This is driven by significant growth in all regions where Briviact® is available to patients. Briviact® has a different mode of action from Vimpat® and differentiates from Keppra®.

Neupro® (***rotigotine***), the patch for Parkinson's disease and restless legs syndrome, showed a slight decrease of net sales to € 319 million (−1%; −3% CER). Smaller declines in the U.S. and Europe were almost compensated by good growth in international markets.



Established brands/Other products

Overall, net sales went down by 14% (−15% CER) to € 440 million – due to the divestiture of products. Adjusted for the divestitures, the business was flat, reflecting the maturity of the portfolio and generic competition. "Establish brands" include UCB's allergy products **Zyrtec®** (***cetirizine***, including Zyrtec®-D/Cirrus®) and **Xyzal®** (***levocetirizine***), which together also showed overall stable net sales.

Designated hedges reclassified to net sales were negative with € 104 million (after € 100 million positive in 2018) 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, the Japanese Yen, the British Pound and the Swiss Franc.

1.3.2 Net sales by geographical area

	Actual		Variance actual rates		Variance CER	
€ million	2019	2018	€ million	%	€ million	%
Net sales U.S.	**2 546**	**2 158**	**388**	**18%**	**256**	**12%**
Cimzia®	1 088	896	192	21%	136	15%
Vimpat®	1 001	822	179	22%	127	15%
Keppra®	189	221	−32	−14%	−42	−19%
Briviact®	170	109	61	56%	52	48%
Neupro®	97	101	−4	−4%	−9	−9%
Established brands/Other products	1	9	−9	−95%	−9	−95%
Net sales Europe	**1 332**	**1 325**	**7**	**1%**	**8**	**1%**
Cimzia®	429	400	30	7%	29	7%
Keppra®	196	216	−20	−9%	−20	−9%
Vimpat®	236	206	29	14%	29	14%
Neupro®	170	174	−4	−2%	−4	−2%
Briviact®	45	29	16	53%	16	53%
Established brands/Other products	256	300	−43	−14%	−42	−14%
Net sales international markets	**906**	**829**	**76**	**9%**	**53**	**6%**
Keppra® (including E Keppra®)	385	352	32	9%	21	6%
Cimzia®	194	150	45	30%	42	28%
Vimpat®	86	70	15	22%	12	17%
Neupro®	52	46	6	12%	3	7%
Briviact®	6	4	2	57%	2	55%
Established brands/Other products	183	207	−23	−11%	−27	−13%
Net sales before hedging	**4 784**	**4 312**	**472**	**11%**	**317**	**7%**
Designated hedges reclassified to net sales	−104	100	−204	>−100%		
Total net sales	**4 680**	**4 412**	**268**	**6%**	**317**	**7%**

U.S. net sales reached € 2 546 million (+18%; +12% CER). Key driver was the double-digit growth of Cimzia® and Vimpat® as well as Briviact®. Keppra® is impacted by generic competition, while Neupro® showed good net sales in a generic market environment.

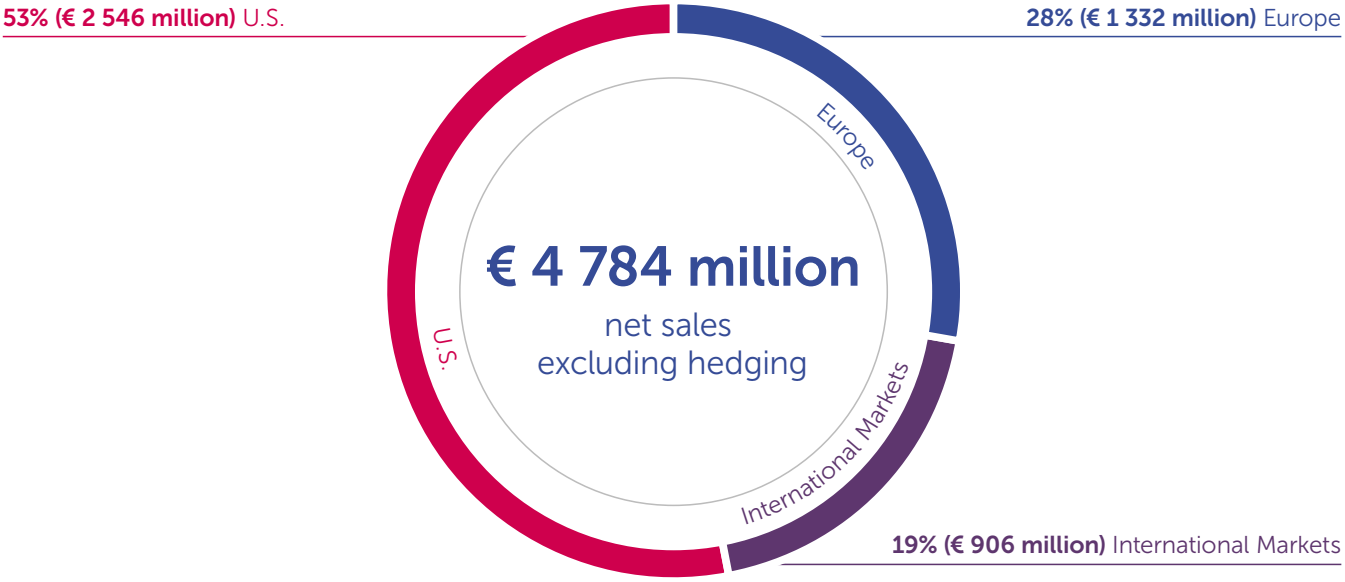
Net sales in Europe were € 1 332 million (+1%; +1% CER), due to sustainable growth of the core products reaching combined net sales of € 1 075 million – a plus of 5% and representing 81% of UCB's net sales in Europe. The established brands went down due to divestitures. Adjusted for the divestitures, total net sales in Europe were up by 3%.

International markets net sales increased to € 906 million (+9%; +6% CER). The core products reached combined net sales of € 723 million (+16%) representing 80% of UCB's net sales in this region. This was compensated by impacts from generic competition and divestitures within the established brands portfolio. Adjusted by divestitures, the growth in the International markets net sales was 13%.

With € 368 million, Japan represents the largest market and showed a growth of 21% (+13% CER) where Keppra® reported net sales of € 177 million (+14%; +7% CER), Cimzia® went up to € 44 million (+31%; +22% CER), Neupro® reached € 34 million (+10%; +3% CER) and Vimpat® increased to € 41 million (+86%; 74% CER).

Net sales in China, the second largest market, were € 139 million (−8%; −9% CER), due to divestitures.

Designated hedges reclassified to net sales were negative with € 104 million (after € 100 million positive in 2018) 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, the Japanese Yen, the British Pound and the Swiss Franc.



1.3.3 Royalty income and fees

	Actual		Variance	
€ million	**2019**	2018	Actual rates	CER
Biotechnology IP	38	56	−32%	−38%
Zyrtec® U.S.	11	12	−3%	−8%
Toviaz®	19	19	−3%	−8%
Other	11	5	>100%	85%
Royalty income and fees	**78**	**92**	**−15%**	**−21%**

In 2019, **royalty income and fees** reached € 78 million after € 92 million (−15%).

The **biotechnology IP** income is continuously impacted by patent expirations, however benefitted from a one-time improvement in 2018.

Royalties collected for **Zyrtec®** in the U.S. and for the overactive bladder treatment **Toviaz®** (***fesoterodine***) reflect a lower level of royalties due to maturity of the products.

1.3.4 Other revenue

	Actual		Variance	
€ million	**2019**	2018	Actual rates	CER
Contract manufacturing sales	109	83	32%	31%
Partnerships in Japan	20	8	>100%	>100%
Product profit sharing	0	11	−100%	−100%
Other	26	26	−1%	−6%
Other revenue	**155**	**128**	**22%**	**20%**

Other revenue increased to € 155 million from € 128 million (+22%).

Contract manufacturing sales went up to € 109 million from € 83 million, due to contract manufacturing of divested products.

Partnering activities in Japan (Otsuka for E Keppra® and Neupro®, Daiichi Sankyo for Vimpat® and Astellas for Cimzia®) reached a total of € 20 million after € 8 million, thanks to a sales milestone received for E Keppra®.

The revenue from **product profit sharing** agreements came down zero from € 11 million. This was related to the business of "Innere Medizin" which was divested in 2018.

"Other" revenue remained roughly stable at € 26 million and includes milestone and other payments from R&D partners.

1.3.5 Gross profit

	Actual		Variance	
€ million	**2019**	2018	Actual rates	CER
Revenue	**4 913**	**4 632**	**6%**	**7%**
Net sales	4 680	4 412	6%	7%
Royalty income and fees	78	92	−15%	−21%
Other revenue	155	128	22%	20%
Cost of sales	**−1 268**	**−1 198**	**6%**	**4%**
Cost of sales products and services	−816	−823	−1%	−1%
Royalty expenses	−298	−241	24%	18%
Amortization of intangible assets linked to sales	−154	−134	14%	13%
Gross Profit	**3 645**	**3 434**	**6%**	**8%**

In 2019, **gross profit** reached € 3 645 million or plus 6% – in line with the revenue evolution and reflecting a stable gross margin of 74% compared to 2018.

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:

- The **cost of sales for products and services** decreased to € 816 million (−1%).
- **Royalty expenses** went up to € 298 million from € 241 million due to the growth of marketed core products.
- **Amortization of intangible assets linked to sales:** The amortization expenses of the intangible assets for products which have already been launched increased to € 154 million, mainly due to the new indication launches for Cimzia® and the launch of Nayzilam® in late 2019.
  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.).

1.3.6 Recurring EBIT and recurring EBITDA

	Actual		Variance	
€ million	**2019**	2018	Actual rates	CER
Revenue	**4 913**	**4 632**	**6%**	**7%**
Net sales	4 680	4 412	6%	7%
Royalty income and fees	78	92	−15%	−21%
Other revenue	155	128	22%	20%
Gross Profit	**3 645**	**3 434**	**6%**	**8%**
Marketing and selling expenses	−1 108	−964	15%	12%
Research and development expenses	−1 272	−1 161	10%	8%
General and administrative expenses	−195	−180	8%	7%
Other operating income/expenses (−)	48	−24	>100%	>100%
Total operating expenses	**−2 527**	**−2 329**	**9%**	**6%**
Recurring EBIT (rEBIT)	**1 118**	**1 105**	**1%**	**12%**
Add: Amortization of intangible assets	190	170	12%	10%
Add: Depreciation charges	123	123	0%	−2%
Recurring EBITDA (rEBITDA)	**1 431**	**1 398**	**2%**	**11%**

Operating expenses, encompassing marketing and selling expenses, research and development expenses, general and administrative expenses and other operating income/expenses, reached € 2 527 million reflecting higher investments into marketing and selling as well as into research and development activities. Hence, total operating expenses in relation to revenue (operating expense ratio) went up to 51% after 50%, driven by:

- 15% higher **marketing and selling expenses** of € 1 108 million, focused on Cimzia®, here especially the launches in psoriasis in the U.S. and Europe and the launch in non-radiographic axial spondyloarthritis in the U.S, as well as Vimpat®, Briviact® and launch preparations for Evenity® in Europe.
- 10% higher **research and development expenses** of € 1 272 million, resulting in a R&D ratio of 26% in 2019 after 25% in 2018; and reflecting higher investments in UCB's late stage, progressing pipeline, including 11 confirmatory studies (last clinical studies before submission to authorities) ongoing in 2019.
- 8% higher **general and administrative expenses** of € 195 million, also driven by preparations and additional external resources for the new organization model implemented at UCB in 2019.
- **other operating income** of € 48 million after expenses of € 24 million, due to investment grants, the divestiture of the campus in Monheim (Germany) and the release of VAT provisions supported by an income of € 8 million (2018: expenses of € 10 million) from the collaboration with Amgen in connection of the development and commercialization of Evenity®.

Despite these investments, recurring EBIT reached € 1 118 million (+1%).

- total **amortization of intangible assets** (product related and other) amounted to € 190 million, an increase of 12% mainly driven by to the new indication launches for Cimzia® and the launch of Nayzilam® in late 2019.
- **depreciation charges** remained stable at € 123 million.

Recurring EBITDA reached € 1 431 million after € 1 398 million (+2%; +11% CER), driven by the strong net sales growth which compensated the higher operating expenses, reflecting the investments into the future of UCB, namely into product launches and product development. The recurring EBITDA ratio for 2019 (in % of revenue) was 29.1%, from 30.2% in 2018.

1.4 Net profit

	Actual		Variance	
€ million	**2019**	2018	Actual rates	CER
Recurring EBIT	**1 118**	**1 105**	**1%**	**12%**
Impairment charges	−2	0	N/A	N/A
Restructuring expenses	−47	−20	>100%	>100%
Gain on disposals	41	47	−12%	−12%
Other income/expenses (−)	−42	−23	86%	84%
Total impairment, restructuring and other income/ expenses (−)	**−50**	**4**	**>−100%**	**>−100%**
EBIT (operating profit)	**1 068**	**1 109**	**−4%**	**7%**
Net financial expenses (−)	−107	−93	15%	14%
Result from associates	−1	−1	−48%	−48%
Profit before income taxes	**960**	**1 015**	**−5%**	**6%**
Income tax expenses	−146	−200	−27%	−26%
Profit from continuing operations	**814**	**815**	**0%**	**16%**
Profit/loss (−) from discontinued operations	2	8	−71%	−73%
Profit	**817**	**823**	**−1%**	**15%**
Attributable to UCB shareholders	792	800	−1%	15%
Attributable to non-controlling interests	25	23	8%	2%
Profit attributable to UCB shareholders	**792**	**800**	**−1%**	**15%**

Total impairment, restructuring and other income/ expenses (−) amounted to € 50 million expenses (after an income of € 4 million in 2018) and include restructuring expenses, legal and litigation costs, partially offset with income resulting from gain on the divestitures. In 2019, UCB strengthened its operating model to ensure maximum agility to meet the growth expectations for the years ahead, hence the restructuring expenses.

Net financial expenses reached € 107 million from € 93 million in 2018.

Income tax expenses were € 146 million compared to € 200 million in 2018. The average effective tax rate was 15% compared to 20% in 2018. The 2019 effective tax rate is driven by the higher group revenue and the increasing impact of R&D related tax deductions in key countries.

Profit from discontinued operations was € 2 million after € 8 million.

The **profit of the Group** amounted to € 817 million (after € 823 million), of which € 792 million is attributable to UCB shareholders and € 25 million to non-controlling interests. For 2018, profit was € 823 million and of which € 800 million were attributable to UCB shareholders and € 23 million to non-controlling interests.

1.5 Core EPS

	Actual		Variance	
€ million	**2019**	2018	Actual rates	CER
Profit	**817**	**823**	**−1%**	**15%**
Attributable to UCB shareholders	792	800	−1%	15%
Attributable to non-controlling interests	25	23	8%	2%
Profit attributable to UCB shareholders	**792**	**800**	**−1%**	**15%**
Total impairment, restructuring and other income (−)/expenses	50	−4	>−100%	>−100%
Income tax on impairment, restructuring and other expenses (−)/credit	−1	7	>−100%	>−100%
Profit (−)/loss from discontinued operations	−2	−8	−71%	−73%
Amortization of intangibles linked to sales	154	134	14%	13%
Income tax on amortization of intangibles linked to sales	−17	−28	−39%	−39%
Core profit attributable to UCB shareholders	**974**	**901**	**8%**	**23%**
Weighted average number of shares (million)	187	188	−1%	
Core EPS attributable to UCB shareholders (€)	**5.20**	**4.78**	**9%**	**24%**

The **profit attributable to UCB shareholders**, adjusted for the after-tax impact of to be adjusted items, the financial one-offs, the after-tax contribution from discontinued operations and the net amortization of intangibles linked to sales, amounted to **core profit attributable to the UCB shareholders** of € 974 million (8%), leading to a **core earnings per share** (EPS) of € 5.20 compared to € 4.78 in 2018, per non-dilutive weighted average number of shares of 187 million (−1%).

1.6 Balance sheet and capital expenditure

1.6.1 Capital expenditure

In 2019, the **tangible capital expenditure** resulting from UCB biopharmaceutical activities amounted to € 99 million (2018: € 94 million). The 2019 capital are expenditures mainly related to manufacturing capacities in Belgium and Switzerland.

Acquisition of intangible assets reached € 195 million in 2019 (2018: € 247 million) and is related to in-licensing deals, capitalized eligible development costs and software. The main impact is the milestone payment (€ 113 million) related to the acquisition of *midazolam* upon approval of Nayzilam® by the FDA in the U.S.

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** decreased by € 31 million from € 870 million at 31 December 2018 to € 839 million at 31 December 2019. This includes the ongoing amortization of the intangible assets (€ 190 million), partially offset by additions stemming from the *midazolam* acquisition (€ 113 million), software and capitalized eligible development costs.

Goodwill at € 5 059 million, up € 88 million, mainly stemming from a stronger U.S. dollar and GBP compared to December 2018.

Other non-current assets increased by € 164 million, driven by property, plant and equipment (right of use asset recognition, increased and improved manufacturing capacities in Belgium and Switzerland, revamping of office facilities) and deferred taxes recognition.

The **current assets** increased from € 2 950 million as of 31 December 2018 to € 3 295 million as of 31 December 2019 and mainly relates to higher commercial and development inventory and increased trade receivables after strong Q4 2019 net sales.

UCB's shareholders' equity, at € 7 009 million, showed an increase of € 754 million between 31 December 2018 and 31 December 2019. The important changes stem from the net profit after non-controlling interests (€ 792 million), the cash-flow hedges (€ 55 million), the U.S. dollar and British pound currency translation (€ 96 million), offset with the dividend payments (€ −228 million) and the acquisition of own shares (€ −87 million).

The **non-current liabilities** amounted to € 1 678 million, a decrease of € 429 million mainly due to early repayment of long-term loan and Bond transfer to current liabilities.

The **current liabilities** amounted to € 2 394 million, up € 242 million, impacted by the Bond transfer from non-current liabilities and slightly higher payables.

Net financial cash of € 12 million as per end December 2019 compared to **net financial debt** of € −237 million as of end December 2018, and mainly relates to the underlying net profitability, offset by the acquisition of assets, the dividend payment on the 2018 results and the acquisition of own shares.

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 € 882 million, of which € 893 million from continuing operations, compared to € 1 098 million in 2018 and stemming from underlying net profitability, offset with a higher need of commercial and development inventory and higher trade receivables after a strong Q4 net sales performance.
- **Cash flow from investing activities** showed an outflow of € 235 million (continuing operations), compared to € 320 million in 2018. The outflow is related to investment in assets such as *midazolam* acquired from Proximagen, offset with the sale of non-core assets.
- **Cash flow from financing activities** has an outflow of € 605 million, which includes the dividend paid to UCB shareholders (€ 228 million), the acquisition of treasury shares (€ 77 million) and the repayment of borrowings (€ 118 million) and EMTN bonds (€ 75 million).

1.8 Outlook 2020

For 2020, UCB is are aiming for **revenues** in the range of € 5.05-5.15 billion – thanks to the current core product growth and new patient populations being served. UCB will continue to advance its strong development pipeline to offer potential new solutions for patients and complement with external opportunities.

Hence, the underlying profitability, **recurring EBITDA** in the range of 28-29% of revenue will reflect the high R&D investment level. **Core earnings per share** are therefore expected in the range of € 4.80-5.20 based on an average of 187 million shares outstanding.

The figures for the outlook 2020 as mentioned above are calculated on the same basis as the actual figures for 2019; they will be updated upon closing of the planned Ra Pharma acquisition.

2 Consolidated financial statements

2.1 Consolidated income statement

For the year ended 31 December € million	Note	2019	2018
Continuing operations			
Net Sales	5	4 680	4 412
Royalty income and fees		78	92
Other revenue	9	155	128
Revenue		**4 913**	**4 632**
Cost of sales		−1 268	−1 198
Gross profit		**3 645**	**3 434**
Marketing and selling expenses		−1 108	−964
Research and development expenses		−1 272	−1 161
General and administrative expenses		−195	−180
Other operating income/expenses (−)	12	48	−24
Operating profit before impairment, restructuring and other income and expenses		**1 118**	**1 105**
Impairment of non-financial assets	13	−2	0
Restructuring expenses	14	−47	−20
Other income/expenses (−)	15	−1	24
Operating profit		**1 068**	**1 109**
Financial income	16	18	16
Financial expenses	16	−125	−109
Share of loss of associates		−1	−1
Profit before income taxes		**960**	**1 015**
Income tax expense	17	−146	−200
Profit from continuing operations		**814**	**815**
Discontinued operations			
Profit/loss (−) from discontinued operations	8	**2**	**8**
Profit		**817**	**823**
Attributable to:			
Equity holders of UCB SA		792	800
Non-controlling interests		25	23
Basic earnings per share (€)			
from continuing operations	40	4.22	4.20
from discontinued operations	40	0.01	0.04
Total basic earnings per share		**4.23**	**4.24**
Diluted earnings per share (€)			
from continuing operations	40	4.22	4.20
from discontinued operations	40	0.01	0.04
Total diluted earnings per share		**4.23**	**4.24**

2.2 Consolidated statement of comprehensive income

For the year ended 31 December € million	Note	2019	2018
Profit for the period		**817**	**823**
Other comprehensive income			
Items to be reclassified to profit or loss in subsequent periods:			
- Net gain/loss (−) on financial assets at FVOCI		14	−35
- Exchange differences on translation of foreign operations		96	65
- Effective portion of gains/losses (−) on cash flow hedges		36	−194
- Income tax relating to the components of other comprehensive income to be reclassified to profit or loss in subsequent periods		19	53
Items not to be reclassified to profit or loss in subsequent periods:			
- Remeasurement of defined benefit obligation	32	28	12
- Income tax relating to the components of other comprehensive income not to be reclassified to profit or loss in subsequent periods		1	−3
Other comprehensive income/loss (−) for the period, net of tax		**194**	**−102**
Total comprehensive income for the period, net of tax		**1 011**	**721**
Attributable to:			
Equity holders of UCB SA		986	699
Non-controlling interests		25	22
Total comprehensive income for the period, net of tax		**1 011**	**721**

2.3 Consolidated statement of financial position

€ million	Note	2019	2018
Assets			
Non-current assets			
Intangible assets	19	839	870
Goodwill	20	5 059	4 970
Property, plant and equipment	21	840	805
Deferred income tax assets	31	873	760
Financial and other assets (including derivative financial instruments)	22	175	159
Total non-current assets		**7 786**	**7 564**
Current assets			
Inventories	23	780	647
Trade and other receivables	24	950	835
Income tax receivables		59	81
Financial and other assets (including derivative financial instruments)	22	163	105
Cash and cash equivalents	25	1 293	1 262
Assets of disposal group classified as held for sale	8.2	50	20
Total current assets		**3 295**	**2 950**
Total assets		**11 081**	**10 514**
Equity and liabilities			
Equity			
Capital and reserves attributable to UCB shareholders	26	7 039	6 310
Non-controlling interests	22.6	−30	−55
Total equity		**7 009**	**6 255**
Non-current liabilities			
Borrowings	28	79	198
Bonds	29	896	1 152
Other financial liabilities (including derivative financial instruments)	30	1	32
Deferred income tax liabilities	31	51	39
Employee benefits	32	382	419
Provisions	33	146	155
Trade and other liabilities	34	32	26
Income tax payables[1]	35	91	86
Total non-current liabilities		**1 678**	**2 107**
Current liabilities			
Borrowings	28	56	74
Bonds	29	250	75
Other financial liabilities (including derivative financial instruments)	30	70	133
Provisions	33	72	51
Trade and other liabilities	34	1 856	1 786
Income tax payables	35	81	33
Liabilities of disposal group classified as held for sale	8.2	9	0
Total current liabilities		**2 394**	**2 152**
Total liabilities		**4 072**	**4 259**
Total equity and liabilities		**11 081**	**10 514**

[1] Income tax payables for which it is expected that the settlement will be done at least 12 months after the balance sheet date, are classified as non-current liabilities as per 31 December 2019. Comparative amounts for 2018 have been adjusted.

2.4 Consolidated statement of cash flows

For the year ended 31 December € million	Note	2019	2018
Profit for the year attributable to UCB shareholders		**792**	**800**
Non-controlling interests		25	24
Adjustment for profit (−)/loss from discontinued operations	8	−1	−11
Adjustment for profit (−)/loss from associates		1	1
Adjustment for non-cash transactions	36	231	254
Adjustment for items to disclose separately under operating cash flow	36	144	202
Adjustment for items to disclose under investing and financing cash flows	36	−7	2
Change in working capital	36	−232	−35
Interest received	16	18	20
Cash flow generated from operations		**971**	**1 257**
Tax paid during the period		−89	−168
Net cash flow used in (−)/generated by operating activities:			
From continuing operations		893	1 098
From discontinued operations		−11	−9
Net cash flow generated by operating activities		**882**	**1 089**
Acquisition of property, plant and equipment	21	−99	−94
Acquisition of intangible assets	19	−195	−247
Acquisition of subsidiaries, net of cash acquired		0	−13
Acquisition of other investments		−20	−21
Sub-total acquisitions		**−314**	**−375**
Proceeds from sale of property, plant and equipment		31	1
Proceeds from sale of other activities, net of cash disposed		41	52
Proceeds from sale of other investments		7	2
Sub-total disposals		**79**	**55**
Net cash flow used in (−)/generated by investing activities:			
From continuing operations		−235	−320
From discontinued operations		0	0
Net cash flow used in (−)/generated by investing activities:		**−235**	**−320**
Repayment of bonds (−)	29.3	−75	0
Proceeds from borrowings	28	0	8
Repayments of borrowings (−)	28	−118	−177
Payment of lease liabilities	28	−48	−33
Acquisition (−) of treasury shares	26	−77	−51
Dividend paid to UCB shareholders, net of dividend paid on own shares	26.2, 41	−228	−222
Interest paid	16	−59	−63
Net cash flow used in (−)/generated by financing activities:			
From continuing operations		−605	−538
From discontinued operations		0	0
Net cash flow used in (−) financing activities		**−605**	**−538**
Net increase/decrease (−) in cash and cash equivalents		**42**	**231**
From continuing operations		53	240
From discontinued operations		−11	−9
Net cash and cash equivalents at the beginning of the period		**1 237**	**1 022**
Effect of exchange rate fluctuations		9	−16
Net cash and cash equivalents at the end of the period		**1 288**	**1 237**

2.5 Consolidated statement of changes in equity

2019	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	Cash flow hedges	**Total**	Non-controlling interests	**Total stock-holders' equity**
Balance at 1 January 2019	**2 614**	**−342**	**4 394**	**−146**	**−154**	**−5**	**−51**	**6 310**	**−55**	**6 255**
Profit for the period	–	–	792	–	–	–	–	792	25	817
Other comprehensive income/loss (−)	–	–	–	29	96	14	55	194	–	194
Total comprehensive income	**–**	**–**	**792**	**29**	**96**	**14**	**55**	**986**	**25**	**1 011**
Dividends (Note 41)	–	–	−228	–	–	–	–	−228	–	−228
Share-based payments (Note 27)	–	–	58	–	–	–	–	58	–	58
Transfer between reserves	–	52	−52	–	–	–	–	–	–	–
Treasury shares (Note 26)	–	−87	–	–	–	–	–	−87	–	−87
Balance at 31 December 2019	**2 614**	**−377**	**4 964**	**−117**	**−58**	**9**	**4**	**7 039**	**−30**	**7 009**

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	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
Balance at 31 December 2018	**2 614**	**−342**	**4 394**	**−146**	**−154**	**−5**	**−51**	**6 310**	**−55**	**6 255**