2.2 2014 KEY EVENTS

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

IMPORTANT AGREEMENTS/INITIATIVES

- January 2014 – **UCB and Biogen Idec enter agreement to develop and commercialize multiple sclerosis and hemophilia therapies in Asia**. The relationship leverages UCB's expertise and presence in Asia to bring Biogen Idec's innovative therapies to patients in new markets. The exclusive agreements grant UCB the right to commercialize Biogen Idec products in South Korea, Hong Kong, Thailand, Singapore, Malaysia and Taiwan, and both develop and commercialize products in China.
- March 2014 – **UCB convertible bond conversion**. UCB completed the conversion of its € 500 million 4.50% convertible bonds due in 2015, which it had opted to early redeem in January 2014. The resulting share capital is € 583 516 974 with the total number of shares with voting rights now at 194 505 658.
- March 2014 – **UCB and Sanofi partner for breakthrough innovation in immune-mediated diseases**. Scientific and strategic collaboration for the discovery and development of innovative anti-inflammatory small molecules which have the potential to treat a wide range of immune-mediated diseases in areas such as gastroenterology and arthritis.
- March 2014 – **UCB returned to Biotie the global rights of *tozadenant***, a selective inhibitor of the adenosine 2a receptor for the treatment of Parkinson's disease. This decision was made following an assessment of UCB's early and late stage clinical development pipeline as well as its preclinical opportunities and does not reflect any concerns regarding safety or efficacy of *tozadenant*.
- June 2014 – **UCB and European Investment Bank (EIB) partner to accelerate development of new medicines for patients**. Innovative partnership agreement to provide "at-risk co-development funding" of up to € 75 million for the development of selected UCB compounds.
- July 2014 – **UCB and Dermira enter into strategic collaboration in dermatology to broaden patient access to Cimzia®**. This collaboration gives Dermira exclusive rights to develop Cimzia® in psoriasis in the U.S., Canada and the EU. Dermira started the Phase 3 program in January 2015.
- November 2014 – **UCB announced its decision to divest its U.S. specialty generics business Kremers Urban (KU)**. Following this decision the KU assets are treated differently within UCB's Group accounts: KU is treated as "discontinued operation" from 2013 onwards. The divestiture process is ongoing.
- November 2014 – **UCB and Daiichi Sankyo partner Vimpat® in Japan**. Based on the positive Phase 3 results announced in October 2014, regulatory submission as adjunctive therapy in the treatment of adult patients with partial-onset seizures in Japan is planned in 2015. Under this agreement, UCB will manufacture and supply the product for commercialization. Daiichi Sankyo will manage the distribution and book sales, with both Daiichi Sankyo and UCB commercializing the product in Japan.
- December 2014 – **UCB assumes commercialization of Cimzia® from its former partner in Brazil, AstraZeneca.**

EVENTS AFTER THE BALANCE SHEET DATE

- January 2015 – **UCB and Neuropore enter into world-wide collaboration and agreement** to develop and commercialize therapeutic products aiming at slowing the progression of Parkinson's disease and related disorders. This includes NPT200-11, Neuropore's novel small molecule that targets pathogenic alpha-synuclein which is currently in preclinical development and is expected to enter clinical Phase 1 in 2015.

REGULATORY UPDATE AND PIPELINE PROGRESS

NEUROLOGY

- In September 2014, **Vimpat®** *(lacosamide)* was approved in the U.S. as monotherapy in the treatment of **partial-onset seizures** in adults with epilepsy. The U.S. authorities also approved a new single loading dose administration option for all formulations of Vimpat®.
  In October 2014, UCB reported positive results for the Phase 3 study evaluating Vimpat® as adjunctive therapy in the treatment of Japanese and Chinese adult patients with partial-onset seizures. Regulatory submissions in Japan and China are planned in 2015. To support this expansion, in November 2014, UCB entered into an agreement with Daiichi Sankyo to jointly commercialize *lacosamide* in **Japan**.
  Vimpat® is scheduled to move into Phase 3 development for **primary generalized tonic-clonic seizures** (PGTCS) in H1 2015.
  The Phase 3 study for the EU for Vimpat® as monotherapy in the treatment of partial-onset seizures in adults with epilepsy has completed patient recruitment, first results are expected in Q4 2015.
- In March 2014, **E Keppra**® (*levetiracetam*) was filed with the Japanese authorities for monotherapy in partial onset seizures in patients living with **epilepsy**. In July 2014, E Keppra® IV formulation was approved as adjunctive therapy in Japan.

- In July 2014, positive topline results from the latest Phase 3 study with ***brivaracetam*** showed reduced partial-onset seizure frequency and improved responder rates, both with statistical significance. This study was designed to evaluate the efficacy and safety of *brivaracetam* compared to placebo, as adjunctive treatment in adult **epilepsy** patients with partial-onset seizures, not fully controlled despite treatment with one or two concomitant antiepileptic drugs. In January 2015, the U.S. and EU regulatory authorities have accepted for review the new drug application and the marketing authorization application respectively for *brivaracetam* as adjunctive therapy for the treatment of partial-onset seizures in patients from 16 years of age with epilepsy.
- In December 2014, **UCB0942** (PPSI), a small molecule in development for highly drug resistant **epilepsy** is scheduled to start Phase 2 proof of concept study in H2 2015.

NEUROLOGY – AFTER THE BALANCE SHEET DATE

- In January 2015, Neuropore and UCB entered into world-wide collaboration in the development of a small molecule disease modifying treatment option for people living with **Parkinson's disease**. A Phase 1 study is scheduled to start in 2015.
- In February 2015, UCB announced positive top-line results from two Phase 3 studies evaluating **Neupro**® (*rotigotine* transdermal patch) in the treatment of patients in China with early- and advanced-stage idiopathic **Parkinson's disease**. Regulatory submission is planned in 2015.
- In February 2015, the Japanese regulatory authorities approved **E Keppra®** as monotherapy in the treatment of partial-onset seizures in people living with **epilepsy** aged four years and above.

IMMUNOLOGY

- In January 2014, the New England Journal of Medicine published results from a Phase 2 trial evaluating ***romosozumab*** in postmenopausal women with low bone mass that showed, compared with placebo, significant increases in bone mineral density at spine, hip and femoral neck. The Phase 3 program evaluating *romosozumab* in **postmenopausal osteoporosis** (PMO) is ongoing as planned with initial results expected in H1 2016.
  In June 2014, first patients were enrolled in a Phase 3 study to assess the efficacy and safety of *romosozumab* in men with **osteoporosis** and high risk of fracture; first results from this study are expected in H2 2016.
- ***Dapirolizumab pegol*** (CDP7657), an anti-CD40L pegylated Fab being developed in **systemic lupus erythematosus** (SLE) jointly with Biogen Idec, completed clinical Phase 1 end of 2014, showing that d*apirolizumab pegol* was well tolerated. The compound is scheduled to progress to Phase 2 in 2016.
- **UCB4940** (IL 17 A/F), a large molecule for immunological diseases has successfully passed Phase 1. Phase 2a in **psoriatic arthritis** started in June 2014 with first headline results expected in H2 2015.
- **UCB5857** (PI3K Delta inhibitor), a small molecule for **immune-inflammatory diseases** has successfully passed a Phase 1 study. A Phase 2 proof of concept study is scheduled to start during H2 2015.
- For **UCB7665**, a large molecule for i**mmunological diseases**, Phase 1 is continuing.

IMMUNOLOGY – AFTER THE BALANCE SHEET DATE

- In January 2015, for **Cimzia**® (*certolizumab pegol*), Dermira and UCB announced the start of the Phase 3 program in **psoriasis**. Top-line data from this program are expected in 2017.

3.8 | CAPITAL EXPENDITURE

The tangible capital expenditure resulting from UCB biopharmaceutical activities amounted to € 84 million in 2014 (2013: € 238 million). The 2013 capital expenditures related mainly to the biotech plant in Bulle (Switzerland).

Acquisition of intangible assets reached € 77 million in 2014 (2013: € 106 million) for software development costs and in-licencing deals.

In addition, as foreseen in the agreement between UCB and Lonza for the manufacturing by Lonza of PEGylated antibody fragment-based bulk actives, 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.

3.9 | BALANCE SHEET

The **intangible assets** decreased by € 93 million from € 1 312 million at 31 December 2013 to € 1 219 million at 31 December 2014. This includes the on-going amortization of the intangible assets (€ 168 million) mainly related to the acquisition of Celltech and Schwarz Pharma, impairment (€ 38 million), the increasing U.S. dollar and British pound, partially offset by additions through in-licencing deals and assets held for sale.

Goodwill amounts € 4 882 million or a € 188 million increase between 31 December 2013 and 31 December 2014 due to the increasing U.S. dollar and British pound, offset with assets held for sale.

Other non-current assets increased by € 216 million, mainly driven by an increase in deferred tax assets due to further recognition of losses in two tax jurisdictions.

The **current asset** increase from € 2 424 million as of 31 December 2013 to € 2 501 million as of 31 December 2014 stems from assets held for sale related to the KU divestment, offset with a cash decrease cash.

UCB's shareholders' equity, at € 4 842 million, an increase of € 519 million between 31 December 2013 and 31 December 2014. The important changes stem from the net profit after non-controlling interest (€ 199 million), positive currency translation (€ 258 million), offset with IAS 19 valuations (€ 128 million), the dividend payments (€ 222 million) and the capital increase (€ 460 million).

The **non-current liabilities** amount € 2 970 million, a decrease of € 122 million, stems from the conversion of the convertible bond, offset with the increase of employee benefits related to IAS 19 and other financial liabilities.

The **current liabilities** amounts € 2 336 million including the maturing retail bond, offset with new loans, higher trade payables and liabilities held for sale related to the KU divestment.

The **net debt** decreased by € 387 million from € 1 998 million as of end December 2013 to € 1 611 million as of end December 2014, and relates to the conversion of the convertible bond, dividend payment on the 2013 results and the dividend related to the perpetual subordinated bond, offset by the underlying net profitability.

3.10 | CASH FLOW STATEMENT

The evolution of cash flow generated by biopharmaceuticals activities is affected by the following:

- **Cash flow from operating activities** amounted € 512 million compared to € 288 million in 2013. Thereof, cash flow from continuing operations amounted to € 497 million after € 267 million in 2013. The increase stems mainly from the underlying net profitability and improved working capital offset with higher taxes paid during the period.
- **Cash flow from investing activities** showed an outflow of € 161 million in 2014 compared to € 288 million in 2013, including the committed investments in the biological plant in Bulle (Switzerland) and in-licencing deals.
- **Cash flow from financing activities** has an outflow of € 595 million, which includes the repayment of the retail bond, the dividend paid to the UCB shareholders and the shareholders of the perpetual subordinated bond offset with the second installment received from the European Investment Bank and Belgian Commercial Papers.

3.11 | OUTLOOK 2015

In 2015, UCB expects the continued growth of Cimzia®, Vimpat®, Neupro® to drive company growth. At the same time, UCB aims to advance and prepare the launches of potential new solutions for patients: *romosozumab, epratuzumab* and *brivaracetam*.

2015 revenue is expected to grow to approximately € 3.55-3.65 billion. **Recurring EBITDA** should increase to approximately € 710-740 million. **Core earnings per share** (EPS) reflect a higher number of shares and are therefore expected in the range of € 1.90-2.05 based on an average of 193.7 million shares outstanding.