BUSINESS PERFORMANCE REVIEW

Louisa, living with epilepsy

2.1 Key highlights

- 2017 **revenue** increased by 9% to € 4 530 million. Net sales went up to € 4 182 million (+9%). This growth was driven by the continued performance of the core products in immunology, Cimzia®, the epilepsy franchise: Vimpat®, Keppra® and the launch of Briviact®, as well as the Parkinson drug Neupro®. Royalty income and fees reached € 108 million. Other revenue increased to € 240 million mainly due to the one-time other revenue of € 56 million for out-licensing the OTC-allergy drug Xyzal®.
- **Recurring EBITDA** grew to € 1 375 million by 33%, reflecting sustainable net sales growth, an improved gross margin and a continued under-proportional growth of operating expenses thanks to resources reallocation and optimization as well as cost control.
- **Profit** reached € 771 million from € 542 million, of which € 753 million is attributable to UCB shareholders after € 520 million in 2016.
- **Core EPS** went up to € 4.82 from € 3.19 in 2016.

€ million	ACTUAL[1] 2017	2016 (Restated)	VARIANCE Actual rates	CER[2]
Revenue	**4 530**	**4 147**	**9%**	**11%**
Net sales	4 182	3 827	9%	11%
Royalty income and fees	108	125	-13%	-10%
Other revenue	240	195	23%	23%
Gross profit	**3 330**	**2 945**	**13%**	**15%**
Marketing and selling expenses	- 940	- 938	0%	2%
Research and development expenses	-1 057	-1 020	4%	5%
General and administrative expenses	- 192	- 184	4%	5%
Other operating income/expenses (-)	- 11	- 7	44%	59%
Recurring EBIT (REBIT)	**1 130**	**796**	**42%**	**43%**
Non-recurring income/expenses (-)	- 43	80	>-100%	>-100%
EBIT (operating profit)	**1 087**	**876**	**24%**	**25%**
Net financial expenses	- 99	- 112	-12%	-11%
Profit before income taxes	**988**	**764**	**29%**	**30%**
Income tax expenses	- 218	- 199	9%	10%
Profit from continuing operations	**770**	**565**	**36%**	**37%**
Profit/loss (-) from discontinued operations	1	- 23	>-100%	>-100%
Profit	**771**	**542**	**42%**	**43%**
Attributable to UCB shareholders	753	520	45%	46%
Attributable to non-controlling interests	18	22	-17%	-16%
Recurring EBITDA	**1 375**	**1 031**	**33%**	**34%**
Capital expenditure (including intangible assets)	209	138	51%	
Net financial debt	525	838	-37%	
Operating cash flow from continuing operations	896	726	23%	
Weighted average number of shares – non diluted (million)	188	188	0%	
EPS (€ per weighted average number of shares – non diluted)	**4.00**	**2.76**	**45%**	**-4%**
Core EPS (€ per weighted average number of shares – non diluted)	**4.82**	**3.19**	**51%**	**52%**

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 core profit, or 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. Due to rounding, some financial data may not add up in the tables included in this management report. 2016 financials were restated after IFRS 15 implementation.
2. CER: constant exchange rates

2.2 Key events[1]

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

Important agreements/initiatives

- January / February 2017 – As part of its innovation strategy, UCB has committed to invest an additional USD 20 million in venture funds investing in innovative life sciences and healthcare companies.
- February 2017 – Following the approval by the U.S. Food and Drug Administration of Xyzal® Allergy 24HR as an over-the-counter (OTC) treatment for the relief of symptoms associated with seasonal and year-round allergies, UCB is entitled to guaranteed payments for a total amount of USD 75 million to be paid over ten years by Chattem Inc., a Sanofi company, due to the out-licensing agreement for Xyzal® in the OTC field in the U.S. that was concluded in 2015.
- March 2017 - the U.S. Patent and Trademark Office confirmed the validity of U.S. patent RE38,551 related to Vimpat® in the *Inter Partes* Review proceedings.
- April 2017 - UCB and Q-State Biosciences entered into a multi-year therapeutics discovery collaboration. The joint program will employ a precision-medicine approach to the development of novel therapeutics for epilepsy, and particularly genetically defined subtypes of childhood epilepsy.
- June 2017 - UCB has acquired the remaining 73% stake in Beryllium LLC and now owns 100%. Beryllium LLC is a research company specializing in protein expression and structural biology, enhancing UCB's capabilities in protein engineering and structural biology. (For further information, please see Note 7).
- Since June and August 2017, Besponsa® (*inotuzumab ozogamicin*) is approved in the EU and U.S. respectively for the treatment of adults with relapsed or refractory B-cell precursor acute lymphoblastic leukemia (ALL). Besponsa® originates from a collaboration between Pfizer Inc. and UCB. Pfizer has sole responsibility for all manufacturing and clinical development activities for this molecule. Upon commercialization UCB is entitled to receive royalties.
- November 2017 - Dermira, Inc. and UCB have agreed to end their development and commercialization agreement for Cimzia® in psoriasis. Pending regulatory approval, UCB will bring Cimzia® to people living with psoriasis worldwide. UCB paid to Dermira USD 11.0 million by 13 November 2017 and will pay, upon approval of Cimzia® in psoriasis in the U.S., an additional USD 39.0 million. Dermira is obligated to reimburse UCB for up to USD 10.0 million of development costs incurred by UCB in connection with the development of Cimzia® between 1 January 2018 and 30 June 2018.
- February 2018 - UCB and an investor syndicate led by Novo Seeds announced launching 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.

Regulatory update and pipeline progress

NEUROLOGY

- In January 2017, UCB filed a supplemental New Drug Application with the U.S. authorities for **Briviact® (*brivaracetam*)** as monotherapy in the treatment of partial-onset seizures in patients 16 years of age and older with epilepsy and was approved in the U.S. in September.
  In July, UCB filed a marketing authorization in the EU for Briviact® for children with epilepsy of 4 years of age and older, for the adjunctive treatment of partial-onset seizures and with the U.S. authorities for the monotherapy and adjunctive treatment.

- In February, the Phase 2a study with ***padsevonil*** (UCB0942) - aimed at highly drug resistant epilepsy patients, who failed four anti-epileptic drugs and have at least four seizures/week - showed positive top line results and will progress into further development. Detailed results were presented at the American Epilepsy Society (AES) Annual Meeting in December 2017. Phase 2b started in February 2018 with first results expected in H1 2020.

- In March, **Vimpat® (*lacosamide*)** was filed in the U.S. for children living with partial-onset epilepsy at 4 years and older, based on extrapolation of data from adult patients. In September and November, Vimpat® was approved in the EU and the U.S. respectively for the treatment of partial onset epilepsy in children from 4 to 16 years of age.
  Also in March, Vimpat® in a Phase 3 study achieved positive results as adjunctive therapy in patients with epilepsy (partial-onset seizure; ≥ 4 to <17 years of age). Detailed results will be presented at future scientific meetings and will be submitted to regulatory authorities.
  In August, the Japanese health authorities approved Vimpat® for use as monotherapy for partial-onset seizure in adult patients with epilepsy.
  In January 2018, UCB filed Vimpat® for pediatric patients living with partial-onset epilepsy from 4 years of age and older in Japan.

[1] From 1 January 2017 up to the publication date of this report.

- In March, a Phase 2a study started with ***rozanolixizumab*** (UCB7665) in myasthenia gravis (MG), a rare, debilitating neurological auto-immune disease. First results are expected in H2 2018.

All other clinical development programs in neurology are continuing as planned.

IMMUNOLOGY

- UCB and its partner Dermira submitted a marketing application to EU and U.S. regulatory authorities for **Cimzia® (*certolizumab pegol*)** in psoriasis which were accepted for filing in August and October, respectively.
  In February, to support line extension for Japan, a Phase 3 study evaluating Cimzia® in adult patients with psoriasis and psoriatic arthritis started with first results expected in Q3 2018.
  In March 2017, the FDA issued a "complete response letter" in connection with the review of a proposed new indication for Cimzia® to treat polyarticular juvenile idiopathic arthritis (pJIA). The FDA letter concerns the reliability of the submitted pharmacokinetic data. UCB is working with the FDA to agree on next steps to bring Cimzia® to juvenile patients, with no impact on any other Cimzia® program.
  Data from the CRIB and CRADLE studies for women of child-bearing age were filed with the European and U.S. health authorities, in Q2 2017. CRIB was evaluating the transfer of Cimzia® from the mother to the infant via the placenta while CRADLE was a study evaluating the concentration of Cimzia® in mature breast milk of lactating mothers. In December 2017, the European Medicines Agency approved a label change for Cimzia®, making it the first anti-TNF treatment option that could be considered for women with chronic inflammatory disease throughout the pregnancy journey.

- In July, positive results from a Phase 2b study in patients with psoriasis were reached for ***bimekizumab***: At week 12, up to 79% of patients achieved at least 90% skin clearance, and up to 60% of patients achieved complete skin clearance (PASI100).
  In December, positive results in ankylosing spondylitis (AS) were reported for *bimekizumab* showing statistical significance in multiple dose groups: the Phase 2b study achieved the primary endpoint (ASAS40), with up to 47% of patients receiving *bimekizumab* achieving at least 40% improvement in AS symptoms, versus 13% of patients receiving placebo, at week 12.
  Also in December, positive top line results from the Phase 2b study in psoriatic arthritis (PsA) were obtained: *bimekizumab* showed impressive joint and skin responses for these patients. The study achieved a stringent primary endpoint, with up to 46% of PsA patients who received *bimekizumab* experiencing at least 50% improvement in PsA joint symptoms (ACR50), versus 7% with placebo, at week 12. Among patients with active skin lesions (BSA ≥3), up to 65% of patients who received *bimekizumab* also experienced at least 90% skin clearance (PASI90) versus 7% of patients who received placebo. These results were achieved in a mixed patient population, both biologic naïve and previously biologic exposed patients.
  UCB advanced the *bimekizumab* Phase 3 clinical development program with the first Phase 3 study in psoriasis starting in December 2017; topline results from this program are expected at the end of 2019.

- In December, ***rozanolixizumab*** (UCB7665) reached "proof of concept" in patients with immune thrombocytopenia (ITP) based on positive Phase 2a results in the two initial dose arms. Recruitment for higher doses is ongoing with further results expected in Q3 2018.

All other clinical development programs in immunoloy are continuing as planned.

BONE

- In May, UCB and Amgen announced that the **Evenity™ (*romosozumab*)** ARCH study met both primary endpoints and the key secondary endpoints. At the primary analysis, treatment with romosozumab for 12 months followed by alendronate significantly reduced the incidence of new vertebral fractures through 24 months, clinical fractures (primary endpoints) and non-vertebral fractures (key secondary endpoint) in postmenopausal women with osteoporosis at high risk for fracture, compared to alendronate alone. An imbalance in positively adjudicated cardiovascular serious adverse events was observed as a new safety signal.
  In July, the U.S. authorities issued a Complete Response Letter for the Biologics License Application for Evenity™ as a treatment for postmenopausal women with osteoporosis. Upon receiving the CRL, 12 months to respond with the requested data were granted. Amgen and UCB continue to evaluate all registrational Phase 3 clinical trial safety data to ensure to have the most comprehensive view and understanding of the cardiovascular safety signal observed in the active comparator ARCH study and not in the placebo controlled FRAME study.
  In December, the European Medicines Agency accepted the Marketing Authorization Application (MAA) for Evenity™ (*romosozumab*) for the treatment of osteoporosis in postmenopausal women and in men at increased risk of fracture, filed by UCB and Amgen.

2.3 Net sales by product

Total net sales in 2017 increased to € 4 182 million, 9% higher than last year or +11% at constant exchange rates (CER).

€ million	ACTUAL 2017	ACTUAL 2016 (Restated[1])	VARIANCE Actual rates	VARIANCE CER
Immunology / Cimzia®	1 424	1 304	9%	11%
Neurology				
Vimpat®	976	822	19%	21%
Keppra®	778	720	8%	11%
Briviact®	87	18	> 100%	> 100%
Neupro®	314	298	5%	7%
Established brands				
Zyrtec®	103	117	-12%	-11%
Xyzal®	104	101	3%	6%
venlafaxine ER	0	89	-100%	-100%
Other products	368	377	-3%	-1%
Net sales before hedging	**4 154**	**3 846**	**8%**	**10%**
Designated hedges reclassified to net sales	**28**	**- 19**	**>-100%**	
Total net sales	**4 182**	**3 827**	**9%**	**11%**

[1] After reclassification due to IFRS 15

Core products

Cimzia® (*certolizumab pegol*) for patients living with autoimmune and inflammatory TNF mediated diseases, net sales increased in a competitive market environment to € 1 424 million (+9%), driven by differentiation.

Vimpat® (*lacosamide*) net sales went up to € 976 million (+19%) showing sustainable, double-digit growth in all markets where Vimpat® is available to people living with epilepsy, including patients in Japan since September 2016.

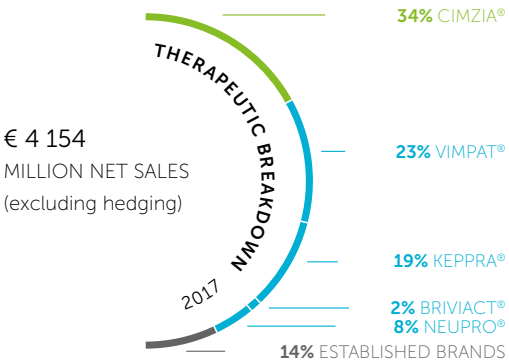
Keppra® (*levetiracetam*), also for epilepsy, had net sales of € 778 million (8%). Mainly driven by the growth in international markets, namely Japan.

Briviact® (*brivaracetam*) available for people living with epilepsy during 2016, reached net sales of € 87 million after € 18 million in 2016.
Hence, UCB's epilepsy franchise reached net sales of € 1.8 billion, a plus of 18%.

Neupro® (*rotigotine*), the patch for Parkinson's disease, reached net sales of € 314 million (+5%), mainly due to the sustainable growth in Europe and the U.S.

Established brands

Zyrtec® (*cetirizine*, including Zyrtec®-D/Cirrus®) and **Xyzal® (*levocetirizine*)**, both for allergy, net sales declined to € 103 million (-12%), respectively increased to € 104 million (3%), due to generic competition.



***Venlafaxine ER* (*venlafaxine hydrochloride* extended release)** for the treatment of depressive and anxiety disorders was divested in November 2016.

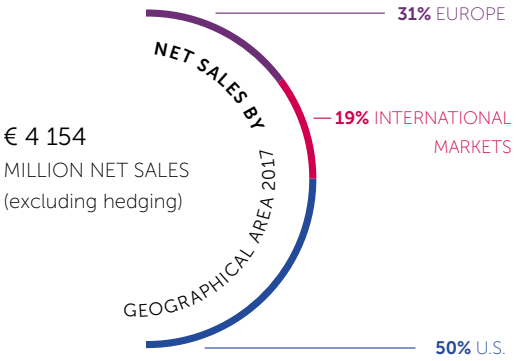
Other products: Net sales for other established brands decreased by 3% to € 368 million mainly due to the divestiture of the nitrate business in 2016.

Designated hedges reclassified to net sales were positive with € 28 million 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.

2.4 Net sales by geographical area

€ million	ACTUAL 2017	ACTUAL 2016 (Restated[1])	VARIANCE ACTUAL RATES € million	VARIANCE ACTUAL RATES %	VARIANCE CER € million	VARIANCE CER %
Net sales U.S.	**2 069**	**1 877**	**191**	**10%**	**230**	**12%**
Cimzia®	918	846	72	8%	89	11%
Vimpat®	746	629	117	19%	131	21%
Keppra®	232	216	16	7%	20	9%
Neupro®	96	85	11	13%	13	15%
Briviact®	63	11	52	>100%	53	>100%
Established brands						
venlafaxine ER	0	89	- 89	-100%	- 89	-100%
Other	14	1	13	>100%	13	>100%
Net sales Europe	**1 288**	**1 224**	**64**	**5%**	**72**	**6%**
Cimzia®	370	339	31	9%	35	10%
Keppra®	235	237	- 3	-1%	- 2	-1%
Neupro®	168	161	7	4%	7	5%
Vimpat®	177	152	26	17%	26	17%
Briviact®	22	7	15	>100%	16	>100%
Established brands						
Zyrtec®	52	63	- 11	-17%	- 11	-18%
Xyzal®	29	30	- 1	-4%	- 1	-4%
Other	235	235	0	0%	2	1%
Net sales international markets	**798**	**745**	**53**	**7%**	**77**	**10%**
Keppra®	311	267	45	17%	58	22%
Cimzia®	136	118	18	15%	21	18%
Vimpat®	53	42	11	27%	12	28%
Neupro®	50	52	- 2	-4%	0	0%
Briviact®	1	0	1	N/A	1	N/A
Established brands						
Zyrtec® (including Cirrus®)	52	54	- 3	-5%	- 2	-4%
Xyzal®	74	68	6	9%	9	13%
Other	120	144	- 24	-17%	- 22	-15%
Net sales before hedging	**4 154**	**3 846**	**308**	**8%**	**379**	**10%**
Designated hedges reclassified to net sales	**28**	**- 19**	**47**	**> -100%**		
Total net sales	**4 182**	**3 827**	**355**	**9%**	**404**	**11%**

[1] After reclassification due to IFRS 15



U.S. net sales reported by UCB were up to € 2 069 million (+10%); driven by the core products, overcompensating the effect of the divestiture of *venlafaxine ER*. Cimzia® net sales increased by 8% reaching € 918 million. Vimpat® went up by 19% to € 746 million, The Keppra® franchise went up to € 232 million (7%) and the mid-year 2016 launched Briviact® reached € 63 million net sales. Neupro® net sales were up to € 96 million (+13%). *Venlafaxine ER* was divested in November 2016. Net sales of the other products were € 14 million after € 1 million. Adjusted by the divestiture, U.S. net sales increased by 16%.

Europe net sales were € 1 288 million (+5%), driven by the continued sustainable performance of the core products: Cimzia® (€ 370 million; +9%), Vimpat® (€ 177 million; +17%), Keppra® (€ 235 million; -1%) and Briviact® (€ 22 million) which was launched in 2016 as well as Neupro® (€ 168 million; +4%). The established brands declined, mainly due to mandatory price reductions and generic competition.

International markets net sales, including Japan and China being the largest net sales contributors, amounted to € 798 million (+7%) driven by sustainable growth of the core products. Thereof, net sales in Japan were up 15% to € 292 million driven by sustainable in-market demand. In Japan, Cimzia® reached net sales of € 34 million. Vimpat® was launched in September 2016 and reported net sales of € 8 million, E Keppra® had strong net sales growth to € 137 million (+55%) and Neupro® reached net sales of € 36 million. Net sales in China were € 134 million.

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

2.5 Royalty income and fees

	ACTUAL		VARIANCE	
€ million	2017	2016	Actual rates	CER
Biotechnology IP	59	76	-23%	-19%
Zyrtec® U.S.	26	27	-2%	-1%
Toviaz®	19	18	4%	8%
Other	4	4	9%	14%
Royalty income and fees	**108**	**125**	**-13%**	**-10%**

During 2017, royalty income and fees decreased to € 108 million (-13%) due to patent expirations.

Royalties collected for Zyrtec® in the U.S. and Toviaz® were more or less stable.

The franchise royalties paid by Pfizer for the overactive bladder treatment Toviaz® (*fesoterodine*) reflect the in-market performance of the franchise.

2.6 Other revenue

€ million	ACTUAL 2017	2016	VARIANCE Actual rates	CER
Contract manufacturing sales	91	119	-24%	-23%
Xyzal® in U.S	56	0	N/A	N/A
Partnerships in Japan	30	12	> 100%	> 100%
Product profit sharing	16	19	-13%	-13%
Partnerships in China	0	9	-99%	-99%
Other	47	36	31%	35%
Other revenue	**240**	**195**	**23%**	**23%**

Other revenue reached € 240 million (+23%) 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.

Contract manufacturing sales decreased to € 91 million from € 119 million as it included contract manufacturing of the nitrates in 2016 related to the divestiture of the nitrates established brands business in 2016.

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 € 30 million after € 12 million in 2016.

The **product profit sharing agreements** for Dafiro®/ Provas® and Xyzal® reached a revenue of € 16 million (-13%), driven by the life cycle of these products.

Our partnerships in China encompassed in 2016 the market rights to UCB's allergy franchise. This partnership has now been transferred.

"Other" revenue reached € 47 million (31%) and includes milestones and other payments from our R&D partners.

2.7 Gross profit

€ million	ACTUAL 2017	2016 (Restated[1])	VARIANCE Actual rates	CER
Revenue	**4 530**	**4 147**	**9%**	**11%**
Net sales	4 182	3 827	9%	11%
Royalty income and fees	108	125	-13%	-10%
Other revenue	240	195	23%	23%
Cost of sales	**-1 200**	**-1 202**	**0%**	**1%**
Cost of sales products and services	- 848	- 852	0%	0%
Royalty expenses	- 227	- 224	1%	4%
Amortization of intangible assets linked to sales	- 125	- 126	-1%	0%
Gross profit	**3 330**	**2 945**	**13%**	**15%**

[1] After reclassification due to IFRS 15

In 2017, **gross profit** reached € 3 330 million (+13%), driven by the net sales growth and continued improved product mix. The gross margin improved to 74% (2016: 71%). 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** were stable at € 848 million.
- **Royalty expenses** were almost stable at € 227 million from € 224 million. Royalty expenses for marketed products, mainly Cimzia® and Vimpat® continued to increase due to product growth while established brands royalties expired after divestitures in 2016.

- **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 were stable at € 125 million after € 126 million in 2016.

2.8 Recurring EBIT and recurring EBITDA

	ACTUAL		VARIANCE	
€ million	2017	2016 (Restated[1])	Actual rates	CER
Revenue	**4 530**	**4 147**	**9%**	**11%**
Net sales	4 182	3 827	9%	11%
Royalty income and fees	108	125	-13%	-10%
Other revenue	240	195	23%	23%
Gross profit	**3 330**	**2 945**	**13%**	**15%**
Marketing and selling expenses	- 940	- 938	0%	2%
Research and development expenses	-1 057	-1 020	4%	5%
General and administrative expenses	- 192	- 184	4%	5%
Other operating income/expenses (-)	- 11	- 7	44%	59%
Total operating expenses	**-2 200**	**-2 149**	**2%**	**4%**
Recurring EBIT (rEBIT)	**1 130**	**796**	**42%**	**43%**
Add: Amortization of intangible assets	160	169	-5%	-4%
Add: Depreciation charges	85	66	30%	32%
Recurring EBITDA (rEBITDA)	**1 375**	**1 031**	**33%**	**34%**

[1] After reclassification due to IFRS 15

Operating expenses, encompassing marketing and selling expenses, research and development expenses, general and administrative expenses and other operating income/expenses, reached € 2 200 million (+2%) and reflected:

- stable **marketing and selling expenses** of € 940 million. While the continued growth of Cimzia®, Vimpat® and Neupro® enables synergies and efficiencies, UCB has been launching Briviact® in Europe and North America since January and June 2016, respectively;
- 4% higher **research and development expenses** of € 1 057 million slightly reduces the R&D ratio thanks to phasing in the late-stage clinical development pipeline. The R&D ratio (as a % of revenue) for 2017 was 23% after 25% in 2016;
- 4% higher **general and administrative expenses** of € 192 million;
- **Other operating expenses** were € 11 million after € 7 million in 2016, mainly related to the collaboration agreement for the development and preparation of commercialization of Evenity™ (€ -39 million) offset by grants received and reimbursement of third party expenses.

The total operating expenses in relation to revenue (operating expense ratio) improved to 48% after 52% in 2016 thanks to solid revenue growth, efficient resources allocation and tight cost control.

Recurring EBIT increased to € 1 130 million, a plus of 42% compared to 2016:

- Total amortization of intangible assets (product related and other) reached € 160 million (5%);
- Depreciation charges increased to € 85 million (+30%). 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 € 1 375 million after € 1 031 million (+33%), driven by the higher gross profit and the low growth rate of operating expenses in 2017. The recurring EBITDA ratio (in % of revenue) reached 30.3%, from 24.9% in 2016.

2.9 Profit

€ million	ACTUAL 2017	ACTUAL 2016	VARIANCE Actual rates	VARIANCE CER
Recurring EBIT	**1 130**	**796**	**42%**	**43%**
Impairment charges	-1	-12	-90%	-92%
Restructuring expenses	-23	-33	-31%	-30%
Gain on disposals	3	171	-99%	-99%
Other non-recurring income/expenses (-)	-22	-46	-56%	-56%
Total non-recurring income/expenses (-)	-43	80	>-100%	>-100%
EBIT (operating profit)	**1 087**	**876**	**24%**	**25%**
Net financial expenses (-)	-99	-112	-12%	-11%
Result from associates	0	0	N/A	N/A
Profit before income taxes	**988**	**764**	**29%**	**30%**
Income tax expenses	-218	-199	9%	10%
Profit from continuing operations	**770**	**565**	**36%**	**38%**
Profit/loss (-) from discontinued operations	1	-23	>-100%	>-100%
Profit	**771**	**542**	**42%**	**43%**
Attributable to UCB shareholders	753	520	45%	46%
Attributable to non-controlling interests	18	22	-17%	-16%
Profit attributable to UCB shareholders	**753**	**520**	**45%**	**46%**

Total non-recurring income/expenses (-) reached € 43 million pre-tax expenses, compared to € 80 million pre-tax income in 2016. The main driver of this expense is related to restructuring and litigation expenses. The 2016 non-recurring items included the divestitures of UCB's nitrates established brands as well as the divestiture of *venlafaxine ER* in the U.S.

Net financial expenses decreased to € 99 million from € 112 million. In 2016, the expenses included the € 28 million impairment of the Lannett warrant (in connection with the Kremers Urban divestiture).

Income tax expenses were € 218 million compared to € 199 million in 2016. The average effective tax rate on recurring activities was 22.1% compared to 26.0% in 2016. The effective tax rate 2017 has decreased from the previous year following tax audit settlements.

Profit/loss from discontinued operations reached a profit of € 1 million after a loss of € 23 million in 2016, reflecting activities related to the divestment of Kremers Urban.

The **profit of the Group** amounted to € 771 million (after € 542 million), of which € 753 million is attributable to UCB shareholders and € 18 million to non-controlling interests. For 2016, profit reached € 542 million, of which € 520 million were attributable to UCB shareholders and € 22 million to non-controlling interests.

2.10 Core EPS

€ million	ACTUAL 2017	2016	VARIANCE Actual rates	CER
Profit	**771**	**542**	**42%**	**43%**
Attributable to UCB shareholders	753	520	45%	46%
Attributable to non-controlling interests	18	22	-17%	-16%
Profit attributable to UCB shareholders	**753**	**520**	**45%**	**46%**
Total non-recurring income (-)/expenses	43	- 80	>-100%	>-100%
Income tax on non-recurring expenses (-)/credit	12	15	-11%	-11%
Financial one-off income (-)/expenses	0	23	-100%	-100%
Income tax on financial one-off income/expenses (-)	0	- 1	-100%	-100%
Profit (-)/loss from discontinued operations	- 1	23	>-100%	>-100%
Amortization of intangibles linked to sales	125	126	-1%	0%
Income tax on amortization of intangibles linked to sales	- 25	- 26	-5%	-5%
Core profit attributable to UCB shareholders	**907**	**600**	**51%**	**52%**
Weighted average number of shares (million)	188	188	0%	
Core EPS attributable to UCB shareholders (€)	**4.82**	**3.19**	**51%**	**52%**

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 € 907 million (+51%), leading to a **core earnings per share** (EPS) of € 4.82, compared to € 3.19 in 2016, per non-dilutive weighted average number of shares of 188 million and 188 million, respectively.

2.11 Capital expenditure

In 2017, the **tangible capital expenditure** resulting from UCB biopharmaceutical activities amounted to € 100 million (2016: € 108 million). The 2017 capital expenditures related mainly to upgrade of the biological plant in Bulle (Switzerland), IT hardware and other plant & equipment.

Acquisition of intangible assets reached € 109 million in 2017 (2016: € 30 million) related to in-licensing deals, software and capitalized eligible development costs, including € 29 million related to Dermira.

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 is added back for recurring EBITDA calculation purposes.

2.12 Balance sheet

The **intangible assets** decreased by € 58 million from € 875 million at 31 December 2016 to € 817 million at 31 December 2017. This includes the ongoing amortization of the intangible assets (€ 160 million), the disposal of intangibles of the nitrates business, partially offset by additions through in-licensing, software and capitalized eligible development costs.

Goodwill went down from € 5 178 million at 31 December 2016 to € 4 838 million mainly stemming from a weaker U.S. dollar and British pound compared to December 2016.

Other non-current assets decreased by € 243 million, driven by a decrease in deferred tax assets, after tax reforms in the U.S., U.K. and Belgium.

The **current assets** increase from € 2 331 million as of 31 December 2016 to € 2 677 million as of 31 December 2017 and relates to slightly higher working capital and increased cash positions.

UCB's shareholders' equity, at € 5 736 million, showed an increase of € 259 million between 31 December 2016 and 31 December 2017. The important changes stem from the net profit after non-controlling interests (€ 753 million), the cash-flow hedges (€ 110 million), offset with the U.S. dollar and British pound currency translation (€ -352 million), the dividend payments (€ -220 million) and the acquisition of own shares (€ -119 million).

The **non-current liabilities** amounted to € 2 232 million, a minor decrease of € 85 million.

The **current liabilities** amounted to € 1 949 million, down € 469 million, due to decrease of income tax payables related to tax audits and the trade payables.

The **net debt** decreased by € 314 million from € 838 million as of end December 2016 to € 525 million as per end December 2017, and mainly relates to the underlying net profitability, offset by the dividend payment on the 2016 results and the acquisition of own shares. The net debt to recurring EBITDA ratio for 2017 reached 0.38 after 0.81 for 2016.

2.13 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 € 927 million, of which € 896 million from continuing operations, compared to € 726 million in 2016 and stemming from underlying net profitability.
- **Cash flow from investing activities** showed an outflow of € 228 million (continuing operations), compared to € 133 million inflow in 2016. It is related to upgrade / maintenance of plants, in-licensing deals, capitalized eligible develoment costs and venture funds.
- **Cash flow from financing activities** has an outflow of € 402 million, which includes the dividend paid to UCB shareholders (€ 217 million), the acquisition of treasury shares (€ 105 million) and the repayment of short term borrowings (€ 26 million).

2.14 Outlook 2018

For 2018, UCB expects the continued growth of its core products driving company growth. UCB will also advance its development pipeline to offer potential new solutions for patients and complement existing pipeline assets with external opportunities.

2018 **revenue** is expected to reach approximately € 4.5–4.6 billion. **Recurring EBITDA** in the range of € 1.3 –1.4 billion. **Core earnings per share** are therefore expected in the range of € 4.30 – 4.70 based on an average of 188 million shares outstanding.

The figures for the outlook 2018 as mentioned above are calculated on the same basis as the actual figures for 2017.