Victoria, living with psoriasis

2018

Integrated Annual Report

Inspired by **patients.**
Driven by **science.**

Index

Welcome to our **2018 Integrated** Annual Report!

In this new format we like to continue our journey with you ...
A journey to become a patient preferred biopharma leader, encompassing the different dimensions of our business to deliver sustainable value for patients, stakeholders and our people, navigating the changing ecosystem and sharpening the role we play in society.

Svenja, UCB

Mariana, living with epilepsy

ⓘ About this Report

This **Integrated Annual Report 2018** includes the management report in accordance with article 12 of the Royal Decree of 14 November 2007 relating to the obligations of issuers of financial instruments admitted to trading on a regulated market. All information required to be included in such management report pursuant to articles 96 and 119 of the Belgian Companies Code (i.e. Corporate Governance Statement – Remuneration Report included –, Business Performance Review and UCB's Statement on non-financial information) is reported throughout all different sections of this Integrated Annual Report 2018.

Everything we do starts with a simple question:

“How will this create value for people living with severe chronic diseases?”

Victoria, living with psoriasis

We are engaging with patients to better understand their clinical, economic, social and personal needs. What matters to patients is how they feel in their everyday life as they progress on their healthcare journey. Because we are not just treating a disease. We are caring for individual people. Patients inspire us to bring them value through more cutting-edge science, more innovative drugs, and more practical solutions ...

Our commitments

Providing innovative solutions to patients today & tomorrow

More than 3.3 million patients use our main medicines, helping them to regain some confidence in their life. Some patients are still waiting for an appropriate treatment so we keep on searching ...

Conducting business ethically and responsibly

Integrity, transparency, ethical behavior and risk management help us navigate through the challenging business and legal environments.

Fostering a diverse & inclusive organization

We are 7 495 employees working together, focusing on one goal: making a difference in patients' life.

Creating a positive impact on communities

As a corporate citizen we also have a role to play within our communities – whether they are next door or miles away.

Taking actions to limit our environmental footprint

We take our responsibility to the planet very seriously; this is the reason why we set ambitious environmental targets.

Building up strong financial foundations

Over the years, UCB has delivered continuous growth, increasing profitability, and lowered debt while investing over 20% in R&D.

UCB also supports various initiatives to contribute to the United Nations Sustainable Development Goals (also known as SDGs).

We are UCB

We are UCB, an innovation-driven global biopharmaceutical company

We are engaged in the business of researching, developing, manufacturing, selling and distributing biopharmaceutical solutions to create value for patients, the company, its shareholders and society in general.

Our ambition is to transform the lives of people living with severe diseases. We focus on neurology and immunology disorders – putting patients at the center of our world. We are ...

Inspired by patients.
Driven by science.

U.K.

Slough
- Affiliate
- Research

642 employees
(9% of global)

51%/49%
women / men

€ 106 million
(2% of global net sales)[1]

- ISO14001 certified
- OHSAS 18001 certified

Switzerland

Bulle
- Affiliate
- Production

514 employees
(6% of global)

37%/63%
women / men

€ 37 million
(1% of global net sales)[1]

- ISO14001 certified
- OHSAS18001 certified
- Solar panels installed
- 100% electricity from renewable sources

U.S.

Atlanta, GA
- Affiliate

Raleigh, NC
- Development

1 318 employees
(18% of global)

54% / 46%
women / men

€ 2 158 million
(50% of global net sales)[1]

- 100% electricity from renewable sources (Atlanta)

Europe – others

UCB has affiliates in
Austria, Bulgaria, Czech Republic, Denmark, Finland, France, Greece, Hungary, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Spain, Sweden

539 employees
(8% of global)

61%/39%
women / men

€ 809 million
(19% of global net sales)[1]

Belgium

Brussels
- HQ
- Affiliate
- Development

Braine-l'Alleud
- Production

2 189 employees
(29% of global)

45%/55%
women / men

€ 39 million
(1% of global net sales)[1]

- SO14001 certified (Braine)
- Solar panels installed (Braine)
- 100% electricity from renewable sources

Japan

Tokyo
- Affiliate
- Development

Saitama
- Production

411 employees
(5% of global)

23%/77%
women / men

€ 305 million
(7% of global net sales)[1]

- ISO14001 compliant
- OHSAS 18001 compliant

Germany

Monheim
- Affiliate
- Development

438 employees
(6% of global)

59%/41%
women / men

€ 334 million
(8% of global net sales)[1]

- 100% electricity from renewable sources

China

Shanghai
- Affiliate
- Development

Zhuhai
- Production

647 employees
(9% of global)

57%/43%
women / men

€ 151 million
(3% of global net sales)[1]

- ISO14001 certified
- OHSAS 18001 certified

International markets – others

UCB has affiliates in
Australia, Brazil, Canada, Hong Kong, India, Mexico, Russia, South Korea, Taiwan, Turkey, Ukraine

743 employees
(10% of global)

52%/48%
women / men

€ 372 million
(9% of global net sales)[1]

1: Global net sales excluding hedging

Letter to our stakeholders

Dear people living with severe chronic disease, dear shareholders, partners and colleagues,

Welcome to our first Integrated Annual Report!

A journey to become a patient preferred biopharma leader, encompassing the different dimensions of our business to deliver sustainable value for patients, stakeholders and our people, navigating the changing ecosystem and sharpening the role we play in society.

Today too many patients living with severe chronic diseases are still looking for solutions as they face daily challenges in their lives. The Patient Value Strategy invites each of us at UCB to start everything we do with a simple question:

"How will this create value for people living with severe chronic diseases?"

We are convinced that our Patient Value Strategy will lead to a positive impact for patients, our stakeholders and UCB.

UCB wants to be present and lead in specific patient populations by 2025, defined by leading patient share in the relevant segment. Therefore, our innovation will focus on differentiated medicines with high predictability of response; and leveraging new scientific platforms wherever appropriate. In an increasingly constrained external world where innovation is essential, we confirm our patient value strategy to drive UCB's future success and sustainable growth.

> UCB's ambition is to be the patient preferred Biopharma Leader creating patient value for specific populations through unique outcomes, the best patient experience to as many of these lives as possible.

2018, an eventful year!

2018 marked the 90th anniversary of UCB. Since its creation in 1928, UCB has been characterized by a very strong entrepreneurial spirit, a strong determination and resilience, long term views and a strong belief that science and innovation would improve humanity. The company went through several transformations, requiring tough decisions at certain times, to guarantee the long-term growth of the company. Today we are a mid-size global biopharma providing solutions to patients in almost every corner of the world.

Our key medicines continued their growth. Based on its differentiated profile and the new indication launches in 2018, Cimzia® is keeping up well in a competitive environment. Vimpat®, Keppra® and Briviact® reached more and more patients living with epilepsy, thanks to new indications and launches in new regions – also reflected in the new blockbuster status for Vimpat®. Our key medicines got closer to patients in China: we obtained approval for Keppra® for monotherapy of partial onset epilepsy seizures (approved based on extrapolation from adjunctive therapy with sound scientific rationales) and Neupro® where launch preparations are ongoing. UCB also submitted Vimpat® for the adjunctive therapy of partial onset epilepsy seizures in children above 4 years and for adults, based on extrapolation.

UCB continued its R&D effort on generating increasingly differentiated solutions that show the promise of advancing the standard of care: Evenity™ (*romosozumab*) was refiled with the U.S. authorities and was approved in Japan; *bimekizumab* Phase 3 program started in psoriasis while recruitment for psoriatic arthritis and axial spondyloarthitis will start in 2019. The late-stage program for *padsevonil* made good progress. *Rozanolixizumab* achieved positive proof of concept and will move to the confirmatory development phase.

> “Psoriasis is a cruel disease, there is no cure, it’s hereditary, people stare and shy away from you and it can have impacts not only physically but mentally too. Having lived with the disease for 32 years I have accepted it as part of who I am. I now freely talk about it and love the skin I have as it’s me. I love being part of UCB's panel so I can share my experiences and views.

Victoria, living with psoriasis

We initiated the "New Development Paradigm" with the aim to reduce clinical development time and costs and for differentiated medicines creating additional patient value. One example is our partnership with Science 37, Los Angeles, which brings clinical studies directly to patients' homes. We also have further differentiated the clinical pipeline and strengthened our research capabilities.

UCB pursued its strategic focus with the acquisition of *midazolam* nasal spray, intended as a rescue treatment of acute repetitive seizures in patients with epilepsy. The new drug application was filed in August 2018 with the U.S. authorities, following previous orphan drug status and fast-track designation. We sold our subsidiary "Innere Medizin", which successfully promoted pharmaceutical products for cardiovascular and respiratory diseases in Germany.

UCB showed +2% revenue growth – at constant exchange rates a plus of 5% – i.e. € 4.6 billion, underlying profitability, recurring EBITDA, amounted to € 1.4 billion (+2%; 5% at constant exchange rates) – both at the upper end of the range for our financial outlook for 2018 and forming a solid foundation: allowing us to intensify our R&D investments. Having reached the midterm target of 30% recurring EBITDA margin already in 2017, one year earlier than planned, we put out a new target: 31% in 2021 recovering from the expected short-term impact of investing into our strong development pipeline.

We also made good progress on our long-term environmental targets of being carbon neutral, reducing water consumption by 20% and reducing waste production by 25% by 2030.

We are very pleased with the achievements of our first patient value strategy phase with increasing the number of patients treated with our key medicines and the "Go to Market" approach, tailored to local markets and specific patient needs.

The coming years will be dedicated to accelerate and expand sustainable growth.

2019 and beyond: accelerate and expand growth, sustainability and profitability

As proven in the last years UCB's Patient Value Strategy remains the best route to achieve sustainable growth. We are now entering its next phase which we call **"Accelerate & Expand"**.

We will accelerate our growth potential by maximizing patients' access to our key medicines, by further improving our ability to demonstrate differentiation and by accelerating the development timelines through new approaches. We will expand into new patient populations with the launch of Evenity™ for post fracture osteoporosis and the development of *bimekizumab* in psoriasis, and other autoimmune conditions including arthritis indications, *padsevonil* in epilepsy and *rozanolixizumab* in several – mainly neuro-inflammatory – indications.

Based on our existing strong development pipeline, we have the potential for 6 product launches in the next 5 years. The successful evolution of our late stage pipeline requires additional resources in the short-term therefore we will continue to invest significantly into R&D to deliver breakthrough medicines with sustainable value propositions for patients, healthcare professionals and payers and securing UCB sustainability. Thanks to its strong financial foundations, UCB will selectively use its financial and strategic flexibility to complement its internal pipeline with external innovative assets, programs or platforms through partnerships, licenses or acquisitions.

> For 2019, we target revenue in the range of € 4.6-4.7 billion – thanks to core product growth, and recurring EBITDA of 27-29% of revenue.

While in the short-term we will increase our investments maximizing our new growth drivers for the time after 2021 and to foster sustainability, we are committed to return to competitive profitability and to increase thereafter our recurring EBITDA/revenue ratio to 31% in 2021. We also have defined new peak sales targets for Cimzia®, expected to reach € 1.7 billion by 2024, and Vimpat®, expected to reach € 1.4 billion by 2022.

We will continue to engage: developing our people, institutionalizing reflection and continuous learning, increasing collaboration and ensuring early and consistent engagement of patients, physicians, payers, regulators and partners. We continue and welcome an open dialog with all our stakeholders.

We are grateful for the continued support of our shareholders, of the Board of Directors and the Executive Committee as well as – most importantly – of all UCB employees for their commitment to fulfill our vision.

With this support UCB is entering the next strategic phase of becoming a patient preferred biopharma leader – inspired by patients and driven by science. We will strive, with humility and confidence, to create patient value for specific patient populations through unique outcomes, delivering the best patient experience to as many of these lives as possible and with that to achieve sustainable growth and profitability for UCB, and contributing positively to our stakeholders and society.

Jean-Christophe Tellier, Chief Executive Officer
Evelyn du Monceau, Chair of the Board

February 2019

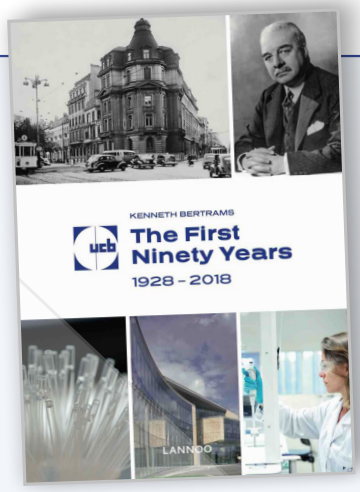
We build on a strong heritage

Founded in 1928, UCB has constantly evolved to face the challenges and opportunities of an everchanging world. It has been an exciting journey with its ups and downs: realizing some dreams, facing some challenges, learning from failures, taking risks and seizing the opportunities ...

The reference shareholder has played a very decisive role. Thanks to its entrepreneurship, the Janssen family has supported UCB development every step of the way: taking risks, supporting difficult strategic decisions, transforming the company from a Belgian chemical conglomerate into a global biopharma leader.

Today, UCB is an innovation-driven global biopharmaceutical company engaged in the business of researching, developing, manufacturing, selling and distributing biopharma products to create value for patients by improving the lives of patients and thereby create value for the company, its stakeholders and society in general.

If you want to know more about our history, we invite you to read the book "UCB – the first 90 years".

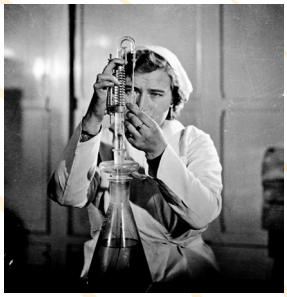


Have a look →

1928

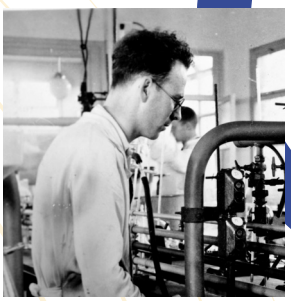
Emmanuel Janssen established Union Chimique Belge (UCB) in Brussels (Belgium), primarily focusing on industrial chemicals.

1940



Production of **primary care products** (calcium, vitamins, insuline, etc.) during World War II.

The 50's



Stronger focus on research, resulting in the discovery in 1954 of one of the world's first tranquillizers, Atarax® (*hydroxyzine*), providing the resources to create a new state-of-the-art pharmaceutical R&D centre in Braine-l'Alleud, Belgium (1964).

The 70's

Focus on a limited number of products with higher added-value. Development of a **European network** through acquisitions in France, Germany, Italy, Spain and the U.K.

The 80's

Globalisation with acquisitions in the U.S., Korea, Thailand and Japan.

1987

Zyrtec® cetirizine

Launch of Zyrtec® (*cetirizine*), a novel antihistamine, UCB's first blockbuster with net sales of € 1.7 billion in 2001 (partner: Pfizer).

2000

Keppra®

Launch of Keppra® (*levetiracetam*), a new treatment option for people living with epilepsy. It reached blockbuster status in 2008 with net sales of € 1.2 billion.

2004

Acquisition of Celltech Group Ltd, a leading British biotechnology company.

Focus on biopharmaceuticals, a combination of large, antibodybased molecules and small, chemically-derived molecules.

Divestiture of non-core business, starting with the films and chemical divisions, followed by primary care products.

2006

Acquisition of Schwarz Pharma AG, based in Germany, bringing complementary therapeutic and geographic focus.

Launch of Neupro® (*rotigotine* transdermal patch) in Parkinson's disease.

2008

CIMZIA® (certolizumab pegol)

Launch of Cimzia® (*certolizumab pegol*), UCB's first biologic to treat autoimmune disorders. It reached blockbuster status in 2015.

VIMPAT® lacosamide

Launch of Vimpat® (*lacosamide*), a new mechanism of action to treat epilepsy. It reached blockbuster status in 2018.

2016

BRIVIACT®

Launch of Briviact® (*brivaracetam*), a new treatment option for people living with epilepsy.

Judith, living with epilepsy

CHAPTER

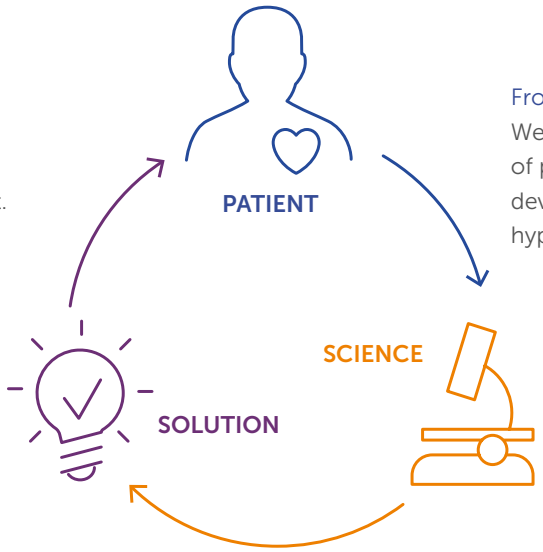
1

Our Patient Value **Strategy**

In 2015, UCB has embarked on a very important change journey guided by our Patient Value Strategy.

This evolution from the traditional pharma model was critical for us to remain competitive and sustainable for the long-term in an increasingly complex and value-focused healthcare environment. Our operating model from scientific innovation to clinical development and commercialization is based on understanding the patient environment to deliver compelling value propositions in partnership with stakeholders.

From Solution to Patient
We strive for a unique patient experience, providing solutions with the highest possible impact.



From Patient to Science
We pursue a deep understanding of patient sub-populations to develop an original scientific hypothesis.

From Science to Solution
We aim to translate scientific hypotheses into innovative solutions and engage patients in the journey.

Inspired by patients...

We start research from the patients' perspective rather than commencing from a pure scientific point of view. We listen to patients to encompass the full impact of the disease: the unpredictability, the physical effects and the heavy social stigma... They affect every part of a patient's life, including their education, employment and independence. It also has a major impact on their family.

Understanding the patient's journey: from the first symptoms to the correct diagnosis can take years and patients go through a lot of emotions – both positive and negative. **By understanding the impact of their condition on their daily lives, we can all make a positive change in the lives of those who face similar challenges.**

> No matter how hopeless this battle might appear at first, it is possible to fight back and manage it.

Rebecca, living with rheumatoid arthritis

Even though there are similarities, a disease can manifest itself in different ways for different patients. Think about epilepsy: to date, more than 30 different types of seizures have been identified. One thing patients living with epilepsy have in common: they all want to get seizures under control – a primary goal leading to a higher quality of life. **We cannot go for a "one fits all" approach anymore.**

... Driven by science

Innovation is a key component of our strategy, generating insights that can be translated into clinical differentiation in the next step.

The discovery and development of new drugs is a lengthy and complicated process. Yet it is an essential part of what we do: our science has already delivered solutions for people with severe chronic diseases in the fields of immunology and neurology – but we know there is still a need for new treatments and cures. To fuel innovation, UCB continues to invest more than 20% of its revenue in "R&D".

However, UCB is also pragmatic and humble enough to recognize that one company, even one as dynamic as UCB, cannot conquer severe diseases on its own. We focus our resource where we can make a real difference and out-license pipeline assets in areas where UCB cannot lead. We collaborate in several hundred alliances, ranging from partnerships with European and U.S. academic groups to multiple industrial agreements, as well as memberships in major government-led consortia. Thanks to this network, UCB teams can share and gain knowledge – sometimes leading to acquisitions, such as Beryllium or Element Genomics, or spin-offs like Syndesi Therapeutics.

Our business model starts and ends with the patient.

We combine patient insights with science, translating them into solutions. However, to create value for patients we must also ensure they have access to UCB solutions! UCB's patient value strategy takes root in our ambition to improve patients' lives through dedicated treatments, medications – and services while adapting to specific dynamics and stakeholder influences in local patient environments. On our website, we provide information on our sponsored clinical studies giving patients the opportunity to make informed decisions about participating in UCB's clinical studies. We created UCBCares®, a dedicated service to support patients through their treatment journey beyond medical information.

With the Patient Value Strategy, UCB aims to deliver unique outcomes and the best patient experience to as many lives as possible within specific populations. UCB will only commercialize assets where we can have the biggest impact. If we are not in that position of strength, we will partner to unleash that value.

Entering the 2nd phase of our strategy

UCB has a clear long-term strategy to realize its ambition of becoming the Patient-Preferred Biopharma Leader. In 2019 we will enter the second phase of this strategy, named **"Accelerate & Expand"**. We continue our dialogue with patients and healthcare professionals to ensure our solutions will truly make a difference, with a strong focus on specific patient groups who will benefit most from UCB medicines.

Grow & Prepare
(2015-2018)

- More than 3.3 million patients use our core medicines compared to 2.3 million (2015).
- We progressed our pipeline assets:
  - Briviact® was launched in 2016
  - *romosozumab* evolved from Phase 3 to filing stage
  - *bimekizumab* completed Phase 2b and entered Phase 3
  - *padsevonil* completed Phase 2a and entered Phase 2b
- We paved the way:
  - Cimzia® in psoriasis – preparing for *bimekizumab*
  - *romosozumab* in osteoporosis
  - *midazolam* in acute repetitive seizures
- We enhanced our financials and strategic flexibility:
  - Revenue grew by 20%, from € 3.87 billion (2015) to € 4.63 billion (2018)
  - recurring EBITDA went up from 21% (2015) to 30% (2018)
  - Net debt went down from € 921 million (2015) to € 237 million (2018)
- We stayed focused, invested in and divested some activities
- We set ambitious targets to reduce our environmental footprint

Accelerate & Expand
(2019-2021)

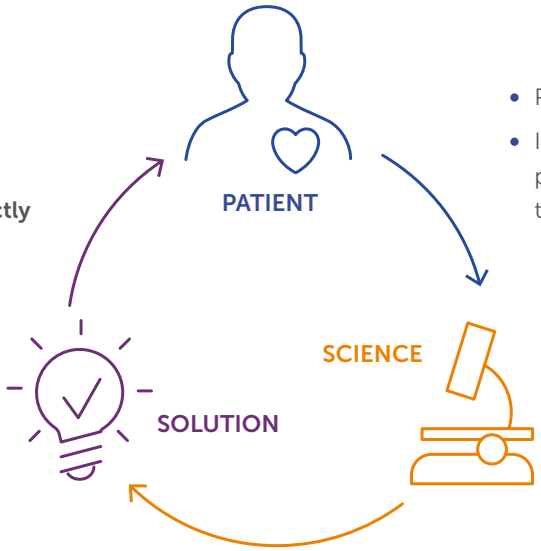
- We seek to maximize the number of lives we can positively impact, focusing on patients that can benefit most
- Pending regulatory decision, we plan to bring:
  - Evenity™ (*romosozumab*) to patient living with osteoporosis at high risk of fracture, in close collaboration with Amgen
  - *midazolam* to patient living with clusters seizures
- We continue the development of our late-stage assets:
  - *bimekizumab* in psoriasis, psoriatic arthritis and axial spondyloarthritis
  - *padsevonil* for drug resistant epilepsy patients
  - *rozanolixizumab* for patients living with IgG-mediated autoimmune disease
- We strengthen our R&D to deliver new innovative compounds in shorter cycle time
- We identify and act on potential opportunities outside UCB – whether acquisition or divestment

Breakthrough & Lead
(2022-2025)

- We broaden patient access to Evenity™ and *midazolam*
- We hope to bring *bimekizumab*, *padsevonil* and *rozanolixizumab* to patients while mitigating the loss of exclusivity of Cimzia®, Vimpat® and Neupro®
- We deliver breakthrough solutions

1 From Patient Value Strategy to action in R&D

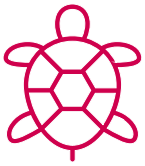
- Thanks to innovative extrapolation, getting **faster access to patients**
- **Bringing clinical studies directly into patient's home** via our Partnership with Science 37



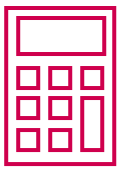
- Patients play an active role
- Identifying sub-group patient populations where we can have the biggest impact

- Design patient-friendly clinical trials
- In-house development or partnership, out-licensing, spin-off

The discovery and development of new drugs is a long and complicated process.



It is lengthy:
from the first test to the approval, it takes an average 12 years



It is costly:
each R&D project costs approximately € 2 billion

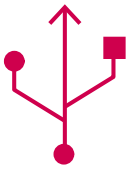
It is risky:
out of 10 000 potential molecule only 1 or 2 project(s) will make it to the patients

The evolving health ecosystem, along with pressures to reduce complexity, time and cost, make the old development model unsustainable.

To tackle these challenges, **UCB initiated the *New Development Paradigm* (NDP)** to support our Patient Value Strategy and enhance our drug development approach in order to reduce the development time,

bring down the development cost, and create differentiation and value. It is UCB's aim to create novel routes to rapid patient access and maximize patient value throughout the drug development lifecycle, in line with 3 well-defined objectives:

Innovate our drug development approach

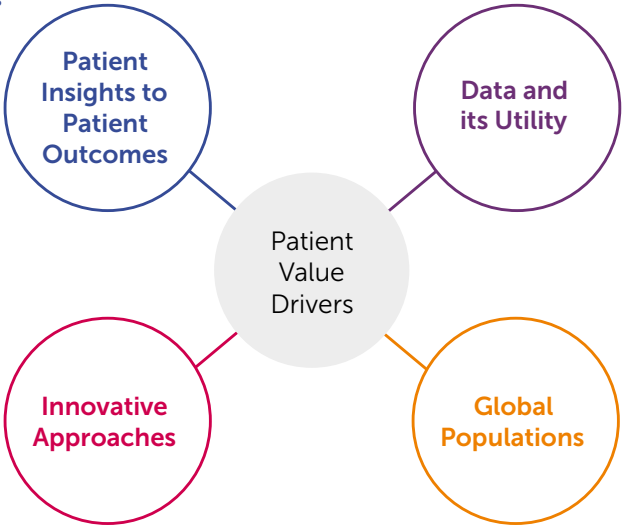


Differentiate the medicines we develop

Accelerate and optimize access to our drugs

The New Development Paradigm truly helps us realize our patient value strategy and get our medicines to patients faster, address their key needs and provide them with greater value. The NDP consists of 14 patients value drivers organized into 4 pillars:

- Patient Preferred Clinical Studies
- Translational Medicine Studies
- Patient Reported Outcomes
- Patient Engagement



- Data Mining
- Real World Evidence
- Disease Modeling & Biosim
- Health Economic Outcomes

- Biomarkers
- Digital & E-Health
- Adaptive Pathways
- Innovative Early and Late Phase Clinical Studies

- Special Populations
- Global Development

1. **Patient Insights to Patient Outcomes**
   At UCB, everything starts and ends with the patient. This systematic approach helps ensure that patients' experiences, perspectives, needs, and priorities are incorporated and meaningfully captured into the development and assessment of our solutions. We engage patients and patient advocates before, during and after the development continuum to gain insights into patient unmet needs and preference that is translated into UCB development strategy that delivers real value.

2. **Data and its Utility**
   We deep dive in clinical trial databases and real world evidence to better understand patient outcomes, populations, segmentation and complex heterogeneity of each patient's journey, to answer a specific question or enhance clinical design. We also assess the direct/indirect impact of a therapeutic intervention on healthcare outcomes and cost, which can be used to show additional value of medicines to healthcare systems.

3. **Innovative Approaches**
   We look at biomarkers that can be used to assess target engagement, proof of concept, prognostic and predictive outcomes, surrogate endpoints, and safety. We apply innovative studies that include alternative and flexible study designs and use data to decide on how to modify aspects of the study without undermining the productivity of R&D. We also incorporate digital technology to support drug development.

4. **Global Populations**
   We intend to focus on sub-group patient populations such as pediatrics, geriatrics, women of childbearing age, etc. They are normally not considered in core development programs due to high-risk medical considerations. At the same time, we want to include less-defined markets (e.g. Japan, China, Brazil, and Russia) earlier in the development process, in order to expedite patient access to therapeutics in these regions.

Our R&D focus is very clear: to get the right molecule to the right patient for the right indication.

Our pipeline builds the basis of UCB's future hence we invested 25% of revenue into R&D in 2018. We focus on breakthrough innovative approaches with the goal of developing new highly differentiated solutions that will **significantly impact the lives of patients**. We have developed a unique partnership with patients at every step of the clinical development process to identify needs and inform study design and operations.

We connect with them to get their insights and experiences which lead us to a deeper understanding of their needs. Moreover, building on recent advances in human biology, genetics and biomarkers and big data, we are working on new ways to scientifically identify sub-group patient populations so that we can **better predict which patients will respond to our medicines**.

We then leverage our internal scientific expertise, our proprietary technology platforms and external network of internationally renowned scientists and academics to identify the next generation of breakthrough candidates. We set up clear milestones that enable us to make robust data-driven decisions. We aim for a strong signal - positive or negative - so we can rapidly advance promising molecules into innovative therapies or stop unviable options and reallocate resources within our pipeline.

We will only progress molecules in-house if we can have the biggest impact in our core therapeutic areas: immunology and neurology. We might not bring all projects to the market and may decide at some point to partner with external parties/organizations to maximize project potential and reach as many patients as possible. For a company of our size, it is vital to remain focused.

Changes since February 2018:

- Early 2018, UCB and partner Vectura decided to license out UCB4144/VR942
- UCB0107 first in human (March 2018)
- *midazolam* acquired from Proximagen (April 2018) and filed (August 2018)
- *seletalisib* in Sjögren's Syndrome and APDS deprioritized (July 2018)
- End 2018, *radiprodil* (UCB3491) in infantile spasm was terminated due to lack of patients for recruitment – driven by sufficient standard of care. UCB6673 was returned to the partner – due to prioritization within the UCB pipeline.
- Evenity™ (*romosozumab*) approval in Japan (Jan. 2019)

CIDP: Chronic Inflammatory Demyelinating Polyneuropathy

Evenity™ is the trade name of *romosozumab* which has been provisionally approved by the U.S. Food & Drug Administration (FDA) and the European Medicines Agency (EMA). CIDP: Chronic inflammatory demyelinating polyneuropathy

Here are the major milestones we reached or plan to reach:

Grow & Prepare
(2015-2018)

Evenity™ (*romosozumab*)
- progression from Phase 3 to filing stage

midazolam
- acquisition and filing (2018)

bimekizumab
- Phase 2b results in psoriasis, psoriatic arthritis & ankylosing spondylitis (2017)
- Phase 3 start in psoriasis (2017)

dapirolizumab pegol
- Phase 2b completed (2016 – 2018)

padsevonil
- Phase 2a completed (2015 – 2017)
- Phase 2b start (2018)

seletalisib
- Phase 2a start in Sjögren's Syndrome (2015)
- Phase 1 start in APDS (2016)
- deprioritization (2018)

rozanolixizumab
- proof of concept achieved in myasthenia gravis (2017 – 2018)
- proof of concept achieved in immune thrombocytopenia (2016-2018)

Phase 1 projects
- *radiprodil* (UCB3491) Phase 1 (2016-2018)
- UCB0107 (anti-Tau) entered Phase 1 (2018)

We stayed focus, invested in and divested some activities
- UCB6352 out-license to Syndax

Accelerate & Expand
(2019-2021)

Evenity™ *(romosozumab)*
- approval (Japan – Jan 2019)
- regulatory decision (EU & U.S. – Q2 2019)
- launch in various countries across the world

midazolam
- regulatory decision in acute repetitive seizure (U.S. – Q2 2019)

padsevonil
- Phase 3 start (2019)
- Phase 2b results in drug resistant epilepsy (H1 2020)

We strengthen our R&D to deliver new innovative compounds in shorter cycle time

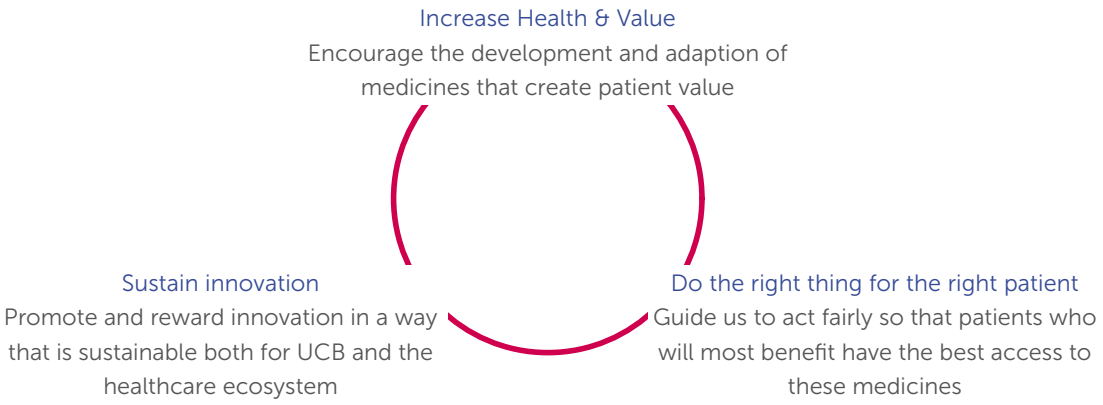
Breakthrough & Lead
(2022-2025)

- We broaden patient access to Evenity™ and *midazolam*
- We hope to bring *bimekizumab, padsevonil* and *rozanolixizumab* to patients
- We deliver breakthrough solutions

2 From Patient Value Strategy to patient access

Ageing populations, the increased prevalence of severe chronic diseases and health funding constraints have caused healthcare system stakeholders to increasingly scrutinize the value of medicines and outcomes they deliver. UCB believes that value begins with what matters most to patients but also must reflect the needs of a given healthcare system in which patients receive care. We consider fulfilment of these criteria vital to ensuring sustainable access to our solutions.

Our approach is guided accordingly by 3 foundational principles:

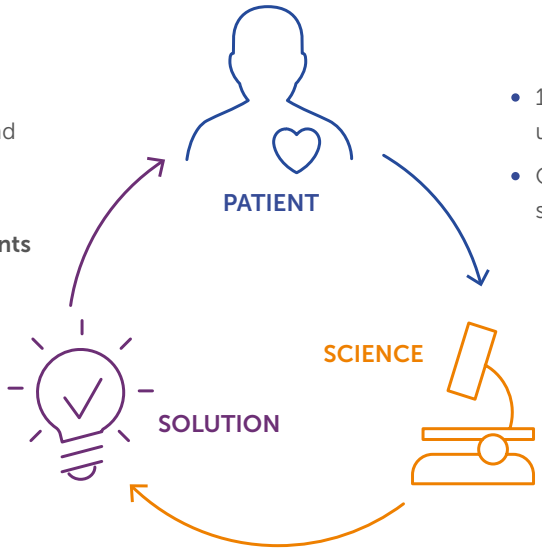


In our quest to ensure access to our healthcare solutions, we actively pursue value-based agreements of various types, including those driven directly by patient outcomes, those that share risk with payers and those that focus on patient populations that benefit the most from treatment. They should result in creating faster access for patients, delivering higher value to payers while supporting the discovery, development and commercialization of differentiated, high-value medicines. We consider value-based agreements vital tools for sustainable biopharmaceutical innovation, healthcare financing and patient access to care – and the resulting public health and societal gains. As a consequence, UCB has numerous value-based agreements in place in Europe and the U.S., either at the national level or with regional payers and local hospitals.

UCB is also committed to support patients through their treatment journey to foster the best possible experience with UCB healthcare solutions. In 2014, UCB launched UCBCares®, a dedicated service to support patients beyond medical information. UCBCares® aims to provide more than answering questions and addressing concerns that patients might have. We are thus gradually enhancing our services, advancing from a transactional approach to more holistic and personalized solutions. Where applicable, this includes sharing guidance which can help patients to better understand and manage their treatments. UCBCares® extends to key stakeholders like caregivers and healthcare professionals as well. No matter who is getting in touch with us – the ultimate goal is to offer the best possible support to improve the lives of patients. First launched in the U.S., UCBCares® is now present in 19 European countries. On average, UCB receives 65 000 inquiries a year.

3 From Patient Value Strategy to action in epilepsy

- Bringing different treatment options: Keppra®, Vimpat® and Briviact® to **more than 2.8 million patients**
- Getting **faster access to patients** thanks to innovative extrapolation
- Acquiring ***midazolam*** nasal spray
- Exploring potential of **new technologies**



- 1 in 3 patients still have uncontrolled seizures
- Over 30 different types of seizures

- Further research on Keppra® enabled UCB scientists to continue their discoveries in epilepsy
- Next step: **identifying new treatments that can prevent or cure epilepsy**

Patients are still waiting

PhRMA GoBoldly campaign

Today, nearly 60% of patients newly diagnosed with epilepsy become seizure free with their first anti-epileptic drug. But for 30-40% of patients, seizures remain uncontrolled. These are the great challenges we continue to tackle.

To date, more than 30 different types of seizures have been identified. From one patient to another, seizure types and frequency vary greatly. Some are short, like muscle jerks, while others are prolonged convulsions. Some patients may experience them rarely, while others battle seizures multiple times per day. Focal seizures start in just one part of the brain, while generalized seizures are the result of simultaneous abnormal activity of the whole brain. Epilepsy can be triggered by head injuries, strokes, brain damage at birth and brain tumors; but a vast majority of cases seem to have no apparent cause[5]. **One thing patients battling epilepsy all have in common: they all want to regain control – a primary goal leading to a higher quality of life. We cannot go for a "one fits all" approach anymore.**

UCB's expertise in the field of epilepsy is widely recognized in the scientific and medical communities. Our story began several decades ago when a group of UCB scientists in Braine-l'Alleud (Belgium) discovered one molecule with a unique profile in epilepsy models. Showing their confidence, they challenged the conventional scientific approach to test new epilepsy treatments and continued their research which identified a truly novel mechanism for *levetiracetam* that eventually became the first blockbuster drug in epilepsy under the brand name Keppra®.

Keppra® opened the door to a whole new approach to treat epilepsy with a radically new mechanism of action, correlating novel activity profiles of molecules in innovative preclinical models. This approach generated projects such as Briviact®, *padsevonil* and also led to the identification of novel compounds for treatment of cognitive disorders. The latter triggered the creation of a spin-off company, Syndesi Therapeutics.

UCB continues exploring how new technologies and big data may improve diagnosis and treatment of epilepsy such as eliprio™, a program that harnesses predictive analytics and machine learning to personalize epilepsy treatment. Another example is our investment in Ceribell, an exciting Silicon Valley based healthcare startup developing a novel, innovative and disruptive clinical quality portable EEG system which allows for instant epilepsy diagnosis.

UCB has made a major contribution for improving epilepsy care by **bringing different treatment options to patients and healthcare professionals**: Keppra®, Vimpat® and Briviact®. In 2018 UCB also acquired the rights for nasal administration of *midazolam*, a treatment for acute repetitive seizures currently under review by the FDA.

However, therapies of epilepsy only target the symptoms of the disease and leave 30% of all patients with uncontrolled seizures. This emphasizes **a need for identifying new treatments that can prevent or cure epilepsy – a journey UCB has already embarked on and is looking to pioneer!**

EEG: Electroencephalography

Here are the major milestones we reached or plan to reach:

Grow & Prepare
(2015-2018)

Vimpat® (*lacosamide*)
- approval in epilepsy POS – adjunctive therapy (Japan – 2016 / China – 2018)
- approval in epilepsy POS monotherapy (EU – 2016 / Japan – 2017)
- approval in epilepsy POS pediatric (U.S. & EU – 2017)
- start of Phase 3 in epilepsy PGTCS (2015)

Keppra® (*levetiracetam*)
- approval in epilepsy POS monotherapy (Japan – 2015 / China – 2018)
- approval in epilepsy PGTCS – adjunctive therapy (Japan – 2016 / China – 2018)

Briviact® (*brivaracetam*)
- approval in epilepsy POS (U.S. & EU – 2016)
- approval in epilepsy POS monotherapy (U.S. – 2017)
- approval in epilepsy POS pediatric (U.S. & EU – 2018)

midazolam
- acquisition and filing (U.S. – 2018)

Accelerate & Expand
(2019-2021)

Vimpat® (*lacosamide*)
- approval in epilepsy POS pediatric (Japan – Jan 2019)
- Phase 3 results in epilepsy PGTCS (mid 2019)

Keppra® (*levetiracetam*)
- filing in epilepsy monotherapy (U.S. - Jan 2019)
- patent expiry (Japan – 2020)

Briviact® (*brivaracetam*)
- Phase 3 start in acute repetitive seizures (2020)
- Phase 3 results in epilepsy POS (Japan – 2021)

midazolam
- regulatory decision in acute repetitive seizure (U.S. – Q2 2019)

padsevonil
- Phase 3 start (2019)
- Phase 2b results in drug resistant epilepsy (H1 2020)

Breakthrough & Lead
(2022-2025)

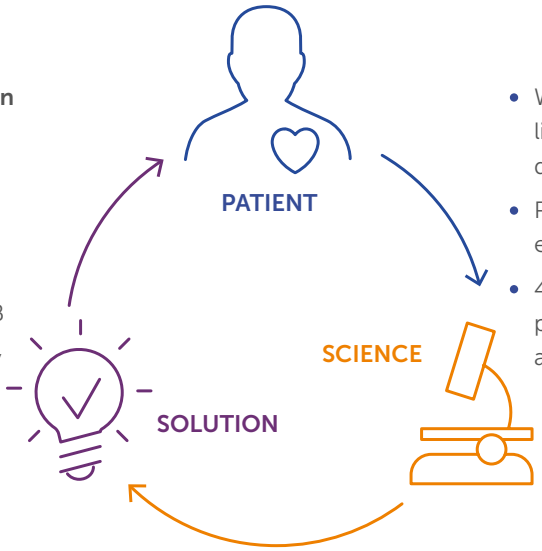
Vimpat® (*lacosamide*)
- patent expiry (U.S. & EU – 2022)
- loss of exclusivity (Japan – 2024)

Briviact® (*brivaracetam*)
- patent expiry (U.S. & EU – 2026)

Please refer to UCB website for more information about Vimpat®, Keppra® and Briviact® approved indications.

4 From Patient Value Strategy to action in immunology

- Bringing Cimzia® to **more than 123 000 patients** living with rheumatoid arthritis, psoriasis, psoriatic arthritis, axial spondyloarthritis and Crohn's disease
- **Based on patient's input**, UCB developed a pre-filled syringe, an autoinjector (AutoClicks®), and an e-device (Ava®) for Cimzia®



- Women of child bearing age living with chronic inflammatory diseases
- Patients living with psoriasis expect more
- 4 out of 10 patients living with psoriasis will develop psoriatic arthritis

- First clinical studies demonstrating minimal transfer of Cimzia® through the placenta (CRIB) and breast milk (CRADLE)
- *bimekizumab*: translating scientific hypotheses into clinical differentiation

Patients want more and deserve more

Grace, living with PsO & PsA

There are many patients suffering from chronic inflammatory diseases such as rheumatoid arthritis, psoriasis, psoriatic arthritis and axial spondyloarthritis.

For women with chronic inflammatory disease, the prospect of having children brings many questions about health and medicines.

Women frequently discontinue their treatment before and throughout pregnancy, a time when disease control is essential to ensure optimal infant and maternal health, or reluctantly postpone conception. The consequences of active disease in pregnancy can have serious implications for both mother and infant, including an increased risk of miscarriage, an increased risk of preterm delivery, the need for a caesarean, and the infant being small for gestational age. These women are faced with difficult questions regarding the impact of active disease flares on themselves and their babies and need more information on therapeutic intervention.

UCB has been leading the way in studying how biologic drugs impact women of childbearing age, conducting two first-of-their-kind studies, CRIB (to evaluate the placental transfer mother-foetus) and CRADLE (to evaluate the transfer to breast milk). Results demonstrated minimal transfer of Cimzia® through placenta or through the breast milk. CRIB and CRADLE data led to a label update in 2018, helping women and their treating physicians to make informed decisions to manage their condition along their pregnancy journey.

Because of its visible and physically debilitating aspects, psoriasis often takes an emotional toll on patients, causing increased self-consciousness, frustration, fatigue, depression, and even suicidal ideation. Thanks to innovation, new treatment options have been developed and are available to patients. This broader choice of therapeutics also led to higher expectations among patients. Less plaque is not enough anymore, they want a clear skin, they want all physical, emotional and social signs of the disease to disappear!

UCB is developing *bimekizumab*. Our scientific hypothesis: by targeting inflammation associated with psoriasis on two fronts, neutralizing IL-17A and IL-17F cytokines, *bimekizumab* has the potential to raise the bar for achieving and maintaining skin clearance rates. Phase 2b results showed that up to 60% treated with *bimekizumab* rapidly achieved completely clear skin. Based on the fast and significant results, UCB rapidly advanced to Phase 3 clinical development program, with results expected in Q4 2019.

Here are the major milestones we reached or plan to reach:

Grow & Prepare
(2015-2018)

Cimzia® (*certolizumab pegol*)
- approval in psoriasis (U.S. & EU – 2018)
- women of child bearing age label update (U.S., EU & Japan – 2018)
- filing in non-radiographic axial spondyloarthritis (U.S. – 2018)
- filing in rheumatoid arthritis (China - 2018)
- Phase 3 study in psoriasis & psoriatic arthritis (Japan - 2018)
- CRIB study (2017)
- CRADLE study (2016)
- EXXELERATE study (2016)
- AutoClicks® and ava® devices

bimekizumab
- positive Phase 2b results in psoriasis, psoriatic arthritis & ankylosing spondylitis (2017)
- Phase 3 start in psoriasis (2017)

Accelerate & Expand
(2019-2021)

Cimzia® (*certolizumab pegol*)
- filing in psoriasis & psoriatic arthritis (Japan – Jan 2019)
- regulatory decision in non-radiographic axial spondylo-arthritis (U.S. – Q2 2019)
- regulatory decision in rheumatoid arthritis (China)

bimekizumab
- Phase 3 to start in psoriatic arthritis (Q2 2019)
- Phase 3 to start in axial spondyloarthritis (Q2 2019)
- Phase 3 results in psoriasis (Q4 2019)

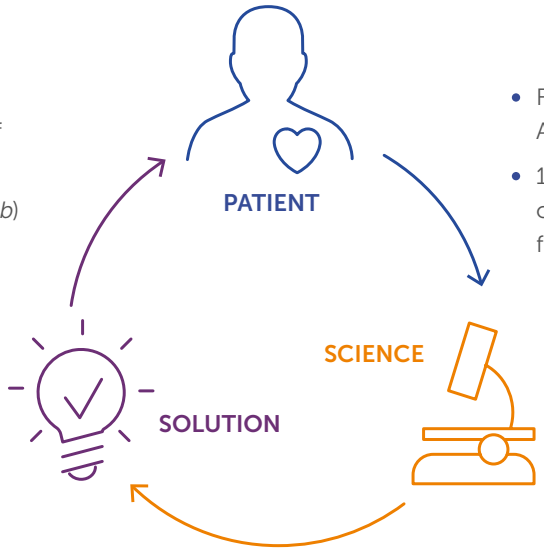
Breakthrough & Lead
(2022-2025)

Cimzia® (*certolizumab pegol*)
- patent expiry (U.S. & EU – 2024)
- loss of exclusivity (Japan – 2026)

Please refer to UCB website for more information about Cimzia® approved indications.

5 From Patient Value Strategy to action in bone

- Working with stakeholders to understand the importance of fragility fractures
- Bring Evenity™ (*romosozumab*) to patients living with osteoporosis at high risk of fracture



- From genetic insight of an Afrikaner population
- 1 in 3 women and 1 in 5 men over 50 are at risk of a fragility fracture due to osteoporosis

- A long-standing partnership with Amgen
- 4 key studies including over 12 000 patients

From genetic insight on bone growth to an innovative antibody

World Osteoporosis Day 2018

The origin of UCB's anti-sclerostin program was the genetics of a small population of Afrikaners suffering from the rare, inherited condition of sclerosteosis, which is characterized by bone overgrowth throughout life.

In 2001, UCB reported a proprietary new target using molecular analysis, establishing that the condition of sclerosteosis development is due to the absence of sclerostin, a naturally occurring protein that regulates the rate of bone formation. This provided the stimulus for our research in this area.

In 2004, we partnered this project with Amgen, a company with an existing expertise in the area of osteoporosis. Since then, we have conducted further research and developed a monoclonal antibody called Evenity™ (*romosozumab*). Evenity™ binds and inhibits the protein sclerostin, resulting in a dual effect on bone: increasing bone formation and decreasing bone resorption. This dual effect differentiates it from other treatments in the field of osteoporosis.

In 2017, a robust clinical development program was completed, evaluating the efficacy and safety of Evenity™ on more than 12 000 patients. This substantial data set has been submitted to healthcare authorities in

different countries and UCB expects feedback in the near future. Early 2019, we achieved a first milestone with the approval for Evenity™ in Japan.

Today, 1 in 3 women and 1 in 5 men over 50 are at risk of an osteoporotic fracture. Every 3 seconds someone breaks a bone due to osteoporosis, this adds up to almost 9 million fractures happening every year. A fragility fracture is commonly the first sign of osteoporosis. Thus, the first fracture should be taken as an important warning sign. It should lead patients to talk with their doctor to inquire about osteoporosis and determine whether they require therapy. This is an important step as 80% of those who experienced a fracture are not identified, nor treated for osteoporosis.

Here are the major milestones we reached or plan to reach:

Grow & Prepare
(2015-2018)

Phase 3 results
- STRUCTURE study (2015)
- FRAME study (2016)
- BRIDGE study (2016)
- ARCH study (2017)

Filing
- filing in osteoporosis in postmenopausal women (U.S. – 2016)
- filing in osteoporosis (Japan – 2016)
- resubmission (U.S. – 2017)
- filing in osteoporosis in postmenopausal women (EU – Jan 2018)

Accelerate & Expand
(2019-2021)

- approval (Japan – Jan 2019)
- regulatory decision (EU & U.S. – Q2 2019)
- launch in various countries across the world

Breakthrough & Lead
(2022-2025)

Evenity™ is the trade name of *romosozumab* which has been provisionally approved by the U.S. Food & Drug Administration (FDA) and the European Medicines Agency (EMA).

Halim, living with ankylosing spondylitis

CHAPTER

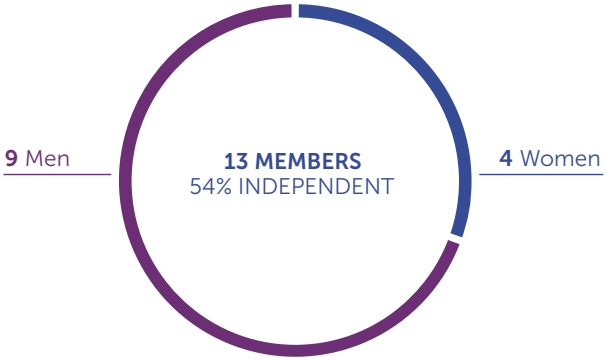
2

Our **governance**

As a biopharma company, we face challenging and evolving business and legal environments.

Conducting business in an ethical, sustainable and responsibe way is fundamental to UCB's core values. We have a strong culture of integrity, with policies and procedures in place to ensure the highest ethical standards are applied throughout the company's value-chain, including the core principles governing how the organization operates, how decisions are made and how risk is mitigated.

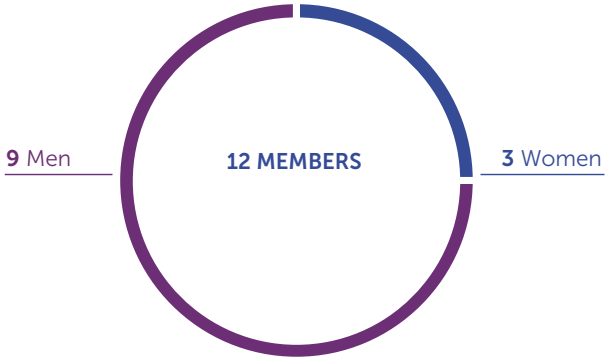
OUR BOARD OF DIRECTORS



The Board of Directors is UCB's governing body. The Board's role is to provide entrepreneurial leadership of UCB within a framework of prudent and effective controls, which enables risks to be assessed and managed. The Board sets UCB's strategic aims, ensures that the necessary financial and human resources are in place for UCB to meet its objectives and reviews management performance. The Board sets UCB's values and standards and ensures that its obligations towards its shareholders and other stakeholders are understood and met. It takes collective responsibility for sound exercise of its authority and powers.

More on our Board of Directors

OUR EXECUTIVE COMMITTEE



The Executive Committee constitutes UCB's top management. It directs the UCB Group in its widest context and ensures sound operation of general UCB Group management. It ensures implementation, checking and coordination of the UCB Group's strategic plans in the areas of research and development, operations, financial, administrative, risk and legal issues, human resources and investments.

More on our Executive Committee

1 Business conduct

1.1 Code of Conduct

UCB continues to be fully committed to a culture of integrity, transparency and ethical leadership. UCB's values statement articulates the core principles and values governing how the organization operates and how decisions are made. The Code of Conduct serves as a tool to help people understand the decision-making process based on integrity, transparency and ethics. In the review of the Material Topics, business conduct is considered a very relevant Material Aspect.

In order to supplement UCB's Code of Conduct and further enable our people to make ethical decisions, UCB initiated, in 2018, the deployment of an Ethical Decision-Making framework for senior leaders of the company, before further cascading the training to the broader organization.

The company's success depends on the integrity of its people.

UCB's Code of Conduct, available in 14 languages internally, establishes the boundaries and outlines the expectation for the behaviors of UCB colleagues.

The Code of Conduct calls for **Performance with Integrity** outlining UCB's binding principles of business conduct and ethical behavior that is expected from colleagues and third parties acting on behalf of UCB. It includes different topics, such as conflict of interest, confidentiality, compliance, anti-bribery and anti-corruption, respectfulness, human rights and child labor policies, as well as whistle blower procedures.

The Code of Conduct is also available on our website.

Compliance Monitoring

UCB **Ethics & Compliance**
It's my job too!

The Code of Conduct is a mandatory training module that has to be completed on an annual basis. In 2018, 85% of colleagues were compliant completing the training. Newcomers have two months to complete the training and account for part of the remaining 15%.

The Safety Reporting Obligation training module helps UCB people understand why reporting drug safety information is important, what to report and how to report this information to protect our patients. It needs to be taken every two year. Out of the 1 944 UCB colleagues eligible, 92% were compliant completing the training.

The Anti-Bribery and Anti-Corruption training intends to help UCB people achieve a better understanding of the wider scope of risks related to bribery and corruption, how to identify them and how to avoid them. This module must be completed every two year by a selected number of people. Out of the 1 067 UCB colleagues eligible, and 91% were compliant completing the training.

	Code of Conduct	Safety Reporting Obligation	Anti-Bribery and Anti-Corruption
Audience	All employees	Selected employees	Selected employees
Frequence	Every year	Every 2 years	Every 2 years
Compliance rate 2018	**85%**	**92%**	**91%**
Compliance rate 2017	91%	96%	91%

The calculation of the 2018 compliance for mandatory trainings considered 2018 data only. In contrast, the calculation of the 2017 compliance included previous year data.

The Talent and Company Reputation department has initiated a special program to ensure people complete these mandatory training modules.

1.2 Stakeholder dialogue

Our ambition is to be a trusted and preferred biopharmaceutical leader in a world of fast-changing health and medicine practices.

A significant part of building trust is being transparent – being open and clearly disclosing what UCB does, how UCB works, where UCB is successful, and where challenges to UCB and the industry are present. This applies across all aspects of our global business. UCB has attempted to provide disclosure while referring to the Global Reporting Initiative Standards. In addition, the five CSR areas detailed in the 2017 Belgian legislation (environmental; social and employee; human rights; anti-corruption and bribery; and diversity and inclusion) are also disclosed in this 2018 Integrated Annual Report.

> “If you can accept the help from your partner, parents, children, friends, and doctors, you will grow with the tasks you have to solve.

Esther, living with Crohn’s disease

1.2.1 Stakeholder engagement and materiality

At UCB, we believe the company will be successful in the long-term by creating value for both our shareholders and for society as a whole. The voice of the stakeholders is essential in this journey and their recommendations to focus on important material aspects have been embedded in the corporate vision. The question "how will this create value for persons living with severe chronic diseases?" remains UCB's guiding holistic principle to determine what will be the impact of the company's decisions for patients, our business, UCB's people, our environment and our society. The Sustainable Development Goal #3 **Good Health and Well-Being** aligns with UCB's mission, which is to strive for a better health and future for persons living with severe chronic diseases through leading innovation in medicine.

UCB maintains an open dialogue with stakeholders at global, regional and country levels and engages stakeholders without restrictions to discuss those Material Aspects. Every three years, UCB conducts an assessment of materiality aspects – current and potential. In 2018, UCB invited over 350 external and 700 internal stakeholders[1] to evaluate 30 material economic, social and environmental aspects selected by UCB and determine their respective relevance. Stakeholders could also describe additional material aspects, deemed important to them, without boundaries.

The response rate to the online survey was 23%. External and internal stakeholders considered the following nine material aspects as very relevant:

1. Access to Health and Medicines[2]
2. Anti-Bribery and Anti-Corruption
3. Business conduct
4. Disease awareness & education
5. Innovation, R&D
6. People development
7. People management
8. Pricing
9. Protection personal and confidential information

Whereas the stakeholders did not identify the environment as very relevant, UCB decided to have the environment as a Material Topic, provided UCB's commitment to reduce the company's environmental footprint and meet the ambitious climate targets. Also, UCB elected to report on selected Material Aspects not considered very relevant to stakeholder and deemed important to UCB.

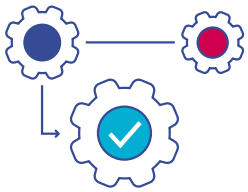
Based on the feedback of the stakeholders and on UCB's decision on the environment, the company confirms these five Material Topics:

1 The internal stakeholders were identified in all UCB operations world-wide. The external stakeholders consisted of different representatives of the society as detailed in the infographic.

2 For UCB, Access to Health and Medicine covers the pipeline of innovative new compounds as well as access to quality healthcare for underprivileged persons living with severe chronic in selected countries. Together with partners, initiatives are taken to improve the limited or lack of health care capacity, diagnosis, treatment, poverty, disease education, community awareness and stigma impact negatively people's health and future.

1.2.2 Corporate Societal Responsibility Board

The Corporate Societal Responsibility (CSR) Board oversees the activities of the CSR department in the different access to health and medicine initiatives in Asia and Africa as well as the review of the Materiality Topics and the identification of the relevant Material Aspects. The CSR Board guides and monitors UCB's social and environmental responsibilities, actions and impact.



In 2018, the CSR Board composition was reviewed and three Executive Committee (Emmanuel Caeymaex, Jean-Luc Fleurial, Charl van Zyl) members and two external persons now bring additional internal and external expertise to decisions that may impact society and environment.

1.2.3 Relations with public authorities

Although UCB is not reporting significant issues or formal policy positions in 2018, UCB is actively connected with public policy makers, regulators and other stakeholders. The countries in which UCB does business have laws and regulations regarding corporations' involvement in the political process. Some of these laws set strict limits on contributions by corporations to political parties and candidates, whereas some laws prohibit them altogether.

UCB made no significant political contributions in any of the countries in which it operates. Nevertheless, UCB Inc., our U.S. affiliate, made corporate contributions to state political candidates in the U.S. in amounts limited by law and in accordance with applicable reporting and disclosure requirements. UCB Inc. has a Federal Political Action Committee that made contributions to federal and state political candidates in the U.S. also in amounts limited by law and in accordance with applicable reporting and disclosure requirements. No complaints on data privacy or breach thereof were received.

In Belgium, the Pharmaceutical Sector Observatory was launched to analyze, evaluate and formulate recommendations on the competitive position of the Belgian pharmaceutical sector. UCB is represented by its Head of Public Affairs.

In 2018, UCB was not involved in any action regarding laws and regulations relative to anti-competitive behavior, anti-trust or monopoly.

1.2.4 Relations with industry associations

UCB is a member of several global and local trade associations:

UCB is also a member of Pharmaceutical Research and Manufacturers Association (PhRMA, U.S.) Biotechnology Innovation Organization (BIO, U.S.), R&D-based Pharmaceutical Association Committee (RDPAC, China) as well as member of various country's chambers of commerce, associations and initiatives for sustainable development.

UCB is an active member of the EFPIA working group focused on the implementation of the **Falsified Medicine Directive** (FMD) designed to protect patients by minimizing the chances of counterfeit medicines entering into the established medicines supply chain and a core contributor of the EFPIA working group on the implementation of the European Medical Device Regulation.

Being a Belgian company, UCB is on the board of several Belgian trade associations and organizations, such as:

Considering the strategic importance, various taskforces, projects and committees dealing with current sector issues, e.g., Health Safety and Environment, Intellectual Property, Public Policy, Global Health and Compliance, among others, have been formed that include UCB people. As an example, Jean-Christophe Tellier, CEO, is Vice President of the Board of EFPIA, Treasurer, and Chair of the Innovation EFPIA Board Sponsored Committees. He is also Chair of the Innovative Medicines Initiative (IMI) Governing Board, a public-private partnership between EFPIA and the European Union, represented by the European Commission. He is also a member of the IFPMA CEO Steering Committee, as well as a member of the Board of PhRMA, Washington (U.S.), and the Walloon Excellence in Life Sciences and Biotechnology (WELBIO), Wavre (Belgium) to address solutions in the area of innovation, biotechnology and pharmaceuticals. More information can be found here.

UCB is also part of the Transported Asset Protection Association (TAPA), and **EFPIA Security Forum**, which collaborate with other stakeholders, to allow for benchmarking, jointly identify and discuss solutions, and ensure product integrity and transparency across the supply chain.

UCB is also one of 19 member companies of **TransCelerate Biopharma Inc**. TransCelerate Biopharma Inc. is a not for profit organization with a mission to collaborate across the biopharmaceutical research and development community to identify, prioritize, design and facilitate the implementation of solutions to drive efficient, effective and high-quality delivery of new medicines. Through TransCelerate Biopharma Inc., UCB and the other member companies collaborate with patient engagement organizations, health authorities, investigator sites, research community and other industry groups and initiatives globally.

UCB is also a member of Patient Focused Medicines Development (PFMD), an initiative which gathers patient organizations, pharma companies and other healthcare stakeholders. PFMD's goal is to improve global health by co-designing, with patients, the future of healthcare for patients. Its mission is to bring together initiatives and best practices that integrate the voice of the patient throughout the lifecycle of medicines development, thereby speeding up the creation and implementation of an effective, globally standardized framework as well as the necessary tools and support to allow the adoption of the framework by various stakeholders.

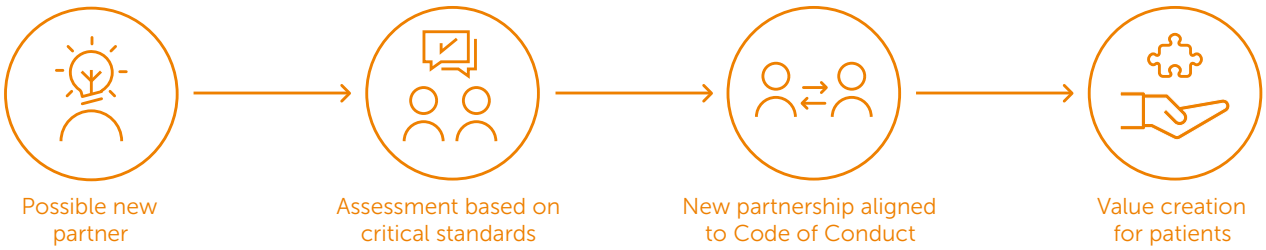
UCB is a member of the Access Accelerated initiative "a global partnership working towards the UN SDG target to reduce premature deaths from non-communicable diseases by 2030", which is managed out of the IFPMA offices.

No funding beyond the routine annual memberships is provided, with the exception of the Access Accelerate initiative for which we make a separate financial contribution over and above our annual IFPMA membership dues.

1.3 Human rights

As mentioned in the Code of Conduct, UCB and its colleagues are required to comply with all applicable laws and to respect human rights and act with due diligence to avoid infringing on the rights of others, as expressed by the International Bill of Human Rights and the principles set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. UCB takes the protection of human rights very seriously and is supportive of government initiatives aimed at upholding and promoting human rights around the world. Although UCB is not a member of the United Nations Global Compact (UNGC), the company incorporated the ten principles on human rights, labor and environment into its business conduct.

A company-wide due diligence process is deployed to determine the initial and follow-up engagement with partners, suppliers, *etc.* When a new partner is identified, UCB conducts an in-depth assessment of specific risks related to a number of critical standards, including human rights. This due diligence process may impact the decision on engaging with the new partner, and trigger specific monitoring of third-party activities and processes as mentioned in our Code of Conduct.



UCB is determined to make an impact in the domain of human rights and take steps necessary to promote and encourage high ethical standards of working and fair treatment of human beings. To date, no report of an infringement of human rights associated with UCB or its suppliers has been identified to the company. In order to measure our progress, the relevant Key Performance Indicators are listed in the GRI Standards Indicators.

Slavery and human trafficking

In accordance with the U.K.'s Modern Slavery Act 2015, UCB's subsidiaries in the U.K. published a Modern Slavery Act Statement for the financial year ending 31 December 2017. The 2017 Statement, published in 2018, is available on the UCB U.K. website. This Statement explains the steps that those UCB companies have taken to address the risk of modern slavery and human trafficking within their business and supply chains. In particular, it references the implementation of a new **Third-Party Due Diligence** process with an assessment of slavery and human trafficking risks for partners, suppliers, etc. in scope as well as processes to encourage reporting of concerns and to protect whistleblowers.

UCB has utmost respect for human rights and zero tolerance of modern slavery and is committed to making further improvements to monitor these risks and to ensure, so far as possible, that no human trafficking or modern slavery occurs in its supply chains. No incidents have been reported or identified to date.

In the course of 2019, the relevant UCB subsidiaries will publish an updated Modern Slavery Act Statement for the financial year ended 31 December 2018.

1.4 Anti-bribery and anti-corruption

UCB's Code of Conduct, which is part of mandatory training for all UCB people, includes Anti-bribery and Anti-corruption (ABAC) standards – considered a very relevant Material Aspect. In addition, UCB includes these standards in its **Business Compliance policy** and procedures related to healthcare stakeholders' engagement.

Bribery and corruption risks in the healthcare sector predominantly exists in bribery in medical service delivery, corruption in the procurement value chain, improper marketing relations, misuse of level positions, undue reimbursement claims, and fraud and embezzlement of medicines. These risks of bribery or corruption may arise from UCB people, as well as, from third parties acting on behalf of UCB.

There are various processes in place to support the ABAC policies, such as:

- specific **ABAC trainings** for those people interacting or engaging with external stakeholders;

- systematic **process controls of financial transactions with healthcare stakeholders**, including review and approval of activities and associated transfer of value by UCB management and/or independent functions, such as, Ethics and Compliance;

- regular monitoring on adherence and effectiveness of controls are taking place, **including monitoring of transfer of values** by Finance, Ethics and Compliance and Global Internal Audit departments;

- **Integrity Due Diligence** is being deployed across UCB to identify prior history of ABAC standards violation by our potential partners engaging with healthcare stakeholders on UCB's behalf;

- effective **monitoring of transfer of value by a systematic review** of financial transactions in the form of fee for services, grants, donations or sponsorship of those stakeholders, as well as, non-financial transactions such as organization of business travels and scientific/medical events;

- any third-party, acting on behalf of UCB, and engaging with stakeholders is expected to and is contractually obliged to act according to the highest standards, including the ABAC standards. The **third parties should have internal standards and controls in place** or agree to adhere to those defined by UCB, among others.

UCB's Global Internal Audit department periodically audits UCB's operations for potential risks related to the areas described above in accordance with an established rotational schedule. In 2018, three corruption cases involving UCB people or third parties acting on behalf of UCB were identified. Reported allegations of individual misconduct were systematically investigated and disciplinary actions were taken.

Furthermore, UCB complies with public disclosure obligations of financial transactions with healthcare organizations, healthcare professionals and patient organizations. Specific obligations are in place in Europe, Turkey, Russia, U.S., Japan, New Zealand and Australia, and UCB strives to comply with transparency regulations and codes where available.

1.5 Innovation

Innovation is at the heart of UCB's strategy, actions, culture and investments.

By investing more than 20% of its revenue in R&D over the last years, UCB is one the biggest investors in innovation in Europe in the Pharmaceutical Industry, and in the global leading group as far as innovation investment per employee is concerned. We promote innovative risk taking and entrepreneurship, challenge and transparence, which are essential components of a culture of innovation.

The R&D pipeline progress, the continuous increase of UCB-generated publications in high level scientific journals and our ability to attract top scientific talents are the fruits of our innovation focus.

UCB is aiming at improving the life of patients, helping them to live the life they want to. We are focusing our strategy and resources on discovering, developing and commercializing innovative solutions for the patients we serve.

> UCB is truly a very inspiring work place constantly evolving in terms of organization and operating model to ultimately provide greater value to the patients; I feel fortunate to be part of this journey

Élisabeth, UCB

Digitalization

Progress on digital technologies and artificial intelligence (AI) are likely to accelerate an integration of different processes in the healthcare system and medical solutions, and to reduce the access to service gap for patients. Patients are quickly embracing digital health care access and seek care over the internet.

UCB monitors the types of, sometimes disruptive, transformations and new data accessibility of digital technologies, especially in the domain of drug discovery, clinical read-outs (biosensors) and medical devices, in order to improve access, objectively understand the patient journeys and shorten time to bring new solutions to the market, among others. Anticipating and appreciating change, and implementing change management will be key for UCB.

AI commands agility and the need for new skills within UCB's workforce. As new and innovative pathways will become the norm in manufacturing, supply chain, drug development, regulatory and safety, and support and oversight functions, we must be ready to take advantage.

Different departments are engaged in AI initiatives and ecosystem scouting, and as the patient is at the heart of UCB's Patient Value Strategy, emphasis is on improving the patients journey and shortening the time required to develop new medicines. Some examples are the *myUCB* platform for patient reported outcomes and enhanced patient experience participating in clinical studies or the deep machine learning to interpret images of new medical conditions, e.g., Bonebot.

UCB is prepared to embrace the changes created by external and internal innovative digital technology platforms, adapt operating models and ensure that impact on patient's value can be adequately measured and reported.

1.6 Clinical studies

To offer innovative medicines to people living with severe chronic diseases, UCB conducts many R&D activities. The clinical studies comply with Good Clinical Practice (GCP) standards to protect the safety, well-being and confidentiality of our patients and the integrity of the clinical study data, regardless of phase or location where the studies are conducted.

Patients are enrolled in clinical studies that are consistent with the principles that have their origin in the Declaration of Helsinki and its amendments as well as the laws, regulations and provisions of those countries where humans are enrolled.

Clinical study protocols are evaluated and approved for ethical acceptability and scientific validity by internal and external evaluation and by Advisory Committees. Volunteers in UCB's clinical studies receive a detailed informed consent, receive a full explanation of the study purpose, methods and reporting, expected benefits and disadvantages, information on compensation for health impairment, option to withdraw at any time, and other details. In addition, special emphasis is provided on the education and training of the institutional and UCB study supportive staff involved. Pre-study audits and monitoring of the medical institutions are performed to ensure full GCP.

Study data are managed appropriately to protect the human rights, privacy and confidentiality of the personal data of the study volunteers.

UCB is committed to transparency, providing disclosure and sharing of clinical study data. UCB's commitment posted on **UCB.com** to submit results from all studies for publication in peer-reviewed journals and adherence to international standards, such as International Committee of Medical Journals Editors (ICMJE) and Good Publication Practices for Communicating Company-Sponsored Medical Research (GPP3A).

UCB's **Clinical Trial Data Transparency Policy** on disclosure of clinical study data govern the timely release of data as to maximize the value of the research for the benefit of the patients. In 2018, two important events illustrate UCB's commitment to transparency of clinical study data with UCB hosting the **Clinical Study Data Request Steering Committee** (CSDC) of which the company is part since 2014 and being actively engaged in the PhRMA/EFPIA Principles for Responsible Clinical Trial Data Sharing initiative of sharing anonymized patient-level data and redacted study documents with external stakeholders.

Moreover, transparency and closing the gap in reporting clinical trials on public databases, such as the most widely used **ClinicalTrials.gov** is important for UCB. Timely disclosure of clinical trial information is essential to advancing medical understanding, to closing the gap in reporting positive and negative clinical data and to helping improve lives of those living with severe diseases. Beyond legally-defined ethics, compliance and timeline boundaries, UCB believes in **Transparency WithInSight** – which is about balancing transparency and need for data exclusivity – for the ultimate benefit of patients.

Animal Welfare

Animal studies are a critical aspect of medical research, both for generating new breakthroughs in experimental research and to ensure maximum safety of new treatments before they are used in human subjects. However, animal use is only permitted at UCB where there is no alternative, either because we need to generate essential information that can only be obtained from the whole body or because it is a regulatory authority legal requirement. UCB acts as a responsible company in the management of animal welfare, and both UCB's research units involved in animal studies adhere to strict animal welfare standards and policies. These are regularly reviewed for potential areas for improvement, in line with current best practice.

UCB is committed to the responsible and appropriate use of animals in medical research, and complies with all applicable laws, regulations and industry standards. There are two research sites in UCB (UK and Belgium) that conduct studies with animals and both operate in full compliance with EU directive 2010/63/EU on the protection of animals used for scientific purposes. UCB also ensures that any work conducted externally on its behalf at Contract Research Organizations and external academic partners is, at a minimum, conducted in compliance with local animal welfare legislation and with UCB's requirements for animal welfare. UCB will not place animal studies in institutions where the animal welfare standards are considered inadequate.

Wherever possible, UCB is also committed to the 3Rs in animal testing (replacement of animals in research with non-animal alternatives, reduction of the number of animals required to achieve scientifically robust results and refinement of procedures to minimize suffering) and continually monitors for opportunities for improvement in this area. UCB is actively involved with NC3Rs (U.K. National Council for Replacement, Refinement & Reduction of Animals in Research), for example by co-funding a program manager to oversee several 3Rs based projects in the pharmaceutical field and by membership of various NC3Rs working groups. UCB is also involved in other consortia working either directly or indirectly in the 3Rs.

The two UCB research sites that conduct animal studies also have local Animal Welfare and Ethics Committees that carefully consider whether the use of animals for particular research activities is necessary and justified, whether an appropriate animal alternative exists and should be used instead and whether any potential suffering has been adequately minimized. They also act to promote the 3Rs and ensure compliance with the highest standards of welfare and care, as well as reviewing and approving all newly proposed internal project licenses involving animals at their site.

Research site in Slough (U.K.)

In addition to EU directive 2010/63/EU, the research site in Slough (U.K.) is in full compliance with the U.K. Animals (Scientific Procedures) Act 1986. The Home Office's Animals in Science Regulation Unit regularly visits the site, often unannounced, to ensure that high animal welfare standards are maintained.

UCB is also one of over 100 companies who has signed the U.K. Concordat on Openness on Animal Research. Signatory companies commit to ensuring that members of the public have accurate and up-to-date information about what animal research involves and the role it plays in the overall process of scientific discovery and treatment development, how such research is regulated in the U.K., and how researchers and animal care staff promote animal care and welfare, reduce animal usage and minimize suffering and harm to the animals.

Research site in Braine-l'Alleud (Belgium)

UCB Site Braine-l'Alleud, Belgium

In addition to EU directive 2010/63/EU, the Belgian research site in Braine-l'Alleud (Belgium) has received accreditation from the Association for Assessment and Accreditation of Laboratory Animal Care International (AAALAC). This private non-profit association promotes the responsible treatment of laboratory animals through voluntary accreditation and assessment programs, and AAALAC accreditation represents a label of quality and of high professionalism in terms of animal care and use. AAALAC accreditation also fosters continuous improvement of scientific excellence in animal experimentation and research.

Animals used for research in 2018

During 2018, UCB used a total of 17 020 animals both at our own research sites and at external contract research organizations. With its continued commitment to the progressive implementation of in silico and in vitro technologies, UCB continues to take every opportunity to decrease the number of animals used in research studies.

A total of 97.6 % of all animals used by UCB researchers and contractors are rodents, with non-human primates, dogs, llamas, mini-pigs and rabbits accounting for the remaining 2.4%.

1.7 Supply chain and procurement

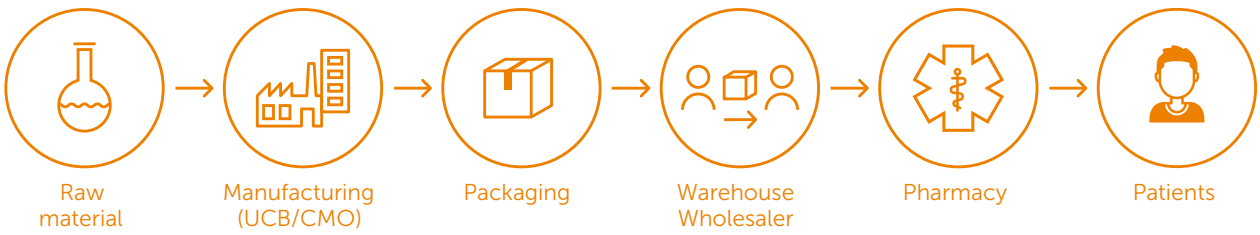
1.7.1 Supply chain management

UCB is committed to fostering ethical and responsible practices in our supply chain, while ensuring that our sourcing, manufacturing and supplier relationships and partnerships deliver growth and competitive advantages.[3]

A comprehensive global network ensures the adequate supply of quality medical products important for persons living with severe chronic diseases. Supply chain management is a functionally organized entity with strong centralized governance and with direct links with UCB's departments, with related product-franchises as well as with commercial geographies. It should be understood that supply chains can be highly complex.

The key value in the manufacturing, supply and purchasing departments is an effective governance of the external network of suppliers, contract manufacturing organizations, contract laboratories, carriers, third-party logistics and commercial distributors, whereby risk management is a major component.

A diagram of the supply chain at a glance:



Out of a total of 36 GMP/GDP Regulatory Authorities Inspections of the UCB supply chain (24 inspections at partners site, and 12 at UCB sites or affiliates), none were with critical findings.

1.7.2 Supply chain management and sustainability

The **Supply Chain Security Council** overlooks the supply chain management and holds manufacturing and supply partners to high-quality standards and accountability. The Council reviews product and supply chain security and enforces UCB's global anti-counterfeiting strategy to ensure the patient's and public health. The cross-functional team is also responsible to detect, mitigate, address, and prevent risks originating from potential adulteration, theft, counterfeit or diversion of products that may threaten patient safety.

UCB applies similar high-quality standards for quality and effectiveness to technically complex formulations and specific packaging produced in our own global manufacturing and in our contract manufacturing organizations. Supply chain management involves a range of activities, including adequate supply chain planning, inventory and transportation/delivery management, temperature control management, logistics service providers as well as logistics security, ensuring sound environmental health and safety conditions, dangerous goods compliance, and global trade management.

UCB signed the **Science Based Targets** initiatives, supporting the COP21 ambition (to maintain the increase of the global temperature by the end of the century to well below 2°C) by meeting Green House Gas emission targets, will define for our entire value chain, including our external network of suppliers, contract manufacturing organizations (CMO), contract laboratories, carriers, third-party logistics and commercial distributors.

More specifically, each of the **Global Manufacturing and Center of Excellence** teams now have a dedicated team member focused on green logistics and transportation analysis, in order to take the CSR topics to the next level. Supply Chain has also defined a methodology to collect and calculate the CO_2 emissions from primary and secondary distribution partners. As the CO_2 baseline is set, it will allow us to track and measure the CO_2 emissions, as well as trigger further collaborations with suppliers to find ways to decrease emissions.

Through the serialization program an additional control and authentication across the supply chain is guaranteed, while our trade programs manage partnerships with our distributors to help protect our medicines and to ensure integrity of those medicines up to the patient.

1.7.3 Procurement

UCB considers it important to fulfil its social responsibilities across the entire supply chain, including suppliers. Therefore, UCB requires partners to perform their business in accordance with the Code of Conduct. For any new Request for Proposal/Quotation/ Information, the business partner is requested to accept the principles detailed in the Code of Conduct and also needs to sign a summary document, emphasizing the following areas:

1. Ethics, Compliance Programs, Trainings and Monitoring at the Supplier;
2. Anti-Corruption;
3. Investigations, Debarments, Professional Suspensions related to Bribery, Money Laundering, Fraud or other relevant offenses;
4. Disclosure Requirements; and
5. Data Privacy and Security.

The purchasing department overlooks over 22 000 different suppliers in 34 countries, predominantly in eight countries, i.e., Belgium, France, Germany, Japan, Spain, Switzerland, U.K. and U.S.

[3] **Scope of Reporting**: The Supply Chain Security Council has oversight on manufacturing facilities and partners in the supply chain.

1.8 Product responsibility

The **Global Labelling Committee** reviews the labelling of all UCB drugs.

This Committee ensures that the labelling:

1. meets country regulations of drugs relative to safety, efficacy and quality of drugs as well as the accuracy of the product information provided pursuant to their regulation;
2. reflects appropriately and understandably information about drugs and the safety profile for patients and physicians; and,
3. in the manufacturing country is identical for patients and physicians in countries to which the same drug is exported.

In addition, UCB only promotes drugs in accordance with laws, regulations, and industry codes applicable to that country. There is oversight that promotion of drugs is accurate, fair, objective, meets the highest ethical standards, and conforms to local legal requirements. Claims must reflect the latest up-to-date scientific evidence warrants and must be deprived of ambiguity.

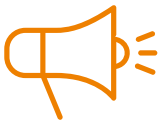
UCB adheres to all applicable country laws, regulations and industry codes as derived from the CIOMS/WHO recommendation as derived from the WHO Ethical Criteria of Medicinal Drug Promotion as well as the Directive of the European Parliament and of the Council on the Community Code relating to medicinal products for human use, EFPIA, IFPMA and PhRMA, among others.

1.8.1 Marketing communications and unsolicited medical information requests

Promotional, press and scientific communication relating to our compounds, products and disease are submitted to the global or local committees, with members duly trained.

In 2018, a total of 1 317 global communications were reviewed.

UCB has defined internal processes to respond to each and every unsolicited medical information request. In 2018, UCB received an average of 4 932 product-related questions per month.



1 317
global communications were reviewed

4 932
product-related questions per month were recieved

1.8.2 Patient and drug safety

All of UCB's products are subject to an ongoing benefit-risk assessment to ensure product labeling and safety information is kept up to date as the company is committed to public health and adheres to a high standard of professional and personal integrity.

One critical obligation is the monitoring of the safety profile of our products both in development and on the market. Like other biopharma companies, every year UCB receives thousands of adverse event reports. These reports, along with other internal and external data (e.g., literature, external databases, etc.), are reviewed and analyzed by our safety teams in order to identify potential safety signals which may be associated with our medicines. The objective of these reviews is to monitor the impact of our evolving product safety profiles in the context of the proven or expected efficacy and the evolution of the alternative standard of care. The reviews ensure that the benefit-risk profile of our medicines is current, clearly communicated and that appropriate actions are taken to minimize potential risks to patients. All benefit-risk assessments are reviewed at

a multi-disciplinary Benefit-Risk Board at regular intervals (i.e., at least annually, or biannually, depending on product risk tier).

The Benefit-Risk Board also notifies the Global Labelling Committee to ensure the timely implementation of required label changes. The Benefit-Risk Board is chaired by the Chief Medical Officer (member of the Executive Committee). In 2018, 100% of the products that required a review were assessed at the Benefit-Risk Board. In accordance with regulations, UCB provides information about individual adverse event reports, periodic summary reports, and benefit-risk assessments to the health authorities.

UCB requires that a Drug Safety training is completed every two years by all people and for newcomers within two months of recruitment. In countries where UCB is present, 24/7 access to qualified safety staff is available to answer urgent requests for support from health care workers regarding approved products.

It is UCB's responsibility to deliver reliable and safe drugs to our patients and Global Quality Processes and Governance safeguards this important goal. These processes are designed to ensure the best possible product quality, safety and therapeutic benefits for patients. The efficiency of the processes and compliance to regulations are periodically assessed and monitored through the audit program conducted by UCB's Quality Department. In case risks are identified, appropriate preventative and corrective measures are implemented.

UCB does not sell any products that are banned in a particular market and all UCB products comply with drug regulatory and safety requirements.

2 Risk management

2.1 Our approach to risk management

According to the 2018 World Economic Forum Global Risks report[1], we are in a transformational period for our world. While there are encouraging signs that the worst financial crisis since World War II might be behind us, we are seeing an acceleration of social interconnectedness and technological advancement that pushes global capabilities and adaptability to a new limit.

Within enterprise risk management at UCB, we maintain our commitment to our vision and our patient value strategy, and seek to find new ways to manage and leverage our increasingly volatile, complex and ambiguous environment.

> My first meeting with 'Mr. Parkinson' was 13 November 1987 at 8:37 am. I was literally removing my wristwatch to shower when my new life began. After a physical examination, the diagnosis was obvious: I had Parkinson's disease. I was oddly relieved. I knew that Mr. Parkinson and I could be friends.

Christer, living with Parkinson's disease

2.1.1 Strengthening our connection to strategy and expanding our risk lens:

Building on the solid foundation of UCB's risk framework and governance platform, risk management has seen exciting opportunities to increase our impact in 2018. Enterprise Risk Management has been formally positioned into the Corporate Strategy and Development group, optimizing the opportunities to contribute to the success of UCB's business objectives and longer-term strategy.

With this integration, UCB can enhance the interfaces between strategy, enterprise risk management and objective setting for a more agile and value-adding approach, as well as heighten our understanding of uncertainty both from our internal context and emerging risks arising from the external environment.

*Also considering macro-external trends, stakeholder expectations, operational processes and legal/regulatory commitments

2.1.2 Continuing our commitment to robust risk management

Process and framework

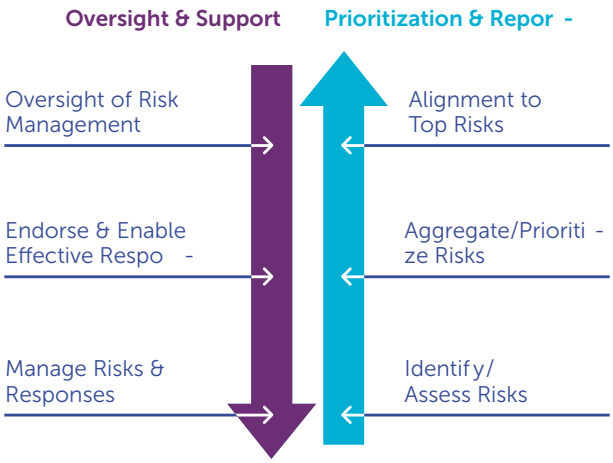
Utilizing the key representatives from all compliance, operational and strategic business areas, risks are identified and assessed from within each business area and its leadership team. In addition, a "top-down/outside-in" assessment is conducted to complete a holistic risk profile.

Top risks are connected to the strategic priorities to appreciate impact. An understanding of both, how the risk is trending and how well UCB is prepared to respond, is communicated to and discussed with both, our Executive Committee and our Board of Directors. As the risks we face are evolving, our approach to management of these risks is also dynamic, allowing for new or changed risks to be assessed and communicated at any time of the year.

In the specific context of environmental and social risks, the evaluation of the risks which might impact UCB's business is anchored in our Enterprise Risk Management model. UCB applies the precautionary approach in innovation and development of new products as a tool for social and environmental risk management, and considers the benefits and potential health and environmental risks of innovation and new technologies in a scientific and transparent manner.

Governance and oversight

UCB continues to demonstrate its commitment to managing uncertainty by creating accountability at the top and driving action by the business. Every top risk is owned by a member of the Executive Committee. That member is accountable for understanding the nature of the risk and enable our response to it.



1 The Global Risks Report 2018, 13th edition, World Economic Forum (2018)

2.2 Top risks in 2018

We maintain strong connectivity to our Board of Directors/Audit Committee and bring feedback with respect to risk back into the organization. The Global Internal Audit function is responsible for independently and regularly reviewing the top risks and agreeing with the business functions on their actions to respond. The risks presented are a representation of the top risks identified and managed in 2018.

Top risks identified	UCB's reponse
Competition from biosimilars and new drug classes	
Biosimilar entrants and their market impact are increasing globally. In parallel, the launch of new classes of biologic-based drugs contribute to the rich complexity of the biologics market. As a major component of its strategy, UCB supports the increasing innovation and access of biologics by investing in superior overall value propositions in target patient populations.	UCB engages in multiple focused strategies of differentiation as an innovative company. We actively pursue the balance of offering superior patient outcomes at a competitive cost of care, influenced by deeply understanding patient and regulatory stakeholder needs.
Intensity of successive product launches	
UCB delivered strong pipeline results as we continue to pursue and invest in highly differentiated drugs focusing on the needs of well-defined populations. Our next wave of new solutions may come in rapid succession, creating a need for clear value messaging and launch agility.	UCB is matching its capabilities and reallocating resources and talents in an agile way to optimize launch success in a fast moving and changing environment. Leadership and capabilities will continue to evolve in line with our Patient Value Strategy with the development of innovative and adaptive capacity of all leaders and teams.
Exchange rate volatility	
UCB's revenues are subject to foreign currency exchange rate fluctuations due to the global nature of its operations. U.S. net sales accounted for 50% of total reported net sales in 2018. Manufacturing, research and development, and other operating expenses are incurred predominantly in Euro, Pound Sterling and Swiss franc. Consequently UCB's results and cash flows are exposed to foreign currency volatility, predominantly to depreciation of U.S. Dollar, and to a lower extent to depreciation of Japanese Yen and appreciation of Swiss franc and Pound Sterling against Euro.	The financial risks of the UCB group are managed centrally. Group financial risk management policies have been established to identify the net foreign currency exposures of the UCB group, and to hedge anticipated foreign currency cash flows for a period of minimum 6 months and maximum 26 months. Also, the currency composition of the group's assets and liabilities is closely monitored. For further details, refer to Note 4.

Top risks identified	UCB's reponse
Global pricing and access challenges	
Pharmaceutical pricing continues to be under scrutiny, with global payors, both government and private, looking for means to reduce costs. Payor strategies include downward pricing pressure, rebate considerations, increase in out-of-pocket costs to patients, and access restrictions. Medicare access changes and other changes in U.S. government posture have the potential to impede UCB's ability to provide the needed services and solutions to our patients.	UCB is actively engaging in collaboration with payer and industry associations to enable the best access for patients while promoting sustainable solutions that make a material difference across the globe. Our executive and leadership team-level committees monitor and engage with the U.S. policy ecosystem to continue to deliver on our vision of making a difference for people living with severe diseases.
Cyber security/big data and artificial intelligence	
Our world is increasingly dependent on the evolving digital landscape to meet today's goals and to create new paradigms for the future. Cybersecurity and data privacy in all forms is of utmost importance to UCB, as breaches and disruptions can cause reputational, financial and operational damages. Artificial intelligence (AI) is changing the way we live and interact, with the experience already gained at UCB in the AI space, we are constantly reviewing how this can play a role in our patients' lives and in how we do business.	UCB has a multifaceted cyber security and data management strategy, along with active programs for the proper prevention, detection and response controls. This includes continuous monitoring and analytics, intrusion incident detection and response, security testing and user awareness training and campaigns. Additionally, UCB is building a Cyber Crisis program that allows us to properly handle large security incidents (e.g. data breach or malware).[1] UCB has established processes to comply with the new GDPR legislations. Ethical reviews will be an integral part of any relevant AI project at UCB.
Intellectual property	
Intellectual Property rights (IP) are essential to foster innovation from increasingly complex science and rapidly evolving patient needs. Difficulties in getting and defending patents protecting valuable innovation are frequent. In a politically challenging environment, public perception on Intellectual Property is frequently negative and misunderstood.	UCB commits to selectively create, maintain, and defend IP when there is core innovation and real patient and societal value in doing so. We are proactively aware of the competitive landscape around our programs. UCB promotes a change in the global view on IP, innovation, and access through active public policy engagement and the promotion of risk sharing with other healthcare stakeholders. We continue to efficiently defend our IP with litigation wins on Vimpat® (U.S., U.K., NL), Neupro® (U.S.) and Toviaz® (U.S.).

[1] In 2018, no substantiated customer data privacy complaints were identified through internal monitoring and audit activities. One incident relating to stolen IT material has been communicated to authorities and this IT incident has not resulted in high risk to the rights and freedoms of the data subjects concerned.

Follow up from 2017

Biologics supply

With the rapid increase in new biologics and biosimilars, UCB has recognized the potential for limited internal and external global large-scale capacity to meet our development and commercial needs. Our response strategy has been to both secure external supply and expand our internal production capacity. Actions implemented in 2018 on both fronts have allowed UCB to reduce this top risk.

3 Corporate governance statement

3.1 Scope of reporting

As a Belgian-headquartered company with a commitment to the highest standards of corporate governance, the Board of Directors (the "Board") of UCB SA/NV ("UCB") adopted a Charter of Corporate Governance (the "Charter") in October 2005, as required by the Belgian Code on Corporate Governance (first edition, 2004). Pursuant to article 96, section 1, 1° of the Belgian Companies Code, UCB follows the principles of the 2009 Belgian Code on Corporate Governance (the "Corporate Governance Code"), taking into account the specific international aspects of UCB[1].

The Charter is available on the UCB website and describes the main aspects of the corporate governance of UCB, including its governance structure and the terms of reference of the Board, as well as those of its committees and the Executive Committee, and of the shareholders meetings. The Charter is updated from time to time during the year and annually reviewed by the Board to be in line with the applicable Laws and regulations, the Corporate Governance Code and their interpretation.

In accordance with the Belgian Companies Code and with the Corporate Governance Code, the following pages provide factual information about the corporate governance of UCB. This includes changes to the corporate governance of UCB, together with relevant events that occurred in 2018, such as changes in UCB's capital or shareholder structure, the amendments in the governance and in the composition of the Board as well as the committees, the main features of UCB's internal control and risk management systems, and the remuneration report. It also includes explanations, where applicable, of any deviations from the Corporate Governance Code.

> "No one prospers without rendering benefit to others.

Denelle, UCB

1 The "2009 Belgian Code on Corporate Governance" is available on the website of the Belgian Corporate Governance Committee

3.2 Capital and shares

3.2.1 Capital

The capital of UCB has not been modified in 2018. On 31 December 2018, it amounted to € 583 516 974 and was represented by 194 505 658 shares.

3.2.2 Shares

Since 13 March 2014, the share capital of UCB is represented by 194 505 658 shares, all fully paid up ("UCB shares"). UCB shares may be registered or dematerialized shares, at the request of the shareholder, in accordance with the Belgian Companies Code.

Pursuant to the Belgian Law of 14 December 2005, bearer securities have been subject to a gradual abolishment, leading to their conversion into registered or dematerialized securities as from 1 January 2014 and their complete abolishment at the end of 2015.

As of 1 January 2016, the rightful owners of unclaimed bearer shares have the right to claim the payment of the corresponding net proceeds from the Belgian Deposit and Consignment Fund ("Caisse des Dépôts et Consignations"/"Deposito- en Consignatiekas") subject to evidence of their valid title to the shares and subject to a fine of 10% of the proceeds of the sale of the underlying bearer shares per each commenced year of arrears. More details on the dematerialization and conversion process are available on UCB website.

Registered UCB shares are recorded in the share register of UCB. All UCB shares are admitted for listing and trading on Euronext Brussels.

3.2.3 Treasury shares

In accordance with article 12, §2 of the Articles of Association of UCB, the Extraordinary General Meeting of 26 April 2018 decided to renew, for a period of 2 years (and two months) expiring on 30 June 2020, the authorization granted to the Board of Directors to acquire, directly or indirectly, whether on or outside of the stock exchange, by way of purchase, exchange, contribution or any other way, up to 10% of the total number of UCB shares as calculated on the date of each acquisition, for a price or an exchange value per share of maximum the highest price of the UCB share on Euronext Brussels on the day of the acquisition and minimum € 1, without prejudice to article 208 of the Royal Decree of 31 January 2001. As a result of such acquisition(s), UCB SA, together with its direct or indirect subsidiaries, as well as persons acting on their own behalf but for the account of UCB or its direct or indirect subsidiaries, can hold no more than 10% of the total number of shares issued by UCB at the moment of the acquisition concerned. The authorization granted to the Board of Directors extends to any acquisitions of UCB shares, directly or indirectly, by the direct subsidiaries of UCB as defined in article 627 of the Belgian Companies Code. As the case may be, any disposal of own shares by UCB or its direct subsidiaries can be made pursuant to the authorization granted to the Board of Directors as set forth in article 12 *in fine* of the Articles of Association.

UCB SA acquired 48 711 UCB shares and disposed of 1 054 516 UCB shares in 2018. On 31 December 2018, UCB SA held a total of 2 102 356 UCB shares representing 1.08% of the total number of UCB shares. UCB SA held no other UCB securities. On 31 December 2018, UCB SA also held 9 705 UCB shares in the name and on behalf of employees of the UCB Group after the vesting of those shares, awaiting their delivery to the respective beneficiaries.

UCB Fipar SA, an indirect subsidiary of UCB, acquired 780 013 UCB shares and disposed of 471 701 UCB shares in 2018. On 31 December 2018, UCB Fipar SA held a total of 3 929 828 UCB securities representing, if exercised, 2.02% of the total number of UCB shares. That holding of UCB securities consists of 3 494 828 shares and 435 000 assimilated financial instruments (outstanding options). On 31 December 2018, UCB Fipar SA also held 230 989 UCB shares in the name and on behalf of employees of the UCB Group after the vesting of those shares, awaiting their delivery to the respective beneficiaries.

The UCB shares were acquired by UCB and UCB Fipar SA amongst others in order to cover part of UCB's obligations resulting from the employees' stock option plans, stock award plans and performance share plans.

Some of these shares were thereafter transferred to other UCB affiliates during 2018 for the sole purpose of delivering them to the employees of such other affiliates. Since these shares have all been delivered to eligible employees, none of such other affiliates is still holding UCB shares on 31 December 2018. For additional details, please refer to Note 26.2 Treasury shares.

3.2.4 Authorized capital

The Extraordinary General Meeting of 26 April 2018 decided to renew the authorization to the Board (and to amend the Articles of Association accordingly), for a period of 2 years, to increase the share capital, amongst other by way of the issuance of shares, convertible bonds or warrants, in one or more transactions, within the limits set by the Belgian Company Code,

i. with up to 5% of the share capital calculated at the time of the decision of the Board to make use of this authorization, in the event of a capital increase with cancellation or limitation of the preferential subscription rights of the shareholders (whether or not for the benefit of one or more specific persons who are not employees of the company or of its subsidiaries);

ii. with up to 10% of the share capital calculated at the time of the decision of the Board to make use of this authorization, in the event of a capital increase without cancellation or limitation of the preferential subscription rights of the existing shareholders.

In any event, the total amount by which the Board may increase the share capital by a combination of the authorizations set forth in (i) and (ii) above, is limited to 10% of the share capital at the time of the decision of the Board to make use of this authorization.

The Board is moreover expressly authorized to make use of this mandate, within the limits as set out under (i) and (ii) above, for the following operations:

1. a capital increase or the issuance of convertible bonds or warrants with cancellation or limitation of the preferential subscription rights of the existing shareholders;
2. a capital increase or the issuance of convertible bonds with cancellation or limitation of the preferential subscription rights of the existing shareholders for the benefit of one or more specific persons who are not employees of the company or of its subsidiaries;
3. a capital increase by incorporation of reserves.

Any such capital increase may take any and all form, including, but not limited to, contributions in cash or in kind, with or without share premium, the incorporation of reserves and/or share premiums and/or profits carried forward, to the maximum extent permitted by the Law.

Any decision of the Board to use this authorization requires a 75% majority within the Board.

The Board is empowered, with full power of substitution, to amend the Articles of Association to reflect the capital increases resulting from the exercise of its authorization.

The Belgian Companies Code does not allow the use of this authorization as of the moment the Company has been notified about a public takeover bid from the FSMA.

3.3 Shareholders and shareholders structure

3.3.1 Reference shareholder

The main shareholder of UCB is Financière de Tubize SA (also referred to herein as the "Reference Shareholder" or "Tubize"), a Belgian company listed on Euronext Brussels, holding 68 076 981 UCB shares on a total number of 194 505 658 (i.e. 35.00%) as at 31 December 2018.

Based on the transparency declarations received by Tubize and, as the case may be, more recent public disclosures, the shareholder structure of Tubize per 31 December 2018 can be summarized as follows:

	Concert		Outside concert		**Total**	
	Voting rights	%	Voting rights	%	**Voting rights**	**%**
Financière Eric Janssen SPRL	8 525 014	19.14%	1 988 800	4.46%	10 513 814	23.60%
Daniel Janssen	5 881 677	13.20%	–	–	5 881 677	13.20%
Altaï Invest SA	4 969 795	11.16%	26 468	0.06%	4 996 263	11.22%
Barnfin SA	3 903 835	8.76%	–	–	3 903 835	8.76%
Jean van Rijckevorsel	11 744	0.03%	–	–	11 744	0.03%
Total voting rights held by the reference shareholders	**23 292 065**	**52.28%**	**2 015 268**	**4.52%**	**25 307 333**	**56.81%**
Other shareholders	–	–	19 241 265	43.19%	19 241 265	43.19%
Total voting rights	**23 292 065**	**52.28%**	**21 256 533**	**47.72%**	**44 548 598**	**100.00%**

Altaï Invest SA is controlled by Evelyn du Monceau, born Evelyn Janssen. Barnfin SA is controlled by Bridget van Rijckevorsel.

The reference shareholders of Tubize, belonging to the Janssen family, act in concert, i.e. they have entered into a shareholders' agreement concerning the concerted exercise of their voting rights in order to pursue a sustainable common policy with regard to Tubize and concerning the possession, acquisition or transfer of voting securities cf. article 3, §1, 13°, a), b) and c) of the Law on the disclosure of large shareholdings and article 3, §1, 5°, a) and b) of the Law on public takeover bids.

3.3.2 Transparency notifications

During 2018, UCB received the following transparency notifications:

- On 25 January 2018, UCB received a transparency declaration from Tubize, mentioning that Tubize received confirmation on 19 January 2018 that the agreement to act in concert with Schwarz Vermögensverwaltung GmbH & Co. KG (also referred to herein as "Schwarz") was terminated. UCB received a similar notification from Schwarz on 29 January 2018.
- UCB received transparency notifications from BlackRock, Inc., dated 3 July (2 notifications on the same day, one referring to situation on 29 June and the other referring to situation on 2 July), 9 July, 19 July, 20 July, 31 July, 2 August (2 notifications on the same day, one referring to situation on 31 July and the other referring to situation on 1 August), 3 August, 6 August, 7 August, 8 August, 10 August, 23 August, 24 August, 28 August, 29 August, 31 August, 11 September, 13 September, 17 September, 18 September, 26 September, 27 September, 28 September, 1 October, 3 October, 4 October, 8 October, 16 November, 19 November, 10 December, 11 December, 27 December and 28 December 2018 respectively. The last notification of 2018 stated that BlackRock, Inc., including the holding of its affiliates, as of 27 December 2018, owned 9 072 842 UCB shares with voting rights, representing 4.66% of the total number of shares issued by UCB as well as 720 194 equivalent financial instruments, representing 0.37% of the total number of shares issued by UCB.
- UCB received a transparency notification from The Capital Group Companies, Inc., dated 29 March 2018. This notification stated that The Capital Group Companies, Inc., including the holding of its affiliates, as of 27 March 2018, owned 5 655 000 shares UCB shares with voting rights, representing 2.91% of the total number of shares issued by UCB.

All these notifications as well as more recent notifications received in 2019 can be found on UCB's website.

3.3.3 Relationship with and between shareholders

Please refer to note 43.2 for an overview of the relationship of UCB with shareholders. Furthermore, UCB is not aware of any agreements between its shareholders, apart from the information mentioned below.

With respect to its shareholding in UCB, until January 2018, Tubize was acting in concert with Schwarz, i.e. they had entered into an agreement concerning the concerted exercise of their voting rights in order to pursue a sustainable common policy with regard to UCB and concerning the possession, acquisition or transfer of voting securities (cf. article 3, §1, 13°, b) and c) of the Law on the disclosure of large shareholdings and article 3, §1, 5°, b) of the Law on public takeover bids).

UCB has received notifications pursuant to article 74, §7 of the Law of 1 April 2007 on public takeover bids from Tubize, Schwarz and UCB Fipar SA respectively on 22 November 2007, 11 December 2007 and 28 December 2007. On 16 August 2018, UCB received an updated notification pursuant to article 74, §8 of the Law on public takeover bids from Tubize (this notification is available on UCB website), in which is declared that:

- since 31 July 2017, Tubize did not acquire any UCB shares;
- the concert between Financière de Tubize SA and Schwarz came to an end at the beginning of 2018;
- on 31 July 2018, Tubize held 68 076 981 UCB shares on a total number of 194 505 658 (i.e. 35.00%).

As mentioned in section 3.3.2 above, UCB received on 25 January 2018 a transparency notification from Tubize mentioning that Tubize received confirmation on 19 January 2018 of the termination of the agreement to act in concert with Schwarz, and a transparency notification from Schwarz confirming this information on 29 January 2018.

3.3.4 Shareholder structure

Apart from the notifications mentioned above under 3.3.2 and 3.3.3, as well as the notification made in 2014 by Vanguard Health Care Fund reflected in the table below, UCB and its subsidiaries also hold UCB shares.

The remaining UCB shares are held by the public.

Please find below an overview of the large shareholdings of UCB (including assimilated financial instruments), taking into account the shareholders' register of UCB, the transparency notifications received pursuant to the Law of 2 May 2007 on the disclosure of large shareholdings, the notification received pursuant to article 74, §8 of the Law of 1 April 2007 on public takeover bids, the notifications to the FSMA pursuant to the Law of 2 August 2002 on the supervision of the financial sector and the financial services and as the case may be, more recent public disclosures (situation as per 31 December 2018):

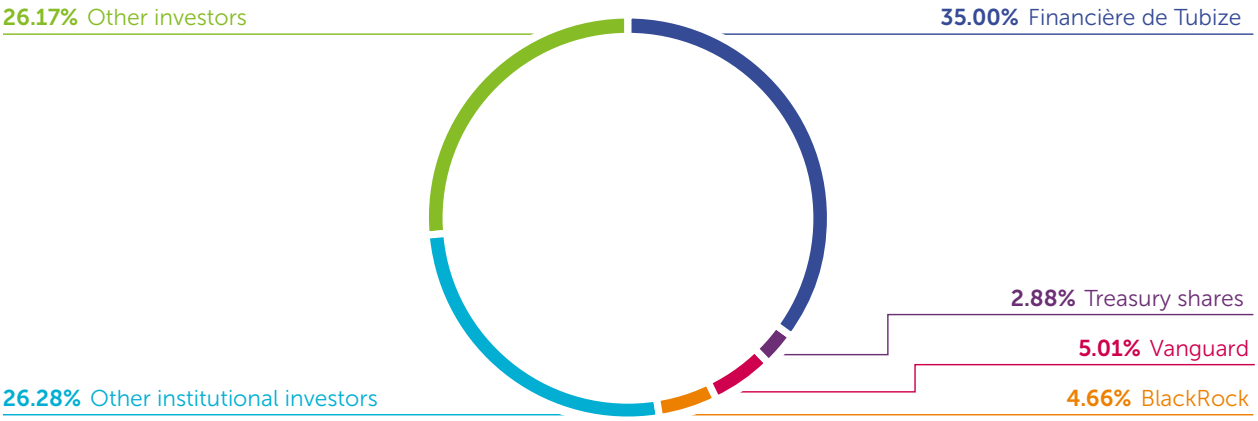
				Latest update
	Share capital	**€ 583 516 974**		13 March 2014
	Total number of voting rights (= denominator)	**194 505 658**		
1	**Financière de Tubize SA ('Tubize')**			
	securities carrying voting rights (shares)	**68 076 981**	**35.00%**	19 January 2018
2	**UCB SA/NV**			
	securities carrying voting rights (shares)	2 102 356	1.08%	31 December 2018
	assimilated financial instruments (options)[1]	0	0.00%	06 March 2017
	assimilated financial instruments (other)[1]	0	0.00%	18 December 2015
	Total	**2 102 356**	**1.08%**	
3	**UCB Fipar SA**			
	securities carrying voting rights (shares)	3 494 828	1.80%	31 December 2018
	assimilated financial instruments (options)[1]	435 000	0.22%	03 June 2015
	assimilated financial instruments (other)[1]	0	0.00%	25 December 2015
	Total	**3 929 828**	**2.02%**	
	UCB SA/NV + UCB Fipar SA[2]			
	securities carrying voting rights (shares)	5 597 184	2.88%	
	assimilated financial instruments (options)[1]	435 000	0.22%	
	assimilated financial instruments (other)[1]	0	0.00%	
	Total	**6 032 184**	**3.10%**	
	Free float[3]	**120 831 493**	**62.12%**	
4	**Vanguard Health Care Fund**			
	securities carrying voting rights (shares)	9 741 353	5.01%	28 October 2014
5	**BlackRock, Inc.**			
	securities carrying voting rights (shares)	9 072 842	4.66%	27 December 2018

(all percentages are calculated on the basis of the current total number of voting rights)

1 Assimilated financial instruments within the meaning of article 6 of the Law of 2 May 2007 on the disclosure of large shareholdings, which, if exercised, grant an additional voting right: i.e., securities, options, futures, swaps, interest term agreements and other derivatives concerning existing securities carrying voting rights that grant their holder the right to acquire such securities carrying voting rights pursuant to an agreement that is binding under the applicable law and only on the holders' own initiative.

2 UCB SA/NV indirectly controls UCB Fipar SA | art. 6, §5, 2° and art. 9, §3, 2° of the law on the disclosure of large shareholdings.

3 Free float being the UCB shares not held by the reference shareholder (Tubize), UCB SA/NV or UCB Fipar SA. Only securities carrying voting rights (shares) held by these entities are taken into account for this calculation, to the exclusion of assimilated financial instruments.



In-line with UCB's long-term dividend policy, the Board proposes a gross dividend of € 1.21 per share (2017: € 1.18). If the dividend is approved by the Annual General Meeting on 25 April 2019, the net dividend of € 0.847 per share will be payable as of 30 April 2019 against the delivery of coupon #22.

3.3.5 General meeting of shareholders

In accordance with the Articles of Association, the Annual General Meeting of Shareholders (the 'General Meeting') takes place on the last Thursday of April at 11.00 AM CET. In 2019, this will be on 25 April.

The rules on the agenda, the procedure for convening meetings, admittance to the meetings, the procedure on the exercise of voting rights and other details can be found in the Articles of Association and in the Corporate Governance Charter, which are available on UCB's website.

3.4 Board of Directors and Board committees

3.4.1 Board of Directors

Composition of the Board and independent Directors

As of the General Meeting held on 26 April 2018, the Board of Directors was composed as follows:

Evelyn du Monceau

Chair of the Board
1950 – Belgian

UCB Board mandate

- Member since 1984
- Chair of the Board since 2017
- Vice Chair of the Board from 2006 to 2017
- Chair of the Governance, Nomination and Compensation Committee since 2006
- End of term: 2019

Experience
Over 30 years in the industrial sector, through several Board mandates and holding companies

Main external appointments

- Member of the Board of Financière de Tubize SA
- Member of the Board of Solvay SA
- Member of the Compensation and Nomination Committees of Solvay SA

Pierre L. Gurdjian

Vice Chair of the Board
Independent Director
1961 – Belgian

UCB Board mandate

- Member since 2016
- Member of the Governance, Nomination and Compensation Committee since 2016
- End of term: 2020

Experience
Senior Partner at McKinsey and Co. where he was active for nearly three decades and senior professional in the field of Philanthropy and Education

Main external appointments

- President of the Board of the Université Libre de Bruxelles
- Member of the Board of Lhoist

Jean-Christophe Tellier

Executive Director
1959 – French

UCB Board mandate

- Member since 2014
- End of term: 2022

Experience

Over 25 years in the pharmaceutical sector, with Ipsen and Novartis where he held several senior executive positions

Main external appointments

- Vice-President and President Elect of the Board of EFPIA (European Federation of Pharmaceutical Industries and Associations)
- Chairman of the Innovation Board Sponsored Committee (EFPIA)
- Chairman of the IMI (Innovative Medicines Initiative) Governing Board
- Member of the Board of PhRMA (Pharmaceutical Research and Manufacturers of America)
- Member of the Board of WELBIO (Walloon Institute for Life Lead Sciences)

Alice Dautry

Independent Director
1950 – French

UCB Board mandate

- Member since 2015
- Member of the Scientific Committee since 2015
- End of term: 2019

Experience

Over 30 years in the scientific domain, mainly with Institut Pasteur of which she was the president (2005-2013)

Main external appointments

- Member of the Board of Trustees of Institute of Science and Technology (Austria)
- Member of the Supervisory Board of KLM

Kay Davies

Independent Director
1951 – British

UCB Board mandate

- Member since 2014
- Chair of the Scientific Committee since 2014
- Member of the Governance, Nomination and Compensation Committee since 2017
- End of term: 2022

Experience

Over 20 years in scientific research at Oxford University

Main external appointments

- Director of Biotech Growth Trust
- Director of Genomics England

Albrecht De Graeve

Independent Director
1955 – Belgian

UCB Board mandate

- Member since 2010
- Member (since 2010) and Chairman (since 2015) of the Audit Committee
- End of term: 2021

Experience

Over 30 years in global operations in various industry sectors (Alcatel, VRT and Bekaert)

Main external appointments

- Chairman of the Board of Bekaert NV
- Chairman of the Board of Telenet Group Holding NV
- Chairman of the Board of Sibelco NV

Roch Doliveux

Director
1956 – French

UCB Board mandate

- Member since 2017
- End of term: 2021

Experience

Over 30 years in the pharmaceuticals with 10 years as UCB's Chief Executive Officer and Chairman of the Executive Committee

Main external appointments

- Chairman of the GLG Healthcare Institute
- Chairman of the Board of the Pierre Fabre Group
- Chairman of the Board of the Vlerick Business School
- Chairman of the Caring Entrepreneurship Fund (King Baudouin Foundation)
- Member of the Board of Stryker Corporation

Charles-Antoine Janssen

Director
1971 – Belgian

UCB Board mandate

- Member since 2012
- Member of the Audit Committee since 2015
- End of term: 2020

Experience

Over 20 years in operations, including UCB where he held several management positions, now managing private equity and impact investing activities

Main external appointments

- Member of the Board of Financière de Tubize SA
- Managing Partner at Kois Invest
- Co-founder, Board member, IC member and advisory Board member of various private companies, non-profit organizations and private equity funds

Cyril Janssen

Director
1971 – Belgian

UCB Board mandate

- Member since 2015
- End of term: 2019

Experience

With over 20 years' experience as an independent advisor, Cyril has held positions in both the audiovisual and non-governmental field. A strong advocate for children's welfare, Cyril's main focus for the past 10 years has been on investing in initiatives with a strong societal impact and those aimed at making life easier for families

Main external appointments

- Member of the Board of Financière de Tubize SA
- Member of the Board of Financière Eric Janssen
- Member of the Steering Committee of the Caring Entrepreneurship Fund (King Baudouin Foundation)

Viviane Monges

Independent Director
1963 – French

UCB Board mandate

- Member since 2017
- Member of the Audit Committee since 2018
- End of term: 2021

Experience

30 years in finance functions mostly in the pharmaceutical industry (Wyeth, Novartis, Galderma, Nestlé)

Main external appointments

- Member of the Strategic Board of Neomedlight
- Member of the Board of Novo Holdings
- Member of the Board of Idorsia
- Member of the Board of Voluntis

Norman J. Ornstein

Independent Director
1948 – American

UCB Board mandate

- Member since 2008
- End of term: 2019

Experience

Over 40 years as scholar and analyst of American politics and policy

Main external appointments

- Chairman of Campaign Legal Center
- Resident Scholar, American Enterprise Institute

Cédric van Rijckevorsel

Director
1970 – Belgian

UCB Board mandate

- Member since 2014
- End of term: 2022

Experience

Over 20 years in the banking and financial sector, mainly with IDS Capital

Main external appointments

- Member of the Board of Financière de Tubize SA
- Member of the Board of Barnfin SA
- Managing Director and Founder of IDS Capital (Switzerland and U.K.)

Ulf Wiinberg

Independent Director
1958 – Danish/Swedish

UCB Board mandate

- Member since 2016
- Member of the Audit Committee since 2016
- End of term: 2020

Experience

Almost 20 years of senior leadership experience in pharmaceutical companies and healthcare industry associations

Main external appointments

- Member of the Board of Alfa Laval AB
- Member of the Board of Agenus Inc.
- Chairman of the Board of Hansa Medical

At the General Meeting of 26 April 2018, the mandates of Jean-Christophe Tellier, Kay Davies (independent Director) and Cédric van Rijckevorsel, were renewed for a new term of 4 years.

Alice Dautry, Kay Davies, Albrecht De Graeve, Viviane Monges, Pierre Gurdjian, Norman Ornstein and Ulf Wiinberg all qualify as independent Directors and meet the independence criteria as set forth by article 526ter of the Belgian Companies Code, the Board and the Corporate Governance Code.

Evelyn du Monceau, Charles-Antoine Janssen, Cyril Janssen and Cédric van Rijckevorsel are representatives of the Reference Shareholder and, as such, are not eligible to qualify as independent Director. Roch Doliveux was the CEO of UCB from 2005 until 31 December 2014. For this reason, he does not qualify as independent Director in accordance with the criteria set forth by article 526ter of the Belgian Companies Code.

The mandates of Evelyn du Monceau, Alice Dautry, Cyril Janssen and Norman J. Ornstein will expire at the General Meeting of 25 April 2019. The mandate of Norman J. Ornstein will not be renewed as he has reached the age limit of 70.

Upon recommendation of the Governance, Nomination and Compensation Committee (the "GNCC"), the Board of Directors will propose to the General Meeting of 25 April 2019:

- the renewal of the mandate of Mrs. Alice Dautry as independent Director for the statutory term of 4 years;
- the renewal of the mandates of Mrs. Evelyn du Monceau and Mr. Cyril Janssen as Director for the statutory term of 4 years;
- the appointment of Mrs. Jan Berger as new independent Director for the statutory term of 4 years.

In accordance with the information provided to the Company, Mrs. Alice Dautry and Mrs. Jan Berger each meet the independence criteria stipulated by article 526ter of the Belgian Companies Code, the Board and the Corporate Governance Code. If re-elected, Mrs. Alice Dautry will continue to be a member of the Scientific Committee.

Upon confirmation of the above renewals and appointment by the General Meeting of 25 April 2019, and in accordance with the Charter, Evelyn du Monceau will remain Chair of the Board and Chair of the GNCC. The composition of the special Board Committees (GNCC, Audit Committee and Scientific Committee) will not change.

As a result of the above-mentioned renewals and appointment, the Board will continue to be composed of a majority of independent non-executive Directors in 2019. All special Board Committees will also continue to be composed of a majority of independent Directors. Notably the Audit Committee is chaired by Albrecht De Graeve, independent Director. Jean-Christophe Tellier is the only executive Director (CEO).

The Board of Directors of UCB is currently composed of one third of women, in compliance with article 518bis §1 of the Belgian Companies Code. This number will increase by the proposed appointment of one additional woman (Mrs. Jan Berger) replacing a male director[1].

Functioning of the Board

In 2018, the Board met six times, including for its annual off-site strategic meeting (October). The attendance rate of its members was as follows:

Evelyn du Monceau, Chair	100%
Pierre L. Gurdjian, Vice Chair	100%
Jean-Christophe Tellier, Executive Director	100%
Alice Dautry	100%
Kay Davies	100%
Albrecht De Graeve	100%
Roch Doliveux	100%
Charles-Antoine Janssen	100%
Cyril Janssen	100%
Viviane Monges	100%
Norman J. Ornstein	83%
Cédric van Rijckevorsel	100%
Ulf Wiinberg	100%

During the year, the Board also had several calls to be informed or updated on important projects or matters.

During 2018, the Board's main areas of discussion, review and decisions included: the strategy of UCB and investments, the follow up of the performance and execution of the strategy, the reports of the Audit Committee, the Scientific Committee and the GNCC, Corporate Governance and (re)organization of UCB, risk and risk management (including litigation regular update and a Cyber security review), succession planning, the appointments reserved to the Board, the remuneration and Long-Term Incentives Plans policies, the financial statements and financial reporting, major finance transactions and corporate matters, business development and M&A projects, including but not limited to R&D contracts, investments, license agreements, as well as the reports and resolution proposals to the General Meeting.

There were no transactions or contractual relationships in 2018 between UCB, including its affiliated companies, and a member of the Board, giving rise to conflicts of interest, except as reported in section 3.12.

[1] Currently, the Board is composed of 4 women out of a total of 13 members. In accordance with article 518bis § 1 of the Belgian Companies Code setting the minimum required number of directors of the other gender to 1/3rd (i.e. women in the case of UCB), such minimum number should be rounded up to the closest entire number (13/3 = 4.33), the closest entire number being therefore 4. Upon confirmation of the above appointment by the General Meeting of 25 April 2019, the Board will be composed of 5 women out of a total of 13 members.

There has been no specific Board induction program this year since there was no new director appointed in 2018. Management continued to engage with the Board throughout the year to answer questions or ensure proper follow up and understanding of business and environment.

Since 2014 and twice a year (June and December Board meetings), the Board also holds a special session where the executive member (the CEO) is not present.

The secretary of the Board is Xavier Michel (Group Secretary General).

Assessment of the Board

In accordance with its Charter (section 3.5), the Board is to conduct an (internal) assessment on a regular basis and at least every other year. In 2017, the Board conducted a full Board internal assessment. The results have been analyzed in February 2018 and appropriate actions have been taken to implement the main outcomes of the assessment. The evaluation overall showed that there was a unanimous perspective of a strongly performing Board with balanced composition, effective functioning and thoughtful constructive culture. The Board identified some areas of focus for further improvement such as: continue to upgrade the quality of the dialogue with the Management and anticipate short and medium turn changes in its composition and resulting succession issues.

Honorary directors

The Board has nominated following directors as honorary directors:

- Karel Boone, Honorary Chair
- Mark Eyskens, Honorary Chair
- Georges Jacobs de Hagen, Honorary Chair
- Daniel Janssen, Honorary Deputy Chair
- Gerhard Mayr, Honorary Chair
- Prince Lorenz of Belgium
- Alan Blinken
- Arnoud de Pret
- Michel Didisheim
- Peter Fellner
- Guy Keutgen
- Jean-Pierre Kinet
- Paul-Etienne Maes (†)
- Tom McKillop
- Gaëtan van de Werve
- Jean-Louis Vanherweghem
- Bridget van Rijckevorsel

3.4.2 Board committees

Audit Committee

The Board has set up an Audit Committee whose functioning and terms of reference are in accordance with the Belgian Companies Code, the Corporate Governance Code and the Charter. It is composed of a majority of independent Directors, all non-executive Directors, and is chaired by Albrecht De Graeve, also independent Director. All members have the competences in audit and accounting matters as required in accordance with article 526bis of the Belgian Companies Code.

	End of term of office	Independent director	Attendance rate
Albrecht De Graeve, Chair	2021	x	100%
Charles-Antoine Janssen	2020		100%
Ulf Wiinberg	2020	x	100%
Viviane Monges[1]	2021	x	100%

[1] Member as of 26 April 2018

The Audit Committee met four times in 2018. Each Audit Committee meeting includes separate private sessions attended solely by the internal and external auditors respectively without management presence. As necessary, the external auditors attended all or part of each Audit Committee meeting.

The Audit Committee meetings were also attended by Detlef Thielgen (Chief Financial Officer), Doug Gingerella (Global Internal Audit) and Xavier Michel (Group Secretary General), who acts as secretary of the Audit Committee.

The meetings were also partly attended on regular basis by Jean-Christophe Tellier (CEO), Evelyn du Monceau (Chair of the Board) and other members of the management or staff depending on the topic (accounting, tax, risk, pensions, quality, IT, ...).

In 2018, and in accordance with its terms of reference (see the Charter available on UCB website), the Audit Committee monitored the financial reporting process (including the financial statements); internal control and risk management systems of UCB and their effectiveness; the internal audit and its effectiveness; the Audit Plan and resulting achievements; the statutory audit of the annual and consolidated accounts; and the independence of the external auditor including the provision of additional services to UCB, which the Audit Committee reviewed and for which it authorized the fees. In addition, the Audit Committee reviewed issues related to the mandatory rotation of the external auditor, corporate restructuring projects, global risk management (including cyber & IT risks, litigation and tax review, as well as the UCB Group global risk mapping and policy), impairment and equity value of subsidiaries, pensions schemes and liabilities, new IFRS rules, other new tax or accounting treatments and the external auditor satisfaction surveys.

Governance, Nomination and Compensation Committee

The Board has set up a Governance, Nomination and Compensation Committee (the "GNCC"), whose composition, functioning and terms of reference are in accordance with the Belgian Companies Code and the Corporate Governance Code. The composition of the GNCC is currently as follows:

	End of term of office	Independent director	Attendance rate
Evelyn du Monceau, Chair	2019		100%
Kay Davies	2022	x	100%
Pierre L. Gurdjian	2020	x	100%

The GNCC met four times in 2018. The committee was attended by Jean-Christophe Tellier (CEO), except when discussing issues relating to him, and by Jean-Luc Fleurial (Head of Talent & Company Reputation), who has been acting as secretary of the GNCC, except when discussing issues relating to him and to CEO compensation.

In 2018, and in accordance with its terms of reference (see the Charter available on UCB website), the GNCC reviewed and made recommendations with respect to the appointments to be submitted to Board approval (Executive management as well as senior management positions), the performance of the Executive Committee members and their remuneration. It also proposed and reviewed the succession planning and new appointments of the members of the Board, the Executive Committee and senior executives. It reviewed and made relevant proposals or recommendations to the Board with respect to the future composition of the Board and its remuneration, to be effective as of approval by the General Meeting of 25 April 2019. It reviewed and submitted to Board approval the remuneration policy, the long-term incentives to be granted to the management (including the CEO) and the performance criteria to which these grants were linked. The GNCC has reviewed the total reward strategy and approach, has made an overall review of the Corporate Governance at UCB, including an annual report on Corporate Governance to the Board. It also ensured the follow up on the outcome of the Board evaluation which was carried out in 2017.

A majority of the members of the GNCC is independent and meets the independence criteria stipulated by article 526ter of the Belgian Companies Code, the Board and the Corporate Governance Code, and all members have the competencies and the expertise required in matters of remuneration policies as required by article 526quater, §2 of the Belgian Companies Code.

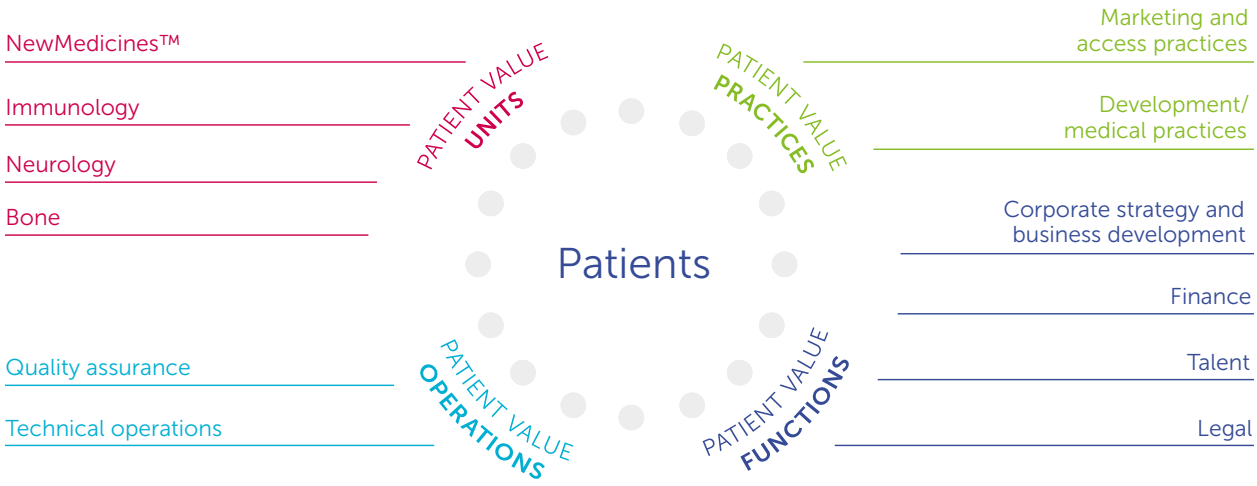
Scientific Committee

The Scientific Committee assists the Board in its review of the quality of UCB R&D science and its competitive standing. The Scientific Committee is composed of members who have scientific and medical expertise and who are currently all independent.

	End of term of office	Independent director	Attendance rate
Kay Davies, Chair	2022	x	100%
Alice Dautry	2019	x	100%

They meet regularly with Dhaval Patel, Head Patient Value Unit NewMedicines™ and Chief Scientific Officer. The members of the Scientific Committee are also closely involved in the activities of the Scientific Advisory Board (SAB) of UCB, composed of external leading scientific medical experts. The SAB was created in September 2005 by the Executive Committee to critically review the R&D activities of UCB, provide scientific appraisal and strategic input as to the best way for UCB to become a thriving biopharmaceutical leader and to advise the Executive Committee on the strategic choices related to early stage R&D and R&D technology. The Scientific Committee reports to the Board on the SAB's appraisal of UCB's research activities and strategic orientations.

3.5 Executive Committee



Composition and functioning of the Executive Committee

During 2018, the composition of the Executive Committee was as follows:

Jean-Christophe Tellier

Chief Executive Officer
1959 – French

Joined UCB in 2011
Appointed in 2011

Appointed CEO in 2015

Main external appointments

- Vice-President and President Elect of the Board of EFPIA (European Federation of Pharmaceutical Industries and Associations)
- Chairman of the Innovation Board Sponsored Committee (EFPIA)
- Chairman of the IMI (Innovative Medicines Initiative) Governing Board
- Member of the Board of PhRMA (Pharmaceutical Research and Manufacturers of America)
- Member of the Board of WELBIO (Walloon Institute for Life Lead Sciences)

Experience
Over 25 years in the pharmaceutical sector, with Ipsen and Novartis where he held several senior executive positions

Emmanuel Caeymaex

Executive Vice President & Immunology Patient Value Unit Head
1969 – Belgian

Joined UCB in 1994
Appointed in 2015

No external appointments

Experience
Over 20 years of experience in biopharmaceuticals marketing and sales, general management and global project leadership

Jean-Luc Fleurial

Executive Vice President & Chief Talent Officer
1965 – French

Joined UCB in 2017
Appointed in 2017

No external appointments

Experience
Over 20 years of experience in building and implementing talent strategy across geographies and businesses, mainly with Procter&Gamble and Bristol Myers Squibb

Iris Löw-Friedrich

Executive Vice President Chief Medical Officer & Head of Development and Medical Patent Value Practices
1960 – German

Joined UCB in 2006
Appointed in 2008

Main external appointments

- Member of the Supervisory Board of Fresenius SE & Co. KGaA
- Member of the Board of TransCelerate
- Member of the Supervisory Board of Evotec AG

Experience
Physician, board-certified in internal medicine, with more than 20 years of experience in the development of medicines, with senior executive positions at Hoechst, Aventis, BASF Pharma/ Knoll, Abbott and Schwarz Pharma

Alexander Moscho

Executive Vice President & Chief Strategy Officer
1970 – German

Joined UCB in 2017
Appointed in 2017

Main external appointments

- Member of the Scientific Advisory Board of Adolphe Merkle Institute Fribourg

Experience
Over 20 years of global experience in the pharmaceutical, biotech and healthcare sector with Bayer and McKinsey, where he held senior executive positions in strategy and general management

Dhaval Patel

Executive Vice President & Chief Scientific Officer
1961 – American

Joined UCB in 2017
Appointed in 2017

Main external appointments

- Member of the Board of Inflazome
- Member of the Board of Anokion
- Member of the Board of Kanyos Bio
- Clinical Professor at University of North Carolina at Chapel Hill

Experience
Over 30 years of experience in R&D and immunology, more specifically with Novartis and in the academic world at Duke University Medical Center and the University of North Carolina

Pascale Richetta

Executive Vice President & Bone Patient Value Unit Head
1959 – French

Joined UCB in 2016
Appointed in 2016

No external appointments

Experience
Over 20 years of experience in the pharma and biotech industry with Ipsen, GSK, Abbott and Abbvie

Anna S. Richo

Executive Vice President & General Counsel
1960 – American

Joined UCB in 2012
Appointed in 2012

Left in January 2019

No external appointments

Experience
Over 27 years in the biopharmaceutical and medical device sectors with Amgen and Baxter Healthcare Corp., where she held several senior executive positions

Bharat Tewarie

Executive Vice President & Chief Marketing Officer
1961 – Dutch

Joined UCB in 2015
Appointed in 2015

No external appointments

Experience
Physician, with more than 25 years' experience in the pharma and biotech industry with Boehringer Ingelheim, F. Hoffman La Roche, Serono, EMD Serono and Merck Serono in several senior executive positions in the Netherlands, Germany, Switzerland and the U.S.

Detlef Thielgen

Executive Vice President & Chief Financial Officer
1960 – German

Joined UCB in 2006
Appointed in 2007

No external appointments

Experience
More than 25 years in the pharma industry with Schwarz Pharma and UCB, where he held several senior executive positions

Charl van Zyl

Executive Vice President & Chief Operating Officer
1967 – British/South African

Joined UCB in 2017
Appointed in 2017

Main external appointments

- Member of the Board of BIO (Biotechnology Innovation Organization)

Experience
Almost 20 years of experience across the healthcare value chain, including business development and licensing, manufacturing, marketing and sales and research & clinical development

Jeff Wren

Executive Vice President & Neurology Patient Value Unit Head
1963 – American

Joined UCB in 2010
Appointed in 2015

No external appointments

Experience
Over 25 years in the pharmaceutical sector, with Sepracor (now Sunovian) and TAP Pharmaceuticals, in senior positions spanning sales and marketing, and managed markets

Xavier Michel, Group Secretary General, is acting as the secretary of the Executive Committee, ensuring the link between the Board of Directors, the Executive Committee and the broader organization.

Anna Richo, General Counsel & Head of Legal, IP and Ethics & Compliance left UCB for personal reasons with effect as from 2 January 2019.

The Executive Committee met on a regular basis with an average of 2-3 days a month in 2018.

There were no transactions or contractual relationships in 2018 between UCB, including its affiliates, and a member of the Executive Committee.

The functioning, competences and delegation of authority of the Executive Committee are further described in the Charter.

Honorary chairmen of the Executive Committee

The following directors have been nominated as honorary chairman of the Executive Committee:

- Roch Doliveux
- Georges Jacobs de Hagen
- Daniel Janssen
- Paul-Etienne Maes (†)

3.6 Diversity at Board and Executive Committee level

This section includes the information required pursuant to articles 119, §2 and 96, §2, 6° of the Belgian Companies Code (as amended by the Law of 3 September 2017, implementing in Belgium Law the EU Directive 2014/95 dated 22 October 2014 as regards disclosure of non-financial and diversity information by certain large undertakings and groups).

Diversity at UCB is defined as the collective richness of people's unique backgrounds, life and cultural experiences.

At UCB, diversity and inclusion are intrinsically linked with UCB culture: it is consistent with UCB's sense of purpose, strategies and values. UCB's cultural intelligence is a critical enabler in the value we bring to our patients.

Whereas diversity in itself will not necessarily create greater value, bringing diverse thoughts and perspectives to work effectively together and to create an environment where diverse ideas and dialogue are welcome, enable UCB staff to fully contribute to the creation of patient value.

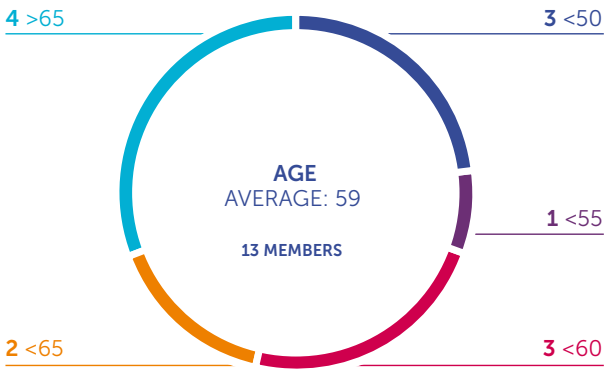
In recent years, UCB's commitment to diversity and inclusion has been accelerated by raising awareness across the organization. Specifically for leadership, the focus has been on:

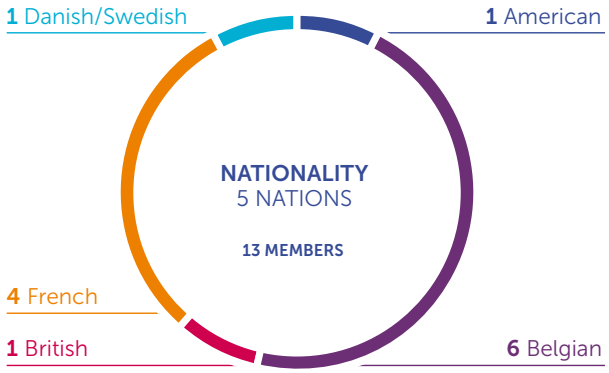
- highlighting the importance of diversity and inclusion in UCB's key HR processes, such as recruitment and talent management;
- simulating gender balance scenarios in the management succession planning;
- measuring employee's opinions on UCB's diversity and inclusion culture through a regular Employee Engagement Survey; and
- ensuring a well-rounded senior leadership pipeline that has been exposed to diverse professional and cultural experiences.

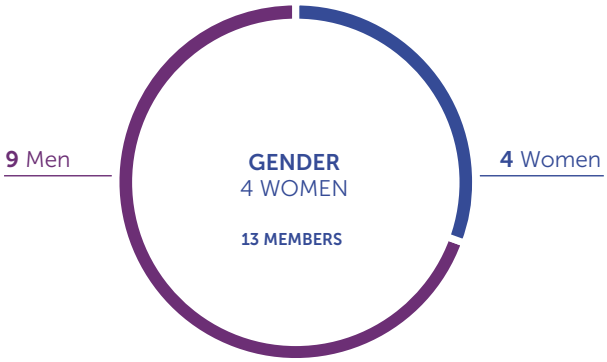
Diversity at the Board level

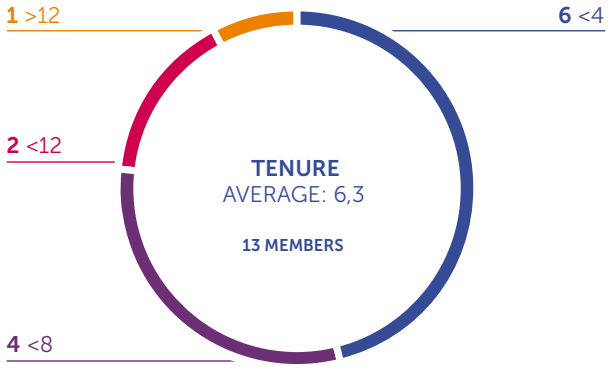
For the Board of Directors, all legal requirements in Belgium have been followed and have been integrated into the Board recruitment and nomination process. When replacements or appointments for the Board are considered, UCB systematically takes into account how it will enhance gender diversity of the Board.

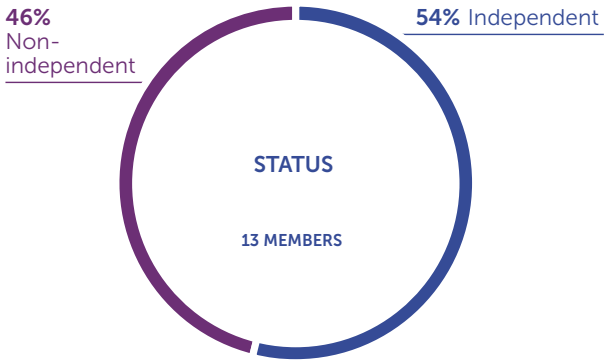
The Board is currently made up of 4 women and 9 men, with 5 nationalities represented. Upon confirmation of the above-mentioned renewals and appointment by the General Meeting of 25 April 2019 (proposed appointment of Mrs. Jan Berger), the Board will be composed of 5 women and 8 men, with 5 nationalities represented. The chair of the Board is also a woman.









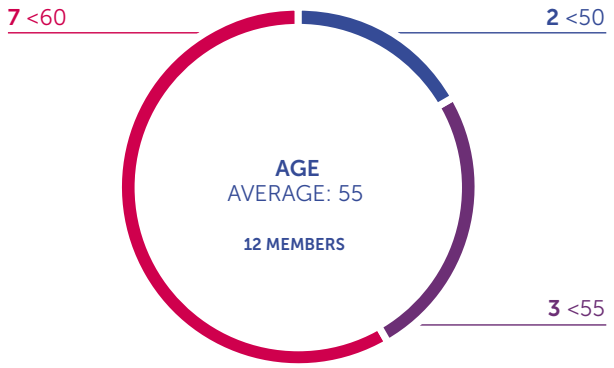


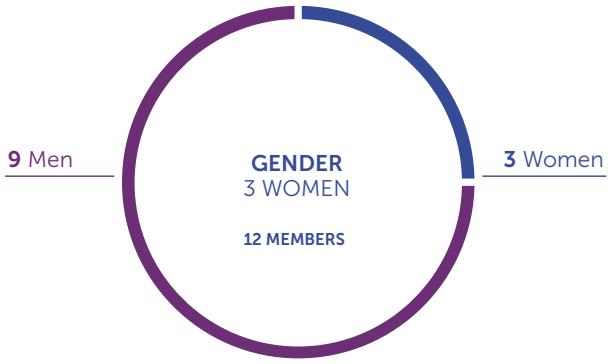
Diversity at Executive Committee level

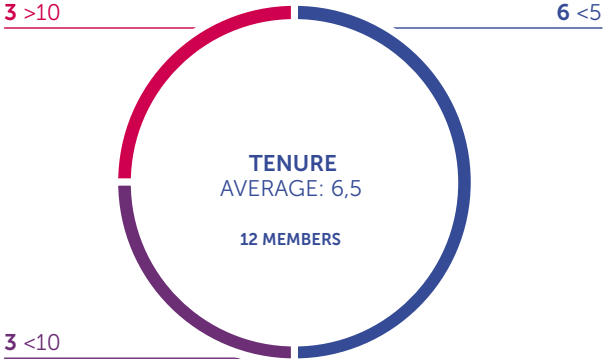
For our Executive Committee roles we do not have a formal diversity policy. We do monitor the talent pipeline from a diversity perspective, ensuring a robust and diverse succession plan is in place, and any recommendations for future composition are made firmly on this basis.

Today, UCB's executives come from a diverse education and multi-disciplinary professional backgrounds. During 2018, the committee was made up of 3 women and 9 men, with 6 nationalities represented.

The size of the Executive Committee reflects UCB's belief that this is the best guarantee for diversity in experience, knowledge and capabilities.







The approach today is not to formalize diversity and inclusion in a set of policies, but to actively promote a culture and practice of diversity and inclusion.

More information on diversity and inclusion in general at UCB can be found in Our People – Diversity & Inclusion.

3.7 Remuneration report

The remuneration report describes UCB's executive and non-executive director remuneration philosophy and policies and how executive compensation levels are set considering individual and company performance. The Governance, Nomination and Compensation Committee (the 'GNCC') oversees our executive and non-executive director compensation policies and plans. The Committee's roles and responsibilities are described in the Corporate Governance Charter adopted by our Board of Directors.

Remuneration for non-executive Directors

UCB's Board members are compensated for their services through a cash-based compensation program. The level of pay has been set based on benchmarks which include the remuneration of Board members of comparable European biopharmaceutical companies.

The Board members' pay consists of a fixed annual payment for the Board and committee membership which can vary based on the specific mandate. Board members also receive a fee per meeting attended with the exception of the Chair of the Board who receives only a fixed annual payment. The annual payments are pro-rated according to the number of months served as an active Board member during the calendar year. No long-term equity incentives nor other form of variable pay are granted. An update to the level of pay was approved at the general meeting of shareholders held on 25 April 2013. The remuneration levels for UCB Board members are set as follows:

Annual fees

- Chair of the Board € 210 000
- Vice Chair € 105 000
- Directors € 70 000

Board attendance fees

- Chair of the Board no fee (included in annual fees)
- Vice Chair € 1 500 per meeting
- Directors € 1 000 per meeting

Audit Committee/Scientific Committee (annual fees - no meeting fees)

- Chair of the Committees € 30 000
- Members of the Committees € 20 000

Governance, Nomination and Compensation Committee (annual fees – no meeting fees)

- Chair of the Committee € 20 000
- Members of the Committee € 15 000

In light of the need to attract a diverse set of Board member profiles that represent our market footprint, the GNCC has made an external benchmarking review of its Board remuneration in 2018, with the support of Willis Towers Watson. The review considered both European Biopharma as well as BEL 20 benchmarks, with European Biopharma data constituting the primary reference, given our need to attract experts with a deep knowledge of our industry. The median level of this peer group is the target. The proposal put forward for the Chair is between the 25th percentile and median of the benchmark, and at median level for the other Directors. While we also need to be able to attract Directors with a knowledge of the U.S. market, given this is our largest single market, an assessment of the U.S. market was not made, given that the form and quantum of U.S. director fees are very different to European norms.

The proposals would increase the annual fixed remuneration of the Directors by around 14% (representing approximately 2.3% per year since the last review, slightly above inflation over this period). No change was proposed to board attendance fees, while Board committee fees would increase by between 12% and 13%.

The proposed update to the level of pay will be submitted to the General Meeting of 25 April 2019.

The total remuneration of the members of the Board including committee fees for 2018 was as follows:

				Remuneration as committee member			
	Attendance rate	Fix remuneration as director	Board attendance fees	Audit Committee	GNCC	Scientific Committee	**Total**
Evelyn du Monceau, Chair	6/6	€ 210 000			€ 20 000		€ 230 000
Pierre L. Gurdjian, Vice Chair	6/6	€ 105 000	€ 9 000		€ 15 000		€ 129 000
Alice Dautry	6/6	€ 70 000	€ 6 000			€ 20 000	€ 96 000
Kay Davies	6/6	€ 70 000	€ 6 000		€ 15 000	€ 30 000	€ 121 000
Albrecht De Graeve	6/6	€ 70 000	€ 6 000	€ 30 000			€ 106 000
Roch Doliveux	6/6	€ 70 000	€ 6 000				€ 76 000
Charles-Antoine Janssen	6/6	€ 70 000	€ 6 000	€ 20 000			€ 96 000
Cyril Janssen	6/6	€ 70 000	€ 6 000				€ 76 000
Viviane Monges[1]	6/6	€ 70 000	€ 6 000	€ 13 333			€ 89 333
Norman J. Ornstein	5/6	€ 70 000	€ 5 000				€ 75 000
Jean-Christophe Tellier, Executive Director	6/6	€ 70 000	€ 6 000				€ 76 000
Cédric van Rijckevorsel	6/6	€ 70 000	€ 6 000				€ 76 000
Ulf Wiinberg	6/6	€ 70 000	€ 6 000	€ 20 000			€ 96 000

[1] Member of the Audit Committee as of April 26, 2018

3.7.1 UCB's reward principles

UCB is a global biopharmaceutical company focusing on creating value for people living with severe conditions. To help us achieve our goals we require an engaged workforce working closely together to create superior and sustainable value for patients.

Our compensation plans are aimed at driving and rewarding outstanding performance and innovation while aligning our employees to our patient value ambition. Our Global Reward program is built around the following principles:

- to provide a strong motivation for delivering on our strategy being the achievement of our patient- value goals;
- to link employee remuneration to both individual contribution and to our collective successes;
- to recognize and reward sustained high performance while requiring behaviors that are fully aligned with our patient value principles;
- to be fair and equitable according to market practices; and
- to enable UCB to attract, engage and retain the right talents.

To ensure that pay appropriately reflects performance variable pay constitutes the most significant component of total remuneration for our Executive Committee team. UCB's variable pay programs are directly linked to both short-term achievements and long-term individual and company performance to ensure a balanced focus on financial results, company sustainability and value creation for our stakeholders.

Our reward principles are currently under review, to ensure that they align to our Patient Value Strategy, our value proposition as an employer, and the evolution of the workforce.

3.7.2 The UCB Executive Remuneration Policy

The remuneration policy for members of the Executive Committee is set by the Board of Directors on the basis of recommendations by the GNCC. The GNCC meets at least twice per year during which time it:

- considers the market factors affecting the company's current and future pay practices;
- evaluates the effectiveness of our remuneration policies in recognizing performance and determines the appropriate evolution of the plans;
- reviews the financial targets of the different performance-based compensation programs; and
- determines the compensation levels of UCB's management team in view of their individual roles, competencies and performance.

The GNCC ensures that the reward programs applicable to the members of the Executive Committee, including equity incentives, pension schemes and other benefits, are fair and appropriate to attract, retain and motivate the Executive Committee team.

3.7.3 Statement on the remuneration policy applied to the reported year: remuneration for executive directors

This section covers the competitive positioning strategy that UCB adopts against the market in which it operates. It also describes our executive compensation structure, the purpose of the different elements of pay and the link between pay and performance.

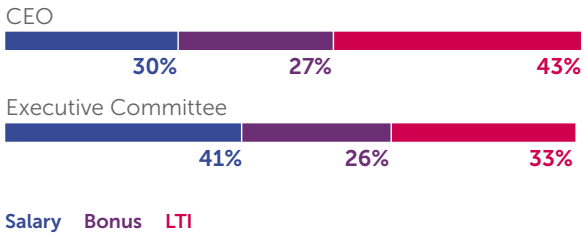
Benchmark for our reward program

In line with our total reward principles the form and level of our executive remuneration should be aligned to company performance, individual skills and performance and the relevant practices of comparable global biopharmaceutical companies with which we compete for talent. The GNCC regularly considers the appropriate mix and level of cash and equity awards to offer to its executives based on recommendations from the Talent and Company Reputation department. These recommendations are reviewed with our independent compensation consultant, Willis Towers Watson, to ensure the market competitiveness of our total direct compensation and to take into consideration market trends affecting our sector. An individual market assessment is typically conducted every other year to assess the competitiveness of the total direct compensation components for each executive.

The compensation package is composed of two main elements:

- a fixed compensation element: base salary
- a variable compensation element: consisting of a bonus and long-term incentives

The CEO and Executive Committee target total direct compensation mix is as follows:



UCB benchmarks its executive total compensation against a defined comparator group of international companies within the biopharmaceutical sector (companies with pharmaceutical and/or biotechnology activities). In the benchmark we take a focused approach to peer companies in Europe as well as the U.S. The companies in our peer group vary in size and therapeutic area. We typically target peer companies that are fully-integrated biopharmaceuticals operating in a complex research-driven environment and including development and commercialization capabilities. Where possible we aim to include companies competing in the same therapeutic areas. While we target companies that broadly reflect UCB's size, company size is not the primary factor as regression analysis is also used to adjust data to UCB's size.

The composition of our compensation peer group is monitored regularly and adjusted when appropriate, for instance when industry consolidation leads to less robust benchmarking.

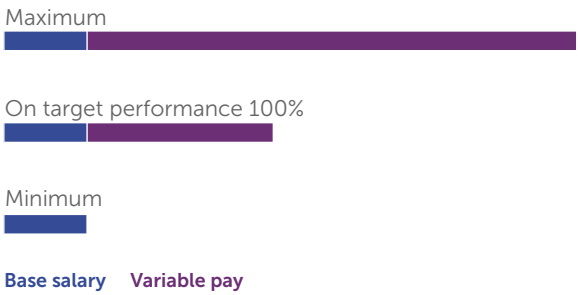
UCB's competitive positioning policy is to target median pay levels of this comparator group for all elements of total direct compensation. The LTI target levels are benchmarked against European biopharma levels. The

actual compensation for each individual is determined considering their experience in relation to the benchmark as well as their impact on company performance.

Compensation elements and pay for performance

Our compensation program compensates executives for their responsibilities as well as individual and corporate performance. Both the short-term (bonus) and long-term incentives take into account performance against targets which are set by the Board. Throughout the performance period, the ongoing achievements are monitored and at the moment of vesting or payout, the final results are validated by the corporate finance department before final approval by the Audit Committee and the Board.

The total direct compensation (base salary, bonus and long-term incentives) is highly variable depending on individual and corporate performance as illustrated below. A bonus will only be due if an acceptable threshold of company and/or individual performance is achieved. To reach 100% of bonus a stretched target must be met and only with very exceptional company and individual performance can the maximum be achieved. The pay for performance impact can be illustrated as follows for the CEO and is described in more detail later in this section.



In addition to the base salary and performance-related incentive pay, our executives are eligible for a range of benefits and perquisites. The remuneration structure is in line with market compensation practices as well as Belgian corporate governance legislation and European regulations on executive compensation.

The GNCC makes compensation proposals for the CEO to the Board. The CEO provides compensation recommendations for the other Executive Committee members to the GNCC for endorsement.

Below we describe how each element of remuneration is determined and how performance is embedded in the variable components.

Fixed compensation component: base salary

The target base salary is defined in relation to the specific job dimensions and the median level of base salary that the market typically pays for such a role. The actual base salary level of the individual depends on the extent to which he/she impacts the business and their level of skill and experience. The evolution of base salary depends on the individual's level of sustained performance and the evolution of the benchmark. Annual increases are largely in line with average salary movements across the wider workforce in the applicable geography.

Variable compensation components

Target variable compensation levels (bonus and long-term incentives or "LTI") are set considering the median market level of our compensation peer group. These targets are subject to the application of performance multipliers which consider company performance, individual results as well as individual behaviors and a holistic consideration of long-term value creation for patients.

Variable compensation: bonus

The bonus is designed to reward employees for the performance of the company and of the individual over a time horizon of one year. The bonus target is subject to a double performance multiplier which consists of corporate and individual performance multipliers. The mechanism provides a direct link between individual contribution and company performance which are considered to be interdependent. The calculation mechanism delivers significant value when both company and individual performance are excellent. Conversely if company and/or individual performance levels are lower than expectations this is reflected through significantly diminished value.

To drive a focus on revenue growth but also on underlying profitability, UCB considers annual Recurring Earnings Before Interest Tax Depreciation and Amortization ("REBITDA") as the short-term corporate performance metric for its executives and for the wider workforce. The Corporate Performance Multiplier ("CPM") is defined by the percentage of actual REBITDA versus the budget, at constant exchange rates, translated into a payout curve which ensures that only

an acceptable range of performance is rewarded. The target is set at a level that the GNCC considers to be suitably challenging. A threshold is set at a level that is deemed to be the minimum acceptable level of performance, and as the target is stretched, the maximum can only be reached if truly exceptional performance is attained. The payout curve for senior management is currently set as follows:

Recurring EBITDA vs. target	Payout
<85%	0%
85%	30%
93%	90%
100%	100%
106%	110%
113%	150%

The target set for 2018 REBITDA again implied a double-digit increase on the previous year's target, at constant exchange rates.

As the bonus calculation is based on a double multiplier, a CPM of 0% results in there being no bonus payout, regardless of individual performance.

The Individual Performance Multiplier ("IPM") is defined considering the extent to which annual objectives have been met as well as the behaviors demonstrated by the individual, evaluated against UCB's Patient Value principles. Again, the IPM can be zero if individual performance and/or behaviors fall below acceptable levels and can reach a maximum of 175% for truly exceptional performance. While the double multiplier approach could result in a maximum bonus of 262.5% of target, the overall bonus opportunity will be capped at 175% for the Executive Committee as from 2019 (see section 3.7.4 for more details).

The objectives for the CEO are proposed by the GNCC for approval by the Board of Directors. The GNCC proposes the Individual Performance Multiplier ("IPM") for the CEO to the Board based on the performance assessment at the end of the year. The CEO proposes the IPM for each of the other Executive Committee members to the GNCC for endorsement. In discussing individual performance the GNCC considers the achievement of the financial and quantitative objectives of the CEO as well as the non-financial aspects.

For the CEO and the Executive Committee the evaluation includes the extent to which the individuals have carried out their duties in line with UCB's Patient Value principles and expected leadership behaviors.

Below are the criteria by which each Executive Committee member is evaluated:

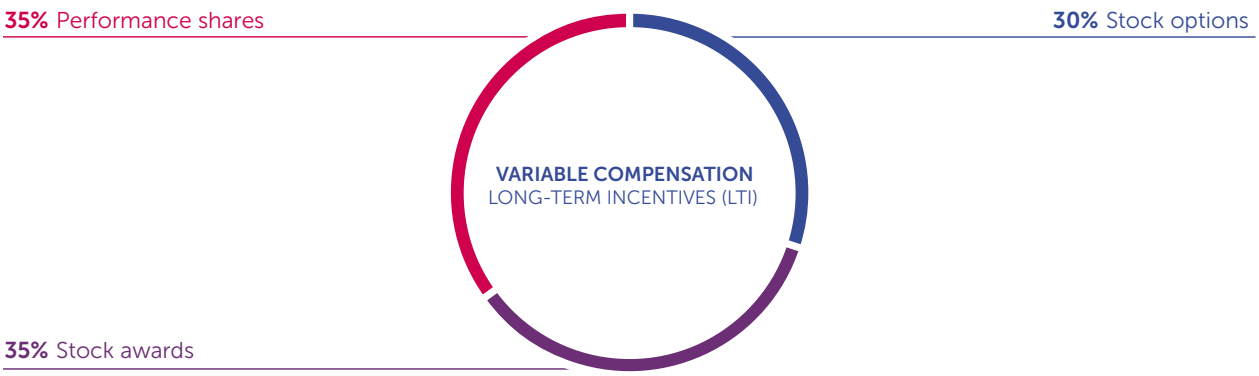
- Specific business achievements
- Strategic input and vision
- Team leadership
- Executive Committee team membership
- Impact

The target bonus is set at 90% of base salary for the CEO and 65% for the other Executive Committee members in line with market practices.

Variable compensation: Long-Term Incentives (LTI)

To ensure sustainable performance, our Upper Management remuneration practice links a significant portion of equity-based compensation to mid-term and long-term company financial and non-financial strategic goals. The LTI program is benchmarked against European biopharmaceutical company practices. Our current program is a three-tiered incentive program which includes a stock option plan, a free share plan (stock award) and a performance share plan. Stock awards, that vest based on time-based criteria will no longer be part of the LTI mix for our Executive Committee as of 2019, and will be replaced by performance shares, to ensure a higher company performance driven focus (see section 3.7.4 for more details). Eligibility for participation in the LTI Plans is at the Board's discretion.

The long-term incentive target is expressed as a percentage of base pay. At target levels long-term incentives represent 140% of base pay for the CEO and 80% for the other Executive Committee members. The actual grant size is adjusted in view of individual performance considering a mix of short-term achievements and the impact on long-term value creation. The resulting value is translated into a number of long-term incentives using the binomial value of each award and spread across our long-term incentive vehicles based on the following allocation.



See section 3.7.4 for details on future changes, as from 2019, to this allocation.

Stock options

The Stock Option Plans allow the beneficiary to purchase a UCB share at a certain price following the defined vesting periods. The vesting period is typically three years from the date of grant but can be longer depending on local practices. Once vested, stock options can be exercised when the share price exceeds the grant price and thus executives are incentivized to increase the share price over the vesting period. In the U.S., Stock Appreciation Rights are granted instead of stock options. These follow the same vesting rules as the Stock Option Plans but are settled in cash rather than in shares according to the appreciation in value of UCB stock. All stock options and stock appreciation rights expire on their tenth anniversary from the date of grant. The grant price is fixed on the grant date without further discount on the underlying UCB share price. For executives holding a Belgian contract taxes are due at the moment of grant based on the underlying value of the options.

Stock awards

The Stock Award Plans provide conditional rights to UCB common stock fulfilled upon remaining in employment with UCB three years after the grant date, when the award vests. Executives are incentivized to increase the company share price over the vesting period to optimize the value of their stock awards at the moment of vesting. In some countries delivery of the award may also be made in phantom shares (an award the value of which is based on the evolution of the share price but which is settled in cash on a pre-determined vesting date) depending on the local legislative environment.

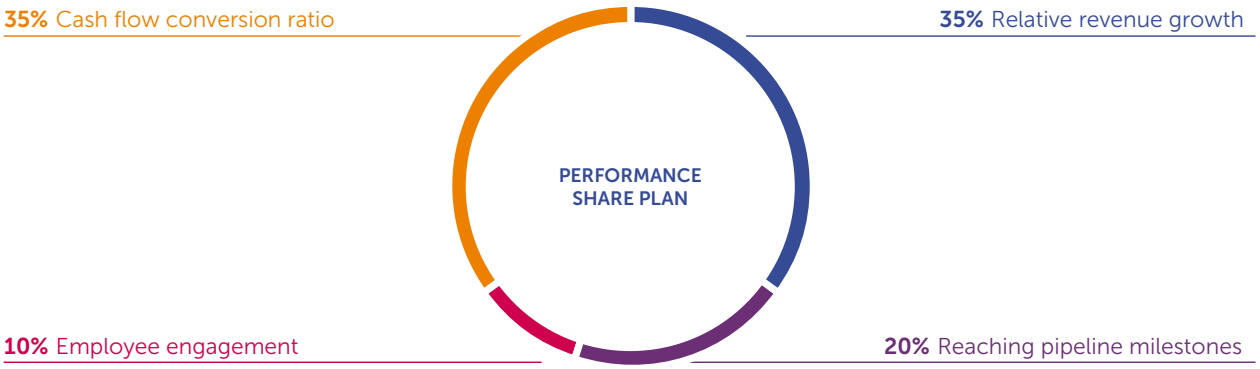
This LTI vehicle will no longer be available to Executive Committee members as from 2019 (see section 3.7.4).

Performance share plan

The Performance Share Plan aims at rewarding senior executives for specific achievements aligned with company strategic priorities. Performance shares are grants of UCB common stock to the executive group for which certain pre-established company-wide targets must be met at the time of vesting to trigger payout. The performance criteria and targets are defined by the Board upon proposal of the GNCC at the time of grant. The metrics used in this plan must be relevant to company and stakeholders interests while being within the influence and control of our executives. They also must be measurable over the plan's time horizon.

The vesting period is three years. The number of shares awarded is adjusted at the end of the vesting period based on the company's performance against its goals. If actual company performance is below a specified threshold or the beneficiary leaves prior to vesting then no shares are awarded. The maximum award is 150% of the original grant which is due if results are significantly above the original targets. The target is set at a level which is sufficiently stretched and the maximum is linked to performance that would be considered exceptional.

The 2018 grant was based on the following performance criteria to be measured at the end of 2020:



The choice of metrics captures UCB's growth and financial health while rewarding the advancement of a differentiated pipeline and with a highly engaged workforce. The performance criteria are evaluated regularly to ensure maximum alignment with company priorities.

As from 2019, the criteria used within the Performance Share plan will be reduced from 4 to 2 (see section 3.7.4). A sharper focus on cashflow generation and revenue growth will ensure a continued emphasis on growth and sustainability, so that we can continue to invest in innovative solutions for patients.

Employee stock purchase plan (U.S. Only)

The Employee Stock Purchase Plan provides employees with an opportunity to purchase UCB common shares with a 15% discount. The plan has been established as a means of further aligning the interests of the employees with those of UCB's shareholders.

Pensions

As the Executive Committee is international in composition the members participate in the pension plans available in their country of contract. Each plan varies in line with the local competitive and legal environment. All defined benefit plans at UCB are either frozen or closed to new entrants to the extent feasible. Any new Executive Committee members would therefore automatically join either a defined contribution or cash balance plan.

Belgium

The Executive Committee members participate in a cash balance retirement benefit plan which is fully funded by UCB. The benefit at retirement age is the capitalization at a guaranteed rate of return of the employer's annual contributions during affiliation with the plan. UCB contributes an amount equal to 9.15% of the annual base salary and target bonus. UCB also provides an annual guaranteed return of 2.5% increased by the Belgian health index (to a minimum defined by the Belgian legislation and with a maximum of 6%).

The Executive Committee members also participate in the UCB senior executive supplementary defined contribution plan. Contributions to the plan are twofold:

- a company contribution linked to the actual corporate results as defined by the Board; and
- a company contribution equal to 10% of their annual basic salary.

The CEO participates in the same plans applicable to the other Belgian-based Executive Committee members.

U.S.

Members participate in the UCB Retirement Savings Plan. The plan is composed of qualified and non-qualified components. UCB's total contribution under the plan ranges from 3.5%-9% of annual pay based on age. Contributions up to the Internal Revenue Services ("IRS") limits are made in the qualified part of the plan.

Contributions above this IRS limit are made in the non-qualified component.

The Executive Committee members can also participate in a deferred compensation plan which is fully funded by the employees. Participants contribute on individual basis and can defer salary and/or bonus.

Germany

Detlef Thielgen and Iris Löw-Friedrich are covered by a closed defined benefit pension plan. The plan promises pensions in case of retirement, disability and death. Benefits in case of retirement and disability amount to 50% of the last annual base salary before retirement or disability. Alexander Moscho, who joined UCB in 2017, has a defined contribution pension plan.

Other remuneration elements

Members of the Executive Committee also participate in an international healthcare plan and to an executive life insurance. Executive Committee members are also provided with certain executive perquisites such as a company car and other benefits in kind. All these elements are disclosed in the below section Compensation of the Chief Executive Officer and the Executive Committee. The remuneration policy for the members of the Executive Committee is extensively described in UCB's Charter of Corporate Governance (under 5.4.) available on UCB website.

Termination arrangements

Given the international character of our Executive Committee as well as the dispersal of our various activities across different geographies our members have agreements governed by different legal jurisdictions.

A Belgian service contract was established during 2014 for Jean-Christophe Tellier and maintains similar termination conditions to those that were in place under his previous U.S. employment agreement comprising a lump sum equal to 18 months base compensation plus the average of the actual bonuses paid for the three previous years in case the contract is terminated by the company or in case of a change of control of UCB.

Several Executive Committee agreements (Emmanuel Caeymaex, , Iris Löw-Friedrich and Detlef Thielgen) were signed before the entry into force of the Belgian Corporate Governance law of 6 April 2010 which limits the level of termination indemnities.

Detlef Thielgen and Emmanuel Caeymaex have no specific termination provisions in their Belgian contracts. In case of involuntary termination, local employment law and practices would apply.

Jean-Luc Fleurial, Dhavalkumar Patel, Pascale Richetta, Bharat Tewarie and Charl van Zyl have Belgian employment contracts and each has a termination clause which would entitle them to a severance payment of 12 months base salary and bonus in case the contract is terminated by the company or in case of a change of control of UCB.

Iris Löw-Friedrich and Alexander Moscho both have a German employment agreement which provides a six months' notice period and a termination indemnity equal to one-year base salary and bonus.

Anna Richo is covered by a U.S. employment agreement which contains a clause allowing for a severance payment equal to 18-month base salary and bonus should there be an involuntary termination of the employment agreement or in case of change of control in UCB.

Jeff Wren, who holds a U.S. employment agreement, has a termination clause which would entitle him to a severance payment of 12 months base salary in case the contract is terminated by the company.

Anna Richo decided to leave UCB as of 2 January 2019. No severance payment was due.

3.7.4 Remuneration policy as of 2019

UCB is currently reviewing its reward philosophy and as a result some changes are foreseen for 2019 to our Executive Committee remuneration. These changes are driven by several key factors:

- enhance the link between pay and performance (company and individual);
- ensure closer alignment to market best practices; and

- set incentive plan criteria that reflect the priorities of "Accelerate and Expand", the phase of our strategy that we are now entering.

The proposed changes that will apply as from 2019 for our Executive Committee members include:

- a reduction in the cap on bonus payouts from 262% to 175% of target, better aligning to market best practices;
- changes in the Performance Share plan criteria, simplifying these from four criteria currently to two focused criteria: Adjusted Operating Cashflow and Cumulative Revenue Growth. With these criteria we intend to drive sustained revenue growth, as we accelerate our patient reach, while cashflow generation enables investment in the future, as we develop and expand our assets for future Patient Value; and
- at the same time we will change the long-term incentive mix, by removing stock awards and increasing the emphasis on performance shares. This ensures that vesting of LTI is increasingly linked to the achievement of strategic priorities.

The GNCC will continue to monitor our Executive remuneration practices and make recommendations that align these to our reward strategy.

3.7.5 Compensation of the Chief Executive Officer and the Executive Committee

The remuneration of the CEO as described above is composed of base salary short-term and long-term incentives as well as perquisites and benefits. In addition, he is entitled to a director fees as Board member of UCB SA. The remuneration granted directly or indirectly to the CEO by UCB or any other of its affiliates in 2018 amounted to:

- Base salary: € 1 072 376;
- Short-term incentive (bonus) paid in 2019 and relating to the financial year 2018: € 1 246 446;
- Long-term incentives (number of UCB shares and options): see section below;
- Other components of the remuneration such as the cost of pension and insurance coverage, the value of fringe benefits and other contractual obligations: € 949 475 thereof € 358 438 being the retirement benefit (based on service cost).

The CEO's total compensation (base salary + bonus + LTI) for 2018 amounts to € 4 282 762 (excluding pension contributions and other benefits).

Other members of the Executive Committee

The amount of compensation stated below reflects the amount the Executive Committee members have earned in 2018 based on their effective period in service as Executive Committee members (see above section "Composition of the Executive Committee").

The remuneration and other benefits granted directly or indirectly on a global basis to all the other members of the Executive Committee by the company or any other affiliate belonging to the group in 2018 amount to:

- Base salaries (earned in 2018): € 6 046 908;
- Short-term incentive (bonus) paid in 2019 and relating to financial year 2018: € 4 013 977;
- Long-term incentive (number of UCB shares and options): see section below;
- Other components of the remuneration such as the cost of pension and insurance coverage, the value of other fringe benefits and other contractual obligations: € 4 463 286 thereof € 2 915 504 being the amount of retirement benefit (based on service cost).

The aggregated Executive Committee compensation (base salary + bonus + LTI) for 2018 amounts to: € 16 141 847 (excluding pension contributions and other benefits).

Long-term incentives granted in 2018

	Stock options[1]	Binomial Value Stock Option[2]	Stock awards[3]	Binomial Value Stock Awards[4]	Performance shares[5]	Binomial Value Perfomance Shares[6]	**Total Binomial Value LTI[7]**
Jean-Christophe Tellier	44 741	591 029	12 561	686 459	20 745	686 452	1 963 939
Emmanuel Caeymaex	11 741	155 099	3 296	180 126	5 444	180 142	515 367
Jean-Luc Fleurial	7 519	99 326	2 111	115 366	3 486	115 352	330 044
Iris Löw-Friedrich	14 472	191 175	4 063	222 043	6 710	222 034	635 252
Alexander Moscho	8 647	114 227	2 428	132 690	4 009	132 658	379 575
Dhaval Patel	15 273	201 756	4 288	234 339	7 082	234 343	670 439
Pascale Richetta	13 088	172 892	3 675	200 839	6 069	200 823	574 554
Anna Richo	16 883	223 024	4 740	259 041	7 828	259 029	741 094
Bharat Tewarie	10 734	141 796	3 014	164 715	4 977	164 689	471 200
Detlef Thielgen	15 166	200 343	4 258	232 700	7 032	232 689	665 731
Charl van Zyl	13 929	184 002	3 911	213 736	6 459	213 728	611 467
Jeff Wren	11 077	146 327	3 110	169 962	5 136	169 950	486 239

1 Number of rights to acquire one UCB share at a price of € 66.18 between 1 April 2021 and 31 March 2028 (between 1 January 2022 and 31 March 2028 for Jean-Christophe Tellier, Emmanuel Caeymaex, Jean-Luc Fleurial, Dhaval Patel, Pascale Richetta, Bharat Tewarie, Detlef Thielgen and Charl van Zyl). Number of rights to benefit from the increase in share price between grant and exercise with an exercise price of € 66.18 between 1 April 2021 and 31 March 2028 for Anna Richo and Jeff Wren.

2 The value of the 2018 stock options has been calculated based on the binomial methodology at € 13.21 as defined by Willis Towers Watson.

3 Number of UCB shares (or phantom shares) to be delivered for free after a vesting period of three years if still employed by UCB

4 The value of the April 1st, 2018 stock awards has been calculated based on the binomial methodology at € 54.65 per share award as defined by Willis Towers Watson.

5 Number of UCB shares (or phantom shares) to be delivered for free after a vesting period of three years if still employed by UCB and upon fulfillment of predefined performance conditions.

6 The value of the 2018 performance shares has been calculated based on the binomial methodology at € 33,09 per performance share.

7 Binomial valuation: an objective technique for pricing long-term incentives and which determines a fair value of the stock price over the life of a long-term incentive,

Long-term incentives vesting in 2018

Below is a schedule showing the long-term incentives granted to the Executive Committee members in previous years (reported in previous annual reports) and which have vested or have been exercised during the calendar year 2018 (not to be aggregated with the information in the above table which details the long-term incentives granted in 2018).

	Stock options		Stock awards		Performance shares		
	Number vested (not exercised)[3]	Number exercised[4]	Number vested	Total value upon vesting (€)	Total number of shares vested	Shares vested (% of granted shares)[5]	Total value upon vesting (€)
Jean-Christophe Tellier[1]			10 058	669 159	20 754	118%	1 629 320
Emmanuel Caeymaex	5 745	4 500	1 975	131 397	4 076	118%	320 009
Jean-Luc Fleurial[2]			1 500	118 710			
Iris Löw-Friedrich	15 521	22 000	3 336	220 309	6 883	118%	536 377
Alexander Moscho[2]			3 000	235 470			
Dhaval Patel[2]			7 500	588 675			
Pascale Richetta[2]			15 000	1 046 700			
Anna Richo	14 874	30 308	3 196	212 630	6 594	118%	517 670
Bharat Tewarie[1]			2 414	160 603	4 982	118%	391 130
Detlef Thielgen	17 785		3 787	251 949	7 814	118%	613 473
Charl van Zyl[2]							
Jeff Wren	10 456		2 246	149 426	4 635	118%	363 853

1 In 2015, Jean-Christophe Tellier and Bharat Tewarie were granted stock options in Belgium. Those options vest in January 2019.

2 Jean-Luc Fleurial, Charl van Zyl, Alexander Moscho, Dhaval Patel and Pascale Richetta joined UCB after the 2015 LTI grant.

3 The stock options granted to Iris Löw-Friedrich on 1 April 2015 vested on 1 April 2018 and have an exercise price of € 67.35. The stock appreciation rights granted to Anna Richo and Jeff Wren on 1 April 2015 vested on 1 April 2018 and have an exercise price of € 67.35. The stock options granted to Detlef Thielgen and Emmanuel Caeymaex on 1 April 2014 vested on 1 January 2018 and have an exercise price of € 58.12.

4 Emmanuel Caeymaex exercised stock options granted to him on April 1, 2012 and on April 1, 2013 with an exercise price of € 32.36 and of € 48.69. Iris Löw-Friedrich exercised stock options granted to her on April 1, 2008 and on April 1, 2009 with an exercise price of € 22.01 and € 21.38. Anna Richo exercised Stock Appreciation Rights granted to her on April 1, 2014 and on April 1, 2015 with an exercise price of € 58.12 and of € 67.35.

5 The Performance Shares granted in 2015 were paid out at 118% based on the results achieved vs. the performance conditions set at grant.

2019 Long-term incentive grant

UCB's policy is to grant a number of long-term incentives based on the individual performance for the performance year while also considering individual impact on long-term value creation. The grant is made on 1 April, following the close of the performance year. The grant size is based on a valuation and share price defined in the policy. The actual grant value is only known on 1 April based on the share price on that day. Below can be found the number of options and performance shares to be granted on 1 April 2019. The resulting grant value will be reported in next year's remuneration report.

	Stock options 2019	Performance shares 2019
Jean-Christophe Tellier	39 623	27 735
Emmanuel Caeymaex	10 499	7 349
Jean-Luc Fleurial	8 405	5 883
Iris Löw-Friedrich	10 739	7 517
Alexander Moscho	8 922	6 245
Dhaval Patel	14 142	9 899
Pascale Richetta	10 700	7 489
Bharat Tewarie	6 337	4 436
Detlef Thielgen	11 084	7 759
Charl van Zyl	12 336	8 635
Jeff Wren	8 590	6 012

3.8 Main features of the internal control and risk management systems of UCB

3.8.1 Internal control

As the governing body of UCB, the Board provides entrepreneurial leadership to UCB and is responsible for approving the strategy, goals and objectives of the company. This includes overseeing the establishment, implementation and review of a prudent and effective system of internal controls, as described herein, as well as the risk management processes as further described in 3.8.2 below.

The Audit Committee assists the Board in its responsibility of monitoring the internal control and risk management processes established by the management of UCB and the UCB Group as a whole; the effectiveness of the overall internal control processes of UCB; the overall financial reporting process; the external auditor (including its appointment procedure); and the Global Internal Audit function and its effectiveness.

UCB management is responsible for establishing and maintaining adequate internal controls to provide reasonable assurance regarding the achievement of objectives of the reliable nature of financial information, compliance with relevant laws and regulations, and performance of the internal control processes (control environment, risk/control system and monitoring) within UCB in the most efficient manner. The internal controls process is monitored worldwide by the Internal Control function in an automated manner for system access and segregation of duties, process control-self assessment testing, and continuous controls monitoring. Information systems are developed to support UCB's long-term objectives and are managed by a professionally staffed Information Management team.

As an important component of managements system of internal controls, UCB updates its business plan on an annual basis and prepares a detailed annual budget for each financial year that is considered and approved by the Board. A management reporting system is in place, providing management with financial and operational performance measurement indicators. Management accounts are prepared monthly to cover each major area of the business. Variances from plan and previous forecasts are analyzed, explained and acted on in a timely manner. In addition to regular Board discussions, meetings are held at least monthly by the Executive Committee to discuss performance, with specific projects being discussed as and when required.

The Global Internal Audit function provides independent, objective assurance services designed to evaluate, add value and improve the internal control environment and operations of UCB by bringing a systematic, disciplined approach to the evaluation of, and recommending enhancements to the governance, compliance, internal control, and risk management processes of UCB.

The Global Internal Audit group undertakes an Audit Plan of financial, compliance and operational audits and reviews, as reviewed and approved by the Audit Committee and covering relevant company activities. The program includes independent reviews of the systems of internal control and risk management. The findings and the status of corrective actions taken to address these are regularly reported in writing to the Executive Committee, and the status of the completion of the Audit Plan as well as a summary of the findings and the status of corrective actions are reported in writing to the Audit Committee at least twice per year.

UCB has adopted formal procedures focused on internal controls over financial reporting, referred to as the Transparency Directive process. This process is intended to help minimize the risk of selective disclosure; to help ensure that all material information disclosures made by UCB to its investors, creditors and regulators are accurate, complete, timely and fairly present the condition of UCB; and to help ensure adequate disclosure of material financial and non-financial information and significant events, transactions and risks.

The process consists of a number of activities. Identified key contributors in the internal control process, which include all Executive Committee members, are required to certify in writing that they understand and have complied with the requirements of UCB related to the

financial reporting process, including providing reasonable assurance of effective and efficient operations, reliable financial information and compliance with Laws and regulations. To promote their understanding of the broad range of potential issues, a detailed checklist is provided to them to complete and to assist them in their certification. In addition, a detailed worldwide desk review of Sales, Credits, Accounts Receivables, Trade Inventories, Accruals, Provisions, Reserves and Payments is performed, and the Finance Directors/ representatives of all individual entities are required to acknowledge in writing that their financial reporting in these areas is based on reliable data and that their results are properly stated in accordance with requirements.

These procedures are coordinated by the Global Internal Audit function in advance of the issuance of the half-year and annual accounts. The results of the procedures are reviewed with the Chief Accounting Office, as well as Finance, the Legal Department and the External Auditors. Appropriate follow-up of any potential issues identified is performed and consideration of adjustments to reported financial information or disclosures is evaluated. The results of these procedures are reviewed with the CEO and the CFO, and subsequently with the Audit Committee, prior to the publication of the accounts.

3.8.2 Risk management

The whole UCB group and its affiliates worldwide are committed to providing an effective risk management system to minimize threats that may impact our ability to achieve our strategic plans and corporate objectives.

To this effect, the UCB Group incorporates Risk Management practices as follows:

A global Risk Management policy, applicable for the whole UCB Group and its affiliates worldwide, describes the commitment of UCB to provide an effective risk management system across the UCB Group and articulates the framework and architecture for managing key risks at UCB.

The Board is responsible for approving the strategy, goals and objectives of the UCB Group and overseeing the establishment, implementation and review of the risk management system of the UCB Group. The Board is assisted by the Audit Committee in its responsibility for the appreciation of risk management. The Audit Committee examines on a regular basis the areas where risks could significantly affect the financial situation or reputation of the UCB Group. The Audit Committee monitors the overall risk management process of UCB.

The Executive Committee is responsible for implementing the risk management strategy and objectives, as well as championing the prioritization, control and review of risks critical to UCB's success. The Global Internal Audit function is responsible for independently and regularly reviewing as well as validating the risk management process in UCB and jointly agreeing with the business functions on actions to mitigate and control assessed risks.

The Head of Enterprise Risk Management provides periodic status updates directly to the Executive Committee and, on a periodic basis, to the Audit Committee as well as to the Board. The Risk2Value Table, consisting of management representatives of all business functions, provides strategic leadership that endorses the enterprise level risk assessment, prioritization and response process, supported by an enterprise risk management system to effectively assess, report and manage actual or potential risks or exposures. The sources of risk information include the assessment from the business areas (bottom-up), input from executive leadership (top-down) and the external context for the organization (outside-in). Every top risk of the organization is owned by a member of the Executive Committee to ensure accountability and priority.

3.9 Private investment transactions and trading in UCB shares

The Board has approved a Dealing Code to prevent insider trading offences and market abuse, particularly during the periods preceding the publication of results or information that would likely have an effect on the price of UCB securities or, as the case may be, the price of the securities issued by a third-party company.

During 2016, a new Dealing Code has been approved by the Board to reflect the rules of the new EU Regulation No 596/2014 on Market Abuse, Directive 2014/57/EU on criminal sanctions for market abuse and the Belgian Law of 2 August 2002 on the supervision of the financial sector and on financial services, as amended by the Law of 27 June 2016, which entered into force on 3 July 2016. During 2017, UCB reviewed the Dealing Code and updated it to reflect new legislation and to include considerations relating to ethics in accordance with our Patient Value Strategy.

The Dealing Code includes rules for Directors, executive management and key employees which prohibit the dealing in UCB shares or other financial instruments related to the UCB share for a designated period preceding the announcement of its financial results (so-called "closed periods"). It further prohibits trading in UCB shares or other related securities for persons who are, or may soon be, in possession of inside information.

The Board has appointed the Group General Counsel and the Group Secretary General (Xavier Michel) as Insider Trading Compliance Officers whose duties and responsibilities are defined in the Dealing Code.

In accordance with the Dealing Code, the Company has further established the list of Persons Discharging Managerial Responsibilities (Directors and members of the Executive Committee) and the list of key employees, who have to inform and obtain prior clearance from the Insider Trading Compliance Officer(s) for the transactions on UCB shares and related securities they intend to make for their own account. Dealings in the Company securities by the Persons Discharging Managerial Responsibilities as well as the Persons closely associated therewith also need to be reported to the Financial Services and Market Authority (FSMA), the Belgian market supervisory authority. The procedure for such reporting and the duties relating thereto are also reflected in the UCB Dealing Code.

The Dealing Code is available on the UCB website.

3.10 External audit

The General Meeting held on 26 April 2018 renewed the mandate of PwC Bedrijfsrevisoren BV CVBA/ Reviseurs d'Entreprises SC SCRL as External Auditors for UCB for the legal term of 3 years. The permanent representative designated by PwC for UCB in Belgium is Mr. Romain Seffer. PwC has been appointed as External Auditor in the affiliates of the UCB Group worldwide.

The 2018 fees paid by UCB to its External Auditors amounted to:

€	Audit	Other attestation missions	Tax services	Other missions external to the audit	**Total**
PwC (Belgium-statutory auditor)	734 635	104 875		187 049	1 026 559
PwC other related networks	1 468 401	39 488	69 000	1 387 764	2 964 653
Total	**2 203 036**	**144 363**	**69 000**	**1 574 813**	**3 991 212**

3.11 Information requested under article 34 of the Royal Decree of 14 November 2007

The following elements may have an impact in the event of a takeover bid:

3.11.1 UCB's capital structure, with an indication of the different classes of shares and, for each class of shares, the rights and obligations attached to it and the percentage of total share capital that it represents on 31 December 2018

As from 13 March 2014, the share capital of UCB amounts to € 583 516 974, represented by 194 505 658 shares of no par value, fully paid up. All UCB shares are entitled to the same rights.

There are no different classes of UCB shares (see section 3.2.2).

3.11.2 Restrictions, either legal or prescribed by the articles of association, on the transfer of securities

Restrictions on the transfer of securities only apply to not fully paid up shares according to article 11 of UCB's articles of association (the "Articles of Association") as follows:

("...)

B) any shareholder holding shares not fully paid who wishes to transfer all or part of his shareholding, should notify his intention by registered letter to the Board of directors, indicating the name of the candidate to be approved, the number of shares offered for sale, the price and the proposed terms of sale.

The Board of directors may, by registered letter, oppose this sale within a month of such notification, by presenting another candidate as purchaser to the selling shareholder. The candidate proposed by the Board will have a right of pre-emption on the shares offered for sale, unless the proposed seller withdraws from the sale within 15 days.

The right of pre-emption will be exercisable at a unit price corresponding to the lower of the two following amounts:

- *The average closing price of a UCB ordinary share on the "continuous trading market" of euronext brussels in the 30 stock exchange working days preceding the notification under the preceding paragraph, reduced by the amount still to be paid up;*
- *The unit price offered by the third-party proposed for approval.*

The above-mentioned notification by the Board of directors shall be taken as notification of the exercise of the right of pre-emption in the name and for the account of the purchasing candidate presented by the Board. The price will be payable within the month of this notification without prejudice to any more favorable conditions offered by the third-party presented for approval.

C) if the Board does not reply within the period of a month from notification set out in the first paragraph of subsection b) above, the sale may take place on conditions no less favorable than those set out in the above-mentioned notification for the benefit of the candidate presented for approval.

(...")

To date, the capital of UCB is fully paid up.

3.11.3 Holders of any securities with special control rights and a description of those rights

There are no such securities.

3.11.4 System of control of any employee share scheme where the control rights are not exercised directly by the employees

There is no such system.

3.11.5 Restrictions, either legal or prescribed by the articles of association, on the exercise of voting rights

The existing UCB shares entitle holders thereof to vote at the General Meeting.

According to article 38 of the Articles of Association, the following restrictions apply:

"Each share gives the right to one vote.

Any person or entity who acquires or subscribes to beneficial ownership in shares, whether registered or not, in the capital of the company, conferring a right to vote, will be obliged to declare within the period required by law, the number of shares purchased or subscribed for, together with the total number of shares held, when such number in total exceeds a proportion of 3% of the total voting rights exercisable, before any possible reduction, at a General Meeting. The same procedure will have to be followed each time that the person obliged to make the initial declaration mentioned above increases his voting strength up to 5%, 7.5%, 10% And subsequently for each additional 5% of the total voting rights acquired as defined above or when following the sale of shares, his voting rights fall below one of the limits specified above. The same notification requirements will apply to any instrument, option, future swap, interest term agreement and other derivative granting its holder the right to acquire existing securities carrying voting rights pursuant to a formal agreement (i.e. an agreement that is binding pursuant to the applicable law) and only on the holders' own initiative. In order for the notification requirements to apply, the holder must either have an unconditional right to acquire existing securities carrying voting rights or be able to make free use of its right to acquire them. A right to acquire securities carrying voting rights is considered to be unconditional if it depends merely on an event that can be caused to happen or prevented from happening by the holder of the right. These notifications will occur according to the modalities described in the legislation applicable to the disclosure of large shareholdings in issuers whose securities are admitted to trading on a regulated market. Failure to respect this statutory requirement will be able to be penalized in the manner laid down by article 516 of the Belgian Companies Code. No one may at a General Meeting cast a greater number of votes than those relating to such shares as he has, in accordance with the above paragraph, declared himself to be holding, at least twenty days before the date of the Meeting."

The voting rights attached to UCB shares held by UCB or by its direct or indirect subsidiaries are, as a matter of law, suspended.

3.11.6 Agreements between shareholders which are known to UCB and may result in restrictions on the transfer of securities and/or the exercise of voting rights

UCB has no knowledge of agreements which may result in restrictions on the transfer of its securities and/or the exercise of voting rights. UCB received notification on 25 January 2018 of the termination of the concert agreement between Tubize and Schwarz.

3.11.7 A. Rules governing the appointment and replacement of Board members

Under the Articles of Association:

"The company shall be managed by a Board of directors having at least three members, whether shareholders or not, appointed for four years by the general meeting and at all times subject to dismissal by the General Meeting.

Outgoing directors are eligible for re-election.
The period of office of outgoing directors, who are not re-appointed, ceases immediately on the closing of the Ordinary General Meeting.
The General Meeting shall determine the fixed or variable remuneration of the directors and the value of their attendance vouchers, to be charged to operating expenses."

The General Meeting decides by a simple majority of votes on these matters. The rules relating to the composition of the Board of directors are detailed in section 3.2 of the Corporate Governance Charter as follows:

("...)

Composition of the Board of directors

The Board is of the opinion that a number of between ten and fifteen members is appropriate for efficient decision-making on the one hand, and contribution of experience and knowledge from different fields on the other hand. Such a number also allows for changes to the Board's composition to be managed without undue disruption. This is way within the provisions of the law and the Articles of Association of UCB from which the Board shall be composed of at least three members. The General Meeting of Shareholders decides on the number of Directors, upon proposal of the Board.

A large majority of the Board members are non-executive directors.

The curricula vitae of the directors and directorship candidates are available for consultation on the UCB's website (www.ucb.com). These curricula vitae mention, for each director, the directorships in other listed companies.

Appointment of Directors

The directors are appointed by the General Meeting of Shareholders, following a proposal by the Board, and upon recommendation of the GNCC.

In proposing candidates at the general meeting of shareholders, the Board takes particular account of the following criteria:

- *A large majority of the directors are non-executive Board members;*
- *At least three non-executive directors are independent in accordance with the legal criteria, and those adopted by the Board;*
- *No single director or group of directors may dominate decision-making;*
- *The composition of the Board guarantees diversity and contribution of experience, knowledge and ability required for UCB's specialist international activities; and*
- *Candidates are fully available to carry out their functions and do not take more than five directorships in listed companies.*

The GNCC gathers information, allowing the Board to ensure that the criteria set out above have been met at the time of the appointments and renewals and during the term of office.

For each new directorship appointment, the GNCC performs an assessment of existing and required abilities, knowledge and experience on the Board. The profile of the ideal candidate is drawn up on the basis of this assessment and proposed to the Board for discussion and definition.

When the profile is established, the GNCC selects candidates that fit the profile in consultation with the Board members (including the Chair of the Executive Committee) and possibly using a recruitment firm. Recommendation of final candidates is made by the GNCC to the Board. The Board decides on the proposals to be submitted to Shareholders' approval.

Duration of mandates and age limit

Directors are appointed by the General Meeting of Shareholders for a four-year term, and their terms may be renewed.

Moreover, an age limit of seventy has been stipulated. A director shall give up his/her current term the day of the Annual General Meeting of Shareholders following his/her 70th birthday. The Board may propose exceptions to that rule.

Procedure for appointment, renewal of terms

The process of appointment and re-election of directors is run by the Board, which strives to maintain an optimum level of abilities and experience within UCB and its Board.

The proposals for appointment, renewal, resignation or possible retirement of a director are examined by the Board based on a recommendation from the GNCC. The GNCC assesses for each of the directors who are candidate for re-election at the next General Meeting of Shareholders, their commitment and effectiveness and makes recommendations to the Board regarding their re-election.

Special attention is given to the evaluation of the Chair of the Board and the Chairs of the Board Committees.

The assessment is conducted by the Chair of the GNCC and the Vice-Chair of the Board or another member of the

GNCC, who have meetings with each of the Directors in their capacity as a Director and, as the case may be, as Chair or member of a Board Committee. For the Chair of the Board and of the GNCC, the assessment is conducted by the Vice-Chair of the Board and a senior independent Director. The sessions are based on a questionnaire and cover the Director's role in the governance of the Company and the effectiveness of the Board, and, amongst others, how they evaluate their commitment, contribution and constructive involvement in the discussions and decision-making.

Feedback is given to the GNCC who then reports to the Board and makes recommendations as to the proposed re-election.

The Board submits to the General Meeting of Shareholders its proposals concerning the appointments, renewals, resignations or possible retirement of directors. These proposals are communicated to the general meeting of shareholders as part of the agenda of the relevant shareholders meeting.

The General Meeting of Shareholders resolves on the proposals of the Board in this area by a majority of the votes.

In the event of a vacancy during a term, the Board is empowered to fill the post and to allow its decision to be ratified at the next General Meeting of Shareholders.

Proposals for appointment state whether or not the candidate is proposed as an executive director, define the term proposed for the mandate (i.e., Not more than four years, in accordance with the articles of association), and indicate the place where all useful information in relation to the professional qualifications of the candidate, in addition to the main functions and directorships of the candidate, may be obtained or consulted.

The Board also indicates whether or not the candidate meets the independence criteria, in particular those stipulated in article 526ter company code, such as the fact that a director, in order to qualify as "independent" may not hold a mandate for more than three consecutive terms (with a maximum of twelve years). In case the director meets the independence criteria, a proposal will be submitted to the general meeting of shareholders to acknowledge such independent character. The proposals for appointment are available on the UCB website (www.ucb.com).

(...")

The Charter additionally stipulates that a Director qualifies as independent if he or she has not had business or other relations with the UCB group which could compromise his/her independent judgment. In the assessment of this criterion, significant status as customer, supplier or shareholder of the UCB group is taken into consideration by the Board on an individual basis.

3.11.7. B. Rules governing the amendment of UCB's articles of association

The rules governing the amendment of the articles of association are set by the Belgian Companies Code.

The decision to amend the articles of association has to be made by a general meeting, provided that at least 50% of the share capital of UCB is present or represented at the meeting, in principle with a majority of 75% of the votes cast.

If the attendance quorum is not met at the first extraordinary general meeting, a second general meeting can be convened and will decide without any attendance quorum having to be reached.

In exceptional circumstances (for example amendment of the object of the company, changing of rights of securities), additional attendance and voting requirements may be applicable.

3.11.8 Powers of the Board of Directors, in particular to issue or buy back shares

Powers of the Board of Directors

The Board is UCB's governing body. It has the power to take decisions on all matters which the Law does not expressly attribute to the general meeting of shareholders.

The Board has kept responsibility for certain key areas for itself and has delegated the remainder of its powers to an Executive Committee (further detailed in the

Charter). In all matters for which it has exclusive responsibility, the Board works in close cooperation with the Executive Committee, which in particular is responsible for preparing most of the proposals for decisions by the Board of Directors.

The Board's authorizations to issue or buy back shares

The Extraordinary General Meeting of 26 April 2018 decided to renew:

- the authorization of the Board (and to amend the Articles of Association accordingly), for another period of 2 years, to increase the share capital, amongst other by way of the issuance of shares, convertible bonds or warrants, in one or more transactions, within the limits and under the conditions as set out above under section 3.2.4 Authorized capital, and
- the authorization of the Board, for another period of 2 years (and 2 months) expiring on 30 June 2020, to acquire, directly or indirectly, whether on or outside of the stock exchange, by way of purchase, exchange, contribution or any other way, up to 10% of the total number of Company's shares as calculated on the date of each acquisition, within the limits and under the conditions as set out above under 3.2.3 Treasury shares.

3.11.9 Significant agreements to which UCB is a party and which take effect, alter or terminate upon a change of control of UCB following a takeover bid, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to UCB; this exception shall not apply where UCB is specifically obliged to disclose such information on the basis of other legal requirements

- Facility agreement in the amount of € 1 billion between, amongst others, UCB SA/NV, BNP Paribas Fortis SA/NV, Commerzbank Aktiengesellschaft, filiale Luxembourg, ING Bank N.V. and Mizuho Bank Europe N.V. as coordinating bookrunners, Banco Santander, S.A., Bank of America Merrill Lynch International Limited, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Barclays Bank PLC, BNP Paribas Fortis SA/NV, Commerzbank Aktiengesellschaft, filiale Luxemburg, Crédit Agricole Corporate and Investment Bank, HSBC Bank PLC, Belgian branch, ING Bank N.V., Intesa SanPaolo Bank Luxembourg S.A., Amsterdam branch, KBC Bank NV, Mizuho Bank Europe N.V., Sumitomo Mitsui Banking Corporation and The Royal Bank of Scotland PLC, as mandated lead arrangers, and Wells Fargo Bank International Unlimited Company as lead arranger, dated 14 November 2009 (as amended and restated on 30 November 2010, on 7 October 2011, on 9 January 2014 and for the last time on 9 January 2018), which change of control clause was last approved by the General Meeting of 26 April 2018, according to which any and all of the lenders can, in certain circumstances, cancel their commitments and require repayment of their participations in the loans, together with accrued interests and all other amounts accrued and outstanding thereunder, following a change of control of UCB SA/NV.
- Euro Medium Term Note Program dated 6 March 2013, with last update of the base prospectus per 10 March 2015, for an amount of up to € 3 billion (the "EMTN Program"), providing for a change of control clause (condition 5 (e) (i)) under which, for any Notes issued thereunder where a change of control put clause is included in the relevant final terms, any holder of such Note and following a change of control of UCB SA/NV, has a right to redeem that Note by exercising such put right, and as such change of control clause has been approved by the General Meetings of 25 April 2013, 24 April 2014, 30 April 2015, 28 April 2016, 27 April 2017 and 26 April 2018. The following notes have been issued under the EMTN Program by UCB NV/ SA and are subject to the above described change of control clause:
  - Retail bond 3.75% due 27 March 2020 in the amount € 250 million issued on 27 March 2013;
  - Institutional bond 4.125% due 4 January 2021 in the amount of € 350 million issued on 4 October 2013;
  - Institutional private placement bond 3.292% due 28 November 2019 in the amount of € 55 million issued on 28 November 2013;
  - Institutional private placement bond 3.284% due 17 December 2019 in the amount of € 20 million issued on 10 December 2013;
  - Institutional bond 1.875% due 2 April 2022 in the amount of € 350 million issued on 2 April 2015.

  Pursuant to article 556 of the Belgian Companies Code, the above described change of control clause provided for in the EMTN Program of 6 March 2013

has been approved by the General Meetings of 25 April 2013, 24 April 2014, 30 April 2015, 28 April 2016, 27 April 2017 and 26 April 2018 in respect of any series of Notes to be issued under the EMTN Program within the 12 months following such General Meetings of 25 April 2013, 24 April 2014, 30 April 2015, 28 April 2016, 27 April 2017 and 26 April 2018 respectively and to which such change of control has been made applicable.
A similar approval will be submitted to the General Meeting of 25 April 2019 in respect of any series of Notes to be issued under the EMTN Program from 25 April 2019 until 30 April 2020, if any, and to which, as the case may be, such change of control would be made applicable.

- Senior unsecured retail bonds of UCB SA/NV issued on 2 October 2013 and maturing 2 October 2023 in the amount of € 175 717 000 bearing a 5.125% fixed rate, and which states that in case of change of control (as defined in the terms and conditions of the offering) the bondholders have the right to require the issuer to redeem such bonds. This change of control clause was approved at the general meeting of 24 April 2014.
- Facility agreement in the amount of € 100 million between UCB Lux S.A. As borrower, UCB SA/ NV as promoter and guarantor, and the EIB dated 15 April 2013, as amended, restated and assigned to UCB SA/ NV as borrower on 20 October 2016 with effect as of 24 October 2016, of which the change of control clause was approved by the general meeting of 25 April 2013.
- Facility agreement in the amount of € 75 million/USD 100 million between UCB SA/NV as borrower and the EIB, dated 16 June 2014, as amended and restated on 20 October 2016 with effect as of 21 October 2016, of which the change of control clause was approved by the General Meeting of 24 April 2014, and whereby the loan, together with accrued interests and all other amount accrued and outstanding thereunder, could in certain circumstances become immediately due and payable – at the discretion of the EIB – following a change of control of UCB SA/NV.
- EIB co-development agreement in the amount of € 75 million entered with the EIB and of which the change of control clause has been approved by the General Meeting of 24 April 2014 and whereby such agreement can be terminated by the EIB in the event of a change of control of UCB SA/NV and UCB SA/NV may be bound to pay a termination payment corresponding, depending on the circumstances, to all, part of or an increased amount (capped at up to 110%) of the funding received from the EIB.
- The UCB stock awards and performance share plans by which UCB shares are granted annually by UCB to certain employees according to grade and performance criteria, vest according to the rules of both plans after three years, upon condition that its beneficiary remains in continuous employment with the UCB group. They also vest upon change of control or merger. On 31 December 2018, the following number of stock awards and performance shares are outstanding:
  - 2 201 916 Stock awards, of which 626 292 will vest in 2019;
  - 383 835 Performance shares, of which 96 948 will vest in 2019.

  The General Meeting of 25 April 2019 will be asked to approve this change of control clause in accordance with Article 556 of the Company Code.
  The change of control clauses in the Executive Committee members' contracts, as further described in the Remuneration Report (section 3.7.3).

3.11.10 Agreements between UCB and its Board members or employees providing for compensation if the Board members resign or are made redundant without valid reason or if the employment of the employees ceases because of a takeover bid

- For more details, see section 3.7.3 on the main contractual terms on hiring and termination arrangements for the CEO and members of the Executive Committee. No other agreements provide for a specific compensation of Board members in case of termination because of a takeover bid.
- In addition to the Executive Committee members identified in section 3.7.3, at the end of 2018 only one employee in the U.S. and one outside the U.S. benefited from a change of control clause that guarantees their termination compensation if the employment of the employee ceases because of a public takeover bid.

3.12 Application of article 523 of the Companies Code

EXCERPT FROM THE MINUTES OF THE MEETING OF THE BOARD HELD ON 21 FEBRUARY 2018

Article 523 of the Belgian Companies Code was applied by the Board of 21 February 2018 in the context of the decisions relating to the CEO remuneration, the performance bonus and LTI grants (relevant excerpt from the minutes of the meeting):

("...)

Prior to any deliberation or decision by the Board of Directors concerning the approval of the CEO bonus based on 2017 performance, the CEO 2018 base salary and the CEO 2018 LTI grant (stock options, stock awards and performance shares), as well as the approval of the 2017 bonus payout and LTI vesting and of the 2018 LTI plans, metrics and grants, J.-C. Tellier stated that he had a direct financial interest in the implementation of said decisions. In accordance with Art. 523 of the Company Code, he withdrew from the meeting of the Board of Directors in order not to participate in the deliberation and the vote relating to these issues. The Board of Directors established that Art. 523 of the Company Code was applicable to these operations. – J.-L. Fleurial also left the room before any deliberation or decision on these issues.

***

CORPORATE RESULTS 2017 BONUS PAYOUT/LTI AWARD VESTING AND 2018 TARGETS

Decision: After review, the Board overall approved the recommendations of the Governance, Nomination and Compensation Committee ('GNCC') relating to (i) the 2017 bonus payout based on the year end 2017 results (REBITDA), (ii) the REBITDA target for 2018 bonus payout and (iii) the metrics used for the Performance Share Plan 2018-2020 (payout 2021). It further endorsed the vesting (and total payout) in 2018 relating to the 2015-2017 Performance Share Plan as well as the stock award vesting for the 2015-2017 plan.

UCB LONG TERM INCENTIVES GRANTS IN 2018

Decision: Upon recommendation of the GNCC, the Board unanimously approved the following Long Term Incentive Plans and the main terms and conditions thereof:

- ***UCB stock option plan 2018**: issue of 900 000 stock options (target + 15% to take into account performance differentiation), in principle on April 1, 2018 unless exceptional circumstances, for approximately 380 employees (not taking into consideration employees hired or promoted to eligible levels between January 1, 2018 and April 1, 2018);*
  The exercise price of these options will be the lower of (i) the average of the closing price over the 30 calendar days preceding the offer (i.e. in principle from March 2-31, 2018) or (ii) the closing price of the day preceding the offer (in principle March 31, 2018). UCB will determine a different exercise price for those eligible employees subject to legislation which requires a different exercise price. Stock options will have a vesting period of 3 years as of the date of grant, except for countries where this is not allowed or is less favorable.

- ***Stock awards and Performance Shares ("PSP") grants 2018 – 2020**: allocation of an initial amount of 1 098 000 shares of which:*
  - *an estimated number of 955 000 shares to eligible employees, namely to about 1 760 employees (excluding new hires and promoted employees up to and including April 1, 2018), according to the applicable allocation criteria (target +15% to take into account performance differentiation). These free shares will be allocated if and when the eligible employees are still employed with the UCB Group 3 years after the grant of awards;*
  - *an estimated number of 143 000 shares to Upper Management employees for the Performance Share Plan 2017, namely to about 54 individuals, according to the applicable allocation criteria. These free shares will be delivered after a 3-year vesting period and the number of shares actually allocated will vary from 0% to 150% of the number of shares initially granted depending on the level of achievement of the performance conditions set by the Board of UCB SA/NV prior to the moment of the grant.*

- *It was acknowledged that the financial impact for the Company of the granting of options is linked to the difference between the acquisition cost of own shares by the Company (or the share price at vesting date for cash settled plans) on the one hand and the strike price of the options paid to the Company by the beneficiary upon exercise of the options on the other hand. For the stock awards and the PSP, the financial impact corresponds to the value of the UCB shares at the time of acquisition by the Company in view of delivery, or at the time of vesting for cash settled plans.*
- *The Board further decided to delegate all powers to the members of the Executive Committee, acting jointly two by two and with faculty of sub-delegation, to do whatever is necessary, required or useful to execute and implement the above decisions, including the finalization of all required documentation, the actual grant decision, the final terms and conditions and modalities of the plans and incentives.*

CEO COMPENSATION AND LTI
Decision: Upon recommendation of the GNCC, the Board unanimously approved the following:

- *CEO base salary as of 01.03.2018: € 1 077 607 (against € 1 046 220 in 2017);*
- *CEO bonus pay-out 2018 (performance 2017): 1 536 217€;*
- *CEO LTI 2018:*
  - *stock options: 44 741 (3-years and 9 months vesting);*
  - *stock awards: 12 561 (3-years vesting);*
  - *performance shares: 20 745 (3-years vesting).*

(...")

3.13 Comply or explain principle (application of article 96, §2, 2° of the Belgian Companies Code)

The Charter of UCB complies with the provisions of the Corporate Governance Code.

Yanmeng and Benoît, UCB

CHAPTER

3 Our **people**

Employees play a vital role in UCB's journey from the growth to the accelerate phase. To engage in UCB's mission of improving the life of people living with severe chronic diseases, accelerating clinical development of new molecules and solutions for patients, and enhancing the company's value, it is of paramount importance to attract the right talent in the Patient Value Strategy.

> "I'm proud to be part of a patient-centered company that listens to their voices and needs, building a value-based healthcare.

Tathiana, UCB

With the objective to foster a dynamic and inspirational corporate culture, UCB works to provide tailored trainings to strengthen capabilities, growth opportunities and skills of our people, as employee development and management are considered very relevant Material Aspects.

49/51
Women/Men

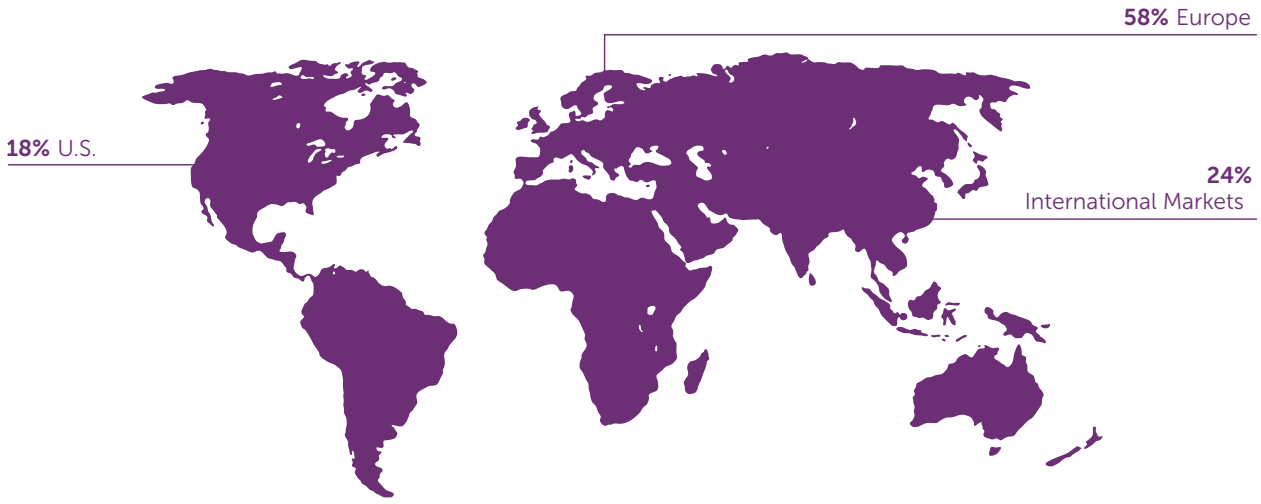
1 105
New colleagues joined

7 495
UCB employee world-wide

33% joined in the last 3Y
36% have worked 3-10Y
32% have worked >10Y

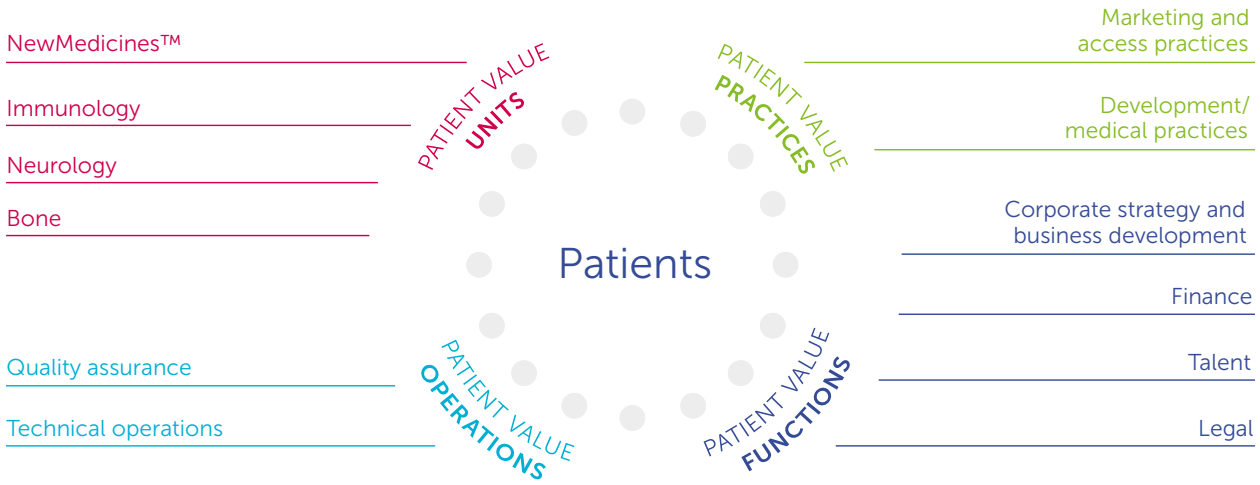
7% below 30Y
67% between 30-49Y
26% over 50Y

Employees per region

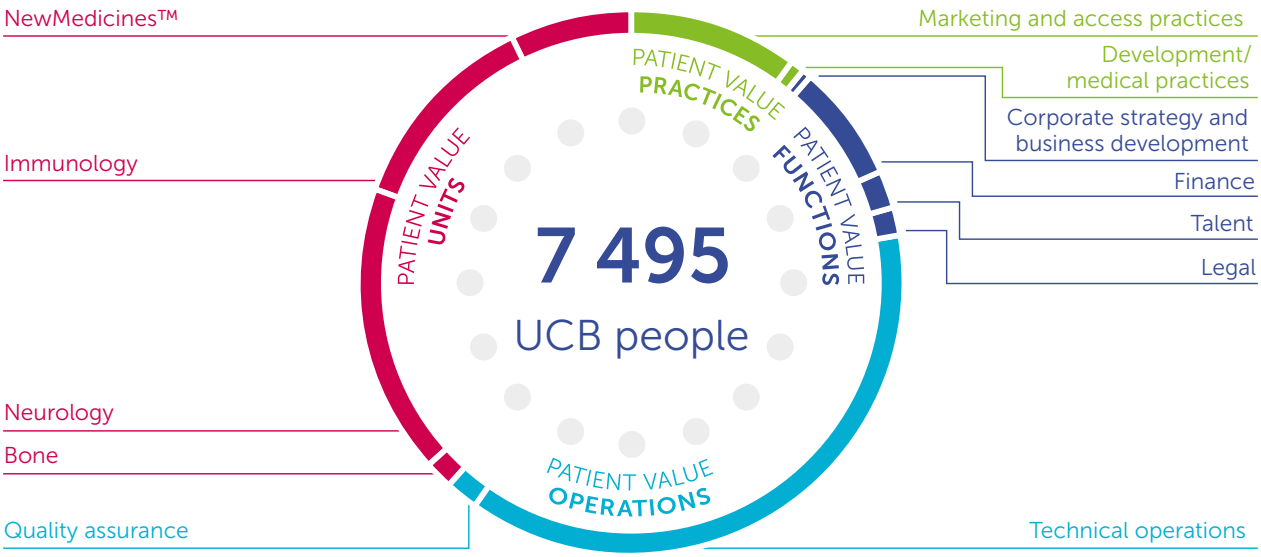


1 Our organization

The company is organized into 4 Patient Value Organization pillars[1] around which we are creating value for each patient, centered by our focus and integrated across functional teams around different patient populations:



UCB ensures that individual employees understand the Patient Value Strategy as a prerequisite to becoming the patient preferred biopharma leader. This shared purpose creates the foundation of the value for patients. Living the mission is inspirational and influences our behaviors to act responsibly, be accountable, be engaged and demonstrate agility.



More information regarding people in UCB can be found in the section Data reporting.

At UCB, several social and people policies outline the guidelines to drive best practices in certain work situations that are in line with our culture and values.


Code of Conduct


Anti-bribery and anti-corruption


Business compliance policy


Acceptable use of IT


Global policy on the protection of personal data


Compliance policy


UCB health, safety and environment policy and global standards


Personnel and training policy

The Talent and Company Reputation department manages the **Workforce Engagement policy** which is continuously improved by different processes, including, but not limited to:

- robust **annual human resources processes** that optimize talent development opportunities, drive performance and ensure appropriate organization planning such as future capability building and succession;
- development and regular **review of the total reward** offering to ensure balanced, competitive remuneration that drives desired outcomes in support of the company strategy, as well as ensuring that people and their family are adequately covered during key life events;
- **people performance management**, to ensure that people contributions are aligned to our Patient Value goals, that people impact is then measured objectively, as well as the expression of expected values and behaviors;
- **people development planning** supported with adequate and continuous people learning opportunities (training and education offerings, as well as, on-the-job learning, coaching and mentoring);
- periodic **people engagement surveys** that enable UCB and its leadership to respond to people's feedback on their employment experience;
- **well-being initiatives** across sites and affiliates, including for instance health screening campaigns, burn-out awareness, occupational health facilities, healthy food options, flexible working arrangements, people support programs, and core people's benefits such as medical insurance, among others; and,
- **working practices** in line with data privacy requirements (GDPR).

At UCB, the principal social and people risk is the challenge to attract, retain and engage key leadership profiles and critical expertise in a highly specialized, highly-regulated, complex environment and in a competitive talent market. This could result in a loss of collective capability, impacting operational efficiency and strategy implementation, leading to sub-optimal results.

In addition, the risks associated with a workforce that is not adequately aware of the specific ethics and compliance requirements related to their roles, departments or the biotech environment as a whole, can lead to reputational and regulatory risks for the company and the development and production of its products. This also includes fiduciary risks and data security risks, e.g., malware attacks and management of confidential and sensitive data.

[1] **Scope of Reporting:** Employees are grouped under the four **Patient Value Pillars**: Patient Value Functions; Patient Value Practices; Patient Value Units, and Patient Value Operations. People of Elements Genomics, acquired in April 2018, are regrouped in the Patient Value Unit, NewMedicines™.

Finally, the risk of not being able to provide a healthy and safe environment where people wellbeing is not adequately supported or promoted, or where workplace dangers are not managed or sufficiently outlined to the workforce, may lead to safety incidents or sub-optimal health of people, both physical and mental.

The **outcomes of the social and people policies** described above include:

1. a reduction and mitigation of social and people risks;
2. a workforce that operates in line with defined company values, leading to a healthy company culture where people can thrive and perform to the best of their ability;
3. increased people engagement, leading to greater discretionary efforts and sustainable deployment;
4. continuous development and retention of UCB talent leading to greater organizational capabilities, accelerated innovation and competitive advantage and excellence;
5. an increased understanding of the business, compliance and transparency environment, leading to increased ethical and compliant behavior and practices;
6. safe and healthy people that can function in a positive working environment; and
7. focus of people on delivering UCB's Patient Value Strategy, with the assurance that they, and their family, are appropriately covered in case of sickness, disability, death and retirement.

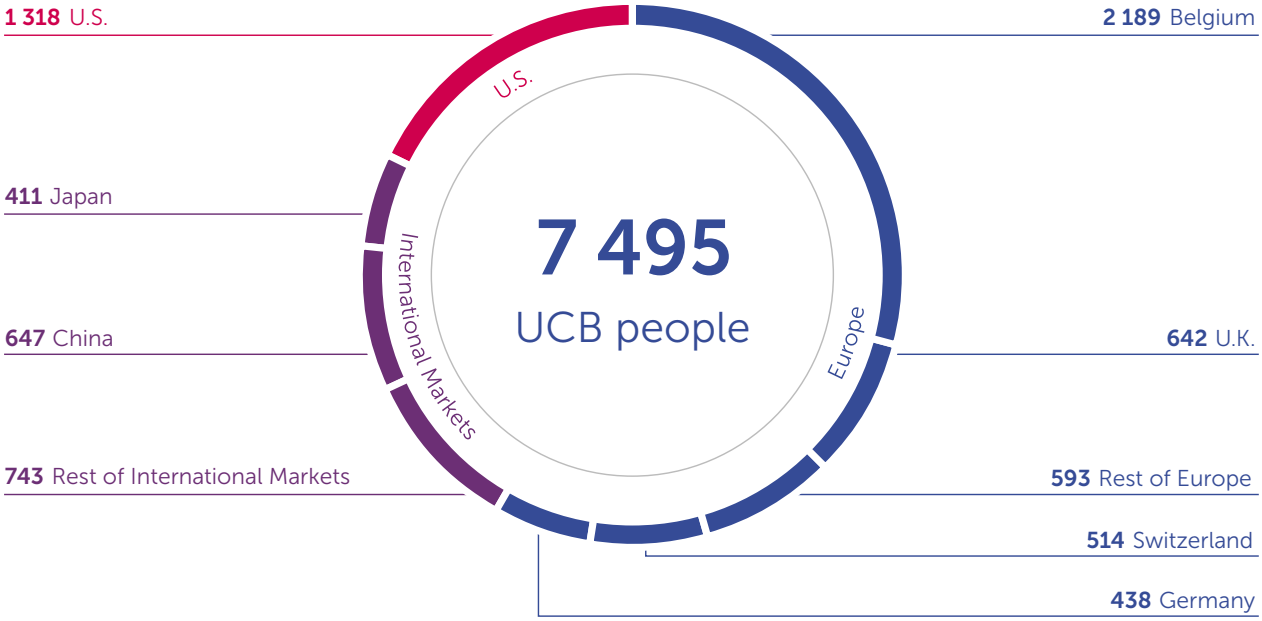
In order to measure our success, the relevant KPI's are listed in the GRI Standards Indicators.

In 2018, 17 cases of workplace harassment and 6 cases of discrimination were reported within UCB. Reported allegations of individual misconduct were systematically investigated and substantiated disciplinary actions were taken, when required.

2 Diversity and inclusion

The recognition of becoming the patient preferred biopharma leader exists in the eyes of our external stakeholders and will be awarded to UCB only if our people represent the outside world.

At UCB, diversity is promoted so that people, regardless of their race, ethnicity, nationality, religion, gender, age or sexual orientation can contribute to business activities.



UCB further strengthened the diversity and inclusion programs. In the spring of 2018, UCB's Executive Committee implemented a diversity and inclusion Ambition Statement: '***we inspire a culture of inclusion by embracing diverse talents, motivating our employees, and leveraging diversity of thought and experience to create value for patients***'. This program defines diversity as the collective richness of people unique backgrounds, life and cultural experiences and the diversity of thought this brings. It stimulates creativity, the company's culture, clarity in communication, and most importantly the critical thinking. It provides guidance on diversity and inclusion.

The new program outlines how the UCB will seek to include diverse profiles of all continents. It also addresses the acquisition of talents with broad cross-functional experiences and to identify adaptive leaders prepared for an ever more rapidly transforming world. Building a diverse and inclusive organization, where people understand the ambition of the Patient Value Strategy, live resilience, behave ethically and with integrity, is key to UCB. This alignment is necessary to have UCB become a sustainable profitable company.

UCB implements measures to promote diversity. Whereas UCB has a 51%/49% balance between men and women within the organization, efforts to advance career opportunities for women at the Executive level is being stressed. Women at Executive level represented 22% in 2012 and over a period of the last 6 years, it increased to 29%. There is a strong commitment to ensure equal opportunity for the positions offered.

	Global level	Admin	Executive	Manager	Sales	Technical staff
People in UCB	**7 495**	834	147	4 324	1 755	435
Women	**49%**	62%	29%	51%	49%	19%
Men	**51%**	38%	71%	49%	51%	81%

In countries with staff above 150 people, i.e., China, Germany, Japan, Mexico, Switzerland, U.K. and U.S., 70% of the leadership teams are from within the country (last year was 82%) and the split between women and men is 37% and 63% respectively.

The Talent and Company Reputation department reviews the processes for development and support of women as well as all other vulnerable groups to secure an optimal diversity in UCB's workforce. In the succession planning at UCB 43% of colleagues are women; hence, women are equally likely to be identified as successors for key positions.

Women In Leadership Global Summit, UCB

At the end of 2018, the first ever Global UCB Women In Leadership (WIL/ WISE) was held, with participants from both the Board, the Executive Committee and participants from the local employee resource groups around the world. A global vison was created and endorsed, and all local teams will in 2019 continue to strategically align to support creating value for our patients.

The Talent and Company Reputation department outlined a program to mitigate unconscious bias in our decision making, especially in relation to our talents. An **experience model of unconscious bias** was implemented with the individual departments and teams. The model identified the characteristics of bias, strengthened the awareness of the team members and identified mitigation plans for unconscious bias. It will be further cascaded into the organization.

In addition, in 2018, UCB adopted the **Diversity and Inclusion Maturity Model** blueprint, by Bersin by Deloitte, towards building an **inclusive culture**, based on 6 inclusion leadership principles: cognizance of bias, cultural intelligence, collaboration, curiosity, courage and commitment. UCB aspires to embrace such inclusive culture and embeds diversity and inclusion as core business values. UCB leaders will be held accountable for improving diversity and inclusion outcomes.

	Global level	≤ 29y	30-49y	≥ 50y
People in UCB	**7 495**	558	4 989	1 968
Women	**49%**	58%	50%	44%
Men	**51%**	42%	50%	56%

9%/91%

Fixed-term/Permanent contract

7%/93%

Part-time/Full-time contract

More information regarding people diversity in UCB can be found in the section Data reporting.

3 People attraction and recruitment

Last year, UCB evolved its Talent Acquisition program to an integrated approach delivering support for the recruitment of employees and contractors. The goal is to support the UCB's Patient Value Strategy in acquiring competencies and skills in a more agile way. Find out more about careers at UCB.

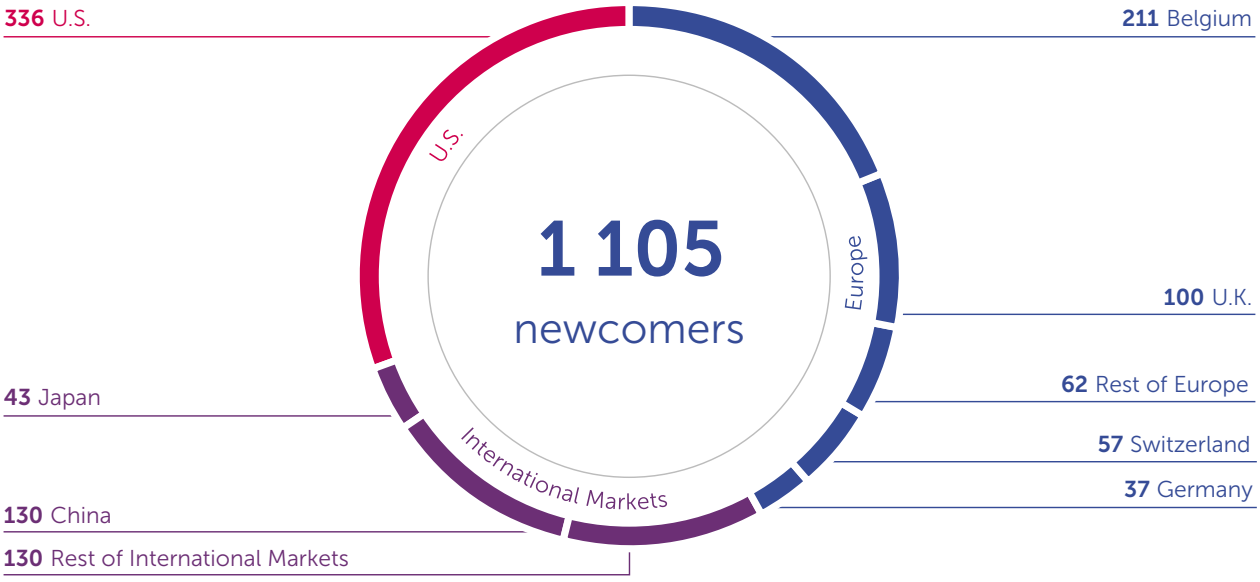
UCB offers opportunities for students and interns to be part of the UCB culture and learning.

94
students recruited for UCB internships

34%/66%
women/men hired students

1 105
people recruited for UCB positions

51%/49%
women/men new hires



	Newcomers	≤ 29y	30-49y	≥ 50y
People in UCB	**1 105**	236	734	135
Women	**51%**	56%	51%	45%
Men	**49%**	44%	49%	55%

More information regarding people at UCB can be found in the section Data reporting.

4 People development and retention

4.1 Performance review of our people

The development and retention of UCB's people is of paramount importance to become **the patient preferred biopharma leader.** In the review of the Material Topics, people development and people management are considered very relevant Material Aspects.

UCB is also driven by a high-performance culture. Therefore, an annual Performance Management process is in place allowing people to concentrate on value-driven actions and outcomes, and directly seek continuous feedback to contribute to UCB's Strategic Priorities throughout the year. By the end of January 2019, the Year End Performance Review process was completed for 90% of UCB employees. People are rewarded and acknowledged for their individual contribution to the company's success.

> “UCB's approach to the patient is innovative. I have never seen or heard of a pharmaceutical company that works in such a way for the patient. This includes the affection and the interest that they show towards the patients and how they fully consider and value our opinions. Thanks to UCB.

Esperanza, living with restless legs syndrome

The Talent and Organization review process is designed to identify key talents in our organization and initiate various action plans to develop, retain and engage our colleagues. The process also demands that the managers identify appropriate successors and prepare them for the most business critical positions. The review process is critical for UCB as it equally enables the identification of capability needs for the organization and supports the long-term success and sustainability of the company.

A total of 6 007 people were subject of the 2018 Talent and Organization Review, completed in November 2018. A total of 2 072 colleagues were identified as high potentials, with 330 colleagues as Top Talents.

4.2 Learning at UCB

On average, people received 20.79 hours of formal learning across a range of different subject areas: leadership, professional, and technical skills development. This was done through a focus on strategic capability development, learning culture, learning experience, agile way of working, and operational excellence.

In 2018, UCB invested over € 12.2 million in learning programs, content, technologies, and services to deliver on its commitment to grow talent and foster personalized development[1]. Special emphasis was made on the training of people in new strategic capabilities, important for the company.

159 145

total training hours in 2018

20.79

average training hours per employee

	Admin	Executive	Manager	Sales	Technical staff
Women	16h	15h	17h	22h	58h
Men	32h	7h	17h	22h	55h

As UCB engages in the Accelerate and Expand phase of our UCB's long-term strategy, the learning organization has set an important mission to create an on-line training environment for people conducive to learn, in order to better serve patients. People are invited to acquire a continuous learning attitude and UCB believes that establishing a favorable learning environment will benefit the sustainability of the organization.

UCB tailors different learning programs for specific teams. For example, the Medical Practices Development Centers training or the Healthcare Ecosystems training. The latter training is an immersive, patient-centric,

learning and experience-driven program designed by the Commercial and Ethics and Compliance teams and has been recognized by the Life Science Trainers and Educators Network (LTEN). It was listed as an Innovation Award finalist among all pharmaceutical, biotech, medical devices and diagnostic companies globally.

Talent & leadership development programs

Developing leaders is critical to achieving the Patient Value Strategy. UCB created 3 global leadership development programs with different external partners:

- **Accelerate** for first-line leaders;
- **Navigate** for managers leading managers; and
- **Orchestrate** for senior managers leading a business or function.

Each program runs over 6-9 months, has multiple face-to-face modules, promotes teamwork and includes type-1 experiences to develop and unfold skills and behavior.

The **Accelerate** program is performed in country.

The **Navigate** program involves exposure to different cultures and diversity. They visit different continents and meet partners and healthcare professionals in local settings, with the objective to better understand the local health ecosystems.

The **Orchestrate** senior managers participate in a comprehensive transformative training on inclusive leadership which includes a field visit to Rwanda. During 2018, 17 future UCB leaders participated. Groups of 2-3 visited different parts of Rwanda to better understand the intersection between persons living with epilepsy, healthcare providers and UCB's commitment. They observed and lived the crossroads between (*i*) the needs of challenged communities, underprivileged people living with epilepsy and their families, the health infrastructure; (*ii*) the generosity, spirit and perseverance of healthcare providers, community health workers, traditional healers, and voluntary workers in daily challenges to provide quality care; and (*iii*) UCB's CSR engagement and an ethical and responsible business conduct.

In 2018, 17 UCB senior managers benefited from these programs.

Sylvia and **Jan,** UCB, visiting the Gikonko primary healthcare center, Rwanda.

Pacifique, NIYO Art Center in Rwanda, **Jan** and **Sylvia,** UCB

[1] **Scope of Reporting**: UCB implemented the **Learning Management System** which allowed more precision in tracking the learning hours taken by our employees. Learning hours are tracked both for online e-learnings and classroom, instructor-led courses using a general estimation of learning hours per course. All of our corporate-level mandatory trainings (courses relevant for all or most UCB employees) are to be completed biannually. Students, apprentices and trainees are not included in the training data.

4.3 People insights

In 2018, UCB people were given the opportunity to provide feedback about how the company is doing through an employee survey. A new approach was introduced using a more agile methodology which combines full census surveys alternated with regular Pulse checks to keep an eye on people engagement, a key indicator of company health. The company Perceptyx™ Inc. supports these surveys.

Pulse results confirmed that people remain highly engaged and confident about UCB's future. About half of respondents also provided constructive input on various topics related to the company's strategy and culture, further demonstrating their commitment to UCB.

The feedback collected through the survey was shared with UCB leadership and subsequently with all people. Leadership teams in all areas of the company also shared the results with their departments, generating further dialogue around possible areas for improvement.

The scores below compare the percentage of favorable responses at UCB versus the High Performing (HP) norm.

75.7%

I would recommend UCB as a great place to work
(82.6% HP)

80.2%

I believe UCB has a promising future
(83.6% HP)

85.9%

I am proud to work for UCB
(90.6 HP)

82.4%

My work gives me a sense of personal accomplishment
(84.4 HP)

Overall engagement
76.5%

(79.5 HP)

4.4 People well-being and occupational health and safety

UCB creates a positive and creative environment where both the individual and company objectives are met and people are encouraged to express their talents and acquire new skills.

The Well-being program, based on five key drivers:

1. information,
2. prevention,
3. physical health,
4. mental health; and
5. having a great day at work, continued in the different UCB sites.

In Belgium, one of many highlights was the **Virgin Pulse project** in Belgium, which during 100 days stimulated more than 100 teams of seven to literally walk, run, bike, swim,... their daily extra mile(s).

Relating to Health & Safety, a number of specific social and people policies and processes have been implemented at UCB. These include:

- implementation of certified Health & Safety management systems at industrial sites, to help manage risks appropriately;
- periodic emergency exercises, also involving external intervention teams, undertaken to ensure the readiness and suitability of our Health & Safety program; and
- performance of regular internal and external inspections, reviews and consultations of UCB sites and key contract manufacturing organizations resulting in appropriate actions for improvements in the Health and Safety program where and whenever necessary.

In addition, minimum global Health & Safety requirements are being defined to ensure consistent application across the Group. Health & Safety criteria are also being included in global engineering standards (for awareness and overall consistent application of standards).

Due to the inherent nature of any industrial safety program (e.g., potential non-compliance or human error despite rigorous safety measures), there is a potential risk of endangering people, assets, or the general public (surrounding communities) leading to potential loss of life and/or increased legal and regulatory exposure, potentially resulting in a negative impact on UCB's reputation.

Even though the installations and high-technology equipment are by design increasingly safe and Health &

Safety management systems and procedures are applied, **safe behavior** is actively promoted. At the Bulle (Switzerland), Slough (U.K.) and Zhuhai (China) sites, these systems are 0HSAS18001 certified. The targeted outcome is an increased safety awareness and a reduction of number and severity of potential accidents involving UCB people or other stakeholders present at or living near UCB operations.

Building further upon the behavioral campaign **Take a Second. Safety First** initiated in 2015 (aimed at raising awareness about key causes of accidents), UCB launched this year the **Accident Alert** campaign. The campaign aimed on the reporting and analysis of events potentially having a life changing impact, so UCB can focus on the most significant events. This campaign **Accident Alert** facilitated the reporting of any such event, increased awareness and opportunities to share lessons learned.

Next steps include:

- the roll-out of a global Wellbeing strategy aiming at an increased H&S awareness and ownership at all UCB operations;
- the assessment of the cultural maturity of the H&S programs at all industrial sites; and
- the launch of behavioral safety programs at all industrial sites (building upon the abovementioned campaigns previously launched).

Performance-wise, the Lost Time Incident Rate (GRI – 403-2) for 2018 was calculated at 1.99 incidents with more than one day of absence per million hours worked. The Lost Time Severity Rate (GRI – 403-2) was calculated at 0.039 days lost per 1 000 hours worked.[1]

In 2018, no fatalities occurred as a result of work-related incidents. UCB has no operations whereby workers show high incidence or are exposed to high risk of occupational diseases.

inspace
Our space for collaborative inspiration

In*space* is a key initiative associated with UCB's Patient Value Strategy, helping the company to think about its ways of working and living together. At UCB the aim is to be more innovative and collaborative.

Inspace Inauguration at Chez Paul & John, UCB HQ

The new workspace created by the In*space* project allows colleagues to interact smoothly with each other, to be inspired by peers to try new approaches, to work in an environment that fits a variety of needs, to be spontaneous, and to feel stimulated to co-create and share knowledge.

On the building side, In*space* ensures a right balance of spaces between silence, energy, engagement and exploration, with different levels of interaction, noise, light, materials and furniture. The refurbishing of the building also enables to improve the consumption efficiency of heating, air-conditioning and electricity.

In order to define the In*space* concept, all colleagues were invited to workshops, during which the following questions were discussed:

- which changes in the ways of working will the new workplace bring?
- what's expected on the mental, physical and virtual level?
- how will colleagues best collaborate with each other?
- which work environments will most likely give or take energy?
- how will the concept of team cohesion need to evolve?

[1] **Scope of Reporting**: Occupational, Health and Safety data relate to 99% of people working at UCB.

The workshops were run in a participative approach, where open discussion and feedback were key elements of success – in line with UCB's culture.

In*space* started initially at the Beijing office (China) and thereafter at UCB's headquarters in Brussels (Belgium). The first teams moved to their bright new working environment in June 2018 and January 2019. The feedback is very positive and the space concept unlocks barriers, inspires formal and informal discussions and reaches the goals. The concept, created together during the participative workshops is working. These enthusiastic reactions reinforce the vision that In*space* accelerates innovation and team spirit.

4.5 People and communities

The **Youngsters** community continued to bring young colleagues together to collaborate, learn and inspire. They create a dynamic, curious, creative and innovative environment where trust, collaboration, authenticity and collective intelligence are applied. In 2018, they celebrated their second birthday by reflecting on their learnings and celebrating successes.

During 2018, the **Youngsters** hosted three sessions with members of the Executive Committee. One of them was with UCB's CEO Jean-Christophe Tellier, where he shared insights of his professional journey and provided young professionals useful advice for the future.

Additionally, professional development sessions were organized to increase the Youngsters' business understanding. Cross-functional workshops provided them with the opportunity to share their voice and insights with the rest of the organization.

Diogo, Kieran, Breda, Andreia, Pallavi, Sonia, Elizabeth, UCB Slough

Ten **Green Teams** have been set up at four different UCB sites. More information regarding Green teams can be found in the section From green strategy to green action.

4.6 People departures

In 2018, a total of 1 024 people left UCB. During the process of divestment of certain products, several people left UCB and found a new position within the new company.

30

UCB people retired

53%/47%

women/men departures

	Departures	≤ 29y	30-49y	≥ 50y
People in UCB	**1 024**	109	667	248
Women	**53%**	52%	55%	46%
Men	**47%**	48%	45%	54%

The turnover is calculated 13.6%[1]. More information regarding people at UCB can be found in the section Data and reporting.

[1] **Scope of Reporting**: The turnover calculation is based on the total number of employees who departed the organization voluntarily, with the exclusion of those employees involved in a divestment, or due to dismissal, retirement, or death in-service divided by the total workforce.

Providence, Vincent, and **Florence** and **Valérie,** UCB/ **Thomas,** UCB, and **Christophe**

CHAPTER

4

Our **community engagement**

UCB is committed to creating a positive impact in the global communities where patients live their lives or where UCB operates.
Societal responsibility has always been a priority over short-term maximization of profits.

> I have learned that with help and support, I can live a full life. I can also play a vital role helping others to accept people living with epilepsy as valued, contributing members of society.

Thomas, living with epilepsy

In 2018, UCB spent more than € 4 million in community sponsorships and charitable donations worldwide, including € 1.6 million for the Corporate Societal Responsibility patient initiatives. This also includes an exceptional € 1 million grant provided to the **UCB Societal Responsibility Fund** of the King Baudouin Foundation to support initiatives, offering access to health, medicine and disease awareness for people living with epilepsy in resource-limited African countries.

1 Raising disease awareness

UCB takes part in multiple initiatives on building awareness programs for communities to better understand severe diseases and reduce misperceptions, stigmatization and discrimination of the people living with severe disease and their families.

Every year, UCB joins forces with national and international foundations to raise global awareness of the prevention, diagnosis and treatment of specific diseases.

World Osteoporosis Day 2018

- 12 February – International Epilepsy Day
- 12 October – World Arthritis Day
- 20 October – World Osteoporosis Day
- 29 October – World Psoriasis Day

On top of those global awareness days, UCB teams organized local events:

"Epilepsy, so what?" – a new campaign to normalize the disease among adolescents in Spain

Epilepsy 'People's Meeting': Danish colleagues partner with the epilepsy community to focus on improving diagnosis, management and treatment of epilepsy at largest political event in Denmark

2 Engaging with the local communities

Some of this year's community engagement projects were:

2.1 **Epilepsy at School** educational slide set now on the Turkish Ministry of Education's Website (Turkey)

The Epilepsy at School educational slide set, which was prepared together with the Turkish Chapter of International League Against Epilepsy, was uploaded to the EBA (Educational Information Network) website of Ministry of Education on 27 February 2018.

The Epilepsy at School project is an outcome of defined unmet needs after a patient market research initiated by UCB Turkey and created in collaboration with Governmental Authorities and Associations. EBA is a social educational platform led by the General Directorate of Innovation and Educational Technologies of the Ministry of Education.

Epilepsy at School contains basic concepts of epilepsy for teachers who play an important role in the life of students living with epilepsy, epilepsy psychology in children and how-to suggestions for approaching children living with epilepsy. From now on, the EBA platform will enable teachers, students and parents to learn more about epilepsy and basic first-aid steps, as well as those who want to get information easily.

Epilepsy at School is the first project to be uploaded to a publicly available educational platform initiated by a pharmaceutical company in collaboration with the Ministry of Education. The EBA platform gave the opportunity to share knowledge and increase awareness about epilepsy for teachers and students as well as families. It's also a good example for UCB's trust-based partnership with Governmental Authorities and health care professionals associations.

2.2 RTP hosts 10 Wake County Teachers, UCB Raleigh, NC (U.S.)

Bruce, Sarah, Cherilyn, Antwanna, Andrew, Michelle, Ken and Laura arriving at UCB U.S.

On 19 July 2018, RTP hosted ten high school teachers as part of the SummerSTEM immersion program.

SummerSTEM is an award-winning, 8-day professional development program to enrich educators' understanding of the knowledge and skills necessary to succeed in STEM (Science, Technology, Engineering, & Math) careers. This program is a collaboration between

the WakeEd Partnership, the Wake County Public School System, and biotech businesses in North Carolina.

During the program, the teachers participated in pharmaceutical manufacturing and clinical development knowledge sessions, which UCB hosted in partnership with Biogen (also located in RTP). In line with UCB's 2018 corporate priorities, this program represented our continued external engagement strategy and was an opportunity to enhance the knowledge and application of STEM industries, professions, and experiences of our local educators to support the path of future generations into the workforce.

Bruce, Millbrook High School, Antwanna, NWCCA.

At UCB, the teachers participated in engaging, hands-on experiences designed to bring real-world lessons to the classroom about topics such as patient-centricity, the clinical-study landscape, and essential knowledge, skills, and competencies for success in the biotech industry. The success of the event was a cross-functional effort led by teams from across the organization, including Global Clinical Development, Global Clinical Sciences and Operations, and Business Excellence.

At the end of the program, the teachers develop a project-based learning unit to deliver to students in their classrooms based upon their experiences from these sessions. The program culminates with STEMposium in May 2019 where students will present what they have learned as a result of their teachers completing this program.

2.3 Rebuilding Together (U.S.)

In 2018, UCB joined **Rebuilding Together**, a leading U.S. nonprofit in safe and healthy housing with more than 40 years of experience. Each year, Rebuilding Together affiliates and nearly 100 000 volunteers complete about 10 000 rebuild projects. Established in 1974, they believe in safe homes and communities for everyone. Through this vision, Rebuilding Together is committed to repairing homes for older Americans or people living with disabilities who are physically and financially unable to maintain safe living conditions.

The initial project in San Jose, CA in April supported a woman who had several previous fractures and falls. Given the success of UCB's engagement with Rebuilding Together, in October, on World Osteoporosis Day, colleagues participated in 3 more activities with the organization in Seattle, WA, Philadelphia, PA, and Atlanta, GA working on homes and at a local senior

center. UCB supported these building projects through donations and volunteer support.

This is aligned to our commitment to support patients in the disease areas where we work.

2.4 EPPI paddling triathlon (Czech Republic)

EPPI Paddling triathlon, UCB Czech Republic

UCB in the Czech Republic organize every year **EPPI Paddling Triathlon** – a special triathlon to support patients living with epilepsy on their life journey in cooperation with patient organizations and Czech Key Opinion Leaders.

It was created as branch of EPPIE'S Great Race (founded by Eppaminondas Johnson in 1979 in California), and it is triathlon available for patients living with epilepsy – instead of swimming there is paddling on a boat as a part of race.

This 16th season of EPPI paddling triathlon underlined the patient centricity devotion to strengthen awareness of epilepsy. A total of 127 kids and adults attended the race this year, so in 16 years history there have been more than 1 500 people running, cycling and paddling, side by side with patients living with epilepsy. Registration fees for this race are donated to the Patient organization **EpiStop**.

3 Access to Health in CSR projects

The CSR department is accountable for actions relating to Material Aspects Access to Health and Medicines and Disease Awareness and Education in resource-limited countries. These aspects were considered very relevant to stakeholders.

Epilepsy is a common neurological disorder and it is estimated that 80% of the 70 million people living with epilepsy in the world live in sub-Saharan Africa. Epilepsy is associated with a high disease burden and stigma and in low and middle-income countries (LMIC) persons living with epilepsy are often deprived of access to quality epilepsy care.

Access to epilepsy care remains a complex public health challenge in LMIC. Limited or lack of qualified health care professionals and disease awareness at different levels of the society makes people living with epilepsy more vulnerable to poverty and social exclusion. Furthermore, barriers to quality epilepsy care in those resource-poor countries are manifold, such as poverty, walking distance to health centers, limited healthcare resources, among others.

UCB Corporate
Societal Responsibility

Over the past 6 years, UCB's CSR department, together with partners of the 9 ongoing initiatives in Africa and Asia, further fine-tuned the Access to Health vision by improving various initiatives and building on experience and expertise obtained in individual initiatives of access and health, medicine, disease awareness and education for underprivileged people living with epilepsy. The CSR department is responsible to review and to report regularly the implementation activities and the impact of the different activities.

In this context, UCB maintains the four pillars of the strategy:

- create inclusive epilepsy education platforms for health care providers, who often have limited knowledge on the disease, causes, diagnosis and treatment options;
- expand and accelerate community awareness programs of epilepsy as a chronic disease, to increase acceptance and social integration of people living with epilepsy in their family, school, social and economic network;
- advance access to diagnosis and treatment (within the countries' treatment guidelines) offering holistic care; and
- create academic neurology platforms to train the next generation of researchers and neurologists building sustainable value to the country's public health.

Under a **shared responsibility** philosophy, the CSR department adopted a sustainable and responsible relationship with the different partners, fully mindful of field realities and challenges, making realistic and impactful improvements for persons living with epilepsy.

Considering the R&D focus at UCB, there are no programs for neglected tropical diseases, high-burden diseases specific needs of developing countries; or for R&D partnerships.

3.1 King Baudouin Foundation (Belgium)

The **UCB Societal Responsibility Fund** was jointly launched by UCB and the King Baudouin Foundation (KBF) in 2014. The KBF is an independent, not-for-profit and highly-recognized organization established 35 years ago and has grown internationally through multiple partnerships globally.

This partnership is allowing UCB colleagues and stakeholders to financially support CSR initiatives through donations to the UCB Societal Responsibility Fund. Five initiatives are supported, i.e., Fracarita Belgium in Kigali (Rwanda), Fracarita Belgium in Lubumbashi (Democratic Republic of Congo), DukeMedicine, Global Neurosurgery and Neurology department (DNGG) of Duke University (Durham, U.S.) in Uganda, Humanity & Inclusion (Brussels, Belgium) in Madagascar and One Family Health (London, U.K.) in Rwanda.

In 2018, the management of the UCB Societal Responsibility Fund approved a concept paper of improving access to epilepsy care by creating neurology networks in Rwanda and Mozambique. The program will strengthen the capacity in neurology, foster neurology sub-specialization through targeted sponsorship, provide expert EEG training courses, assist in the creation of disease registries for rare neurological conditions, support clinical research study capacity and create disease awareness and education programs in those countries.

UCB Societal Responsibility Fund

3.2 Duke Medicine (Uganda)

DukeHealth Global Neurosurgery and Neurology

In 2018 the DGNN department (U.S.) of Duke University (Durham, U.S.) completed the second of the three-year funding by the UCB Societal Responsibility Fund of the King Baudouin Foundation.

The overall objective of our DGNN partnership is to build on synergies between our two organizations in improving access to quality epilepsy care in Uganda by sharing knowledge on disease awareness and education programs, training models, and infrastructure strengthening. Epilepsy trainings of health care providers and community awareness initiatives are designed to accelerate access to quality care and reduce diagnosis and treatment gaps and also have the impact of reducing stigma and social isolation of persons living with epilepsy. Preliminary data of the **Practical and Cultural Barriers to Epilepsy Care** study helped identifying barriers in a culturally appropriated manner and characterizing predictors of healthcare utilization patterns in urban and rural areas access. Ongoing analyses on these data and data pertaining to treatment and prevalence patterns will inform and maximize the effectiveness of our partnership work.

3.3 Fracarita Belgium – Kigali (Rwanda)

fracarita BELGIUM

Fracarita Belgium is a fundraising arm for Brothers of Charity. In Rwanda, the activities with the Brothers of Charity have entered their ninth year. The local teams accelerated significantly in 2018 and provided improved in-depth insights in the epilepsy disease burden and care models. Next to continued donation of anti-epileptic medicines, further strengthening of the neurology and public health capacity is accomplished by a four-pronged approach:

- offering a Master of Neurology training to two physicians at the Cheik anta Diop University in Dakar (Senegal);
- offering a Master of Public Health training to one researcher at the Mount Kenia University in Kigali (Rwanda);
- continuing the epilepsy and depression as co-morbidity research study in the framework of the PhD program, under the supervision of Prof dr Paul Boon of Neurology Department of Ghent University (Belgium); and
- offering epilepsy trainings to traditional healers in villages of the Musanze health district.

In addition, a staff member of the Ruhengeri Hospital completed a three-month EEG training in Ghent, EEG equipment was provided to the Gikonko health center, the Butare neuropsychiatric hospital and the Ruhengeri referral hospital.

Florence, Cyusa, Jean-Christophe, Dr. Fidele and **Dirk,** Rwanda

3.4 Fracarita Belgium – Lubumbashi (Democratic Republic of Congo)

Our partnership with the Brothers of Charity in the neuropsychiatric center Dr Joseph Guislain in Lubumbashi (Democratic Republic of Congo) is the oldest of the CSR initiatives and entered its tenth year. It is built around four objectives:

- better understanding of epilepsy disease burden, especially for children living with epilepsy;
- developing an affordable and sustainable care for people living with epilepsy, and their families;
- strengthening the neurology capacity of the center with one neurologist returning from the Cheik anta Diop University in Dakar (Senegal) and two physicians in neurology training, respectively in the first and last year; and
- donation of anti-epileptic drugs.

The mobile clinic outreach program continues to the four health centers in the proximity of Lubumbashi. In 2018, the number of consultations in those bi-monthly activities have increased by 34% to 3 347.

3.5 Humanity & Inclusion (Madagascar)

In 2018 Humanity and Inclusion completed the second of the three-year funding by the UCB Societal Responsibility Fund of the King Baudouin Foundation.

The Anjaratsara initiative aims to ensure the management of epilepsy at all levels of the health pyramid improving both the social integration of adults and school access for children living with epilepsy. Activities are implemented in the Boeny and Analanjirofo regions.

In this second-year, physicians and paramedical staff of basic health centers in the two districts received an epilepsy training to improve the diagnosis and treatment gaps. Also, community health agents were also trained to improve their epilepsy knowledge and align their referral strategy.

Following various awareness and education activities with the community health agents, an important number of persons living with epilepsy already came forward. Only 32% of those persons were on anti-epileptic treatment, illustrating the importance of this initiative.

3.6 One Family Health (Rwanda)

In 2018, One Family Health (OFH) entered the third and last year of a partnership with the UCB Societal Responsibility Fund of the King Baudouin Foundation.

Our partnership supports the OFH mission to improve access to quality essential medicines and basic health care services in remote and underprivileged communities in Rwanda. The NGO works closely with the government of Rwanda to bring a health post to every cell, the lowest administrative entity, in support of Universal Access to Care.

OFH will continue to work towards the objectives of this partnership, after the discontinuation of our partnership in 2019.

3.7 The Roch Doliveux Neurology Fellowship (Mozambique)

A PhD programme started under the supervision of Prof. Dr. Lieven Lagae, department of Pediatric Neurology of the KU Leuven University (Belgium). In addition, one pediatician started her first of two years child neurology training also under the supervision of Prof. Dr. Lieven Lagae.

3.8 World Health Organization (Myanmar)

In 2018, a four-year partnership with the World Health Organization was initiated to offer access to care in Myanmar's Epilepsy Initiative scaling up program.

This program was a continuation of the successful five-year pilot project under the National Framework for Epilepsy Care in Myanmar and supported by UCB. The framework provides a tailored model of epilepsy care at all levels of the healthcare system and validated a model effective in offering an epilepsy coverage of 47%.

The World Health Organization and the Ministry of Health and Sports are committed to building on the lessons learnt and evidence generated from this pilot project. The objective of the scaling up program is to ensure long-term sustainability of accessible, affordable and quality care for epilepsy in the country.

The approach to scaling up epilepsy care in Myanmar is to reach gradually 85 townships in nine states/regions and to outline a policy and state-localized services within the Universal Health Coverage (UHC). A cascade model of training will be adopted where the central level will provide training to the State/Regional level trainers (both in medical care – specialists in hospitals and public health sectors) and non-communicable diseases focal points at the Regional and State levels taking responsibility for the implementation in these townships.

3.9 Project HOPE (China)

The Rainbow Bridge – Hope and Care for Children and Families with Epilepsy program with Project HOPE and the Shanghai Children's Medical Center has completed the second year of childhood epilepsy activities in remote China. A broad platform of institutional and academic support is available with the Chinese Association Against Epilepsy, the Neurology Committee, the Chinese Pediatric Society, the Chinese Medical Association and 14 associated university hospitals.

To date, the education for medical personnel brought together 2 529 pediatricians and general practitioners in classroom training, with over 553 000 children living with epilepsy benefitting from these trainings.

In addition, Rainbow Bridge organized family week-end workshops bringing together 24 children living with epilepsy and 55 family members. The joy and happiness of children playing games and learning about epilepsy while playing is heart-warming. Parents in the meantime receive quality time with the neurology staff in attendance and learn the similarities and challenges and hope that unites them. In addition, community volunteers also join the activities or make facilities available free of charge or at reduced costs. Teachers, physicians, pediatricians and volunteers exemplify the greatness of Chinese people.

Alongside the public education initiatives, also school teachers are invited to improve their understanding of epilepsy and how-to act in case a child experiences a seizure in the class, in schoolyard, in sport activities or at home. School teachers are key for the well-being of all children in school, including children living with epilepsy in the school environment. Different workshops brought together 70 teachers.

3.10 Business Development Center Red Cross Society of China (China)

The activities with the Business Development Center of the Red Cross Society of China (Beijing, China) completed in 2018 the sixth year of the partnership with UCB.

To date, over 1 500 village doctors of ethnic minorities in remote China from eleven provinces received tailored training. It has been estimated that close to 500 000 people benefitted directly from the new knowledge and skills acquired, including persons living with epilepsy. It is also estimated that close to 10 000 000 people benefitted indirectly from the training courses. Village doctors shared the training modules with their teachers in the township hospitals and during monthly training sessions other village doctors received the same training.

During field visits with village doctors, the relentless dedication of a village was witnessed to relief illnesses of the villagers. Their genuine and touchingly humane approach of their patients, in a holistic approach, is moving. Their medical curiosity and hunger for key knowledge to improve the lives of their neighbors, in their villages, was captivating.

Dr. ChunXiang, China

In 2018, an integrated epilepsy care model was launched in Zigong City (Sichuan province). Epilepsy training, tailored to the needs of the health care providers, was prepared by the Zigong vocational school together with the neurology staff of the first and fourth People's Hospital. The overarching objective of this Zigong model is to accelerate the detection, referral, diagnosis and treatment choice and adherence of persons living with epilepsy by linking, seamlessly, the five layers of health care provision in the city. Alongside community and school, activities will mobilize the people to understand the disease, to reduce the stigma and to improve the integration of persons living with epilepsy.

In addition, on the China Epilepsy Day, Phoenix Metropolis Media, as part of their CSR contribution, broadcasted, free-of-charge, an epilepsy video on their outdoor screens in five leading cities in China, reaching over 15 300 000 audience. The video featured several children of the GuangXi Zhuang Autonomous Region, Ms Li Ting (Olympic gold medalist) and Ms Li Rao as ambassadors of love for children living with epilepsy.

Moreover, CCTV-12 featured a video on the impact of the village doctor training in Inner Mongolia. Dr Zhang was followed during three days in his work and his reflections on his improved knowledge, on how it changed his attitude and practice towards patients in general and persons living with epilepsy. The documentary illustrated the remoteness and hardship of village doctors and persons living in these very remote parts of China.

Dr. Anguo and **Dr. Xiulian**, China

UCB Bulle, Switzerland

CHAPTER

5 Our **environmental footprint**

We commit to reducing our ecological footprint with the thinking that it does not make sense to provide our patients with solutions for their diseases, on the one hand, while on the other, destroying the environment they live in.

In 2016, we strengthened our corporate environmental strategy by adopting 3 ambitious and absolute targets aimed at reducing the footprint of UCB's most significant environmental impacts **by 2030**:

1. Reduce carbon emissions **by 35%** and become **carbon neutral**
2. Reduce water consumption **by 20%**
3. Reduce waste production **by 25%**

It is UCB's goal to develop and produce medicines for people with severe diseases in the most environmentally sustainable way possible. To this end, UCB is determined to meet the ambitions set forth in the *Paris Agreement* reached at the 21st session of the Conference of the Parties (COP21), as demonstrated through the signing of the *Science Based Targets Engagement Letter*.

We believe that our environmental ambition will help driving the transition to a low carbon economy and will address the identified risk that continuously changing and new or emerging regulatory requirements aimed at mitigating climate change, may potentially adversely impact UCB's compliance status with the applicable regulations and value chain encompassing negative impact upon UCB's reputation.

Our Green Strategy currently focuses on the activities we can directly control and sets clear, absolute milestones to measure our progress. The **expected outcomes** of our strengthened environmental strategy include:

- a reduced environmental footprint;
- improved employee engagement;
- reduced operational expenditure; and,
- reduced exposure to taxation schemes or other regulatory requirements impacting compliance and/or cost of goods.

Our progress in 2018

	2015 (benchmark year)	2016	2017	**2018**	Variance 2018/ 2015
Scope covered (% employees)	86%	86%	90%	90%	4%
Energy (MegaJoules)	**1 137 502**	**854 906**	**797 900[1]**	**829 248**	**-27%**
Electricity from renewable sources	59%	80%	92%	92%	33%
CO_2 emissions (tons)	**112 415**	**94 002**	**86 965**	**78 328**	**-30%**
Scope 1 – direct CO_2 emissions	37 573	28 415	26 090[1]	27 508	-27%
Scope 2 – indirect CO_2 emissions (market-based)	28 108	10 936	5 888	5 818	-79%
Scope 2 – indirect CO_2 emissions (location-based)				20 703	
Scope 3 – other indirect greenhouse gas (GHG) emissions	46 734	54 651	54 987	45 009	-4%
Water (m^3)	**804 360**	**704 310**	**663 359**	**799 469**	**-1%**
Waste (tons)	**9 746**	**8 713**	**7 090**	**6 970**	**-24%**
Waste recovered	95%	97%	91%	92%	-3%

[1] As appropriate, a minor restatement of this indicator was made to improve the accuracy and comparability of data.

Beyond the scope change, factors which influenced consumption are:

- increased production and research activities;
- variations in climatological conditions (with an impact on the need for cooling/heating);
- implementation of saving programs.

1 Scope of reporting

Planet data are consolidated for all manufacturing, research and development sites, HQ, and affiliates from Brazil, China, India, Italy, Japan, Germany, Mexico, Russia, and U.S. This **scope covers 90%** of UCB's workforce, compared to 86% in 2015 (benchmark year).

Scope changes in the last years:

- 2015: Startup of the bioplant in Bulle (Switzerland) and divestiture of the Kremers Urban operations including production site in Seymour, IN (U.S.).
- 2016: Divestiture of the production site in Shannon (Ireland)
- 2017: Consolidation of 2 additional affiliates: Brazil & Russia.

The footprint of Beryllium in Boston, MA (U.S.), acquired in 2017 and employing 50 employees, and Element Genomics in Durham, NC (U.S.), acquired in 2018 and employing 15 employees, is not yet included in this report.

In the GRI Sustainability Indicators section is stated for each (environmental) indicator whether UCB's level of reporting covers the GRI reporting requirements in full or in part.

The following observations have been made during the data validation and consolidation process:

- In Atlanta (U.S.) and Monheim (Germany), facilities are rented to third parties and there are no separate utility meters installed. As a result, consumption is overestimated for which the impact cannot be reliably measured.
- The 2017, direct CO_2 emissions for natural gas consumption is calculated considering the high or low heating value. As of 2016, conversion factors published in the **Bilan Carbone** guidelines, version 7.51 are used. Previously, conversion factors published in the intergovernmental panel on Climate Change 2006 Guidelines for national Greenhouse Gas inventories and the U.K. Department of Environment, Food and Rural Affairs 2013 Government GHG Conversion Factors for Company Reporting: Methodology Paper for Emission Factors were used. The new factors were chosen in order to be consistent with a CO_2 mapping exercise completed by UCB in 2015 and based upon the Bilan Carbone methodology.
- Scope 1 CO_2 emissions do not (yet) include emissions from UCB's car fleet.
- Considering the growing percentage of electricity being generated from renewable sources, CO_2 emissions resulting from electricity consumption were calculated on market-based CO_2 equivalents of the electricity mix consumed as reported by the UCB sites. When for a given site a specific ratio was not available, location-based ratios published by the International Energy Agency (IEA) 2018 were applied. In the GRI Sustainability Indicators section location and market-based emissions are both reported. Conversion factors used to calculate the CO_2 emissions caused by business travel by air take radiative forcing into account.
- A total of 92% of waste generated by UCB is recovered and the methods by which waste is recovered are classified according to Annex B to the EU directive 2008/98/EU.

The other indirect GHG emissions (scope 3) reported under GRI indicator EN17 relate to domestic and international air travel performed by UCB employees working in 30 countries: Australia, Austria, Belgium, Bulgaria, Brazil, Canada, China (including Hong Kong), Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, India, Italy, Japan, Mexico, Netherlands, Norway, Poland, Portugal, South-Korea, Spain, Sweden, Switzerland, Taiwan, Turkey, U.K. and U.S..

2 From green strategy to green action

In addition to stimulating reflections on continuous (green) improvements to our patient solutions, infrastructure and processes, we try to engage all at UCB by:

1. raising awareness
2. encouraging greener behavior

The Green Teams and the celebration of World Environment Day are great examples.

2.1 Green teams

On a more permanent basis, Green team members volunteer to work on projects, organize workshops and activities aimed at raising awareness about the impact our daily activities (at work but also elsewhere) have upon the environment, and to work on developing a green mindset.

10 **Green Teams** have been set up at 5 different UCB sites: Brussels and Braine-l'Alleud (Belgium), Monheim (Germany), Slough (U.K.) and Atlanta (U.S.).

In 2018 for example, colleagues participated to World Clean-Up Day by collecting litter in the neighborhood of several UCB sites. In Slough (U.K), **Veggie Days** are organized to encourage colleagues to eat more vegetarian food and the coffee loyalty scheme was re-vamped to only benefit those who bring their reusable mugs.

2.2 World Environment Day – 5 June

Green Day in China, UCB

Laeticia, **Emmanuel**, **Sarah**, **Bérangère** and **Luc**, UCB

Since 2014, UCB colleagues all over the world paint the town green for World Environment Day with activities organized on multiple sites. Examples of activities organized in 2018 include:

- workshops in Bulle (Switzerland), spread over the whole week, ranging from sessions to promote car sharing and biking to work, to guided site tours illustrating our environmental impacts and mitigation

projects and awareness sessions on how-to create a zero emissions site.

- promotion of waste recycling tips in RTP, NC (U.S.)
- creative green brainstorm sessions in Monheim (Germany) which produced 90 ideas
- activities supporting biodiversity carried out by our colleagues in Saitama (Japan)
- a Green Teams stand at UCB Belgium Staff Party...

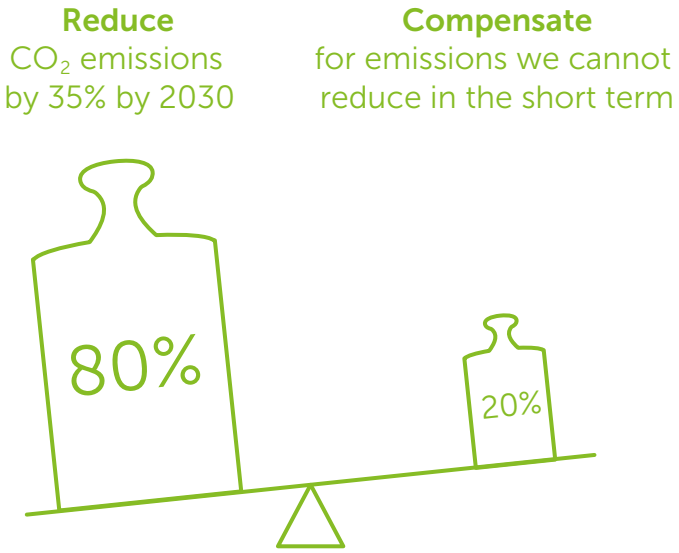
One of the highlights of this special day was a very entertaining and motivating talk by Bertrand Piccard, co-pilot of the first successful round-the-world solar powered flight with the famous Solar Impulse. Almost 1 000 people joined the broadcast while almost 200 attended live on our Braine-l'Alleud site (Belgium).

Mr. Piccard inspired colleagues with stories of green innovations that will bring us to a low-carbon economy and society, inviting us to think and do green to meet our goal of becoming carbon neutral by 2030.

3 Towards carbon neutrality

It is UCB's ambition to render the operations we control directly carbon neutral by 2030.

Our actions aimed to achieve carbon neutrality are based both on carbon reduction and carbon compensation mechanisms.



This ambition includes:

- scope 1 emissions
- scope 2 emissions
- part of the scope 3 emissions, covering activities performed at UCB sites (e.g. product research, development and manufacturing), the distribution of UCB products, devices and packaging put on the market, UCB's car fleet, business travel, employee commuting, etc. As part of our engagement to the Science Based Targets initiative, objectives for the scope 3 emissions, which are not yet included in the scope mentioned above will be confirmed in 2019. These will mainly relate to our suppliers and contract manufacturing partners (CMOs).

3.1 Energy consumption

GRI indicator		Definition	Unit of measure	2015 (benchmark year)	**2018 Actual**	Variance (%)
302-1	**Total**	Total energy consumption	GigaJoules	1 137 502	829 248	-27%
	Gas	Gas consumption	GigaJoules	652 584	465 729	-29%
	Fuel oil	Fuel oil consumption	GigaJoules	12 956	16 115	24%
	Fuel vehicle	Utility vehicle fuel consumption	GigaJoules	158	112	-29%
	Electricity	Electricity consumption	GigaJoules	471 804	347 292	-26%
302-4	**Energy saved**	Energy saved due to conservation & efficiency improvements	GigaJoules	6 743	6 653	-1%

Energy saving initiatives implemented in 2018 led to a recurrent energy saving of 6 653 GigaJoules, which is 0.8% of UCB's scope 1 and scope 2 energy usage. Energy saving projects were completed at the sites in Bulle (Switzerland), Braine-l'Alleud (Belgium) and Zhuhai (China). Key contributors were the optimization of the functioning of HVAC[1] systems in Braine-l'Alleud (Belgium), the replacement of fluorescent lamps by LED lamps at the Zhuhai site (China) and the recycling of hot blowdown water into the black steam system in Bulle (Switzerland).

In 2018, 92% of the electricity consumed by UCB originated from renewable sources, with 5 sites relying fully on electricity generated from renewable sources: Bulle (Switzerland), Monheim (Germany), Atlanta (U.S.), Braine-l'Alleud and Brussels (Belgium). Renewable electricity sources include solar, wind and hydropower, as well as, biomass.

2 641 GJ

Electricity generated by UCB through solar panels

45 009

Tons CO_2 emissions due to business travel

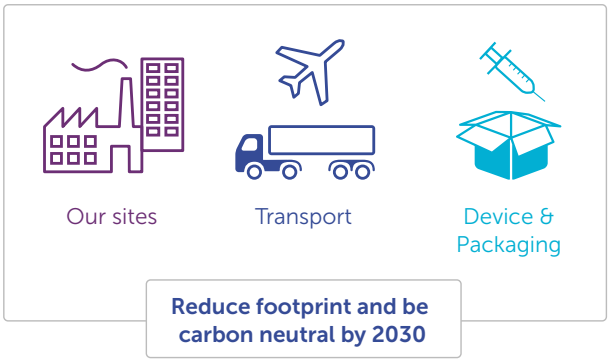
In 2018 UCB generated 2 641 GigaJoules of electricity through solar panels installed in Braine-l'Alleud (Belgium) and Bulle (Switzerland), an increase of 59% compared our baseline year 2015. This increase is mainly due to the installation of additional solar panels in Braine-l'Alleud (Belgium).

Compared to our baseline-year 2015, overall scope 1 and scope 2 CO_2 emissions were reduced by 49%; scope 1 emissions decreased by 27% while scope 2 emissions were reduced by 79%. These reductions are mainly due to the divestiture of the sites in Seymour (U.S.) and Shannon (Ireland) in resp. 2015 and 2016, revamping projects completed at several manufacturing plants and the fact that 92% of consumed electricity is generated from renewable sources.

Business travel, associated with scope 3 CO_2 emissions resulted in 45 009 tons, a decrease of 4% when compared to 2015.

3.2 Carbon reduction

Operations directly controlled by UCB

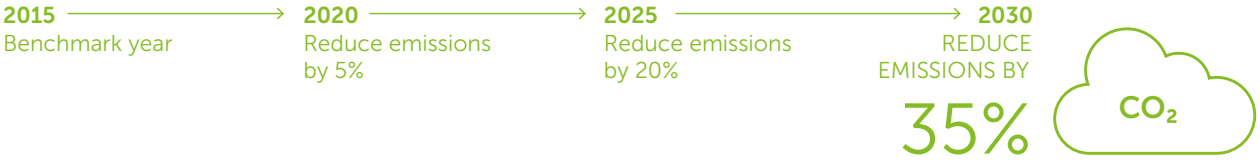


Operations indirectly controlled by UCB

3.2.1 Carbon reduction linked to operations directly controlled by UCB

UCB did set short- and long-term targets to reduce the carbon footprint of the activities we control directly (the left part of the above graph).

The evolution of the carbon footprint of these activities since 2015 is given in the graph below:



GRI indicator		Definition	Unit of measure	2015 (benchmark year)	2018 Actual	Variance (%)
305-1	**Direct CO_2 emissions – scope 1**	Electricity	Ton CO_2	0	0	N/A
		Gas	Ton CO_2	36 610	26 512	-28%
		Fuel	Ton CO_2	963	997	2%
305-2	**Indirect CO_2 emissions – scope 2**	Electricity (market-based)	Ton CO_2	28 108	5 818	-79%
		Electricity (location-based)	Ton CO_2	N/A	20 703	N/A
		Gas	Ton CO_2	0	0	N/A
		Fuel	Ton CO_2	0	0	N/A
305-3	**Other indirect GHG emissions – scope 3**	Business travel	Ton CO_2	46 734	45 009	-4%

[1] HVAC: Heating, Ventilation and Air-Conditioning

We aim to reduce our GHG (greenhouse gases) emissions related to operations we control directly by:

- increasing the use of energy generated from renewable sources, on a percent basis;
- improving the energy efficiency of our processes, installations and buildings;
- changing our behavior where possible (e.g., smarter travelling).

Two key internal stakeholders immediately picked-up the carbon reduction challenge:

- through active sourcing of our Procurement teams, the percentage of consumed electricity generated from renewable sources increased to 92% in 2018.
- Technical and Supply Operations (TSO) launched the Green@TSO program in 2017. This long-term initiative challenges our development, manufacturing, distribution & logistics, devices and packaging teams to take conscious decisions aimed at developing solutions that benefit both patients and planet. In 2018, 10 workstreams continued to identify short-term opportunities and to develop longer-term roadmaps to optimize the energy efficiency of our industrial installations and processes. The Global Distribution and Logistics team for instance identified four clusters (packaging, network routing, carriers, loading efficiencies and intermodal transportation methods) around which efficiency improvement programs will be focused as of 2019.

3.2.2 Carbon reduction linked to operations indirectly controlled by UCB

In order to address our entire value chain and as part of our engagement to the Science Based Targets initiative, objectives for the scope 3 emissions, which are not included in the scope mentioned above were prepared in 2018. These relate mainly to our suppliers and contract manufacturing partners. They will together with the objectives previously site for our scope 1 and 2 objectives and the scope 3 objectives related to the operations we control directly, be submitted to the Science Based Targets Committee in 2019.

3.3 Carbon compensation

Even though our main focus lies on reducing GHG emissions, we will need to compensate for the emissions we cannot reduce in the short-term. That's why, in 2017, UCB partnered with sustainability organizations dedicated to re-forestation and environmental protection, that will coordinate our carbon compensation efforts.

	EcoMakala[1]	Desa'a Forest
	Virunga Park, Democratic Republic of Congo	Northern Ethiopia
	CO2logic	WeForest – Making Earth Cooler
	2025	2030
	10 000 hectares	12 000 hectares
	+/-300 000 tons of CO_2 saved	+/-200 000 tons of CO_2 saved
	currently being certified by the Gold Standard	currently being certified by the Plan Vivo standard
	Visit the Ecomakala program	Visit the Desa'a Forest project

SUSTAINABLE DEVELOPMENT GOALS

On top of the sequestration of CO_2, these projects also provide employment to the population living in these areas and help improve their living conditions. In fact, the climate projects contribute to many of the U.N. Sustainable Development Goals.

[1] Our partner also provides the local population with energy efficient cook stoves and sustainably produced charcoal, during a period of 10 years. This helps to prevent the illegal harvesting of wood in the Virunga park currently used to prepare daily meals. Through this initiative, the emission of approximately 400 000 tons of CO_2 will be avoided.

4 Water withdrawal

Reduce water consumption by
20%

UCB set the absolute target to reduce its water consumption by 20% by 2030, compared to the 2015 baseline. This target is quite ambitious, as UCB's transformation to a leading biopharma company will increasingly lead to the introduction of production processes, which typically tend to be more water demanding.

GRI indicator	Definition	Unit of measure	2015 (benchmark year)	**2018 Actual**	Variance (%)
303-1 Water	Total water	m^3	804 360	799 469	-1%
	Main water	m^3	624 427	552 985	-11%
	Ground & surface water	m^3	179 933	246 484	37%

Compared to 2015, water consumption decreased by 1%. This evolution was mainly impacted by the divestiture of the sites in Seymour (U.S.) and Shannon (Ireland) - which lowered water consumption by 190 654 m^3 - and water saving projects on the one hand and by the grown importance of water-intense bio-processes at our production plant in Bulle (Switzerland) and increased usage of surface water for cooling purpose at our site in Monheim (Germany) on the other hand.

In 2018, water saving projects completed in Braine-l'Alleud (Belgium) and Bulle (Switzerland) resulted in a recurrent annual water saving of 38 000 m^3. UCB participated for the first time to the Climate Disclosure Project's (CDP) **Global Water Reporting Scheme**.

5 Waste production

Reduce waste production by
25%

UCB also set the absolute target to reduce its waste generation by 25% by 2030 compared to the 2015 baseline.

In 2018, waste generated at the UCB facilities has decreased by 28% compared to the baseline.

GRI indicator		Definition	Unit of measure	2015 (benchmark year)	**2018 Actual**	Variance (%)
306-2	**Waste disposal**	Total waste	Tons	9 745	6 790	-28%
		Total waste not recovered	Tons	520	536	3%
		Total waste recovered	Tons	9 255	6 435	-30%
		Subtotals	Tons			%
		Subtotal waste used principally as a fuel or other means to generate energy (EU waste recovery code R1)	Tons	2 919	2 120	-27%
		Subtotal waste recovered through solvent reclamation or regeneration (EU waste recovery code R2)	Tons	2 839	2 598	-8%
		Subtotal waste recovered through recycling/ reclamation of organic substances which are not used as solvents (EU waste recovery code R3)	Tons	1 604	1 204	-25%
		Subtotal waste recovered through recycling/ reclamation of inorganic materials other than metals (EU waste recovery R5)	Tons	1 790	404	-76%
		Subtotal waste recovery by other methods (EU waste recovery R4, R6 & R9)	Tons	74	108	47%
306-3	**Total number and volume of significant spills**	Number		0	0	N/A
		Volume	Tons	0	0	N/A
306-4	**Hazardous waste**	Hazardous waste as defined by locally applicable regulations	Tons	6 455	4 844	-25%
	Non-hazardous waste	Other solid waste (excluding emissions and effluents)	Tons	3 291	2 126	-35%

waste recovered

UCB globally managed to recover 92% of its waste, predominantly through recovery of waste as a fuel to generate energy, and the recovery and regeneration of solvents, which is slightly lower than the recovery rate of 94% achieved in baseline year 2015

Waste avoidance and improved waste recovery by an active management of various waste streams remains key in managing UCB's ecological footprint.

6 Environmental outlook for 2019

In 2019 we plan to:

- have our climate action targets approved by the Science Based Targets initiative.
- launch a "travel smart" initiative addressing the carbon footprint of our business related travel
- continue the effort to lower the average emission of our car fleet
- include green criteria into the design of new buildings in order to have them comply with green building standards such as LEED[1] or BREEAM[2].
- continue the roll-out of our Green@TSO program aimed at reducing our GHG emissions through the optimization of industrial processes.
- grow our EcoMakala and Desa'a Forest carbon compensation projects in the Democratic Republic of the Congo and in Ethiopia.

> Even sometimes when the future feels dark living with a chronic disease, an even bigger problem can be with your attitude. I have learned you need mental training so you can 'turn around' your brain, remain positive, and put your best self forward.

Susanne, living with ankylosing spondylitis

[1] LEED (Leadership in Energy and Environmental Design)
[2] BREEAM (Building Research Establishment Environmental Assessment Method) are leading standards for "assessing eco-buildings".

Lut, living with osteoporosis

CHAPTER

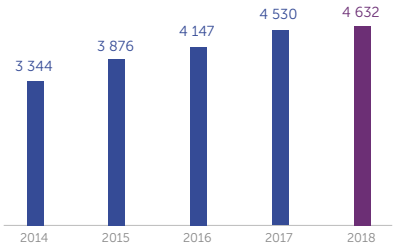
6 Our **financials**

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

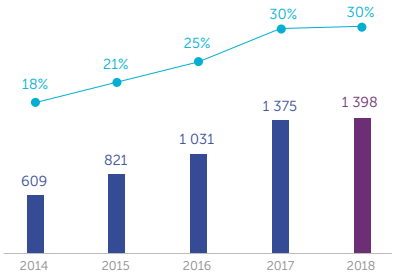
- Invest a substantial part of our revenue in our pipeline with R&D expenses around € 1-1.2 billion
- Increase our financial flexibility by bringing our debt down: net debt / rEBITDA ratio has decreased from 2.65 in 2014 to 0.17 in 2018
- To reach peer profitability with a rEBITDA / revenue ratio which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

Delivering continuous profitable growth

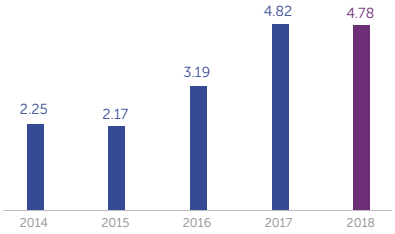
Revenue



Recurring EBITDA

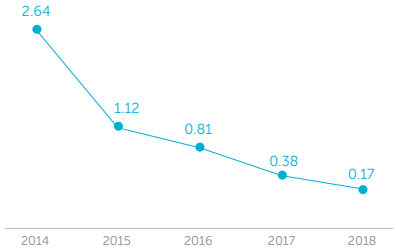


Core EPS

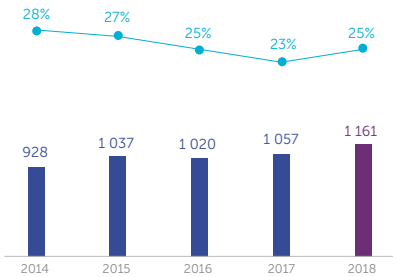


Strong foundations for future growth

Net debt / recurring EBITDA ratio



R&D / revenue ratio



2018 financial report

1 Business performance review

1.1 Key highlights

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

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

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

[2] CER: constant exchange rates

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

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

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

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

1.2 Key events[1]

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

1.2.1 Important agreements/initiatives

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

1.2.2 Regulatory update and pipeline progress

Neurology

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

Immunology

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

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

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

Bone

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

All other clinical development programs are continuing as planned.

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

1.3 Revenue and recurring EBITDA

1.3.1 Net sales by product

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

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

Core products

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

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

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

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

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

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

Established brands

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

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

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

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

1.3.2 Net sales by geographical area

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

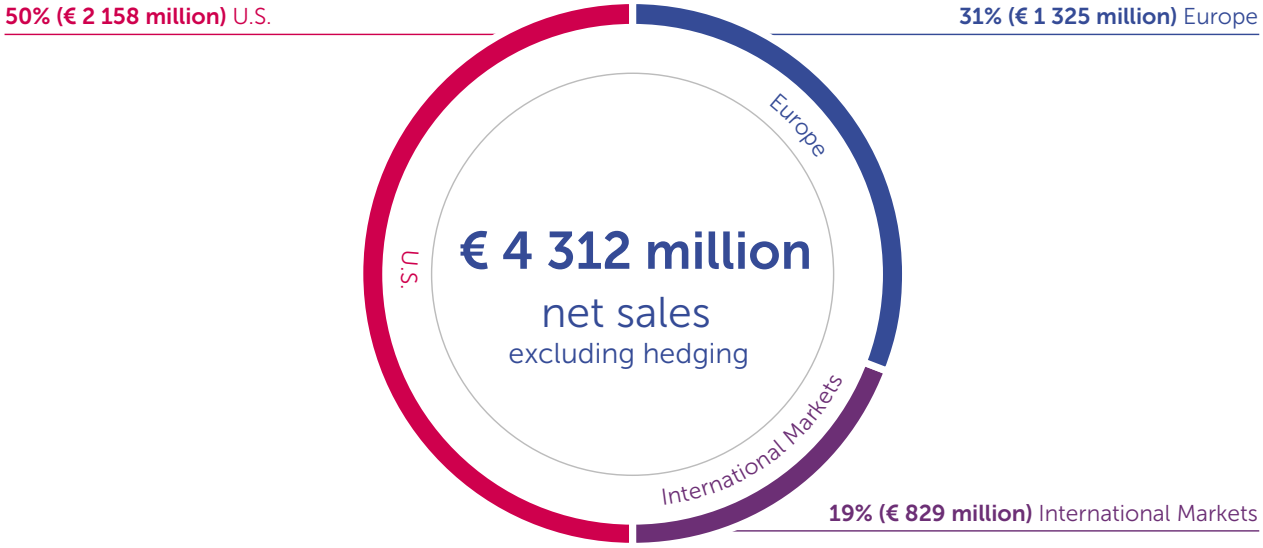
U.S. net sales reported by UCB were up to € 2 158 million (+4%; +9% CER); driven by the core products. Cimzia® net sales decreased by 2% at real rates and increased by 2% at constant rates reaching € 896 million. Vimpat® went up by 10% (+15% CER) to € 822 million. The Keppra® franchise went down to €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

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

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

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

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



1.3.3 Royalty income and fees

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

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

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

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

1.3.4 Other revenue

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

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

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

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

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

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

1.3.5 Gross profit

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

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

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

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

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

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

1.3.6 Recurring EBIT and recurring EBITDA

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

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

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

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

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

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

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

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

1.4 Net profit

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

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

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

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

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

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

1.5 Core EPS

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

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

1.6 Balance sheet and capital expenditure

1.6.1 Capital expenditure

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

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

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

1.6.2 Balance sheet

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

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

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

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

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

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

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

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

1.7 Cash flow statement

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

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

1.8 Outlook 2019

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

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

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

2 Consolidated financial statements

2.1 Consolidated income statement

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

2.2 Consolidated statement of comprehensive income

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

[1] FVOCI : Fair value through other comprehensive income

2.3 Consolidated statement of financial position

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

2.4 Consolidated statement of cash flows

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

2.5 Consolidated statement of changes in equity

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

[1] FVOCI : Fair value through other comprehensive income

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

3 Notes to the consolidated financial statements

1 General information

UCB SA/NV (UCB or the Company) and its subsidiaries (together the Group) is a global biopharmaceutical company focused on severe diseases in three therapeutic areas namely Neurology, Immunology and Bone.

The consolidated financial statements of the Company as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries. Within the Group, UCB Pharma SA and UCB S.R.O, both wholly owned subsidiaries, have branches in the U.K. and Slovakia, respectively, that are integrated into their accounts.

UCB SA/NV, the parent company, is a limited liability company incorporated and domiciled in Belgium.

The registered office is at 60, Allée de la Recherche, B-1070 Brussels, Belgium. UCB SA is listed on the Euronext Brussels Stock Exchange.

The Board of Directors approved these consolidated financial statements and the statutory financial statements of UCB SA for issue on 27 February 2019. The shareholders will be requested to approve the statutory financial statements of UCB SA at their annual meeting on 25 April 2019.

> We are developing and applying innovative technologies to design effective medicines for our patients.

Jiye, UCB

2 Summary of significant accounting policies

The accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as endorsed by the European Union as of 31 December 2018.

The consolidated financial statements have been prepared using the historical cost convention, except that certain items including financial assets at fair value, derivative financial instruments and liabilities for cash-settled share-based payment arrangements are measured at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the

consolidated financial statements are disclosed in Note 3.

2.2 Changes in accounting policy and disclosures

The Group has decided to early adopt IFRS 16 Leases (issued in January 2016) as from 1 January 2018.

In accordance with the transition provisions in IFRS 16 the new rules for lease accounting have been adopted retrospectively with the cumulative effect of initially applying the new standard recognized on 1 January 2018 (i.e. limited retrospective application). Comparative information has not been restated for IFRS 16.

In adopting IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- for contracts entered into before 1 January 2018, the Group has not reassessed whether the contract is, or contains, a lease. The Group does not apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.
- for contracts for which a provision for onerous leases was set up applying IAS 37 before the date of initial application, the Group adjusted the right-of-use asset at the date of initial application by the amount of this provision instead of performing an impairment review.

Following the adoption of IFRS 16 Leases, the Group has changed its accounting policy for leases. See Note 2.17 for the revised accounting policies for leases.

The Group has adopted IFRS 9 Financial instruments as from 1 January 2018. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies but did not result in adjustments to the amounts recognized in the financial statements as per 31 December 2017. The new accounting policies are set out in notes 2.18, 2.19 and 2.21. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. As there was no impact on the amounts recognized in the financial statements as per 31 December 2017, the opening equity as per 1 January 2018 was not impacted by the adoption of IFRS 9.

The Group has early adopted the IFRIC 23 interpretation on the recognition and measurement of liabilities for uncertain tax positions (issued on 7 June 2017) as from 1 January 2018.

UCB took into account the proposed two-step model put forward by the interpretation:

- recognition: UCB determined for all positions whether a greater than 50% probability exists that the tax authorities would accept the position taken in the tax return. In case of a probability below 50%, an additional liability was considered to be required;
- measurement: UCB determined for each uncertain tax position whether the most likely outcome or the expected value method would better predict the outcome of the uncertainty.

In addition, the Group took the same approach for assets (e.g. for Mutual Agreement Procedures) as it applied for liabilities.
Interest and penalties are included in the tax line where appropriate (i.e. when they are considered as income taxes).

Following the adoption of IFRIC 23, paragraph 3.2.5 Tax positions under 3. Critical judgements and accounting estimates has been updated.

A number of amendments, annual improvements to standards and a new interpretation are mandatory for the first time for the financial year beginning 1 January 2018. However, the Group does not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments, improvements to the standards and new interpretation.

2.2.1 Impact of the changes in accounting policies due to the application of IFRS 16 leases and IFRS 9 financial instruments

IFRS 16 Leases

On adoption of IFRS 16 (1 January 2018), the Group recognized lease liabilities amounting to € 120 million in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the group's incremental borrowing rate as of 1 January 2018.

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by an initial estimate of restoration costs amounting to € 9 million. The provision for restoration costs is recognized as a separate liability.

Right-of-use assets were created for an amount of € 129 million on 1 January 2018 and relate to:

- Properties € 90 million
- Cars € 35 million
- Plant equipment & machinery € 3 million
- Office equipment € 1 million

Lease liabilities increased by € 120 million as per 1 January 2018 and a provision for restoration costs was set up for an amount of € 9 million. The net impact on retained earnings on 1 January 2018 was nil.

In 2018 depreciation charges on right-of-use assets that were created following IFRS 16 adoption, were recognized for an amount of € 38 million. Interest expenses (included in financial expenses) were recognized for an amount of € 3 million. Total cost for leases under the old guidance would have been € 4 million lower.

Total right-of-use assets that were created following IFRS 16 adoption, amount to € 100 million as per 31 December. Total lease liabilities for leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases amount to € 97 million. The provision for restoration costs set up as per 1 January 2018 following the adoption of IFRS 16 amounts to € 10 million as per 31 December 2018.

IFRS 9 Financial instruments

As a result of the adoption of IFRS 9 Financial instruments, there is no impact on the opening equity as per 1 January 2018 (date of initial application of IFRS 9) because of the following:

- Classification and measurement:
  On 1 January 2018 the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories:
  - All available-for-sale investments have been reclassified as financial assets to be measured at fair value through OCI (FVOCI) with no impact on opening equity as per 1 January 2018.
    The Group elected to present in OCI changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of € 83 million were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gains of € 30 million were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on 1 January 2018. Financial expenses for 2018 were € 31 million lower as impairment losses on equity investments measured at FVOCI are not reported in the income statement as from 1 January 2018.
  - Trade and other receivables, cash and cash equivalents and other financial assets categorized as loans and receivables have been reclassified as financial assets to be measured at amortized cost with no impact on opening equity as per 1 January 2018.
  - Borrowings and bonds: As per January 1, 2018 no borrowings or bonds were outstanding that are valued at amortized cost and for which the recognition of gains or losses from refinancing is deferred over the remaining life by adjusting the effective interest rate on the basis that terms and conditions of the facility remained largely unchanged. Therefore, no retrospective adjustment

was required in relation to this change in IFRS 9. No borrowings or bonds were refinanced in 2018.

- Derivatives and hedging activities:
  - New hedge designations as from 1 January 2018: All hedging relationships that were outstanding as per 31 December 2017 under IAS 39 also qualified as hedging relationships under IFRS 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and the existing hedging relationships are therefore treated as continuing hedges. Prior to 1 January 2018, the Group recognized changes in the time value of options immediately in the income statement (financial income/expenses) in case only the intrinsic value of options is designated as hedging instrument. As from 1 January 2018 these changes will be recognized in OCI and subsequently recognized in the income statement (financial income/expenses) when the hedged transaction affects the income statement. The Group has not made use of options for hedging activities in 2018.
  - Impact from the adoption of IFRS 9 on prior periods: As no options were outstanding as per 31 December 2017 that were part of a hedging relationship, no retrospective adjustments were necessary as of 1 January 2018 due to the adoption of the new valuation rules for hedging under IFRS 9. Therefore, there is no impact on the equity as per 1 January 2018 from the adoption of IFRS 9.
- Impairment of financial assets:
  - The Group identified 1 category of financial assets that are subject to IFRS 9's new expected credit loss model: trade and other receivables. The Group has revised its impairment methodology under IFRS 9 for trade and other receivables. However, this change in impairment methodology did not impact the Group's equity as per 1 January 2018 compared to 31 December 2017.
  - While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, no impairment loss was identified. No contract assets were recognized as per 31 December 2017.
  - The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. On that basis, the loss allowance as per 1 January 2018 was determined based on provision matrices making a distinction between receivables on private customers and receivables on public sector customers. The provision matrices reflect relevant forward-looking information and take into account a probability of settlement close to zero when the receivable is overdue for a period of time ranging from 180 to 365 days. Total loss allowance after taking into account credit insurance cover and additional loss allowances for identified specific cases with indication or evidence for impairment amounts to € 8 million as per 1 January 2018 which is in line with the loss allowance as per 31 December 2017. Therefore, the opening equity as per 1 January 2018 was not impacted by the adoption of the expected credit risk model under IFRS 9. The loss allowances increased by a further € 1 million to € 9 million in 2018. The increase would not have been different under the incurred loss model of IAS 39.
  - Other financial assets at amortized cost include other receivables. Applying the expected credit risk model did not result in the recognition of a loss allowance on 1 January 2018. No loss allowance was accounted for in 2018.

IFRIC 23 uncertainty over income tax treatments

UCB has applied IFRIC 23 retrospectively with the cumulative effect of initially applying the interpretation recognized at the date of initial application as an adjustment to the opening balance of retained earnings. As a result of the early adoption of IFRIC 23, there is no impact on the opening equity per 1 January 2018. The liabilities for uncertain tax positions as per 1 January 2018, calculated under the new IFRIC 23 guidance, amount to € 55 million compared to € 55 million under the old guidance, driven by the following:

- UCB already applied a two-step methodology in terms of recognition and measurement of liabilities for uncertain tax positions;
- Liabilities for uncertain tax positions qualifying as binary were not impacted by IFRIC 23.
- Liabilities for uncertain tax positions relating to transfer pricing were already measured on the basis of an implicit variant of the expected value method taking into account the different elements that could impact the outflow of funds following an adjustment

by the tax authorities. Fine-tuning of this model under IFRIC 23 did not lead to materially deviating liabilities.

- UCB already included penalties and interest under IAS 12 in the tax line after assessment whether or not these constituted income taxes.

2.3 New standards and amendments to standards not yet adopted

There are no standards or amendments to standards that have been issued by the IASB that are not yet effective and that would be expected to have a material impact on the Group's consolidated financial statements.

2.4 Consolidation

2.4.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4.2 Changes in ownership interests in subsidiaries without change of control

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.4.3 Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.4.4 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20%-50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

When the Group ceases to equity account for an investment because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. The fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are classified to profit or loss where appropriate.

The Group share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

The carrying amount of investments in associates is tested for impairment in accordance with the policy described in Note 2.10. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognized in the income statement.

2.4.5 Interests in joint operations

A joint operation is a joint arrangement whereby the parties, or joint operators that have joint control of the arrangement, have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

When conducting activities under joint operations, the Group recognizes in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liability incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operations;
- its share of the revenue from the sale of the output by the joint operation;
- its expenses, including its share of any expenses incurred jointly.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator, the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Group's consolidated financial statements only to the extent of the other parties' interests in the joint operation.

2.5 Segment reporting

The Group's activities are in one segment, Biopharmaceuticals. There are no other significant classes of business, either singularly or in aggregate. The Chief Operating Decision Makers, being the Executive Committee, review the operating results and operating plans, and make resource allocation decisions on a company-wide basis; therefore, UCB operates as one segment.

2.6 Foreign currency translation

The following important exchange rates were used in preparing the consolidated financial statements:

	Closing rate		Average rate	
	2018	2017	**2018**	2017
USD	1.145	1.202	1.180	1.127
JPY	125.620	135.360	130.363	126.409
GBP	0.898	0.889	0.885	0.876
CHF	1.126	1.170	1.155	1.110

The closing rates represent spot rates as at 31 December 2018 and 31 December 2017.

2.6.1 Functional and presentation currency

Items included in the individual financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euro (€), which is the functional currency of the Company, and the presentation currency of the Group.

2.6.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement under Financial income or Financial expenses, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges or when attributable to part of the net investment in a foreign operation.

Exchange differences on a foreign currency monetary financial asset measured at FVOCI are recognized partly in profit or loss and partly in other comprehensive income. For the purpose of recognising foreign exchange gains and losses under IAS 21, the asset is treated as if it were carried at amortised cost in the foreign currency. Accordingly, foreign exchange differences on the amortised cost balance and those arising from changes in amortised cost (such as interest calculated using the effective interest method and impairment losses) are recognized in profit or loss. All other gains and losses (that is, changes in fair value, including exchange differences thereon) are recognized in other comprehensive income.

Exchange differences on a foreign currency non-monetary financial asset measured at FVOCI are recognized in other comprehensive income as part of the fair value gain or loss.

2.6.3 Group companies

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income (referred to as "cumulative translation adjustments").

On consolidation, exchange difference arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation

is partially or wholly disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.7 Revenue

Revenue is recognized when control of a good or service transfers to a customer.

2.7.1 Net sales

Net sales encompass revenue recognized resulting from transferring control over products to the customer.

The amount of revenue recognized is the amount allocated to the satisfied performance obligation taking into account variable consideration. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration that is included in the transaction price relates to sales returns, rebates, trade and cash discounts, charge-backs granted to various customers that are part of commercial and governmental contractual arrangements or other reimbursement programs, including the U.S. Medicaid Drug Rebate program, the U.S. Federal Medicare program and others as well as the U.S. Branded Prescription Drug Fee. A liability is recognized for expected sales returns, rebates, trade and cash discounts, charge-backs or other reimbursements payable directly or indirectly to customers in relation to sales made until the end of the reporting period. Payment terms can differ from contract to contract, but no element of financing is deemed present. Therefore, the transaction price is not adjusted for the effects of a significant financing component. A receivable is recognized as soon as control over the products is transferred to the customer as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The transaction price is adjusted for any consideration payable to the customer (directly or indirectly) that is economically linked to the revenue contract unless the payment is for distinct services received from the customer. In the latter case, the fair value of the services received is estimated and accounted for as part of marketing and selling expenses.

The amount of variable consideration is estimated on the basis of historical experience and the specific terms in the individual agreements.

Net sales are presented net of value added tax, other sales related taxes or any other amounts collected on behalf of third parties such as the government or governmental institutions.

2.7.2 Royalty income

Sales-based royalties resulting from the out-licensing of IP are recognized as the subsequent underlying sales occur provided that the related performance obligation has been satisfied by then.

2.7.3 Other revenue

Other revenue comprises revenue generated through out-licensing and profit-sharing agreements as well as contract manufacturing agreements. The underlying performance obligations can be satisfied at a point in time or over time depending on the specific situation.

For performance obligations satisfied over time, revenue is recognized based on a pattern that best reflects the transfer of control of the service to the customer. Usually this progress is measured by an input method whereby costs incurred, and hours expended relative to total costs expected to be incurred and total hours expected to be expended are used as a basis.

Any variable consideration that is promised in exchange of a license of IP and that is based upon achieving certain sales targets, is accounted for in the same way as sales-based royalties i.e. at the moment the related sales occur provided that the related performance obligation has been satisfied.

Any variable consideration such as a development milestone payment that is promised in exchange for development services or the license of IP, is only included in the transaction price as from the moment

the achievement of the related milestone event is highly probable, which then results in a catch up of revenue at that moment for any performances up till that moment.

Any upfront payments or license fees for which there are subsequent performance obligations, are initially reported as deferred revenue and are recognized as revenue when performance obligations are satisfied over the period of the development collaboration or manufacturing obligation.

2.7.4 Interest income

Interest is recognized on a time proportion basis that takes into account the effective yield on the asset.

2.7.5 Dividend income

Dividends are recognized when the shareholder's right to receive the payment is established.

2.8 Cost of sales

Cost of sales includes primarily the direct production costs, related production overheads and the amortization of the related intangible assets as well as services rendered. Start-up costs are expensed as incurred. Royalty expenses directly linked to goods sold are included in "cost of goods sold".

2.9 Research and development

2.9.1 Internally-generated intangible assets, research and development expenditure

All internal research costs are expensed as incurred. Internal development expenditure is capitalized only if it meets the recognition criteria of IAS 38 Intangible Assets. Due to long development periods and significant uncertainties related to the development of new products (such as the risks related to the outcome of clinical trials as well as the likelihood of regulatory approval), internal development costs generally do not qualify for capitalization as intangible assets. At 31 December 2018, no internal development expenditures have met the recognition criteria.

2.9.2 Acquired intangible assets

Payments for acquired in-process research and development projects obtained through in-licensing arrangements, business combinations or separate asset purchases are capitalized as intangible assets provided that they are separately identifiable, controlled by the Group and expected to provide future economic benefits. As the probability criterion in IAS 38 is always considered to be satisfied for separately acquired research and development assets and the amount of the payments is determinable, upfront and milestone payments to third parties for pharmaceutical products or compounds for which regulatory marketing approval has not yet been obtained are recognized as intangible assets, and amortized on a straight line basis over their useful lives from the date on which the products are launched for sale.

2.10 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its intangible assets, goodwill, property, plant and equipment and investments in associates to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Irrespective of whether there is an indication of impairment, an impairment assessment of the intangibles not yet available for use and goodwill is carried out annually. These assets are not amortized. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. To determine the value in use, the Group uses estimates of future cash flows generated by the asset or the CGU, using the same methods as those used in the initial measurement of the asset or the CGU on the basis of the medium-term plans of each business activity. Estimated cash flows are discounted using an appropriate rate that reflects current market assessments of the time value of money and the risks specific to the asset or the CGU.

An impairment loss is recognized directly in the income statement under the "impairment of non-financial assets" caption. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible

reversal of the impairment at each reporting date. The reversal of the impairment is recognized in the income statement. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Impairment losses on goodwill are never reversed.

Intangible assets are assessed for impairment either on a compound by compound basis or by indication where applicable.

2.11 Restructuring expenses, other income and expenses

The expenses made by the Group in order to be better positioned to face the economic environment in which it operates are presented in the income statement as "restructuring expenses".

The gains and losses arising upon the sale of intangible assets other than development stage assets or property, plant and equipment as well as increases or reversals of provisions for litigations, other than tax litigations or litigations related to discontinued operations, are presented in the income statement as "other income and expenses".

2.12 Income taxes

The tax expense for the period comprises current and deferred income taxes. Tax expense is recognized in the income statement except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In the case of items recognized in other comprehensive income or in equity, the tax is also recognized in other comprehensive income or directly in equity, respectively.

For the accounting policies related to R&D tax credits we refer to 2.13.2 under Government grants.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income.

Current tax assets and tax liabilities are offset if there is a legally enforceable right to offset and intention either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income tax liabilities are generally recognized for all taxable temporary differences and deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences, carried forward tax credits or carried forward losses can be utilized. Deferred income tax is not accounted for if it arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction (other than in a business combination) that at the time of the transaction affects neither accounting nor taxable profit.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset realized. The Group only considers substantively enacted tax laws when estimating the amount of deferred taxes to be recognized. Deferred tax assets and liabilities are not discounted.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are only offset if there is a legally enforceable right to offset current tax liabilities and assets and the deferred income taxes relate

to the same taxable entity and the same taxation authority.

2.13 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

2.13.1 Recoverable cash payments received from the government

The Group receives cash payments from the government to partially finance certain research and development projects. The cash payments received from the government are repayable in cash only if the Group decides to exploit and commercialize the results of the research phase of the related project. If the Group decides not to proceed with the results from the research phase, the cash payments are not repayable. In this case the rights to the research need to be transferred to the government. When the Group receives these cash payments, these are accounted for as other non-current liabilities. Only at the moment when there is reasonable assurance that the Group will not have to reimburse the cash payments, these cash payments are accounted for as government grants and taken up in "other operating income". More specifically, this is at the moment the government confirms the receipt of the research results and its agreement with the Group's decision not to proceed with the research.

2.13.2 R&D tax credit

The R&D tax credit is considered as a government grant related to assets if no additional relevant requirements are to be met that are not directly related to the asset. The tax credit is taken in profit and loss in line with the costs it is intended to compensate. If the tax credit is received to compensate research and development expenses that are not capitalized, the R&D tax credit is recognized in P&L at the same moment as the research and development expenses as a credit to the line "Research and development expenses". If the tax credit is received to compensate amortizations on intangible assets e.g. licenses, the R&D tax credit is recognized in profit and loss over the (remaining) useful life of the asset and reported as "Other operating income".

The part of the R&D tax credit that cannot be deducted from the taxable income is accounted for as a deferred tax asset. The part of the R&D tax credit that can be deducted from taxable income is debited to the current income tax liability. If the R&D tax credit is not refundable by the tax authorities, the recoverability of the deferred tax asset is assessed on a regular basis as for the other deferred tax assets.

2.14 Intangible assets

2.14.1 Patents, licenses, trademarks and other intangible assets

Patents, licenses, trademarks and other intangible assets (collectively referred to as "intangible assets") are shown at historical cost. Intangible assets acquired in a business combination are recognized at fair value at the acquisition date.

Intangible assets (except for goodwill) are amortized over their useful lives on a straight-line basis as from the moment they are available for use (i.e., in case of a license related to a compound or product, when the product (containing the compound) is launched for sale). Estimated useful life is based on the lower of the contract life or the economic useful life (generally between 5 to 20 years). Intangible assets (except for goodwill) are considered to have a finite economic useful life; therefore, no intangible assets with an indefinite life have been identified.

2.14.2 Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3 to 5 years) on a straight-line basis.

2.15 Goodwill

Goodwill arises on the acquisition of subsidiaries and associates and represents the excess of the consideration transferred over the Group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

Goodwill is initially recognized as an asset at cost and is subsequently carried at cost less accumulated impairment losses. Goodwill related to the acquisition of subsidiaries is presented separately on the face of the balance sheet, whereas goodwill arising upon acquisition of associated companies is included in the investment in associated companies.

UCB operates as one segment and has one cash generating unit for the purpose of impairment testing.

As goodwill is considered to have an indefinite life, it is tested for impairment annually, and whenever there is an indication that it may be impaired, by comparing its carrying amount with its recoverable amount. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Impairment losses on goodwill are not reversed.

On disposal of a subsidiary or an associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the entity.

In the event that the fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess remaining after reassessment is recognized directly in profit or loss.

2.16 Property, plant and equipment

All property, plant and equipment are carried at cost less accumulated depreciation and impairment losses except for property, plant and equipment under construction, which is carried at cost less accumulated impairment losses.

Cost includes all directly attributable costs of bringing the asset to its working condition for its intended use.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed as they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of assets, other than land and properties under construction, to their residual values over their estimated useful lives. Depreciation commences when the asset is ready to be used. Land is not depreciated.

The residual value and the useful life of an asset are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) is(are) accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The following useful lives are applicable to the main property, plant and equipment categories:

• Buildings	20-33 years
• Machinery	7-15 years
• Laboratory equipment	7 years
• Prototype equipment	3 years
• Furniture and fixtures	7 years
• Vehicles	5-7 years
• Computer equipment	3 years
• Right-of-use assets	Shorter of asset's useful life and leasing term

Gains and losses on disposals are determined by comparing the proceeds from disposal with the carrying amount and are recognized under "other income and expenses" in the income statement.

Investment property is indicative of land and buildings held to earn rentals. Such assets are initially carried at

cost and depreciated on a straight-line basis over their estimated useful lives. The underlying useful lives correspond to those of self-used tangible assets. Given the insignificant amount of investment property, it is not separately presented in the balance sheet.

2.17 Leases

The Group leases various properties, equipment and cars and the rental contracts are typically made for a fixed, short- or long-term period. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate.

There are no leases for which it is expected that the Group would need to pay a residual value guarantee or a certain amount to exercise a purchase option whereby it is reasonably certain that the Group will exercise this option or any penalties for terminating the lease in case the lease term reflects that the Group will exercise this option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs (except for the leases already existing at transition date), and
- restoration costs.

Right-of-use assets are presented as part of property, plant and equipment and lease liabilities as part of borrowings in the statement of financial position. All lease payments that are due within 12 months are classified as current liabilities. All lease payments that are due at least 12 months after the balance sheet date are classified as non-current liabilities.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise mainly IT-equipment (laptops, tablets, mobile phones, pc's) and small items of office equipment and furniture.

Some of the car leases contain variable lease payments. It concerns car lease agreements that contain a Terminal Rental Adjustment Clause (TRAC): a final settlement calculation is made at termination of the lease to determine the final rental adjustment. This final rent adjustment is a rent payment (or credit) that reflects actual usage of the vehicle while under lease. This final amount is not known at lease commencement. The rental adjustment amount is not a specified amount but depends upon known factors such as monthly depreciation and initial acquisition cost, and several unknown factors at lease commencement, such as mileage, condition of the vehicle, wear and tear, damage, geography of operation, disposal channel, and other factors. Together, these factors generally represent "use" of the vehicle. Payments that vary due to use of the underlying asset and vehicle mileage

specifically are variable lease payments. The final rental adjustment is recognized as expense or, in case of a credit, as a reduction of expenses when realized.

Extension options are included in a number of property and car leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The extension options held are exercisable only by the Group and not by the respective Lessor.

There are no material lease agreements whereby the Group is lessor.

2.18 Financial assets: investments

2.18.1 Classification

The Group classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value through profit or loss (FVPL), those to be measured subsequently at fair value through other comprehensive income (FVOCI), those to be measured at amortized cost. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Investments are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (OCI). For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI (FVOCI).

2.18.2 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

The Group currently does not have any investments in debt instruments.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as financial income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Changes in the fair value of financial assets at FVPL are recognized in financial income/expenses in the income statement.

The fair value of listed investments is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques.

2.19 Derivative financial instruments and hedging activities

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The Group does not engage in speculative transactions.

Derivative financial instruments are initially recorded at fair value and attributable transaction costs are recognized in the income statement when incurred. Derivative financial instruments are subsequently remeasured at their fair value.

The Group includes the credit and the nonperformance risks into its valuation techniques leading to non-material impact on derivative valuation resulting from credit or debit margin adjustments made on counterparts with who financial market transactions are contracted.

The method of recognizing the resulting gains or losses depends on whether the derivative financial instrument is designated as a hedging instrument and if so, the nature of the item being hedged. The Group designates derivative financial instruments as either cash flow hedges, fair value hedges or net investment hedges.

The Group documents at inception of the transaction the economic relationship between the hedging instrument and the hedged item, as well as its risk management objectives and strategy for undertaking the hedging transaction. The Group updates this assessment when required for example when the hedge ratio is rebalanced or when the analysis of sources of hedge ineffectiveness is updated.

The full fair value of a hedging derivative financial instrument is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Derivative financial instruments embedded in financial liabilities are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative financial instrument are not closely related, a separate instrument with the same terms as the embedded derivative financial instrument would meet the definition of a derivative financial instrument, and the combined instrument is not measured at fair value through profit or loss.

2.19.1 Cash flow hedges

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within "Financial income/Financial expenses".

When option contracts are used to hedge a firm commitment or forecast transaction, the group designates only the intrinsic value of the options as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognized in other comprehensive income. The changes in the time value of the options that relate to the hedged item ('aligned time value') are also recognized within OCI. These will be moved to the income statement (financial income/expenses) when the hedged transaction affects the P&L (in case of transaction related hedges) or over the period of the hedge (in case of time-period related hedges).

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognized in OCI. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognized in the income statement (financial income/expenses).

Gains or losses relating to the effective portion of the change in intrinsic value of the options or relating to the effective portion of the change in the spot component of the forward contracts accumulated in other comprehensive income are reclassified to profit or loss in the periods when the hedged item affects profit or loss on the same line of the income statement where the designated hedged item affects profit or loss. However, if the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of a non-financial asset or a non-financial liability, then, at the time the asset or liability is recognized, the associated gains or losses on the derivative financial instrument that had previously been recognized in other

comprehensive income are included in the initial measurement of the asset or liability.

When hedging with forwards and financial instruments with foreign currency basis spreads, the Group decides on a hedging-relationship-by-hedging-relationship basis to account for the changes in the currency basis spread by applying either the same accounting as for the time value of options or by recognizing these changes in value in the income statement (financial income/ expenses).

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss in other comprehensive income at that time remains in other comprehensive income until the forecast transaction occurs, resulting in the recognition of a non-financial asset or liability. When the forecast transaction is no longer expected to occur, the cumulative gains or losses that were reported in other comprehensive income are immediately reclassified to the income statement (financial income/expenses).

2.19.2 Fair value hedges

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in the income statement under "Financial income/Financial expenses", together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

2.19.3 Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in the cumulative translation adjustments reserve; the gain or loss relating to the ineffective portion is recognized immediately in the income statement within "Financial income/Financial expenses". Gains and losses accumulated in equity are recycled to the income statement when the foreign operation is partially disposed of or sold.

2.19.4 Derivative financial instruments that do not qualify for hedge accounting

Certain derivative financial instruments do not qualify for hedge accounting. Changes in the fair value of any derivative financial instruments that do not qualify for hedge accounting are recognized immediately in the income statement within "Financial income/ Financial expenses".

2.20 Inventories

Raw materials, consumables, goods purchased for resale, work in progress and finished goods are valued at the lower of cost and net realizable value.

Cost is determined using the weighted average cost method. The cost of work in progress and finished goods comprises all the costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The conversion costs include the cost of production and the related fixed and variable production overhead costs (including depreciation charges).

Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.21 Trade receivables

Trade receivables are recognized initially at their transaction price and are subsequently measured at amortized cost using the effective interest rate method, less provision for expected credit losses.

For determining the expected credit losses, the Group applies the simplified approach permitted by IFRS 9, which requires lifetime losses to be recognized from initial recognition of the receivables. The Group identified 2 categories of trade receivables: receivables on private customers and receivables on public sector customers. For each of these categories, the Group makes use of a provision matrix in order to determine lifetime expected credit losses.

In case there is an indication or evidence of impairment for a specific receivable, this receivable will be impaired for the amount of lifetime expected credit losses.

For all receivables that are covered by a credit insurance or by a factoring agreement without recourse, the lifetime expected credit losses will be calculated taking into account this cover.

2.22 Cash and cash equivalents

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.23 Non-current assets (or disposal groups) held for sale and discontinued operations

A discontinued operation is a component of the company that either has been disposed of, or that is classified as held for sale. It must either: represent a major separate line of business or geographical area of operations; be part of a single coordinated disposal plan; or be a subsidiary acquired exclusively with a view to resale.

Intercompany transactions between continuing and discontinued operations are eliminated against continuing operations.

Non-current assets or a disposal group are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Non-current assets and disposal groups are measured at the lower of the carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Impairment losses upon initial classification as held for sale are recognized in the income statement. Non-current assets classified as held for sale are neither depreciated nor amortized.

2.24 Share capital

2.24.1 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. The Company did not issue any preference or mandatory redeemable preference shares.

2.24.2 Treasury shares

When any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including attributable direct costs (net of income taxes) is deducted from the equity attributable to the Company's equity holders until the shares are cancelled or sold. Where such shares are subsequently sold, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.25 Bonds and borrowings

Bonds, borrowings and overdrafts are initially measured at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Group accounting policy.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.26 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted into ordinary shares at the option of the Issuer. The number of shares to be issued does not vary with changes in their fair value. In the past, due to the existence of the option by the Issuer to redeem in cash, such convertible bonds were separated into a debt and a derivative component.

Upon initial recognition of the bond, the fair value of the debt component was determined based on the present value of the contractually determined stream of cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option.

Subsequent to initial recognition, the debt component is measured based on its amortized cost, using the effective interest method.

The remainder of the proceeds was allocated to the conversion option and recognized within "other derivatives". Subsequent to initial recognition, the derivative component was measured at fair value, with all gains and losses upon re-measurement being recognized in the income statement.

As a result of the Board's decision in 2010 to revoke UCB's rights related to the cash settlement option, the derivative component was reclassified to equity based on its fair value at the date of revocation. The equity component was reclassified to share premium upon the conversion of the remaining convertible bonds in 2014.

Transaction costs that are directly attributable to the bond offering and incremental, are included in the calculation of the amortized cost, using the effective interest method, and are amortized through the income statement over the life of the instrument.

2.27 Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortized cost using the effective interest method.

2.28 Employee benefits

2.28.1 Pension obligations

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligations to pay further contributions in the event that the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the consolidated income statement when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation less the fair value of plan assets. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

The defined benefit obligation is calculated by independent actuaries using the Projected Unit Credit Method. A full actuarial valuation based on updated personnel information is performed at least every three years. Additionally, if the net fluctuation recognized on the balance sheet is more than 10% from one-year to the next due to plan circumstances (significant membership changes, modification to plan, etc.), a full actuarial valuation is also required. For years where a full actuarial valuation is not required, projections (known as "roll-forwards") from the previous year with updated assumptions (discount rate, salary increase, turnover) is used. For these "roll-forward" valuations, the individual employee data from the last full valuation date are used taking into account assumptions for salary increases and possibly turnover.

All valuations measure liabilities at the applicable balance sheet date and the market value of retirement plan assets are also reported at this date regardless of whether a full or a "roll-forward" valuation is performed.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using yields on high-quality corporate bonds that have maturity dates approximating the terms of the related Group obligations and that are denominated in the same currency in which the benefits are expected to be paid.

Remeasurement comprising of actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are

recognized immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Remeasurement recorded in other comprehensive income is not recycled. However, the entity may transfer those amounts recognized in other comprehensive income within equity. Past service cost is recognized in profit or loss in the period of plan amendment. Net-interest is calculated by applying the discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- service cost, past-service cost, gains and losses on curtailments and settlements;
- net-interest expense or income;
- remeasurement.

The Group presents the first two components of defined benefit costs in the line item "employee benefits expense" in its consolidated income statement (by nature of expenses aggregation). Net-interest expense or income is presented as part of the Operating profit. Curtailments gains and losses are accounted for as past-service cost. Remeasurements are recorded in other comprehensive income.

2.28.2 Other post-retirement employee benefits

Some Group companies provide post-retirement healthcare benefits to their retirees. The Group's net obligation is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The expected costs of these benefits are accrued over the period of employment using the same methodology used for defined benefit plans.

2.28.3 Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2.28.4 Other long-term employee benefits

The liabilities for jubilee premiums and long service awards are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using yields on high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognized in profit or loss.

2.28.5 Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

2.28.6 Share-based payments

The Group operates several equity-settled and cash-settled share-based compensation plans.

The fair value of the employee services received in exchange for the grant of stock options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the stock options granted, excluding the impact of any service and non-market performance vesting conditions (for example profitability, remaining an employee of the entity over a specified time period).

Service and non-market vesting conditions are included in the assumptions about the number of options that are expected to vest. The total amount expensed is recognized over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied.

The fair value of the stock option plan is measured at the grant date using the Black-Scholes valuation model which takes into account the expected life and

cancellation rate of the options. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The fair value of the amount payable to employees in respect of share appreciation rights, phantom share option, share award and performance share plans, which are settled in cash, is recognized as an expense, with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each balance sheet date and at settlement date.

Any changes in the fair value of the liability are recognized as personnel expenses in the income statement.

2.29 Provisions

Provisions are recognized in the balance sheet when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

A restructuring provision is recognized when the Group has a detailed formal plan and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

3 Critical judgements and accounting estimates

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical judgements in applying the Group accounting policies

Revenue recognition

The Group is party to out-licensing agreements, which can involve upfront payments, development milestones, sales milestones and royalties that may occur over several years and involve certain future contract liabilities. For all out-licensing agreements whereby a license is transferred with other goods or services, the Group first makes an assessment about whether or not the license is to be considered as a distinct performance obligation or not. If the transfer of the license is considered to be a separate performance obligation, revenue relating to the transfer of the license is recognized at a point in time or over time depending on the nature of the license. Revenues are only recognized over time if the Group is performing development, manufacturing or other activities that could significantly affect the IP transferred, hereby exposing the licensee to the effects of these activities when these activities do not represent a separate service. If the Group assesses that these conditions are not fulfilled, revenue resulting from out-licensing agreements is recognized at the moment control over the license is transferred.

If revenues are recognized over time and in case the input method is assessed as the best method to reflect the transfer of control of the service to the customer, some judgement may be required in applying this

method especially in estimating the total costs and hours to be incurred. In this case the Group uses its best estimate based on past experience and actual knowledge and progress of the service to be provided. Estimates are reassessed on a continuous basis. Seen the activities of the Group, in most cases, the input method provides the most faithful depiction of the transfer of the service to the customer.

For licenses that are bundled with other services (e.g. development or manufacturing services) the Group will apply judgment to assess whether the combined performance obligation is satisfied at a point in time or over time. If revenue is recognized over time, the Group will apply judgment in determining the period over which the services are provided. The Group will also apply judgment when allocating the components of the transaction price to the different performance obligations in case the out-licensing agreement includes other performance obligations in addition to the transfer of the license.

Revenue recognition for out-licensing agreements is therefore based on the specific conditions of each out-licensing agreement. This might result in cash receipts being initially recognized as contract liabilities and then released to revenue in subsequent accounting periods based on the different conditions specified in the agreement.

Discontinued operations

Operations that are classified as held for sale or have been disposed of, are presented as discontinued operations in the consolidated income statement when the operations represent a major separate line of business or geographical area of operations, are part of a single coordinated disposal plan or represent a subsidiary acquired exclusively with a view to resale. The assessment on what is a major separate line of business is done on a case by case basis and depends on the size of the operations in terms of revenues, gross profit or total value of assets and liabilities compared to the total operations of the Group.

Leases

Due to the changes in accounting policies resulting from the application of IFRS 16, following critical judgements relating to leases are made starting as from the date of initial application of IFRS 16 (1 January 2018):

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension or termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment. During the current financial year, there was no material financial effect of revising lease terms to reflect the effect of exercising extension or termination options.

3.2 Critical accounting estimates and assumptions

The preparation of the financial statements in conformity with IFRS as adopted for use by the European Union requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Management bases its estimates on historical experience and various other assumptions that are reasonable under the circumstances, the results of which form the basis for making the reported amounts of revenue and expenses that may not be readily apparent from other sources. Actual results will by definition not equal those estimates. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary.

3.2.1 Sales allowances

The Group has accruals for expected sales returns, chargebacks and other rebates, including the U.S. Medicaid Drug Rebate program and the U.S. Federal Medicare program, and similar rebates in other countries. Such estimates are based on analyses of existing contractual obligations or legislation, historical trends and the Group experience. After assessment of the Management, the total accruals for these items are adequate, based upon currently available information and interpretation of relevant regulations. As these deductions are based on management estimates, the actual deductions might differ from these estimates.

Such differences could impact the accruals recognized in the balance sheet in future periods and consequently the level of sales recognized in the income statement in

future period, as there is often a time lag of several months between the recording of the estimate and the final accounting of the sales allowances. In general, the discounts, rebates and other deductions shown on the invoice are accounted for as an immediate deduction from gross sales in the income statement. The sales returns, chargebacks, rebates and discounts that are not mentioned on the invoice are estimated, deducted from sales and presented on the balance sheet in the appropriate accrual account and deducted from sales.

All sales allowances are considered as being part of the variable consideration included in the transaction price. The amount of variable consideration included in the transaction price is determined so that the total transaction price is the price estimated by management as not being constrained.

3.2.2 Intangible assets and goodwill

The Group has intangible assets with a carrying amount of € 870 million (Note 19) and goodwill with a carrying amount of € 4 970 million (Note 20). Intangible assets are amortized over their useful lives on a straight-line basis as from the moment they are available for use (*i.e.* when related products are launched for sale).

Management estimates that the useful life for acquired in-progress R&D compounds equates to the period these compounds benefit from patent protection or data exclusivity. For the intangible assets acquired through a business combination and which comprises compounds that are marketed but for which no patent protection or data exclusivity exists, management estimates that the useful life equates to the period in which these compounds will realize substantially all the cash contributions.

These intangible assets and goodwill are regularly reviewed for impairment and whenever there is an indication that an impairment might exist. The intangible assets that are not yet available for use and goodwill are subject to at least annual impairment testing.

To assess if there is any impairment, estimates are made of the future cash flows expected to result from the use of these assets and their eventual disposal. These estimated cash flows are then adjusted to the present value using an appropriate discount rate that reflects the risks and uncertainties associated with the forecasted cash flows.

Actual outcomes could vary significantly from such estimates of discounted future cash flows. Factors such as the entrance or absence of competition, technical obsolescence or lower than expected rights could result in shortened useful lives and impairments.

The Group applied the following key assumptions for the "value in use" calculations required for the impairment testing of intangible assets and goodwill at year-end:

- growth rate for terminal value 3.0%
- discount rate in respect of goodwill and Intangibles related to marketed products 6.41%
- discount rate in respect of Intangibles related to pipeline products 13.0%

Since the cash flows also take into account tax expenses, a post-tax discount rate is used in the impairment testing.

Management estimates that the use of the post-tax discount rate approximates the results of using a pre-tax rate applied to pre-tax cash flows.

3.2.3 Environmental provisions

The Group has provisions for environmental remediation costs, which are disclosed in Note 33. The most significant elements of the environmental provisions consist of costs to fully clean and refurbish contaminated sites and to treat contamination at certain other sites, mainly related to the discontinued chemical and films activities of the Group.

Future remediation expenses are affected by a number of uncertainties that include, amongst others, the detection of previously unknown contaminated sites, the method and extent of remediation, the percentage of waste attributable to the Group, and the financial capabilities of the other potentially responsible parties. Given the inherent difficulties in estimating the liabilities in this area, it cannot be guaranteed that additional costs will not be incurred beyond the amounts currently accrued. The effect of resolution of environmental matters on results of operations cannot be predicted due to uncertainty concerning both the amount and

timing of future expenditures and the results of future operations. Such changes that arise could impact the provisions recognized in the balance sheet in the future.

3.2.4 Employee benefits

The Group currently has many defined benefit plans, which are disclosed in Note 32. The calculation of the assets or liabilities related to these plans is based upon statistical and actuarial assumptions. This is in particular the case for the present value of the defined benefit obligation which is impacted by assumptions on discount rates used to arrive at the present value of future pension liabilities, and assumptions on future increases in salaries and benefits.

Furthermore, the Group uses statistically-based assumptions covering areas such as future withdrawals of participants from the plans and estimates of life expectancy. The actuarial assumptions used might differ materially from actual results due to changes in market and economic conditions, higher or lower employee turnover, longer or shorter life spans of participants, and other changes in the factors being assessed.

These differences could impact the assets or liabilities recognized in the balance sheet in future periods.

3.2.5 Tax positions

The Group operates in multiple jurisdictions with often complex legal and tax regulatory environments. The income tax positions taken are considered by the Group to be supportable and are intended to withstand challenge from tax authorities. However, it is acknowledged that some of the positions are uncertain and include interpretations of complex tax laws as well as transfer pricing considerations which could be disputed by tax authorities. The Group judges these positions on their technical merits and this on a regular basis using all the information available (legislation, case law, regulations, established practice, authoritative doctrine as well as the current state of discussions with tax authorities, where appropriate). A liability is recorded for each item that is not probable of being sustained on examination by the tax authorities, based on all relevant information. The liability is calculated taking into account the most likely outcome or the expected value, depending on which is thought to give a better prediction of the resolution of each uncertain tax position in view of reflecting the likelihood of an adjustment being recognized upon examination. These estimates are based on facts and circumstances existing at the end of the reporting period. The tax liability and income tax expense include expected penalties and late payment interests arising from tax disputes. An asset for tax audit adjustments is recorded when the Group considers it probable, based on the technical merits of the tax case, that a Mutual Agreement or Arbitration Procedure may provide for a corresponding adjustment in one or more jurisdictions. The asset is calculated as the expected value of the recoverability in corporate income taxes in the concerning jurisdiction upon completion of the Mutual Agreement or Arbitration procedure.

The Group has recognized net deferred tax assets of € 721 million (Note 31). The recognition of deferred tax assets is based upon whether it is probable that sufficient taxable profits will be available in the future against which the reversal of temporary differences can be used. Where the temporary differences relate to losses, the availability of the losses to offset against forecast taxable profits is also considered. For 2018, the Group also took into account the tax reform in Belgium, the United States and the UK.

Significant items on which management has exercised judgement include recognition on the balance sheet of deferred tax assets relating to losses in jurisdictions where losses have been made in prior periods but where profits now arise or are forecast to do so for the foreseeable future. Management has used its best estimate of the correct value of asset to recognize in such cases, which includes a judgement on the length of the future time period to use in such assessments. These judgments are made on a case by case basis taking into account the origin and nature of the expected revenues on an entity-by-entity basis, but this time period in most cases does not exceed five years.

Differences in forecasted taxable profits and actual profitability or a downgrade in future forecasted taxable profits could impact the deferred tax assets recognized in future periods.

No material deferred tax assets are recognized for entities that are currently still lossmaking. Significant items on which the Group has exercised accounting estimation and judgement include also tax liabilities

related to audits arising in key jurisdictions. The Group engages constructively with the tax authorities and relevant government representatives. Where appropriate, we engage advisors and legal counsel to obtain opinions on tax legislation and principles.

4 Financial risk management

The Group is exposed to various financial risks arising from its underlying operations and corporate finance activities.

These financial risks are market risk (including currency risk, interest risk and price risk), credit risk and liquidity risk.

This note presents information about the Group exposure to the above-mentioned risks, the Group policies and processes for managing these risks and Group management of capital. Risk management is carried out by the Group Treasury department under policies approved by the Financial Risk Management Committee (FRMC).

The FRMC has been established and currently includes the Chief Financial Officer, Chief Accounting Officer and Head of the Financial Control department, heads of Internal Audit department, Tax department, Treasury and Risk department and CFO Patient Value Operations and Corporate Strategy & Development. The FRMC is responsible for:

- reviewing the results of UCB risk assessment;
- approval of the recommended risk management strategies;
- monitoring compliance with the financial market risk management policy;
- approval of policy changes; and
- reporting to the Audit Committee.

The Group financial risk management policies established by the FRMC need to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed by the FRMC on a semi-annual basis to reflect changes in market conditions and the Group's activities.

The FRMC has also identified and assessed the Brexit-related risks that apply to the Group's business and concluded that UK's Brexit decision would not have a major impact on the Group's operations. In order to avoid delays in supply chain, the inventory level will be slightly increased for UK operations. Other business critical Brexit-related risks have been mitigated.

4.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group income statement or the value of its assets and liabilities. The objective of market risk management is to manage and control market risk exposures. The Group enters into derivative financial instruments and also incurs financial liabilities or holds financial assets in order to manage market risk. Where possible, the Group seeks to apply hedge accounting in order to manage volatility in the income statement. It is the Group policy and practice not to enter into derivative transactions for speculative purposes.

4.1.1 Foreign exchange risk

The Group operates across the world and is exposed to movements in foreign currencies affecting its net income and financial position, as expressed in euro. The Group actively monitors its currency exposures, and when appropriate, enters into transactions with the aim of preserving the value of existing assets and liabilities, as well as anticipated transactions. The Group uses forward contracts, foreign exchange options and cross-currency swaps to hedge certain committed and anticipated foreign exchange flows and financing transactions.

The instruments purchased to hedge transactional exposure are primarily denominated in U.S. dollar, GB pound, Japanese yen and Swiss franc, the currencies where the Group has its most important exposures. The Group's financial risk management policy is to hedge for the impact from the translation of foreign currency

assets and liabilities into the functional currency of the relevant group subsidiaries, as well as the impact of currency fluctuations on the Group's anticipated net foreign currency cash flows for a period of minimum 6 and maximum 26 months.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

The effect of translational exposure arising from the consolidation of the foreign currency denominated financial statements of the Group foreign subsidiaries as well as from assimilated net foreign investment positions and net investment hedges is shown as a cumulative translation adjustment in the Group consolidated statement of changes in equity.

4.1.2 Effect of currency fluctuations

At 31 December 2018, if the euro had strengthened or weakened by 10% against the following currencies with all other variables being held constant, the impact on equity and post-tax profit for the year, based on the outstanding currency balances and hedge instruments at that date, would have been as follows:

At 31 December 2018

€ million	Change in rate: strenghtening/ weakening (-) EUR	Impact on equity: loss (-)/gain	Impact on income statement: loss (-)/gain
USD	+10%	-119	-16
	-10%	146	19
GBP	+10%	-40	0
	-10%	49	0
CHF	+10%	-58	-1
	-10%	71	1
JPY	+10%	13	0
	-10%	-16	0

At 31 December 2017

€ million	Change in rate: strenghtening/ weakening (-) EUR	Impact on equity: loss (-)/gain	Impact on income statement: loss (-)/gain
USD	+10%	-94	-6
	-10%	115	7
GBP	+10%	-33	-4
	-10%	40	5
CHF	+10%	-50	-2
	-10%	61	3
JPY	+10%	12	-2
	-10%	-15	2

4.1.3 Interest rate risk

Changes in interest rates may cause variations in interest income and expenses resulting from interest-bearing assets and liabilities. In addition, they can affect the market value of certain financial assets, liabilities and instruments as described in the following section on market risk of financial assets. The interest rates on the Group's major debt instruments are both fixed and floating, as described in Notes 28 and 29. The Group uses interest rate derivatives to manage its interest rate risk, as described in Note 38.

The Group designates derivative financial instruments (interest rate swaps) as hedging instruments, under fair value hedges, to fixed rate financial assets and liabilities. Both the derivative financial instrument and the hedged item are accounted for at fair value through profit or loss.

In 2018, changes in fair value resulting from interest rate derivatives designated to the floating rate liabilities of the Group have been accounted for through equity under IFRS 9.

4.1.4 Effect of interest rate fluctuations

A 100 basis points increase in interest rates at balance sheet date would have increased equity by € 1 million (2017: € 1 million); a 100 basis points decrease in interest rates would have decreased equity by € 1 million (2017: € 1 million).

A 100 basis points increase in interest rates at balance sheet date would have increased profit and loss by € 0 million (2017: € 0 million); a 100 basis points decrease in interest rates would have decreased profit and loss by € 0 million (2017: € 0 million).

4.1.5 Other market price risk

Changes in the market value of certain financial assets and derivative financial instruments can affect the income or the financial position of the Group. Financial long-term assets, if any, are held for contractual purposes, and marketable securities, if any, are mainly held for regulatory purposes. The risk of loss in value is managed by reviews prior to investing and continuous monitoring of the performance of investments and changes in their risk profile.

Investments in equities, bonds, debentures and other fixed income instruments are entered into on the basis of guidelines with regard to liquidity and credit rating.

Amounts subject to market price risk are rather immaterial and therefore the impact on equity or the income statement of a reasonable change of this market price risk is assumed to be negligible.

Similar to 2017, during 2018 the Group traded on treasury shares, which were accounted for through equity.

4.2 Credit risk

Credit risk arises from the possibility that the counterparty to a transaction may be unable or unwilling to meet its obligations causing a financial loss to the Group. Trade receivables are subject to a policy of active risk management, which focuses on the assessment of country risk, credit availability, on-going credit evaluation and account monitoring procedures. There are certain concentrations within trade receivables of counterparty credit risk, particularly in the U.S., due to the sales via wholesalers (Note 24).

For some credit exposures in critical countries, such as certain Southern European countries, the Group has obtained credit insurance.

In the U.S. and China (since 2014), the Group entered into a trade receivable financing agreement that qualifies for derecognition. According to the terms and conditions of the agreement UCB does not retain any non-payment or further late payment risk relating to the transferred trade receivables.

The exposure of other financial assets to credit risk is controlled by setting a policy for limiting credit exposure to high-quality counterparties, regular reviews of credit ratings, and setting defined limits for each individual counterparty. The criteria set by Group Treasury for their investment policy are based on generally considered high-quality long-term credit ratings and 5 years Credit Default Swap rate.

Where appropriate to reduce exposure, netting agreements under an ISDA (International Swaps and Derivatives Association) master agreement are signed with the respective counterparties. The maximum exposure to credit risk resulting from financial activities, without considering netting agreements, is equal to the carrying amount of financial assets plus the positive fair value of derivative instruments.

4.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal circumstances without incurring unacceptable losses or risking damage to the Group reputation.

The Group maintains sufficient reserves of cash and readily realizable marketable securities to meet its liquidity requirements at all times. In addition, the Group has certain unutilized revolving committed facilities at its disposal.

At the balance sheet date, the Group had the following sources of liquidity available:

- cash and cash equivalents (Note 25): € 1 262 million (2017: € 1 049 million)
- unutilized credit facilities and undrawn available amount under finance contract (Note 28): € 64 million (2017: € 72 million), linear digressive since 2016 until 2025
- unutilized revolving credit facilities (Note 28): € 1 billion (2017: € 1 billion); the existing € 1 billion syndicated committed revolving credit facility of the Group, maturing in 2024 was undrawn per end 2018

The table below analyses the contractual maturities of the Group financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date, excluding the impact of netting. The amounts mentioned below with respect to the financial derivatives are indicative of the contractual undiscounted cash flows.

At 31 December 2018

€ million	Note	Total	Contractual cash flow	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank Borrowings and other long-term loans	28	146	146	11	121	14	0
Debentures and other short-term loans	28	0	0	0	0	0	0
Lease liabilities	28	101	105	38	29	32	6
Retail bond maturing in 2023	29	188	221	9	9	203	0
Institutional Eurobond maturing in 2022	29	351	377	7	7	363	0
Institutional Eurobond maturing in 2021	29	361	392	14	14	364	0
Retail bond maturing in 2020	29	252	268	9	259	0	0
EMTN notes maturing in 2019	29	75	77	77	0	0	0
Trade and other liabilities	34	1 812	1 812	1 786	8	17	1
Bank overdrafts	28	25	25	25	0	0	0
Interest rate swaps		51	51	15	14	22	0
Forward exchange contracts used for hedging purposes							
Outflow		3 120	3 120	3 120	0	0	0
Inflow		3 006	3 006	3 006	0	0	0
Forward exchange contracts and other derivative financial instruments at fair value through profit and loss							
Outflow		399	399	399	0	0	0
Inflow		399	399	399	0	0	0

At 31 December 2017 € million	Note	Total	Contractual cash flow	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank Borrowings and other long-term loans	28	311	311	11	21	279	0
Debentures and other short-term loans	28	0	0	0	0	0	0
Lease liabilities	28	5	5	2	2	1	0
Retail bond maturing in 2023	29	188	230	9	9	27	185
Institutional Eurobond maturing in 2022	29	349	384	7	7	370	0
Institutional Eurobond maturing in 2021	29	365	407	14	14	379	0
Retail bond maturing in 2020	29	254	277	9	9	259	0
EMTN notes maturing in 2019	29	75	79	2	77	0	0
Trade and other liabilities	34	1 750	1 750	1 724	10	15	1
Bank overdrafts	28	26	26	26	0	0	0
Interest rate swaps		63	63	14	14	31	4
Forward exchange contracts used for hedging purposes							
Outflow		2 753	2 753	2 753	0	0	0
Inflow		2 848	2 848	2 848	0	0	0
Forward exchange contracts and other derivative financial instruments at fair value through profit and loss							
Outflow		2 460	2 460	2 460	0	0	0
Inflow		2 455	2 455	2 455	0	0	0

4.4 Capital risk management

The Group policy with respect to managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to patients and to reduce the Group external debt further, in order to obtain a capital structure that is consistent with others in the industry.

€ million	2018	2017
Total borrowings (Note 28)	272	342
Bonds (Note 29)	1 227	1 231
Less: cash and cash equivalents (Note 25), debt securities (Note 22) and cash collateral related to lease liability	-1 262	-1 049
Net debt	237	525
Total equity	6 255	5 736
Total financial capital	6 492	6 260
Gearing ratio	**4%**	**8%**

4.5 Fair value estimation

The fair value of financial instruments traded in active markets (such as financial assets at fair value through OCI) is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined by using established valuation techniques such as option pricing models and estimated discounted values of cash flows. The Group uses a variety of methods and makes assumptions that are based on market conditions and the credit and the non-performance risks existing at each balance sheet date.

Quoted market prices are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of the interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of the forward

exchange contract is determined using discounted value of the exchanged amounts in currencies, converted at the prevailing spot rate at the balance sheet date.

The carrying amount less impairment provision of trade receivables and trade payables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rates that is available to the Group for similar financial instruments.

4.5.1 Fair value hierarchy

IFRS 7 requires disclosure of fair value measurements by level of the following hierarchy:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

All fair value measurements disclosed are recurring.

4.5.2 Financial assets measured at fair value

31 December 2018 € million	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVOCI (Note 22)				
Quoted equity securities	69	0	0	69
Quoted debt securities	0	0	0	0
Derivative financial assets (Note 38)				
Forward foreign exchange contracts – cash flow hedges	0	4	0	4
Forward exchange contracts – fair value through profit and loss	0	7	0	7
Interest rate derivatives – cash flow hedges	0	1	0	1
Interest rate derivatives – fair value through profit and loss	0	37	0	37

31 December 2017 € million	Level 1	Level 2	Level 3	Total
Financial assets				
Available for sale assets (Note 22)				
Quoted equity securities	83	0	0	83
Quoted debt securities	0	0	0	0
Derivative financial assets (Note 38)				
Forward foreign exchange contracts – cash flow hedges	0	112	0	112
Forward exchange contracts – fair value through profit and loss	0	19	0	19
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	45	0	45

4.5.3 Financial liabilities measured at fair value

31 December 2018 € million	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial assets (Note 38)				
Forward foreign exchange contracts – cash flow hedges	0	97	0	97
Forward exchange contracts – fair value through profit and loss	0	10	0	10
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	3	0	3
Other financial liabilities excluding derivatives (Note 30)				
Warrants	0	0	55	55

31 December 2017 € million	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial assets (Note 38)				
Forward foreign exchange contracts – cash flow hedges	0	9	0	9
Forward exchange contracts – fair value through profit and loss	0	20	0	20
Interest rate derivatives – cash flow hedges	0	1	0	1
Interest rate derivatives – fair value through profit and loss	0	4	0	4
Other financial liabilities excluding derivatives (Note 30)				
Warrants	0	0	76	76

During the reporting period ending 31 December 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Fair value measurements categorized within Level 2 of the fair value hierarchy are calculated using either the "Discounted cash flow" or the "Black-Scholes" method (for FX options only) and market data publicly available.

The fair value of the warrants issued by a subsidiary is determined using a discounted net present value model of the probabilized cash outflows. There has not been any change in valuation technique compared to last year. The valuation is prepared by the Finance Team on a monthly basis and reviewed by the Executive Committee. The value of the warrants is based on the profitability of the subsidiary and the key assumptions used in the valuation model include unobservable inputs for forecasted net sales, milestone events and discount rate. The discount rate used amounts to 8.2%. An increase/decrease in net sales of 10% would lead to an increase/decrease of the fair value of the warrants with 0% (2017: 0%). A decrease/increase in the discount rate with 1% would lead to an increase/decrease of the fair value of the warrants with 0%) (2017: 1%). The change in fair value, recognized in profit and loss, amounts to € 6 million (2017 € 11 million) and is accounted for in other financial expenses (Note 16).

The following table presents the changes in Level 3 instruments:

€ million	Warrants	Total
1 January 2017	**127**	**127**
Cash purchase of additional warrants	0	0
Cash settlement of warrants	-48	-48
Effect of changes in fair value recognized in profit and loss	11	11
Effect of movements in exchange rates	-13	-13
31 December 2017	**76**	**76**
Cash purchase of additional warrants	0	0
Cash settlement of warrants	-30	-30
Effect of changes in fair value recognized in profit and loss	6	6
Effect of movements in exchange rates	3	3
31 December 2018	**55**	**55**

4.6 Offsetting financial assets and financial liabilities

While the Group has amounts subject to an enforceable master netting arrangement or similar agreements, financial assets and financial liabilities are reported gross on the statement of financial position as the requirements are not met to report them net. The reconciliations below depict the amounts subject to an enforceable master netting arrangement or similar agreement that have not been netted on the statement of financial position.

The tables below show financial assets and liabilities subject to enforceable master netting arrangements:

31 December 2018

€ million	Gross financial assets in the statement of financial position	Related amounts not set off in the statement of financial position		Net amounts
		Financial instruments	Cash collateral received	
Derivatives	49	27	0	22
Other	0	0	0	0
Total	**49**	**27**	**0**	**22**

31 December 2018

€ million	Gross financial liabilities in the statement of financial position	Related amounts not set off in the statement of financial position		Net amounts
		Financial instruments	Cash collateral received	
Derivatives	110	27	0	83
Other	0	0	0	0
Total	**110**	**27**	**0**	**83**

ISDA master agreements (International Swaps and Derivatives Association) have been signed with the respective counterparties allowing offsetting of financial assets and liabilities. This is applicable to the fair value settlement in case of default, but it is not applicable at the closing date 31 December 2018.

The tables below show financial assets and liabilities subject to enforceable master netting arrangements:

31 December 2017				
		Related amounts not set off in the statement of financial position		
€ million	Gross financial assets in the statement of financial position	Financial instruments	Cash collateral received	Net amounts
Derivatives	176	31	0	145
Other	0	0	0	0
Total	**176**	**31**	**0**	**145**

31 December 2017				
		Related amounts not set off in the statement of financial position		
€ million	Gross financial liabilities in the statement of financial position	Financial instruments	Cash collateral received	Net amounts
Derivatives	34	31	0	3
Other	0	0	0	0
Total	**34**	**31**	**0**	**3**

5 Segment reporting

The Group's activities are in one segment, Biopharmaceuticals.

There are no other significant classes of business, either singularly or in aggregate. The Chief Operating Decision Makers, that being the Executive Committee, review the operating results and operating plans, and make resource allocation decisions on a company-wide basis, therefore UCB operates as one segment.

Enterprise-wide disclosures about product sales, geographic areas and revenues from major customers are presented below.

5.1 Product sales information

Net Sales consist of the following:

€ million	**2018**	2017
Cimzia®	1 446	1 424
Vimpat®	1 099	976
Keppra® (including Keppra® XR)	790	778
Neupro®	321	314
Briviact®	142	87
Zyrtec® (including Zyrtec-D®/Cirrus®)	101	103
Xyzal®	90	104
Other products	323	368
Designated hedges reclassified to net sales	100	28
Total net sales	**4 412**	**4 182**

5.2 Geographic information

The table below shows net sales in each geographic market in which customers are located:

€ million	2018	2017
U.S.	2 158	2 069
Germany	334	319
Europe – other (excluding Belgium)	331	322
Japan	305	292
Spain	179	175
France (including French territories)	163	161
China	151	134
Italy	149	141
U.K. and Ireland	131	133
Belgium	39	37
Other countries	372	371
Designated hedges reclassified to net sales	100	28
Total net sales	**4 412**	**4 182**

The table below illustrates the property, plant and equipment in each geographic market in which the assets are located:

€ million	2018	2017
Belgium	296	260
Switzerland	295	298
U.K. and Ireland	68	40
U.S.	54	32
Japan	30	23
China	24	12
Other countries	38	8
Total	**805**	**673**

5.3 Information about major customers

UCB has 1 customer which individually accounts for more than 15% of the total net sales at the end of 2018.

In the U.S., sales to 3 wholesalers accounted for approximately 75% of U.S. sales (2017: 74%).

6 Revenue from contracts with customers

The Group has recognized the following amounts relating to revenue in the consolidated income statement:

€ million	2018	2017
Revenue from contracts with customers	4 603	4 493
Revenue from agreements whereby risks and rewards are shared	29	37
Total revenue	**4 632**	**4 530**

6.1 Disaggregation of revenue from contracts with customers

€ million	Actual 2018	Actual 2017	Timing of revenue recognition 2018 At a point in time	Timing of revenue recognition 2018 Over time	Timing of revenue recognition 2017 At a point in time	Timing of revenue recognition 2017 Over time
Net sales U.S.	**2 158**	**2 069**	**2 158**	**0**	**2 069**	**0**
Cimzia®	896	918	896	0	918	0
Vimpat®	822	746	822	0	746	0
Keppra®	221	232	221	0	232	0
Neupro®	101	96	101	0	96	0
Briviact®	109	63	109	0	63	0
Established brands	9	14	9	0	14	0
Net sales Europe	**1 325**	**1 288**	**1 325**	**0**	**1 288**	**0**
Cimzia®	400	370	400	0	370	0
Keppra®	216	235	216	0	235	0
Neupro®	174	168	174	0	168	0
Vimpat®	206	177	206	0	177	0
Briviact®	29	22	29	0	22	0
Established brands	300	316	300	0	316	0
Net sales international markets	**829**	**798**	**829**	**0**	**798**	**0**
Keppra®	352	311	352	0	311	0
Cimzia®	150	136	150	0	136	0
Vimpat®	70	53	70	0	53	0
Neupro®	46	50	46	0	50	0
Briviact®	4	1	4	0	1	0
Established brands	207	246	207	0	246	0
Net sales before hedging	**4 312**	**4 154**	**4 312**	**0**	**4 154**	**0**
Designated hedges reclassified to net sales	100	28	100	0	28	0
Total net sales	**4 412**	**4 182**	**4 412**	**0**	**4 182**	**0**
Royalty income and fees	**92**	**108**	**92**	**0**	**108**	**0**
Contract manufacturing revenues	83	91	83	0	91	0
Income from licensing deals (upfront payments, development milestones, sales milestones)	12	100	2	10	73	27
Revenue resulting from services & other deliveries	4	12	1	3	0	12
Total other revenue	**99**	**203**	**86**	**13**	**164**	**39**
Total revenue from contracts with customers	**4 603**	**4 493**	**4 590**	**13**	**4 454**	**39**

6.2 Contract assets and liabilities

The group has recognized the following revenue-related contract liabilities:

€ million	Note	2018	2017
Contract liabilities resulting from out-licensing agreements			
Non-current	34	6	9
Current	34	16	21
Total revenue-related contract liabilities		**22**	**30**

The Group does not have any revenue-related contract assets.

Revenue-related contract liabilities relate to unsatisfied performance obligations resulting from out-licensing agreements with Otsuka, Daiichi, GSK and Pfizer (see below). These liabilities have decreased because of the recognition of revenue during the year resulting from performance obligations that were satisfied in 2018.

The following table shows how much of the revenue recognized in the current reporting period was included in the contract liability balance at the beginning of the period and how much relates to performance obligations that were satisfied in previous periods.

€ million	2018	2017
Revenue recognized that was included in the contract liability balance at the beginning of the period	**9**	**22**
Revenue resulting from out-licensing agreements	9	22
Revenue recognized that relates to performance obligations that were satisfied in a prior year	**196**	**181**
Product sales	104	56
Revenue resulting from out-licensing agreements	92	125

The following table shows unsatisfied performance obligations resulting from out-licensing agreements:

€ million	Note	2018	2017
Aggregate amount of the transaction price allocated to development agreements that are partially or fully unsatisfied as at 31 December	34	12	18
Upfront payments received for out – licensing agreements to be taken in revenue as performance obligations are satisfied over time	34	10	12
Unsatisfied performance obligations resulting from out – licensing agreements		**22**	**30**

Management expects that 62% of the transaction price allocated to the unsatisfied development agreements as of 31 December 2018 will be recognized as revenue during the next reporting period. The remaining 38% will be recognized in financial years 2020 till 2026. The amount disclosed above does not include variable consideration which is constrained. The performance obligations still to be satisfied concern development activities to be performed over the next years (€ 12 million) as well as providing access to IP rights owned by the Group (€ 10 million).

All other development, manufacturing or other service agreements are for periods of one-year or less or are

billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied agreements is not disclosed.

No assets are recognized from costs to fulfill a contract.

7 Business combination

7.1 Acquisition of Beryllium LLC

On 2 June 2017, UCB increased its 27% equity stake in Beryllium LLC to full ownership. UCB has already been successfully partnering with Beryllium LLC for several years and acquired a 27% stake in the company in 2014. UCB increased its equity stake to 100% of the issued and outstanding shares of Beryllium LLC by paying a net amount of € 7 million to Beryllium LLC's external shareholders, after € 7 million was reimbursed to UCB as consideration for the series A preferred units held by UCB in Beryllium LLC since 2014, including accrued dividends. UCB finalized the purchase price allocation (see table below). Final goodwill represents expected synergies with UCB's super network and core antibody and small molecule discovery approach, as well as skilled workforce. Goodwill is not expected to be tax deductible. Adjustments due to the purchase price allocation mainly relate to identification of intangible assets such as the micro RNA targeting platform, customers contracts, research knowledge and standard operating procedures as well as to the identification of deferred tax assets as part of the tax losses carried forward by Beryllium LLC that are assessed as being recoverable in future years. The fair value of acquired receivables is estimated at € 1 million. All contractual cash flows are expected to be collected. No contingent liabilities have been identified. Acquisition related costs for an amount of € 1 million have been recorded under Other Expenses in 2017. No material additional acquisition related costs have been recorded in 2018. No major gain or loss was recognized as a result of the re-measuring to fair value of the equity interest in Beryllium LLC held by UCB before the business combination.

€ million	Initial opening balance sheet	Adjustments due to purchase price allocation	Adjusted opening balance sheet
Total acquisition value	**7**	**0**	**7**
Cash consideration paid (net)	7		7
Contingent consideration	0		0
Settlement of receivable on Beryllium LLC at recorded amount	**4**		**4**
Fair value of previously held investment	**4**		**4**
Recognized amounts of identifiable assets acquired and liabilities assumed	**-2**	**-4**	**-6**
Non-current assets	-2	-5	-7
Current assets	-2		-2
Non-current liabilities	2	-1	1
Current liabilities	0	2	2
Goodwill	**13**	**-4**	**9**

7.2 Acquisition of Element Genomics Inc.

On 30 March 2018, UCB acquired Element Genomics Inc. Element Genomics Inc. is a small-size biotech spin-off from Duke University with cutting-edge expertise in the area of functional genomics. The Company that was originally incorporated on 13 August 2015, is driven by a team of 12 scientists based in downtown Durham, North Carolina, in the US. Element's proven technologies and expertise will enhance UCB's own research capabilities thereby bringing more value to UCB's early pipeline. At the core of the Element Genomics platform is a suite of methods to improve the understanding of genome structure and function. This includes 'CRISPR editing technologies' which can be used to analyze how mutations affect key pathways and disease as well as

investigate and modulate regulatory elements, chromatin structure, and epigenetics to determine effects on gene expression and disease.

UCB acquired 100% of the issued and outstanding shares of Element Genomics Inc. for a total consideration of € 24 million of which € 10 million is contingent on future milestones. The fair value of the contingent consideration is estimated at € 9 million. The estimate takes into account the assumed likelihood and timing of achieving the arrangement's milestones. No changes were necessary to this estimate since acquisition date. The liability is presented within non-current 'Trade and other liabilities'. Upon acquisition, an amount of € 6 million was paid by UCB to the holders of a convertible note. As this reimbursement was triggered by a change-in-control clause as foreseen in the terms of the convertible note agreement when the notes were issued by Element Genomics Inc. in 2016, this payment is not considered as being part of the consideration transferred to the sellers in exchange for control of Element in accordance with the provisions in IFRS 3 Business combinations.

UCB still needs to finalize the purchase price allocation but the table below shows the initial amounts for the net assets acquired and goodwill. The goodwill is attributable to expected synergies with UCB's biotech research activities as well as skilled workforce. Goodwill is not expected to be tax deductible. Adjustments due to the initial purchase price allocation mainly relate to identification of intangible assets such as the technology platform, research knowledge and standard operating procedures as well as deferred tax assets resulting from tax losses carried forward by Element. No material receivables were acquired as part of the business combination. No contingent liabilities have been identified. Acquisition related costs for an amount of € 1 million have been recorded under Other Expenses in the period ending 31 December 2018. The amounts of revenue and profit or loss of Element Genomics Inc. included in the consolidated income statement for the reporting period since acquisition are not material. The amounts of revenue and profit or loss for Element Genomics Inc. assuming the acquisition date would have been 1 January 2018 are also not material.

€ million	Initial opening balance sheet	Adjustments due to initial purchase price allocation	Adjusted opening balance sheet (not final yet)
Total acquisition value	**17**	**0**	**17**
Cash consideration paid	13		13
Amount paid to holders of convertible note	-6		-6
Closing indemnity hold back amount	1		1
Contingent consideration	9		9
Recognized amounts of identifiable assets acquired and liabilities assumed	**6**	**-1**	**5**
Non-current assets		-1	-1
Current assets	-1		-1
Non-current liabilities			0
Current liabilities	1		1
Convertible note	6		6
Goodwill	**23**	**-1**	**22**

8 Discontinued operations and assets of disposal group classified as held for sale

8.1 Discontinued operations

On 2 September 2015, UCB concluded an agreement with Lannett Company, Inc. ("Lannett") for the sale of its U.S. specialty generics subsidiary, Kremers Urban Pharmaceuticals Inc. ("KU"). The sale was closed on 25 November 2015.

The profit from discontinued operations of € 8 million for 2018 includes a € 9 million profit relating to the sale

of KU. Discontinued operations also include additional costs for an environmental provision related to the legacy films and chemical activities for € 1 million. The profit from discontinued operations of € 1 million for 2017 includes a € 1 million loss for costs resulting from the sale of KU as well as a partial reversal of provisions related to the legacy films and chemical activities for € 2 million.

The cash flows from discontinued operations have been separately disclosed on the cash flow statement. In 2018 there was a cash outflow of € 9 million, mainly related to the settlement of a claim relating to activities of KU.

8.2 Assets of disposal group classified as held for sale

Assets of disposal group classified as held for sale as per 31 December 2018 mainly relate to the Monheim site in Germany. In 2016 UCB decided to dispose of the site and enter into a leaseback agreement for that part of the site that is currently used by UCB. The sales contract for the Monheim site was signed in November 2018 and actual transfer of the building took place in February 2019. No impairment loss has been accounted for on these assets.

Assets of disposal group classified as held for sale as per 31 December 2017 also related to the Monheim site.

9 Other revenues

€ million	2018	2017
Revenue generated by means of profit-sharing agreements	11	16
Upfront payments, milestone payments and reimbursements	34	133
Contract manufacturing revenues	83	91
Total other revenue	**128**	**240**

The revenue generated through profit-sharing agreements relates mainly to revenue from the co-promotion of Dafiro®.

During 2018, UCB received milestone payments and reimbursements from different parties, mainly:

- Sanofi for collaboration and development of innovative anti-inflammatory small molecules;
- Otsuka for co-development of E Keppra® and Neupro® in Japan;
- Daiichi Sankyo for Vimpat® in Japan;
- Astellas for Cimzia® in Japan;
- Biogen for co-development of antibody dapirolizumab pegol.

The revenue from contract manufacturing activities is mainly linked to the entering into toll manufacturing agreements after divestiture of established brands.

10 Operating expenses by nature

The table below illustrates certain items of expense recognized in the income statement using a classification based on their nature within the Group:

€ million	Note	2018	2017
Employee benefit expenses	11	1 180	1 200
Depreciation of property, plant and equipment	21	117	74
Amortization of intangible assets	19	170	160
Impairment of non-financial assets (net)	13	0	1
Total		**1 467**	**1 435**

11 Employee benefit expense

€ million	Note	2018	2017
Wages and salaries		807	790
Social security costs		123	121
Post-employment benefits – defined benefit plans	32	61	72
Post-employment benefits – defined contribution plans		18	25
Share-based payments to employees and directors	27	65	88
Insurance		51	47
Other employee benefits		55	57
Total employee benefit expense		**1 180**	**1 200**

The total employee benefit expense has been allocated along functional lines within the income statement.

Other employee benefits consist mainly of termination benefits, severance payments, and other long-term/ short-term disability benefits.

Headcount at 31 December	2018	2017
Hourly Paid	0	3
Monthly Paid	3 024	3 139
Management	4 471	4 336
Total	**7 495**	**7 478**

Further information regarding post-employment benefits and share-based payments can be found in Notes 32 and 27.

12 Other operating income/expenses

€ million	2018	2017
Provisions	-19	5
Impairment trade receivable	-4	-4
Loss on disposal of non-current assets	-7	-1
Reimbursement by third parties for development expenses	1	8
Grants received	15	14
Collaboration agreement for the development and commercialization of Evenity™	-10	-39
Other income/expenses (-)	0	6
Total other operating income/expenses (-)	**-24**	**-11**

The result of the collaboration agreement with Amgen for the development and commercialization of Evenity™ amounted to € -10 million expenses (compared to € -39 million in 2017). All recharges of development and commercialization expenses to/from Amgen are classified as other operating income/expenses. The equivalent total net recharges as per 31 December 2018 consisted of € 2 million marketing and selling income (€ -17 million in 2017) and € -12 million development expenses (€ -22 million in 2017).

The provisions are mainly related to VAT risks and grant recoverability risks.

13 Impairment of non-financial assets

A review of the recoverable amounts of the Group's assets resulted in the recognition of impairment charges amounting to € 0 million (2017: € 1 million).

In 2017, impairment charges of € 6 million related to narcotic cough suppressants were recognized in the year. In addition, an impairment of € 1 million was concluded in respect of Metadate®. Furthermore, the impairment on *inotuzumab ozogamicin*, out-licensed to Pfizer, for an amount of € 6 million that had been accounted for in 2013, was reversed as Pfizer announced that the European Commission has approved Besponsa® (*inotuzumab ozogamicin)* as monotherapy for the treatment of adults with relapsed or refractory Acute Lymphoblastic Leukemia (ALL)

No impairment charges for Group property, plant and equipment were recognized in 2018 (2017: € 0 million).

No reasonably possible change in a key assumption on which management has based its determination of the assets recoverable amounts would cause the assets carrying amount to exceed its recoverable amount.

14 Restructuring expenses

The restructuring expenses for the year ended 31 December 2018 amount to € 20 million (2017: € 23 million) and are related to new organization models and business discontinuation.

15 Other income/expenses

Total other income/expense amounted to an income of € 24 million (2017: expense of € 19 million) and is comprised of the following items:

- Gain on disposal: € 47 million in 2018 and is related to the sale of Innere Medizin and non-core Established Brand products (€ 3 million in 2017 related to

additional proceeds received in respect of the disposal of the nitrates business)

- Other expenses: € 59 million in 2018, relates to legal fees related to intellectual property and Distelbène provision (2017: € 22 million and mainly relate to intellectual property legal fees)
- Other income: € 36 million in 2018 and mainly relates to the recognition of the cumulative amount of exchange differences for legal entities liquidated in 2018. These exchange differences were previously carried forward in other comprehensive income.

16 Financial income and financial expenses

The net financial expenses for the year amounted to € 93 million (2017: € 99 million). The breakdown of the financial expenses and financial income is as follows:

Financial expenses

€ million	2018	2017
Interest expenses on:		
Retail bonds	-25	-25
Institutional Eurobonds	-17	-17
Other borrowings	-17	-14
Financial charges on leases	-3	0
Impairment of equity securities and other financial assets	0	0
Net loss on interest rate derivatives	0	0
Net fair value losses on foreign exchange derivatives	-3	0
Net foreign exchange losses	-38	-44
Net other financial income/expenses (-)	-6	-14
Total financial expenses	**-109**	**-114**

Financial income

€ million	2018	2017
Interest income on:		
Bank deposits	1	1
Interest rate derivatives	15	13
Net fair value gain on foreign exchange derivatives	0	1
Total financial income	**16**	**15**

The net other financial income/expenses include € 6 million expenses related to the changes in fair value of the warrants linked to the structured entity Edev Sàrl (€ -11 million in 2017) (Note 4.5.3).

17 Income tax expense (-)/credit

€ million	2018	2017
Current income taxes	-145	16
Deferred income taxes	-55	-234
Total income tax expense (-)/credit	**-200**	**-218**

The Group operates internationally, implying being subject to income taxes in many different tax jurisdictions.

The income tax expense on the Group's profit before tax differ from the theoretical amount that would arise using the weighted average tax rate applicable to profits (losses) of the consolidated companies.

Income taxes recognized in the income statement can be detailed as follows:

€ million	2018	2017
Profit before income taxes	1 015	988
Income tax expense (-) calculated at domestic tax rates applicable in the respective countries	-213	-206
Theoretical income tax rate	**21%**	**21%**
Reported current income tax	-145	16
Reported deferred income tax	-55	-234
Total reported tax charge	-200	-218
Effective income tax rate	**19.7%**	**22.0%**
Difference between theoretical and reported tax	13	-12
Expenses non-deductible for tax purposes	-27	-34
Non-taxable income	15	8
Increase (-)/decrease of liabilities for uncertain tax positions	-33	181
Effect of previously unrecognized tax credits and losses used in the period	4	43
Tax credits	73	37
Variation in tax rates	59	-124
Effect of reversal of previously recognized DTA on tax losses	0	0
Current tax adjustments related to prior years	6	35
Deferred tax adjustments related to prior years	8	-71
Net effect of previously unrecognized DTA and non-recognition of current year deferred tax assets	-95	-89
Withholding tax	-1	-2
Other taxes	4	3
Total difference between theoretical and reported income tax	**13**	**-12**

The theoretical income tax rate remained stable compared to the prior year.

The effective tax rate of 19.7% is slightly below the prior year effective tax rate and is composed of a current and a deferred tax charge. The key drivers for the rate can be summarized as follows:

Current Tax:

- The impact of R&D related tax incentives in key jurisdictions.
- An increase of reserves for uncertain tax positions reflecting the tax-technical merits of the positions and the current state of discussions with tax inspectors in key jurisdictions. These reserves are partially offset through further recognition of assets for Mutual Agreement Procedures.

- The impact of the Belgian tax reform limiting the utilization of tax losses carried forward.

Deferred Tax:

- In line with prior years, there was an increase to the tax rate in respect of losses and carry-forward innovation income deduction generated in the period for which no deferred tax asset has been recognized.
- Deferred tax assets linked to US operations could be remeasured following further guidance on US tax reform validating applicable tax rate.

Factors affecting the tax charge in future years

The Group is aware of many factors that could impact the future effective tax rate of the Group, in particular the profit/losses mix between different territories in which the Group operates, the amount of unrecognized losses that in future can be brought onto the balance sheet and the outcome of future tax audits.

Changes to tax legislation in jurisdictions where the Group operates as well as the impact of international tax rules such as the European Union's Common Consolidated Corporate Tax Base (CCCTB) and the OECD's Base Erosion & Profit Shifting framework ('BEPS') may also have a major impact.

Corporate restructuring, acquisitions and disposals, future planning as well as legislative changes may also impact the Group's future tax charge.

The Group is specifically paying attention to the following:

- **Switzerland:** Switzerland is expected to reform its tax legislation in the near future, leading to a reduced corporate tax rate (depending on the canton of Switzerland). The tax law change is expected to have a positive impact on the current taxes due in Switzerland.
- **U.S.:** US government is currently releasing the legislative texts and interpretations of the 2017 US tax reform. UCB consistently reassesses its US tax positions based on the latest guidance.
- **U.K.:** UCB management is closely following up on Brexit and any impact this could have from a corporate income tax perspective.

18 Components of other comprehensive income (including NCI)

€ million	1 January 2017	Movements 2017 net of tax	31 December 2017	Movements 2018 net of tax	31 December 2018
Items of OCI to be reclassified to profit or loss in subsequent periods:	**153**	**-254**	**-101**	**-110**	**-211**
Cumulative translation adjustments	132	-352	-220	66	-154
Financial assets at FVOCI	41	-12	29	-35	-6
Cash flow hedges	-20	110	90	-141	-51
Items of OCI not to be reclassified to profit or loss in subsequent periods:	**-353**	**9**	**-344**	**9**	**-335**
Remeasurement of defined benefit obligation	-353	9	-344	9	-335
Total other comprehensive income attributed to equity holders	**-200**	**-245**	**-445**	**-101**	**-546**

19 Intangible assets

2018 € million	Trademarks, patents and licences	Other	Total
Gross carrying amount at 1 January	**2 525**	**342**	**2 867**
Additions	194	15	209
Disposals	-4	-16	-20
Business Combinations	0	0	0
Transfer from one heading to another	1	20	21
Divestments	-14	-5	-19
Transfer to assets held for sale	0	0	0
Effect of movements in exchange rates	35	2	37
Gross carrying amount at 31 December	**2 737**	**358**	**3 095**
Accumulated amortization and impairment losses at 1 January	**-1 837**	**-213**	**-2 050**
Amortization charge for the year	-136	-34	-170
Disposals	-2	14	12
Impairment losses recognized in the income statement	0	0	0
Transfer from one heading to another	0	0	0
Divestments	13	2	15
Transfer to assets held for sale	0	0	0
Effect of movements in exchange rates	-30	-2	-32
Accumulated amortization and impairment losses at 31 December	**-1 992**	**-233**	**-2 225**
Net carrying amount at 31 December	**745**	**125**	**870**

2017 € million	Trademarks, patents and licences	Other	Total
Gross carrying amount at 1 January	**2 278**	**396**	**2 674**
Additions	73	31	104
Disposals	-3	-15	-18
Business Combinations	5	0	5
Transfer from one heading to another	295	-68	227
Divestments	0	0	0
Transfer to assets held for sale	0	0	0
Effect of movements in exchange rates	-123	-2	-125
Gross carrying amount at 31 December	**2 525**	**342**	**2 867**
Accumulated amortization and impairment losses at 1 January	**-1 489**	**-310**	**-1 799**
Amortization charge for the year	-604	444	-160
Disposals	1	15	16
Impairment losses recognized in the income statement	-1	0	-1
Transfer from one heading to another	163	-366	-203
Divestments	0	0	0
Transfer to assets held for sale	0	0	0
Effect of movements in exchange rates	93	4	97
Accumulated amortization and impairment losses at 31 December	**-1 837**	**-213**	**-2 050**
Net carrying amount at 31 December	**688**	**129**	**817**

The Group amortizes all intangible assets once they are placed in service. The amortization of intangible assets is allocated to cost of sales for all intangible assets that are related to compounds. The amortization charges related

to software are allocated to the functions that use this software.

The majority of the Group intangible assets arose from previous acquisitions. During 2018, the Group acquired intangible assets totaling € 209 million (2017: € 104 million). These additions are related to in-licensing deals, software and capitalized eligible development costs, the most significant being intranasal *midazolam* acquired from Proximagen for € 132 million and the final Dermira milestone for € 33 million. There were also additions totaling € 24 million relating to the capitalization of external development expenses for post approval studies.

Disposals in 2018 and 2017 were mainly in respect of software.

During the year, the Group recognized total impairment charges of € 0 million (2017: € 1 million). In 2017 the impairment of € 1 million related to narcotic cough suppressants (€ 6 million) and Metadate® (€ 1 million), offset by the reversal of the impairment on *inotuzumab ozomagicin,* an out licensed asset, for an amount of € 6 million. The impairment charges are detailed in Note 13 and have been presented in the income statement under the caption "Impairment of non-financial assets".

Divestments with a net book value of € 4 million relate to the intangibles of UCB Innere Medizin GmbH & Co. KG.

Other intangible assets are primarily comprised of software and in process development projects. The in-process development project assets are not amortized until they are available for use (i.e. when related products are launched for sale) and transferred to the licenses caption.

20 Goodwill

€ million	2018	2017
Net book value at 1 January	**4 838**	**5 178**
Acquisition	22	9
Effect of movements in exchange rates	110	-349
Net book value at 31 December	**4 970**	**4 838**

The Group tests goodwill for impairment annually or more frequently if there are indications that goodwill might be impaired. For the purpose of the impairment testing, the Group operates as one segment, Biopharmaceuticals, and has one single cash generating unit (CGU), which represents the lowest level at which the goodwill is monitored.

The recoverable amount of the CGU is determined based on the value-in-use calculations and the methodology applied for performing the impairment testing has not been modified compared to 2017.

Key assumptions

The calculations performed are based on the cash flow projections as derived from the financials underlying the 10-year strategic plan approved by management and Board of Directors. Given the nature of the industry, the long-term projections are used to fully model the appropriate product lifecycles based on the patent expiry and therapeutic area. These long-term projections, which are based on past performance and management's expectations of market developments, are adjusted for specific risks and include:

- the revenue growth rates of newly launched products;
- the probability of reaching commercial stage for new products and or indications;
- the probability of success of future product launches and the expected dates thereof;
- the post-patent expiry erosion.

There were no significant changes to these key assumptions when comparing to 2017 except for the

assumptions relating to launch probabilities, which were adapted taking into account latest developments.

Cash flows beyond the projected forecasted period (terminal value) are extrapolated using an estimated growth rate of 3% (2017: 3%). The growth rate does not exceed the long-term average growth rate for the relevant territories in which the CGU operates.

The Group has most of its revenue and expenses in EUR and USD based countries. The following important exchange rates were used in preparing the future cash flows:

	10 years projection	2017
USD	1.23 – 1.32	1.10 – 1.25
GBP	0.90 – 1.02	0.87 – 0.90
JPY	130 – 133	120
CHF	1.12 – 1.16	1.00 – 1.06

Starting from risk-free short-term LIBOR EUR 6 months and long-term EU generic government bonds 20 years (2017: 20 years), the discount rates applied are determined based on the weighted average cost of capital for DCF models, including the 20 year (2017: 20 year) benchmark cost of debt and equity, adjusted to reflect the specific asset and country risks associated with the CGU. Given the industry, the Group used a discount rate for marketed products of 6.41% (2017: 6.62%) and for pipeline products 13.0% (2017: 13.0%). Marketed products are products that are sold in the market as per year-end, these comprise our products Cimzia®, Vimpat®, Neupro®,Keppra®, Briviact® and other products (Zyrtec®, Xyzal® and others). Pipeline products are products that are not sold yet in the market as per year-end (e.g. Evenity™). A different discount rate is used for pipeline products as the risks related to these products are higher than for the products that are already in the market. The discount rates are reviewed at least annually.

Since after-tax cash flows are incorporated into the calculation of the value-in-use of the CGU, a post-tax discount rate is used in order to remain consistent.

The use of the post-tax discount rate approximates the result of using a pre-tax rate applied to pre-tax cash flows. A tax rate between 1% and 25% was used (2017: 12%–25%).

Sensitivity analysis

Based on the above, management assessed that no reasonable change in any of the key assumptions for the determination of the recoverable amount would cause the carrying value of the CGU to materially exceed its recoverable amount. For information purposes, the sensitivity analysis using a 0% perpetual growth rate combined with an overall discount rate below 12.3% would not result in an impairment of the goodwill.

21 Property, plant and equipment

2018

€ million	Land and buildings	Plant and machinery	Office, computer equipment, vehicles and other	Assets under construction	Total
Gross carrying amount at 1 January	**475**	**768**	**117**	**134**	**1 494**
Additions	97	38	49	80	264
Disposals	-2	-9	-3	-1	-15
Transfers from one heading to another	4	73	5	-105	-23
Effect of movements in exchange rates	8	15	2	1	26
Gross carrying amount at 31 December	**582**	**885**	**170**	**109**	**1 746**
Accumulated depreciation at 1 January	**-250**	**-464**	**-105**	**-2**	**-821**
Depreciation charge for the year	-40	-54	-23	0	-117
Disposals	2	8	2	0	12
Transfers from one heading to another	-2	0	0	0	-2
Effect of movements in exchange rates	-4	-8	-1	0	-13
Accumulated depreciation at 31 December	**-294**	**-518**	**-127**	**-2**	**-941**
Net carrying amount at 31 December	**288**	**367**	**43**	**107**	**805**

2017

€ million	Land and buildings	Plant and machinery	Office, computer equipment, vehicles and other	Assets under construction	Total
Gross carrying amount at 1 January	**542**	**784**	**112**	**85**	**1 523**
Additions	3	16	4	105	128
Business combinations	0	2	0	0	2
Disposals	9	-16	3	-1	-5
Transfers from one heading to another	-21	19	4	-50	-48
Transfer to assets held for sale	-31	-1	-1	0	-33
Effect of movements in exchange rates	-27	-36	-5	-5	-73
Gross carrying amount at 31 December	**475**	**768**	**117**	**134**	**1 494**
Accumulated depreciation at 1 January	**-288**	**-457**	**-98**	**-2**	**-845**
Depreciation charge for the year	-20	-46	-8	0	-74
Disposals	-9	15	-2	0	4
Transfers from one heading to another	23	1	0	0	24
Transfer to assets held for sale	31	1	1	0	33
Effect of movements in exchange rates	13	22	2	0	37
Accumulated depreciation at 31 December	**-250**	**-464**	**-105**	**-2**	**-821**
Net carrying amount at 31 December	**225**	**304**	**12**	**132**	**674**

None of the Group property, plant and equipment is subject to restrictions on title nor has it been pledged as security for liabilities.

During 2018, the Group acquired property, plant and equipment totaling € 264 million (2017: € 128 million). These additions include right-of-use assets due to the implementation of IFRS 16 for an amount of € 140 million. Other additions mainly relate to the upgrade of the biological plant in Bulle (Switzerland), the new biological production unit and the revamping of a plant on the UCB Braine site (Belgium), a new packaging line for Keppra in Zhuhai plant (China), IT hardware and other plant and equipment.

During the year, the Group did not recognize any impairment expenses (2017: impairment of € 0 million).

The depreciation charge for the year amounts to € 117 million (2017: € 74 million) and includes the depreciation on the right-of-use assets (€ 38 million).

Capitalized borrowing costs

No borrowing costs were capitalized during 2018 (2017: € 0 million).

22 Financial and other assets

22.1 Non-current financial and other assets

€ million	2018	2017
Financial assets at FVOCI (refer below)	52	69
Investments in Associates	3	4
Cash deposits	9	8
Derivative financial instruments (Note 38)	38	45
Reimbursement rights with respect to German defined benefit plans	23	23
Other financial assets	34	48
Non-current financial and other assets	**159**	**197**

22.2 Current financial and other assets

€ million	2018	2017
Clinical trial materials	77	49
Financial assets at FVOCI (refer below)	17	14
Derivative financial instruments (Note 38)	11	131
Current financial and other assets	**105**	**194**

22.3 Financial assets at fair value through other comprehensive income (FVOCI)

The current and non-current financial assets at FVOCI comprise the following:

€ million	2018	2017
Equity securities	69	83
Debt securities	0	0
Financial assets at FVOCI	**69**	**83**

The movement in the carrying values of the financial assets at FVOCI is as follows:

	2018		2017	
€ million	Equity securities	Debt securities	Equity securities	Debt securities
At 1 January	**83**	**0**	**64**	**3**
Additions	23	0	31	0
Disposals	0	0	0	-3
Fair value losses going through OCI	-37	0	-12	0
At 31 December	**69**	**0**	**83**	**0**

For the financial assets that are valued at amortized cost, the carrying amount approximates the fair value.

The Group does not have any investments in debt instruments.

The equity securities mainly include investments in Dermira Inc., Heidelberg Pharma AG, Clementia Pharmaceuticals Inc., Ceribell Inc. and investments in UCB Ventures that have been classified as financial assets at FVOCI, these investments are measured at fair value. All fair value gains and losses are presented in OCI.

As at the end of 2018, UCB's stakes in Dermira Inc., Heidelberg Pharma AG, Clementia Pharmaceuticals Inc. and Ceribell Inc. were 4.45%, 4.03%, 0.77% and 4.41% (2017: 4.45%, 5.04%, 0.92% and 0%) respectively. As UCB does not have significant influence in these companies, the equity investments are classified as financial assets at FVOCI.

The additions to financial assets at FVOCI in the year include € 18 million investments made in UCB Ventures, UCB's corporate venture fund.

The fair value losses going through OCI mainly relate to the decrease in value of UCB's holding in Dermira Inc. (€ 31 million).

The current financial assets at FVOCI (€ 17 million) relate to vested long-term incentives granted to employees. These are held in custody for the account of the relevant participants on a separate securities account of UCB. There is a corresponding liability which is recorded in Other Payables (Note 34).

22.4 Investment in associates

In December 2017, the Group made an investment in Syndesi Therepeutics SA, a Belgian company. This investment is considered as an investment in an associate as UCB has significant influence via its equity holding (18.1%) and Board seat. The Group's share of the investee's loss for 2018 is € 1 million and there are no amounts of other comprehensive income related to the Group's investment in this associate. The investment is included in the non-current financial and other assets on the balance sheet.

22.5 Joint operations

No joint operations were entered into by the Group in 2018.

22.6 Subsidiaries with material non-controlling interests

The accumulated non-controlling interest as of 31 December 2018 is € -55 million and relates to Edev S.à r.l. ("Edev"). No dividends have been paid to non-controlling interests during either 2018 or 2017.

Based in Luxembourg, Edev is 100% owned by the non-controlling interests and its summarized financial information is shown in the tables below before intercompany eliminations.

Summarized statement of financial position

€ million	2018	2017
Non-current assets	0	0
Current assets	1	0
Total assets	**1**	**0**
Non-current liabilities	29	52
Current liabilities	27	24
Total liabilities	**56**	**76**
Non-controlling interest	**-55**	**-76**

Summarized income statement

€ million	2018	2017
Revenue	29	30
Expenses	-6	-12
Profit (loss) attributable to the non-controlling interests	**23**	**18**
Total comprehensive income (loss) attributable to the non-controlling interests	**22**	**30**

Summarized cash flow statement

€ million	2018	2017
Net cash inflow (outflow) from operating activities	0	0
Net cash inflow (outflow) from investing activities	0	0
Net cash inflow (outflow) from financing activities	0	0
Net cash inflow (outflow)	**0**	**0**

23 Inventories

€ million	2018	2017
Raw materials and consumables	83	97
Work in progress	441	362
Finished goods	123	135
Goods purchased for resale	0	3
Inventories	**647**	**597**

The cost of inventories recognized as an expense and included in "cost of sales" amounted to € 685 million (2017: € 713 million). There are no inventories pledged for security, nor is there any inventory stated at net realizable value. The write-down on inventories amounted to € 37 million in 2018 (2017: € 21 million) and has been included in cost of sales. Total inventory increased by € 50 million. The increase is mainly related to Cimzia® inventory.

24 Trade and other receivables

€ million	2018	2017
Trade receivables	625	583
Less: provision for impairment	-9	-8
Trade receivables – net	616	575
VAT receivable	43	56
Interest receivables	11	10
Prepaid expenses	95	83
Accrued income	0	6
Other receivables	54	63
Royalty receivables	16	16
Trade and other receivables	**835**	**809**

The carrying amount of trade and other receivables approximates their fair values. With respect to trade receivables, the fair value is estimated to be the carrying amount less the provision for impairment and for all other receivables the carrying value approximates fair value given the short-term maturity of these amounts.

There is some concentration of credit risk with respect to trade receivables. For some credit exposures in critical countries, such as the Southern European countries, the Group obtained credit insurance. The Group co-operates with dedicated wholesalers in certain countries. The largest outstanding trade receivable in 2018 from a single customer is 18% (2017: 17%) from McKesson Corp. U.S..

The aging analysis of the Group trade receivables at year-end is as follows:

	2018		2017	
€ million	Gross carrying amounts	Impairment	Gross carrying amounts	Impairment
Not past due	556	0	505	0
Past due – less than one month	43	0	57	-1
Past due more than one month and not more than three months	6	0	6	0
Past due more than three months and not more than six months	4	0	4	0
Past due more than six months and not more than one-year	9	-3	5	-3
Past due more than one-year	7	-6	6	-4
Total	**625**	**-9**	**583**	**-8**

Based on historical default rates, the Group believes that no provision for impairment is necessary in respect of trade receivables not past due unless there is a specific indication or evidence of impairment. This concerns 89% (2017: 87%) of the outstanding balance at the balance sheet date.

The movement in the provision for impairment in respect of trade receivables is shown below:

€ million	2018	2017
Balance at 1 January	**-8**	**-6**
Impairment charge recognized in the income statement	-1	-5
Utilization / reversal of provision for impairment	-1	3
Effects of movements in exchange rates	1	0
Balance at 31 December	**-9**	**-8**

The other classes within trade and other receivables do not contain impaired assets.

The carrying amounts of the Group trade and other receivables are denominated in the following currencies:

€ million	2018	2017
EUR	264	360
USD	318	226
JPY	58	20
GBP	40	42
CNY	30	31
CHF	20	22
KRW	3	9
Other currencies	102	99
Trade and other receivables	**835**	**809**

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

The Group does not hold any collateral as security.

25 Cash and cash equivalents

€ million	2018	2017
Short-term bank deposits	1 035	856
Cash at bank and on hand	227	193
Cash and cash equivalents (excluding bank overdrafts)	**1 262**	**1 049**

Cash and short-term deposits of € 28 million are held in countries with restrictive regulations on exporting capital from the country other than *via* normal dividends, such as Brazil, China, India, Korea and Thailand. There are no major cash balances that are restricted for use by the Group in settling its own obligations.

For the purposes of the statement of cash flows, cash and cash equivalents are comprised of the following:

€ million	2018	2017
Cash and cash equivalents	1 262	1 049
Bank overdrafts (Note 28)	-25	-26
Cash and cash equivalents (excluding bank overdrafts)	**1 237**	**1 023**

26 Capital and reserves

26.1 Share capital and share premium

The issued share capital of the Company amounted to € 584 million (2017: € 584 million), and is represented by 194 505 658 shares (2017: 194 505 658 shares). The Company's shares are without par value. At 31 December 2018, 68 967 581 shares were registered and 125 538 077 were dematerialized shares. The holders of UCB shares are entitled to receive dividends as declared and are also entitled to one vote per share at the shareholders' meeting of the Company. There is no authorized, unissued capital.

At 31 December 2018, the share premium reserves amounted to € 2 030 million (2017: € 2 030 million).

26.2 Treasury shares

The Group acquired, through UCB SA and UCB Fipar SA, 780 013 treasury shares (2017: 1 700 000) for a total amount of € 51 million (2017: € 113 million) and transferred 1 477 506 treasury shares (2017: 1 233 685) for a total amount of € 62 million (2017: € 64 million). Net disposal of 697 493 treasury shares for a net amount of € 11 million.

During 2018, the Group did not acquire or dispose of any treasury shares as part of share swap transactions. (2017: 0 acquired and 0 disposed). At 31 December 2018, the Group retained 5 597 184 treasury shares of which none related to share swap deals (2017: 6 294 677). These treasury shares have been acquired in order to honour the exercise of stock options and share awards granted to the Executive Committee and certain categories of employees.

In the current year, no call options on UCB shares have been acquired (2017: 0) nor have any call options been exercised (2017: 1 000 000 call options were exercised leading to € 8 million positive equity impact).

26.3 Other reserves

Other reserves amount to € -146 million (2017: € -155 million) and consist of the following items:

- the IFRS acquisition value surplus that arose during the Schwarz Pharma business combination for € 232 million (2017: € 232 million);
- the remeasurement value of the defined benefit obligation for € -344 million (2017: € -353 million);
- the purchase of the remaining 25% non-controlling interest in Schwarz Pharma Zuhai Ltd for € -11 million (2017: € -11 million);
- the purchase of the remaining 30% non-controlling interest in Meizler Biopharma: € -23 million (2017: € -23 million). UCB acquired 51% of the shares of Meizler Biopharma (subsequently renamed "Meizler UCB") in 2012. The purchase agreement granted a put option to the selling shareholders and a call option to UCB on the remaining shares. In 2013 some amendments were made to the original purchase agreement whereby the ownership percentage of UCB was adjusted to 70% and the terms of the put and call options were amended. In 2014 UCB acquired the remaining 30% interest in the common and preference shares of Meizler UCB. After the completion of the transaction in 2014, the put and call options are no longer outstanding.

26.4 Cumulative translation adjustments

The cumulative translation adjustments reserve represents the cumulative currency translation differences relating to the consolidation of Group companies that use functional currencies other than the euro as well as any unrealized cumulative foreign exchange gains or losses resulting from net investment hedges.

27 Share-based payments

The Group operates several equity-based and cash-based compensation plans, including a stock option plan, a stock appreciation rights plan, a stock award plan and a performance share plan to compensate employees for services rendered.

The stock option plan, the stock award plan and the performance share plan are equity-settled, whereas the stock appreciation rights plan is a cash-settled plan. Besides these plans, the Group also operates employee stock purchase plans in the U.K. and the U.S. and phantom share plans. The expenses incurred for these plans are immaterial.

27.1 Stock option plan and stock appreciation rights plan

The Governance, Nomination and Compensation Committee (GNCC) granted options on UCB SA shares to the Executive Committee members, the senior executives and the senior directors of the UCB Group. The exercise price of the granted options under these plans is equal to the lowest of the following two values:

- the average of the closing price of the UCB shares on Euronext Brussels, during the 30 days preceding the offer; or
- the closing price of the UCB shares on Euronext Brussels the day before the grant.

A different exercise price is determined for those eligible employees subject to legislation which requires a different exercise price in order to benefit from reduced taxation. The options become exercisable after a vesting period of three years, except for those eligible employees subject to legislation which requires a longer vesting period in order to benefit from reduced taxation. If an employee leaves the Group, his/her options usually lapse upon expiry of a period of six months. Options do not lapse in case of death or retirement and in case of involuntary termination when taxes have been paid upon grant. The Group has no obligation to repurchase or settle the options in cash.

The options are not transferable (except in case of death).

The Stock Appreciation Rights (S.A.R.'s) plan has similar characteristics to the stock option plan, except that it is reserved for UCB employees in the U.S. This plan is cash-settled.

27.2 Stock award plan

The GNCC granted free UCB SA shares to the Executive Committee members, the senior executives and the senior and middle management of the UCB Group. The free shares have service conditions attached to them whereby beneficiaries are required to remain in service for three years post grant date. Stock awards lapse upon leaving the Group, except upon leaving on retirement or death in which case they vest immediately. The beneficiary is not entitled to dividends during the vesting period.

27.3 Performance share plan

The GNCC granted performance shares to senior executives for specific achievements aligned with company strategic priorities. The performance shares are conditional on the beneficiary completing three years of service (the vesting period) and the number of shares award is adjusted at the end of the vesting period based on the company's performance against its goals.

Performance Shares lapse upon leaving the Group, except upon leaving on retirement or death in which case they vest immediately. The beneficiary is not entitled to dividends during the vesting period.

27.4 Phantom stock option, stock award and performance share plans

The Group also has phantom stock option, phantom stock award and phantom performance share plans (collectively referred to as phantom plans). These phantom plans apply to certain employees who have an employment contract with certain affiliates of the Group and are governed under similar rules to the Group stock option, stock award and performance share plans except for their settlement. As of 31 December 2018, these plans had 238 participants (2017: 269) and the share-based payment expense incurred for these plans is immaterial.

27.5 Employee stock purchase plans in the U.S.

The plan is intended to provide employees of UCB affiliates in the U.S. with an opportunity to purchase common stock of the Group. Shares are acquired at a discount of 15% which is funded by UCB. Employees save a defined percentage of their salary through payroll deduction and shares will be purchased with after-tax employee contributions. The shares are held by an independent third-party banking institution in an account in the employee's name.

The limit placed on employees' participation in the plan is as follows:

- between 1% and 10% of each participant's compensation;
- USD 25 000 per year per participant;
- maximum of USD 5 million total ownership by U.S. employees in all forms of share plans over a rolling period of 12 months.

As of 31 December 2018, the plan had 559 participants (2017: 514). There are no specific vesting conditions and the share-based payment expense incurred for this plan is immaterial.

27.6 Stock savings plan in the U.K.

The purpose of this plan is to encourage the holding of UCB shares by employees in the U.K. Participants save a certain portion of their salary through payroll deductions and UCB matches every 5 shares bought by each participant with 1 free share. Shares are held in an account in the employee's name by an independent company that acts as a trustee. Employee contributions to the plan are limited to the lower of:

- 10% of each participant's compensation;
- GBP 1 500 per year per participant.

As of 31 December 2018, the plan had 238 participants (2017: 180) and the share-based payment expense incurred for this plan is immaterial.

27.7 Share-based payment expense

The total share-based payment expense incurred for the Group amounted to € 65 million (2017: € 88 million), and has been included in the relevant functional lines within the income statement as follows:

€ million	2018	2017
Cost of sales	5	4
Marketing and selling expenses	25	47
Research and development expenses	25	19
General and administrative expenses	10	18
Other operating expenses	–	–
Total operating expense	**65**	**88**
Of which, equity-settled:		
Stock option plans	7	6
Stock award plans	43	59
Performance share plan	7	13
Of which, cash-settled:		
Stock appreciation rights plan	4	5
Phantom stock option, stock award and performance share plans	4	5

27.8 Stock option plans

The movements in the number of stock options outstanding and their related weighted average exercise prices as at 31 December are:

	2018			2017		
€ million	Weighted average fair value (€)	Weighted average exercise price (€)	Number of stock options	Weighted average fair value (€)	Weighted average exercise price (€)	Number of stock options
Outstanding at 1 January	**10.01**	**47.91**	**4 807 210**	**9.66**	**44.40**	**5 312 229**
+ New options granted	11.55	66.18	563 267	12.79	70.29	501 278
(-) Options forfeited	11.79	65.38	47 382	10.49	58.49	60 880
(-) Options exercised	8.88	37.82	1 103 701	9.43	38.67	823 317
(-) Options expired	4.33	22.01	21 960	9.14	43.57	81 700
Outstanding at 31 December	**10.53**	**52.95**	**4 197 434**	**10.01**	**47.91**	**4 807 210**
Number of options fully vested:						
At 1 January			3 011 624			3 326 315
At 31 December			2 362 106			3 011 624

The stock options outstanding as at 31 December 2018 with the following last exercise dates and exercise prices are:

Last exercise date	Range of exercise prices (€)	Number of stock options
31 March 2019	[21.38–22.75]	55 800
31 March 2020	31.62	199 300
31 March 2021	[25.32–26.80]	344 100
31 March 2022	32.36	599 779
31 March 2023	[48.69–49.80]	709 200
31 March 2024	58.12	353 577
31 March 2025	67.35	435 639
31 March 2026	67.23	461 996
31 March 2027	[70.26–72.71]	481 076
31 March 2028	66.18	556 967
Total outstanding		**4 197 434**

The fair value has been determined based on the Black-Scholes valuation model.

The volatility was determined primarily by reference to historically observed share prices of UCB over the last five years. The probability of early exercise is reflected in the expected life of the options. The expected forfeiture rate is based on actual turnover of employees for categories eligible for stock option compensation.

The significant assumptions used in the measurement of the fair value of the stock options granted in 2018 and 2017 are:

		2018	2017
Share price at grant date	€	65.98	72.53
Weighted average exercise price	€	66.18	70.29
Expected volatility	%	25.78	24.06
Expected option life	Years	5.00	5.00
Expected dividend yield	%	1.79	1.59
Risk free interest rate	%	-0.05	-0.14
Expected annual forfeiture rate	%	7.00	7.00

27.9 Stock appreciation rights (S.A.R.'s) plan

The movements of the S.A.R.'s and the model inputs as at 31 December 2018 can be found in the table below.

The fair value of the S.A.R.'s at grant date is determined using the Black-Scholes model. The fair value of the liability is remeasured at each reporting date.

		2018	2017
Outstanding rights as of 1 January		**1 142 697**	**1 320 926**
+ New rights granted		163 378	167 809
(-) Rights forfeited		77 422	51 232
(-) Rights exercised		249 193	292 106
(-) Rights expired		2 500	2 700
Outstanding rights as of 31 December		**976 960**	**1 142 697**
The significant assumptions used in the measurement of the fair value of the stock appreciation rights are:			
Share price at year end	€	71.30	66.18
Exercise price	€	66.18	70.26
Expected volatility	%	25.59	25.66
Expected option life	Years	5.00	5.00
Expected dividend yield	%	1.65	1.74
Risk free interest rate	%	-0.03	-0.14
Expected annual forfeiture rate	%	7.00	7.00

27.10 Stock award plans

The share-based payment expense related to these stock awards is spread over the vesting period of three years.

The beneficiaries are not entitled to dividends during the vesting period. The movement in the number of stock awards outstanding at 31 December is as follows:

	2018		2017	
	Number of stock awards	Weighted average fair value (€)	Number of stock awards	Weighted average fair value (€)
Outstanding at 1 January	**1 965 445**	**69.59**	**1 850 490**	**64.76**
+ New stock awards granted	851 379	66.08	865 475	72.26
(-) Awards forfeited	165 637	69.15	123 441	68.21
(-) Awards converted in phantom plans	0	0	44 729	63.09
(-) Awards vested and paid out	569 658	67.00	582 350	58.99
Outstanding at 31 December	**2 081 529**	**68.60**	**1 965 445**	**69.59**

27.11 Performance share plans

The movement in the number of performance shares outstanding at 31 December is as follows:

	2018		2017	
	Number of shares	Weighted average fair value (€)	Number of shares	Weighted average fair value (€)
Outstanding at 1 January	**334 967**	**69.66**	**322 861**	**63.92**
+ New performance shares granted	137 785	65.99	152 653	72.53
+ Shares converted from pension plan	0	0	77 714	64.61
(-) Performance shares forfeited	14 717	70.29	28 561	68.65
(-) Performance shares vested	91 160	67.30	189 700	59.43
Outstanding at 31 December	**366 875**	**68.84**	**334 967**	**69.66**

28 Borrowings

The carrying amounts and fair values of borrowings are as follows:

		Cash flows		Non-cash changes			
€ million	2017	From financing activities	Increase/ decrease in cash	Transfer non-current to current	Foreign exchange movement	Other	**2018**
Non-current							
Bank borrowings	300	-150	0	-17	2	0	135
Other long-term loans	0	0	0	0	0	0	0
Leases	3	0	0	-1	0	61	63
Total non-current borrowings	**303**	**-150**	**0**	**-18**	**2**	**61**	**198**
Current							
Bank overdrafts	26	0	-2	0	1	0	25
Current portion of bank borrowings	11	-19	0	17	1	1	11
Debentures and other short-term loans	0	0	0	0	0	0	0
Leases	2	-33	0	1	0	68	38
Total current borrowings	**39**	**-52**	**-2**	**18**	**2**	**69**	**74**
Total borrowings	**342**	**-202**	**-2**	**0**	**4**	**130**	**272**

On 31 December 2018 the Groups weighted average interest rate was 3.32% (2017: 3.03%) prior to hedging. The floating interest rate payments are subject to designated cash flow hedges and fixed interest rate payments are subject to designated fair value hedges, thereby fixing the weighted average interest rate for the Group at 2.31% (2017: 2.19%) post hedging. The fees paid for the arrangement of the bonds (Note 29), and the amended facilities agreement are amortized over the life of the instruments.

Where applicable under hedge accounting, the fair value of the non-current borrowings is determined based on the present value of the payments associated with the debt instruments, using the applicable yield curve and UCB credit spread for the various different currencies.

Since the bank borrowings are at a floating interest rate that is reset every six months, the carrying amount of the bank borrowings equates to its fair value.

With respect to the current borrowings, the carrying amounts approximate their fair values as the effect of discounting is considered to be insignificant.

On 9 January 2018 the Group amended and extended its € 1 billion revolving credit facility then maturing on 9 January 2021 into a € 1billion revolving credit facility with maturity in 2023 (including the option to request further extensions of the maturity date by two additional years). In December 2018, the Group extended the maturity of its credit facility to 9 January 2024 (option to request further extension of the maturity date with one additional year to 2025 remaining). Per 31 December 2018 there were no outstanding amounts under the revolving credit facility (2017: € 0 million).

The Group has access to certain committed and non-committed bilateral credit facilities. In this respect, per end of 2018 an aggregated amount of € 64 million was undrawn on the committed bilateral facility (2017: € 72 million).

Please refer to Note 4.3 for the maturity analysis of the Group borrowings (excluding other financial liabilities).

The carrying amounts of the Group borrowings are denominated in the following currencies:

€ million	2018	2017
EUR	94	244
USD	52	67
Other	0	0
Total interest-bearing loans by currency	**146**	**311**
EUR	28	5
GBP	25	0
USD	15	0
Other	33	0
Total lease liabilities by currency	**101**	**5**
Bank overdrafts – USD	23	22
Bank overdrafts – other	2	4
Total borrowings	**272**	**342**

29 Bonds

The carrying amounts and fair values of bonds are as follows:

			Carrying amount					Fair value	
€ million	Coupon rate	Maturity date	2017	Cash flows	Fair value changes	Other movements	2018	2017	2018
Retail Bond	5.125%	2023	188	0	-1	0	188	209	206
Institutional Eurobond	1.875%	2022	349	0	1	1	351	362	362
Institutional Eurobond	4.125%	2021	365	0	-4	1	361	387	376
Retail Bond	3.750%	2020	254	0	-2	0	252	268	260
EMTN Note[1]	3.284%	2019	20	0	0	0	20	20	20
EMTN Note[1]	3.292%	2019	55	0	0	0	55	55	55
Total bonds			**1 231**	**0**	**-6**	**2**	**1 227**	**1 301**	**1 279**
Of which:									
Non-current			1 231	0	-6	-73	1 152	1 226	1 204
Current			0	0	0	75	75	75	75
Derivatives used for hedging			**-38**	**0**	**6**	**0**	**-32**		
Of which:									
Non-current assets (-)			-42	0	8	0	-34		
Non-current liabilities (+)			4	0	-2	0	2		

[1] EMTN: Euro Medium Term Note. The fair value of the EMTN Notes cannot be accurately determined given the limited liquidity in secondary market trading for these notes, and is for reporting purposes replaced by the carrying value.

29.1 Retail bonds

Maturing in 2020:
In March 2013, UCB completed a public offering of € 250 million bonds, in the form of a retail public offering in Belgium under its established EMTN program. The bonds were issued at 101.875% of the nominal value. The retail bond has a coupon of 3.75% per annum and an effective interest rate of 3.444% per annum. The bonds have been listed on the regulated market of Euronext Brussels.

Maturing in 2023:
During October 2009, UCB completed a public offering of € 750 million fixed rate bonds, carrying a coupon and an effective interest rate of 5.75% per annum, and aimed at retail investors.

During September 2013, UCB launched an unconditional public exchange offer for a maximum of € 250 million out of the € 750 million retail bonds maturing in November 2014 and having a gross coupon of 5.75%. The existing bondholders had the opportunity to exchange their existing bonds against newly issued bonds maturing October 2023 in an exchange ratio of 1 to 1. These bonds carry a coupon of 5.125% per annum while their effective interest rate is 5.398% per annum.

At the end of the exchange period, 175 717 existing bonds were tendered in the exchange offer, representing a nominal amount of € 176 million.

The 175 717 new bonds were issued in October 2013 and have been listed on Euronext Brussels. The existing bonds exchanged in the exchange offer were cancelled by UCB. The outstanding 574 283 of the retail bonds matured and have been redeemed in November 2014.

29.2 Institutional Eurobonds

Maturing in 2021:
In September 2013, UCB completed an offering of € 350 million senior unsecured bonds, due January 2021, issued under its EMTN program. The Bonds were issued at 99.944% in October 2013 and will be redeemed at 100% of their principal amount. These bonds carry a coupon of 4.125% per annum while their effective interest rate is 4.317% per annum. The bonds have been listed on Euronext Brussels.

Maturing in 2022:
In April 2015, UCB completed an offering of € 350 million senior unsecured bonds, due April 2022, issued under its EMTN program. The Bonds were issued at 99.877% in April 2015 and will be redeemed at 100% of their principal amount. These bonds carry a coupon of 1.875% per annum while their effective interest rate is 2.073% per annum. The bonds have been listed on Euronext Brussels.

29.3 EMTN notes

Maturing in 2019:
In November 2013, UCB completed an offering of € 55 million notes, due in 2019. The notes were issued at 100% and will be redeemed at 100% of their principal amount. These notes carry a coupon of 3.292% per annum while their effective interest rate is 3.384% per annum. The notes have been listed on Euronext Brussels.

Maturing in 2019:
In December 2013, UCB completed an offering of € 20 million notes, due in 2019. The notes were issued at 100% and will be redeemed at 100% of their principal amount. These notes carry a coupon of 3.284% per annum while their effective interest rate is 3.356% per annum. The notes have been listed on Euronext Brussels.

29.4 Fair value hedges

The Group designates derivative financial instruments under fair value hedges to the Retail Bonds and Institutional Eurobonds. The change in the carrying amount of the bonds is fully attributable to the change in the fair value of the hedged portion of the bonds, and is almost fully offset by a change in fair value of the corresponding derivative financial instrument.

30 Other financial liabilities

	Carrying amount		Fair value	
€ million	**2018**	2017	**2018**	2017
Non-current				
Derivative financial instruments (Note 38)	3	5	3	5
Other financial liabilities	29	52	29	52
Total non-current other financial liabilities	**32**	**57**	**32**	**57**
Current				
Derivative financial instruments (Note 38)	107	29	107	29
Other financial liabilities	26	24	26	24
Total current other financial liabilities	**133**	**53**	**133**	**53**
Total other financial liabilities	**165**	**110**	**165**	**110**

The other financial liabilities include a liability of € 55 million (2017: € 76 million) resulting from the issuance of warrants to the shareholders of Edev Sàrl (Note 4.5.3).

31 Deferred tax assets and liabilities

31.1 Recognized deferred tax assets and liabilities

€ million	2017	Acquisition/ disposals	R&D adjustment	Current year movement	OCI – cash flow hedges	OCI – pensions	Effect of movements in exchange rate	**2018**
Intangible assets	-73	0	0	21	0	0	0	-52
Property, plant and equipment	-20	0	0	-1	0	0	0	-21
Inventories	166	0	0	34	0	0	0	200
Trade and other receivables	33	0	0	3	0	0	0	36
Employee benefits	52	0	0	0	0	-4	0	48
Provisions	15	0	0	-12	0	0	0	3
Other short-term liabilities	-264	0	0	-12	52	0	2	-222
Net lease assets/ liabilities	0	0	0	0	0	0	0	0
Unused tax losses	382	0	0	-90	0	0	0	291
Unused tax credits	371	0	65	2	0	0	0	438
Total net deferred tax assets/liabilities (-)	**662**	**0**	**65**	**-55**	**52**	**-4**	**1**	**721**

€ million	2016	Acquisition/ disposals	R&D adjustment	Current year movement	OCI – cash flow hedges	OCI – pensions	Effect of movements in exchange rate	2017
Intangible assets	-111	0	0	32	0	0	6	-73
Property, plant and equipment	-18	0	0	-3	0	0	1	-20
Inventories	251	0	0	-85	0	0	0	166
Trade and other receivables	54	2	0	-22	0	0	-1	33
Employee benefits	72	0	0	0	0	-18	-2	52
Provisions	39	0	0	-24	0	0	0	15
Other short-term liabilities	-264	0	0	69	-47	0	-22	-264
Net lease assets/ liabilities	0	0	0	0	0	0	0	0
Unused tax losses	593	0	0	-205	0	0	-6	382
Unused tax credits	327	0	41	4	0	0	-1	371
Total net deferred tax assets/liabilities (-)	**943**	**2**	**41**	**-234**	**-47**	**-18**	**-25**	**662**

Total deferred tax assets of € 721 million have been recognized as at 31 December 2018. Based upon the level of past taxable income and projected future taxable profits over the periods in which the deductible temporary differences are estimated to reverse, the Group believes it is probable that the benefits of the recognized deferred tax assets will be realized.

The Group saw an overall increase of the deferred tax recognized, in spite of the substantial tax loss carry-forward utilization. This is driven by the regular movement on UCB's balance sheet items and the outcome of the U.S. tax reform.

Tax Reforms

Enactment and implementation of tax law changes in the U.S. were assessed and required changes were implemented.

R&D Tax Credits

The group recorded increased deferred tax assets on R&D tax credits. The total deferred tax asset in respect of R&D tax credits at year end is € 438 million (2017: € 372 million) which will result in an actual cash tax benefit in future periods.

Deferred tax assets on losses

UCB has seen a substantial utilization of tax losses carried forward, partially compensated by a decrease of deferred tax liabilities. A deferred tax asset of € 291 million (2017: € 382 million) has been recognized in respect of tax losses carried forward totaling € 1.33 billion (2017: € 1.58 billion) as the Group has concluded that the relevant entities will continue to generate taxable profits in the foreseeable future against which these losses can be used. These losses have arisen in a number of jurisdictions in which UCB operates and do not expire. This period has seen no further recognition of losses and tax credits previously unrecognized. Undiscounted forecasts have been used to assess the availability of future taxable profits.

31.2 Unused tax losses

As of 31 December 2018, the Group also had € 2 506 million (2017: € 2 013 million) of gross unused tax losses for which no deferred tax asset is recognized in the balance sheet. These tax losses carried forward do not expire.

Based on current forecasts and current legislation, the majority of these losses is expected to be fully utilized within the next 10 years, but it has been decided to not recognize a deferred tax asset on these losses for now given the long-term nature of these forecasts.

31.3 Temporary differences for which no deferred tax asset or deferred tax liability is recognized

Deferred tax assets are recognized on temporary differences carried forward that represent income likely to be realized in the foreseeable future. Deferred tax assets amounting to € 392 million (2017: € 497 million) in respect of intangible assets have not been recognized in view of the uncertain character of the recovery.

No deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries as 100% participation exemption is available for any future equity upstream.

There is an additional unrecognized deferred tax liability of € 220 million (2017: € 229 million) in respect of an internal reorganization which occurred in 2014. The tax liability will only materialize on disposal of the relevant asset, an event which is controlled by UCB and for which there are no plans in the foreseeable future.

31.4 Deferred tax directly recognized in OCI

€ million	2018	2017
Deferred tax on pensions	-3	-18
Deferred tax on effective portion of changes in fair value of cash flow hedges	53	-47
Deferred tax directly recognized in OCI	**50**	**-65**

32 Employee benefits

Most employees are covered by retirement benefit plans sponsored by Group companies. The nature of such plans varies according to legal regulations, fiscal requirements and economic conditions of the countries in which the employees are employed. The Group operates both defined contribution plans and defined benefit plans.

32.1 Defined contribution plans

Post-employment benefit plans are classified as "defined contribution" plans if the Group pays fixed contributions into a separate fund or to a third-party financial institution and has no further legal or constructive obligation to pay further contributions. Therefore, no assets or liabilities are recognized in the Group balance sheet in respect of such plans, apart from regular prepayments and accruals of contributions. For the Belgian defined contribution plans, UCB is required by law to guarantee a minimum return on employee and employer contributions. As a consequence, these plans are considered defined benefit plans. Where reliable estimates can be made for material plans, they are valued using the projected unit credit method under IAS 19. These plans are aggregated with the results for other defined benefit plans.

32.2 Defined benefit plans

The Group operates several defined benefit plans. The benefits granted include mainly pension benefits, jubilee premiums and termination indemnities. The benefits are granted according to local market practice and regulations.

These plans are either unfunded or funded via outside pension funds or insurance companies. For (partially) funded plans, the assets of the plans are held separately in funds under the control of the trustees. Where a plan is unfunded, notably for the major defined benefit plans in Germany, a liability for the obligation is recorded in the Group balance sheet. For funded plans, the Group is liable for the deficits between the fair value of the plan assets and the present value of the benefit obligations. Accordingly, a liability (or an asset when the plan is over-funded) is recorded in the Group consolidated statement of financial position. Independent actuaries assess all main plans annually.

The Group analyses the Value at Risk on its balance sheet and profit and loss accounts linked to its defined benefits plans. Target risk level in terms of a one-year consolidated balance sheet and profit and loss Value at

Risk measures are defined annually based on UCB risk tolerance thresholds.

For UCB, the main risks linked to its defined benefit obligations are discount rate, inflation and longevity. The majority of the risks lays within Belgium, Germany and the U.K. It should be noted that longevity is not considered as a risk for the plans in Belgium as benefits are either paid as a lump sum or externalized before being paid as an annuity.

Over the last years, UCB has performed various de-risking projects.

- In the U.K., UCB completed the buy-out of three of its four pension schemes by securing the benefits of all members of the schemes with an insurance company. UCB does, therefore, no longer have any liabilities towards any members of those three schemes. The British Pension Scheme, the Dumfries Pension Scheme and the Bridgewater Pension Scheme were bought out, respectively, in October 2015, December 2017 and October 2018.
- For the U.K. Celltech Pension and Insurance Scheme, the focus, since 2012, is on de-risking progressively from a 50% growth/50% bonds allocation to a 10% growth/90% bonds allocation. Today the growth/bonds allocation is around 30%/70%.
- In the U.S., UCB decided to terminate its U.S. Defined Benefit plan by offering lump sum to members and transferring the remaining liabilities to an insurance company. The termination of this plan was completed in December 2017. Finally, for the Belgian pension plan, the focus remains on the diversification of the assets. In 2015, the Belgian Pension Board implemented the Mercer "Global Investment Solution" in order to improve the diversification of the assets and investment managers while keeping a close control on risk.

The amount recognized in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plan is as follows:

€ million	**2018**	2017
Present value of defined benefit obligation	996	1 040
Fair value of plan assets	-600	-629
Funded status – Deficit	**396**	**411**
Effect of asset ceiling	0	1
Net liability arising from defined benefit obligation	**396**	**412**
Add: Liability with respect to cash settled share-based payments (Note 27)	23	29
Total employee benefit liabilities	**419**	**441**
Of which:		
Portion recognized in non-current liabilities	419	441
Portion recognized in non-current assets	0	0

94% of the net liability arising from defined benefit obligations is related to defined benefit pension obligations in Belgium, Germany and the U.K.

Movements in the present value of the defined benefit obligation in the current year were as follows:

€ million	2018	2017
At 1 January	**1 040**	**1 124**
Current service cost	58	55
Interest expense	18	22
Remeasurement gain(-)/loss		
Effect of changes in demographic assumptions	-12	2
Effect of changes in financial assumptions	-46	-2
Effect of experience adjustments	18	-1
Past service cost and gain(-)/loss on settlements	-6	8
Effect of change in foreign exchange rates	1	-25
Benefit payments from the plan	-22	-36
Benefit payments from the employer	-6	-6
Settlement payments	-40	-99
Plan participants contributions	3	3
Other	-6	-5
At 31 December	**996**	**1 040**

Movements in the fair value of plan assets in the current year were as follows:

€ million	2018	2017
At 1 January	**629**	**675**
Interest income	12	15
Remeasurement gain/loss(-)		
Return on plan assets (excl. interest income)	-29	27
Changes in asset ceiling (excl. interest income)	0	0
Effect of change in foreign exchange rates	1	-20
Plan participants contributions	2	3
Employer contributions	62	72
Benefit payments from the plan	-28	-36
Settlement payments	-40	-99
Expenses, taxes and premiums paid	-8	-8
Change in scope	-1	0
At 31 December	**600**	**629**

The fair value of plan assets amounts to € 600 million (2017: € 629 million), representing 60% (2017: 61%) of the defined benefit obligation. The total deficit of € 396 million (2017: € 411 million) is expected to be eliminated over the estimated remaining average service period of the current membership.

The amounts recognized in the consolidated income statement and in the consolidated statement of comprehensive income in respect of those defined benefit plans are as follows:

€ million	2018	2017
Total service cost (incl. past service cost and gain (-)/loss from settlements)	52	63
Net interest cost	6	7
Remeasurement of other long-term benefits	1	0
Administrative expenses and taxes	2	2
Components of defined benefit costs recorded in income statement	**61**	**72**
Remeasurements gain (-)/loss		
Effect of changes in demographic assumptions	-11	2
Effect of changes in financial assumptions	-46	-2
Effect of experience adjustments	16	-1
Return on plan assets (excluding interest income)	29	-26
Changes in the asset ceiling (excluding interest income)	0	0
Components of defined benefit costs recorded in OCI	**-12**	**-27**
Total components of defined benefit cost	**49**	**45**

The total service cost, the net interest expense, the remeasurement of other long-term benefits, administrative expenses and taxes for the year are included in the employee benefit expenses in the consolidated income statement. 93% of the defined benefit costs recorded in the income statement are relating to defined benefit pension plans in Belgium and U.K. The remeasurement on the net defined benefit liability is included in the statement of comprehensive income as part of other comprehensive income. Total remeasurements amount to a gain of € 12 million in 2018 compared to a gain of € 27 million in 2017. The gain in 2018 is mainly resulting from an increase in discount rates and an update of the mortality table in the U.K. offset by a lower return on plan assets.

The split of the recognized expense by functional line is as follows:

€ million	2018	2017
Cost of sales	12	15
Marketing and selling expenses	12	8
Research and development expenses	30	26
General and administrative expenses	7	23
Other income and expenses	0	0
Total	**61**	**72**

The actual return on plan assets is €–29 million (2017: € 27 million) and the actual return on reimbursement rights is € 0 million (2017: € 0 million).

The major categories of plan assets at the end of the reporting period, are as follows:

€ million	2018	2017
Cash and cash equivalent	**20**	**12**
Equity instruments	**143**	**143**
Europe	46	57
U.S.	14	32
Rest of the World	83	54
Debt instruments	**224**	**195**
Corporate bonds	110	83
Government bonds	52	46
Other	62	66
Properties	**11**	**9**
Qualifying insurance policies	**90**	**133**
Investment funds	**94**	**113**
Other	**18**	**24**
Total	**600**	**629**

Virtually all equity and debt instruments have quoted prices in active markets. Properties can be classified as Level 3 instruments based on the definitions in IFRS 13 *Fair Value Measurement*.

The assets held in the funds do not contain any direct investment in UCB Group shares, nor any property occupied by, or other assets used by the Group, though this does not exclude UCB shares being included in mutual investment fund type investments. The principal weighted average actuarial assumptions used for the purposes of the actuarial valuations were as follows:

	Eurozone		U.K.		U.S.		Other	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Discount rate	1.94%	1.61%	2.90%	2.60%	N/A	3.40%	0.83%	0.68%
Inflation	1.75%	1.75%	3.30%	3.20%	N/A	N/A	N/A	N/A

Significant actuarial assumptions for the determination of the defined obligation are discount rate and inflation. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period.

- If the discount rate would be 50 basis points higher (lower), the defined benefit obligation would decrease by € 73 million (increase by € 82 million) if all other assumptions were held constant.
- If the inflation rate would increase (decrease) by 25 basis points, the defined benefit obligation would increase by € 22 million (decrease by € 21 million) if all other assumptions were held constant.

The figures above do not take account of any interrelationship between the assumptions, especially between the discount rate, expected salary increases and inflation rates.

The Group's subsidiaries should fund the entitlements expected to be earned on a yearly basis. Funding usually follows local actuarial requirements and, in this framework, the discount rate is set on a risk-free rate.

Underfunding linked to past service are met by setting up recovery plans and investment strategies based on

plan's demographics, appropriate time periods for amortization of past service liability, projected salary increase and the financial capabilities of the local company.

The average duration of the benefit obligation at the end of the reporting period is 15.74 years (2017: 16.95 years). This number can be subdivided into the duration related to:

- Eurozone: 14.16 years (2017: 15.32 years);
- U.K.: 18.71 years (2017: 19.74 years);
- Other: 18.39 years (2017: 19.33 years).

The Group expects to make a contribution of € 64 million to the defined benefit plans during the next financial year.

ALM (asset-liability matching) studies are typically performed every 3 years. Within those studies, investment strategies are analyzed in terms of risk-and-return profiles. An ALM study was completed in Switzerland in 2018, which resulted in a slight reallocation of the assets. In Belgium, the last ALM study was performed in 2016. A new ALM study will be performed in the course of 2019.

In setting up the long-term investment strategy of the scheme, the investment committee focuses on some key principles defined by the Group such as:

- maintaining a balance between the level of contributions acceptable to UCB and the level of investment risk relative to the liabilities;
- reducing the volatility through investment diversification; and
- the degree of investment risk should depend on the financial state of the schemes and liability profiles.

33 Provisions

The movements in provisions have been disclosed below:

€ million	Environment	Restructuring	Other	Total
At 1 January 2018	**19**	**18**	**121**	**158**
Arising during the year	3	8	81	92
Unused amounts reversed	-2	-2	-17	-21
Transfer from one heading to another	0	-2	2	0
Effect of movements in exchange rates	0	0	1	1
Utilized during the year	-1	-14	-9	-24
At 31 December 2018	**19**	**8**	**179**	**206**
Non-current portion	18	0	137	155
Current portion	1	8	42	51
Total provisions	**19**	**8**	**179**	**206**

33.1 Environmental provisions

UCB has retained certain environmental liabilities which were mainly related to the divestiture of Films and Surface Specialties in the past. These liabilities relate to the divested sites on which UCB has retained full responsibility in accordance with the contractual terms agreed upon with Cytec Industries Inc. In 2018 an additional environmental provision related to the Films business was set up.

33.2 Restructuring provisions

The restructuring provisions arising during 2018 are related to further European optimization and reorganization. The utilization is also mainly related to earlier reorganizations in Europe.

33.3 Other provisions

Other provisions relate mainly to:

- provisions for litigations that comprise mainly provisions where UCB or a subsidiary is or might be a defendant against claims of previous employees;
- product liability provisions that pertain to the risks related to the normal course of business and for which the Group might be liable by selling these kinds of drugs. UCB is currently defendant in several product liability cases in France in respect of Distilbène, a former product of the UCB Group. The claimants in these actions claim that their mothers took Distilbène during their pregnancy and that as a result of this they suffered bodily injuries. The provision in respect of Distilbène increased by € 31 million to a total of € 99 million to reflect the net estimated future cash outflows. The provision was discounted using a discount rate of 0.83%. If the discount rate would be 25 basis points higher (lower), the provision would decrease (increase) by € 3 million;
- provisions for restoration costs for leased buildings due to the adoption of IFRS 16 (€ 10 million) (see Note 2.2.1 and Note 39);
- provisions in respect of the recoverability of non-income tax receivables.

An assessment is performed with respect to the above-mentioned risks together with the Group legal advisers and experts in the different domains.

34 Trade and other liabilities

€ million	2018	2017
Other payables	26	26
Total non-current trade and other liabilities	**26**	**26**

€ million	2018	2017
Trade payables	364	281
Invoices to receive	117	121
Taxes payable, other than income tax	57	73
Payroll and social security liabilities	184	208
Other payables	37	36
Deferred income linked to development agreements	12	18
Other deferred income	51	55
Royalties payables	91	77
Rebates/discounts and other sales allowances payable	569	549
Accrued interest	32	31
Other accrued expenses	272	275
Total current trade and other liabilities	**1 786**	**1 724**

The vast majority of the trade and other liabilities are classified as current and consequently the carrying amounts of the total trade and other liabilities is assumed to be a reasonable approximation of fair value.

"Rebates/discounts and other sales allowances payable" include rebates, chargebacks, discounts and accruals for product returns relating to products sold in the U.S. to various customers that are part of commercial and governmental contractual arrangements or other reimbursement programs, including the U.S. Medicaid Drug Rebate program, the U.S. Federal Medicare program and others. The sales returns and allowances are recorded in the same period as the underlying sales as a deduction to sales.

Per management assessment, the total accruals for these items are adequate, based upon currently available information and interpretation of relevant regulations.

As these deductions are based on management estimates, the actual deductions might differ from these estimates. Such differences could impact the accruals recognized in the balance sheet in future periods and consequently the level of sales recognized in the income statement in future periods, as there is often a time lag of several months between the recording of the estimate and the final accounting of the sales deductions.

The accruals are reviewed and adjusted regularly in light of contractual and legal obligations, historical trends, past experience and projected market conditions.

All returns, chargebacks, rebates and discounts that are not mentioned on the invoice are estimated, deducted from sales and presented on the balance sheet in the appropriate accrual account. The estimate for future product returns is based on several factors, including: historical return rates, expiration date by product, return rate by closed batches, actual returns processed among others, as well as any other specifically-identified anticipated returns due to known factors such as the loss of patent exclusivity, product recalls and discontinuances, or a changing competitive environment. Adjustments to these accruals may be required in the future based on revised estimates to our assumptions, which would have an impact on our consolidated results of operations. The U.S. sales return and allowance liability that is included as part of the rebates and discounts payable liability balance amounts to € 460 million as per 31 December 2018 (31 December 2017: € 445 million).

35 Income tax payables

Income tax payables include liabilities for uncertain tax positions for an amount of € 91 million (2017: € 55 million). Liabilities for uncertain tax positions are recorded when the Group considers it probable that a tax position taken is unlikely to be sustained if challenged by the tax authorities. The assessment is done for all positions and is calculated taking into account the most likely outcome or the expected value, where appropriate. See Note 3.2.5 for more details on the Group's assessment of uncertain tax positions.

UCB faces tax audits in a number of countries where activities are deployed. The issues under discussion are in some cases complex and such audits can take a number of years to resolve.

The liabilities for uncertain tax positions have increased over 2018. There has been a net increase in 2018 of liabilities resulting from remeasurement and roll-forward of existing tax risks, reversal of tax risks based on expiry of statutes of limitation and recognition of new liabilities all reflecting tax-technical merits of the case and state of discussions with tax authorities upon tax audit (where appropriate).

UCB has recorded assets for tax relief in a number of jurisdictions for an amount of € 17 million. Assets are only recorded in case it is considered probable that corresponding adjustments will be allowed following Mutual Agreement or Arbitration Procedure. See Note 3.2.5 for more details on the Group's assessment of assets for tax audit corrections.

The Group strictly follows up on the liabilities for uncertain tax positions which are recorded per end 2018, also reflecting the status of the ongoing tax audits.

36 Note to the consolidated statement of cash flows

The cash flow statement identifies operating, investing and financing activities for the period.

UCB uses the indirect method for the operating cash flows. The net profit and loss is adjusted for:

- the effects of non-cash transactions such as depreciation and amortization, impairment losses, provisions, mark-to-market, etc., and the variance in working capital;
- items of income or expense associated with investing or financing cash flows.

Important non-cash transactions for 2018 mainly relate to CTA adjustments on liquidated entities that were transferred to the income statement (€ 32 million) and to tax credits (€ 74 million) for which the cash benefit will be received in later years.

Important non-cash transactions for 2017 mainly relate to € 46 million for a receivable relating to the out-licensing of Xyzal® and R&D tax credits for € 71 million for which the cash benefit will be received in later years.

€ million	Note	2018	2017
Adjustment for non-cash transactions		**254**	**150**
Depreciation and amortization	10, 21, 19	288	234
Impairment/reversal (-) charges	10, 13	1	1
Equity settled share-based payment expense		12	8
Other non-cash transactions in the income statement		-110	-76
Adjustment IFRS 9	16	4	-1
Unrealized exchange gain (-)/losses		8	6
Change in provisions and employee benefits		26	-17
Change in inventories and bad debt provisions		25	-5
Adjustment for items to disclose separately under operating cash flow		**202**	**218**
Tax charge of the period from continuing operations	17	199	218
Tax charge of the period from discontinued operations		3	0
Adjustment for items to disclose under investing and financing cash flow		**2**	**35**
Gain (-)/loss on disposal of fixed assets		-41	-2
Dividend income (-)/expenses		0	0
Interest income (-)/charge		43	37
Change in working capital			
Inventories movement per consolidated balance sheet		-53	-19
Trade and other receivable and other assets movement per consolidated balance sheet		-32	95
Trade and other payable movement per consolidated balance sheet		69	-140
As it appears in the consolidated balance sheet and corrected by:		**-16**	**-64**
Non-cash items[1]		33	-116
Change in inventories and bad debt provisions disclosed separately under operating cash flow		-25	5
Change in interest receivable/payable disclosed separately under operating cash flow		0	2
Change in dividend receivable disclosed separately under investing cash flow		0	0
Change in dividend payable disclosed separately under financing cash flow		0	0
Currency translation adjustments		-27	94
As it appears in the consolidated cash flow statement		**-35**	**-79**

[1] Non-cash items are mainly linked to transfers from one heading to another, non-cash movements linked to affiliate's revaluation from Fx currencies and other movements linked to entry/exit in consolidation scope or merge of entities.

37 Financial instruments by category

31 December 2018

€ million	Note	Assets at amortized cost	Assets at fair value through the profit and loss (FVPL)	Derivatives used for cash flow hedging	Assets at fair value through other comprehensive income (FVOCI)	Total
Assets as per balance sheet						
Financial assets and other assets (excluding derivative financial instruments and associates)	22	143	0	0	69	212
Derivative financial assets	38	0	44	5	0	49
Trade and other receivables (including prepaid expenses)	24	835	0	0	0	835
Cash and cash equivalents	25	1 262	0	0	0	1 262
Total		**2 240**	**44**	**5**	**69**	**2 358**

31 December 2018

€ million	Note	Liabilities at fair value through the profit and loss (FVPL)	Derivatives used for cash flow hedging	Liabilities at amortized cost	Total
Liabilities as per balance sheet					
Borrowings	28	0	0	272	272
Bonds	29	32	0	1 195	1 227
Derivative financial liabilities	38	13	97	0	110
Trade and other liabilities	34	0	0	1 812	1 812
Other financial liabilities (excluding derivative financial instruments)	30	55	0	0	55
Total		**100**	**97**	**3 279**	**3 476**

31 December 2017

€ million	Note	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for cash flow hedging	Available for sale	Total
Assets as per balance sheet						
Financial assets and other assets (excluding derivative financial instruments and associates)	22	128	0	0	83	211
Derivative financial assets	38	0	64	112	0	176
Trade and other receivables (including prepaid expenses)	24	809	0	0	0	809
Cash and cash equivalents	25	1 049	0	0	0	1 049
Total		**1 986**	**64**	**112**	**83**	**2 245**

31 December 2017 € million	Note	Liabilities at fair value through the profit and loss (FVPL)	Derivatives used for cash flow hedging	Liabilities at amortized cost	Total
Liabilities as per balance sheet					
Borrowings	28	0	0	342	342
Bonds	29	38	0	1 193	1 231
Derivative financial liabilities	38	24	10	0	34
Trade and other liabilities	34	0	0	1 750	1 750
Other financial liabilities (excluding derivative financial instruments)	30	76	0	0	76
Total		**138**	**10**	**3 285**	**3 433**

38 Derivative financial instruments

	Assets		Liabilities	
€ million	**2018**	2017	**2018**	2017
Forward foreign exchange contracts – cash flow hedges	4	112	97	9
Forward foreign exchange contracts – fair value through profit and loss	7	19	10	20
Interest rate derivatives – cash flow hedges	1	0	0	1
Interest rate derivatives – fair value through profit and loss	37	45	3	4
Total	**49**	**176**	**110**	**34**
Of which:				
Non-current (Notes 22 and 30)	38	45	3	5
Current (Notes 22 and 30)	11	131	107	29

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability, if the maturity of the hedged item is less than 12 months.

The cash flow hedges entered into by the Group were assessed to be highly effective and over 2018, a net unrealized loss of € 141 million (2017: net unrealized gain of € 110 million) after deferred taxes was included in equity in respect of these contracts. These gains/losses will be recycled to the profit or loss in the period during which the hedged forecast transactions affect the profit or loss.

The ineffective portion recognized in the profit or loss that arises from cash flow hedges amounts to € 0 million (2017: € 0 million).

38.1 Foreign currency derivatives

The Group policy with respect to the use of financial derivative contracts is described in Note 4 "Financial Risk Management".

The Group entered into several forward foreign exchange contracts in order to hedge a portion of highly probable future sales and royalty income, expected to occur in 2019 and 2020.

The fair values of the foreign currency derivative contracts are as follows:

	Assets		Liabilities	
€ million	**2018**	2017	**2018**	2017
USD	4	111	93	17
GBP	0	2	1	3
JPY	1	13	10	0
CHF	3	0	0	8
RUB	1	0	0	0
Other currencies	2	5	3	1
Total foreign currency derivatives	**11**	**131**	**107**	**29**

The net foreign currency derivatives maturity analysis is noted below:

€ million	**2018**	2017
1 year or less	-96	102
1-5 years	0	0
Beyond 5 years	0	0
Total foreign currency derivatives – net asset/net liability (-)	**-96**	**102**

The following table shows the split of foreign currency derivatives by currency of denomination (currencies sold view) as at 31 December 2018:

Notional amounts in € million	USD	GBP	EUR	JPY	CHF	Other currencies	Total
Forward contracts	1 002	5	418	171	2	202	1 800
Currency swaps	548	140	782	121	13	115	1 719
Option/collar	0	0	0	0	0	0	0
Total	**1 550**	**145**	**1 200**	**292**	**15**	**317**	**3 519**

38.2 Interest rate derivatives

The Group uses various interest rate derivative contracts to manage its exposure to interest rate movements on its borrowings. The re-pricing dates and amortization characteristics are aligned with those of the fixed rate bonds. The outstanding interest rate derivative contracts are as follows:

Contract type	Nominal values of contracts (million)	Average rate (- is payer/ + is receiver)	Plus margin of points (- is payer/ + is receiver)	For periods from/to		Floating interest receipts
IRS	EUR 200	1.53%		04-Oct-13	04-Jan-21	-EURIBOR 3M
IRS	EUR 150	1.59%		04-Oct-13	04-Jan-21	-EURIBOR 3M
IRS	EUR 250	1.36%		27-Nov-13	27-Mar-20	-EURIBOR 3M
IRS	EUR 175	1.91%		27-Nov-13	02-Oct-23	-EURIBOR 3M
IRS	EUR 150	-1.12%		27-Mar-14	27-Mar-20	EURIBOR 3M
IRS	USD 100	-1.97%		20-Nov-14	22-Nov-21	USD LIBOR 3M
IRS	EUR 100	0.44%		17-Dec-15	02-Apr-22	-EURIBOR 6M
IRS	EUR 100	0.45%		17-Dec-15	02-Apr-22	-EURIBOR 6M
CCIRS	USD 230	-USD LIBOR 3M	-0.16%	27-Nov-13	02-Oct-23	EURIBOR 3M
CCIRS	EUR 205	USD LIBOR 3M	0.45%	02-Apr-16	02-Oct-23	-EURIBOR 3M

38.3 Hedge of net investment in a foreign entity

Any unrealized cumulative foreign exchange gains or losses resulting from net investment hedges are taken up under Cumulative Translation Adjustments. These unrealized gains and losses will remain in equity and will only be recycled to profit or loss when the Group no longer holds the underlying assets.

39 Leases

39.1 Amounts recognized in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

€ million	Note	2018	2017
Buildings	21	97	33
Plant and machinery	21	3	0
Office equipment and vehicles	21	28	0
Total right-of-use assets		**128**	**33**
Current[1]	28	38	2
Non-current[1]	28	63	3
Total lease liabilities		**101**	**5**

[1] In 2017, only lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases were recognized. These were presented as part of the Group's borrowings.

Additions to the right-of-use assets during the 2018 financial year were € 140 million.

As per 31 December 2018, no residual value guarantees are included in the lease liabilities.

As per 31 December 2018, lease commitments for leases no yet commenced amounted to € 18 million.

39.2 Amounts recognized in the income statement

The income statement shows the following amounts relating to leases:

€ million	Note	2018	2017
Depreciation charge of right-of-use assets	21	43	5
Buildings	21	27	5
Plant and machinery	21	1	0
Office equipment and vehicles	21	15	0
Interest expense[1] (included in Financial expenses)	16	3	0
Expense relating to short-term leases		3	3
Expense relating to leases of low-value assets that are not short-term leases		3	3
Expense relating to variable lease payments not included in lease liabilities		0	0
Total expense related to leases		**52**	**11**

[1] In 2017, only interest expenses in relation to leases that were classified as 'finance leases' under IAS 17 Leases were recognized.

The total cash outflow for leases in 2018 was € 33 million.

In 2018 there was no material income from subleasing.

39.3 Reconciliation with operating lease commitments disclosed as at 31 December 2017

Operating lease commitments amounted to € 90 million as per 31 December 2017. On adoption of IFRS 16 on 1 January 2018 the Group recognized lease liabilities amounting to € 120 million in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. The difference of € 30 million can mainly be explained by adjustments as a result of a different treatment of extension options for an amount of € 37 million offset by the effect resulting from discounting of the lease liabilities for an amount of € 7 million.

40 Earnings per share

40.1 Basic earnings per share

€	2018	2017
From continuing operations	4.20	3.99
From discontinued operations	0.04	0.01
Basic earnings per share	**4.24**	**4.00**

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares.

40.2 Diluted earnings per share

€	2018	2017
From continuing operations	4.20	3.99
From discontinued operations	0.04	0.01
Diluted earnings per share	**4.24**	**4.00**

40.3 Earnings

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

€ million	2018	2017
Profit/loss (-) from continuing operations attributable to shareholders of UCB SA	792	752
Profit/loss (-) from discontinued operations	8	1
Profit attributable to shareholders of UCB SA	**800**	**753**

€ million	2018	2017
Profit/loss (-) from continuing operations attributable to shareholders of UCB SA	792	752
Profit/loss (-) from discontinued operations	8	1
Profit attributable to shareholders of UCB SA	**800**	**753**

40.4 Number of shares

In thousands of shares	2018	2017
Weighted average number of ordinary shares for basic earnings per share	188 484	188 281
Weighted average number of ordinary shares for diluted earnings per share	188 484	188 281

41 Dividend per share

The gross dividends paid in 2018 (in respect of the year ended 31 December 2017) and 2017 (in respect of the year ended 31 December 2016) were € 226 million (€ 1.18 per share) and € 220 million (€1.15 per share) respectively.

A dividend in respect of the year ended 31 December 2018 of € 1.21 per share, amounting to a total dividend of € 233 million, is to be proposed at the annual general meeting of the shareholders on 25 April 2019.

In accordance with IAS 10, events after the reporting period, the proposed dividend has not been recognized as a liability at year-end.

42 Commitments and contingencies

42.1 Capital and other commitments

At 31 December 2018, the Group has committed to spend € 43 million (2017: € 63 million) mainly with respect to expected capital expenditures on milestone payments on collaboration agreements.

UCB has entered into long-term development agreements with various pharmaceutical enterprises, clinical trial operators and financial investors. Such collaboration agreements may include milestone payments which are dependent on successful clinical development or on meeting specified sales targets. The table below sets out the maximum that would be paid if all milestones, however unlikely, are achieved but excludes variable royalty payments based on unit sales and amounts accrued for milestones already achieved. The amounts are not risk-adjusted or discounted and the timing of the payments is based on the Group's current best estimate of achievement of the relevant milestones.

€ million	2018	2017
Less than 1 year	133	58
Between 1 and 5 years	156	101
More than 5 years	527	860
Total	**816**	**1 019**

UCB has concluded several agreements with Contract Manufacturing Organizations for the supply of its products. Total outstanding commitments towards these CMOs amount to € 415 million as per end of 2018 (2017: € 447 million).

As part of UCB's innovation strategy, UCB has established a corporate venture fund, UCB Ventures. The main objectives of the fund are to add breadth to UCB's innovation ecosystem, to create a window on new technologies, products, platforms and channels to augment or complement UCB's existing activities, to develop network and strategic relationships in the venture capital investor community to identify opportunities that UCB might not otherwise see. Within this framework UCB has outstanding commitments at the end of 2018 for a total amount of USD 14 million relating to investments in venture capital funds.

42.2 Guarantees

Guarantees arising in the normal course of business are not expected to result in any material financial loss.

42.3 Contingencies

The Group continues to be actively involved in litigations, claims and investigations. The on-going matters could result in liabilities, civil and criminal penalties, loss of product exclusivity and other costs, fines and expenses associated with findings adverse to UCB's interests. Potential cash outflows reflected in a provision might be fully or partially off-set by insurance in certain circumstances. UCB has not established provisions for potential damage awards for certain additional legal claims against our subsidiaries if UCB currently believes that a payment is either not probable or cannot be reliably estimated.

42.3.1 Intellectual property matters (selected matters)

Vimpat®

- **Delaware District Court Litigation:** In June 2013, UCB filed suit in the District Court of Delaware, against 16 defendants, who were seeking approval of their generic versions of Vimpat®. The defendants filed certifications challenging, among other things, the validity of the RE38,551 ('551) Vimpat patent. On 12 August 2016, Judge Stark ruled in UCB's favor and upheld the validity of the patent. The defendants have appealed and on 23 May 2018, the Court of Appeals for the Federal Circuit affirmed the decision. Early October 2018, Accord Healthcare and Intas

Pharmaceuticals filed a petition for certiorari in the U.S. Supreme Court, which was denied on 19 November 2018. On 21 November 2018, Mylan, Sun and Alembic, filed another petition for certiorari to the U.S. Supreme Court. Currently awaiting a ruling.

- **Additional Delaware District Court Litigation**: In 2016, UCB filed suit in the District Court of Delaware against three defendants, Hetero, Zydus and Aurobindo (C.A. Nos. 16-451-LPS, 16-452-LPS, and 16-903-LPS), who were seeking approval of a second generic version of Vimpat® ("Second Wave ANDA Cases"). The parties stipulated that the outcome of the initial Delaware litigation shall control and terminate these second wave cases.
- ***Inter Partes Review (IPR)*:** In November 2015, Argentum Pharmaceuticals filed a petition for an IPR before the U.S. Patent and Trademark Office (USPTO) and Patent Trial and Appeal Board (PTAB), seeking to invalidate the Vimpat '551 patent. In May 2016, the PTAB instituted the review. Mylan, Breckenridge, and Alembic have joined the IPR. On 22 March 2017, the PTAB upheld the validity of the '551 patent. Argentum did not appeal the decision, but Mylan, Breckenridge, and Alembic have appealed the decision to the Court of Appeals for the Federal Circuit. On 1st February 2019, the Federal Circuit affirmed the PTAB's earlier finding that the Vimpat patent is valid.
- **Accord U.K. Litigation**: In July 2016, Accord Healthcare filed a legal action before the United Kingdom High Court, requesting a declaration of invalidity and revocation of European Patent (U.K.) 0 888 829, disclosing and claiming lacosamide. In November 2017, Judge Birrs issued his decision in UCB's favor, confirming the validity of the UK part of the European patent. Accord recently appealed the decision to UK Court of Appeal. A hearing on the appeal is scheduled for 8/9 May 2019.
- **Accord Netherlands Litigation**: On 29 June 2017, Accord filed a writ before the District Court of The Hague, seeking to invalidate the Dutch Vimpat® patent and SPC. On 23 February 2019, the Court ruled to UCB's favor and confirmed the validity of the patent.
- **Accord and Teva German Litigation**: In the summer of 2017, Accord Healthcare and Teva filed nullity actions in the German Patent Court, seeking to invalidate the German part of the European Vimpat® patent/SPC. The cases are consolidated and the hearing date is scheduled for 15 October 2019. A preliminary opinion issued by the German Patent Court in December 2018 was favorable with respect to the validity of the Vimpat patent.
- **Accord Italian Litigation**: In October 2017, Accord filed a nullity action against the Italian part of the European Vimpat® Patent in the Court of Milano. No trial date has been scheduled.
- **Laboratorios Normon, Spanish Litigation**: In October 2017, UCB was notified by the Court of Barcelona that a nullity action against the Spanish part of the European Vimpat® Patent was filed by Laboratorios Normon, S.A. No trial date has been scheduled.
- **GL Pharma, Austria Litigation**: In November 2017, GL Pharma filed a request for a declaration of non-infringement with respect to their generic *lacosamide* product, alleging that the Vimpat® patent is unenforceable. Case is on-going.

Neupro®

- **Watson Delaware District Court Litigation**: In August 2014, UCB filed suit in the District Court of Delaware against Watson Pharmaceuticals, who is seeking approval of its generic version of Neupro® . Watson filed a paragraph IV certification challenging, among other things, the validity of certain patents pertaining to Neupro®, principally the 6 884 434 ('434). Trial was held in June 2017. Judge Stark ruled in UCB's favor and upheld the validity of the '434 patent but revoked the polymorph patent '414. Actavis has filed an appeal. UCB has cross-appealed. Case is on-going.
- **Zydus Delaware District Court Litigation**: In November 2016, UCB filed suit in the District Court of Delaware against Zydus Pharmaceuticals, who is seeking approval of its generic version of Neupro®. Zydus filed a paragraph IV certification challenging, among other things, the validity of certain patents pertaining to Neupro®. The case was stayed until August 2019.
- **Mylan Delaware District Court Litigation**: In March 2017, UCB filed suit in the District Court of Delaware against Mylan Pharmaceuticals, who is seeking approval of its generic version of Neupro®. Mylan filed a paragraph IV certification challenging, among other things, the validity of certain patents pertaining to Neupro®. The case is on-going.

Toviaz®

- **Mylan *Inter Partes* Review (IPR)**: In January 2016, Mylan Pharmaceuticals filed a petition for an IPR before the U.S. Patent and Trademark Office (USPTO), seeking to invalidate all of the Orange Book listed patents pertaining to Toviaz®. In July 2016, the Patent Trial and Appeal Board (PTAB) instituted the review. Alembic, Torrent and Amerigan have filed joinder motions. On 19 July 2017, the PTAB upheld the validity of all of the Orange Book listed patents. Mylan has appealed the PTAB ruling at the Federal Circuit together with the ruling of the District Court of Delaware in UCB's favor; Amerigan has joined the appeal. On 11 January 2019, the Federal Circuit ruled in UCB's favor. Case is on-going.

Adair Patent Litigation – Chugai

On 14 December 2016, Chugai Pharmaceuticals filed a legal action in the United Kingdom Patents Court, seeking a declaration that the sale of their product Actemra® does not infringe UCB's U.S. patent 7 556 771. Trial was held in March 2018. The Court found in favor of Chugai in a decision rendered in August 2018. UCB has appealed.

42.3.2 Product liability matters

- **Distilbène product liability litigation – France:** France Entities of the UCB Group have been named as defendants in several product liability cases in France. The claimants in these actions claim that their mothers took Distilbène, a former product of the UCB Group, during their pregnancy, and that as a result of this they suffered bodily injuries. The Group has product liability insurance in place but as this insurance cover will not be sufficient, the Group has accounted for a provision. (See Note 33).
- **Opioid Litigation:** In March 2018, the U.S. entity was named, along with multiple defendants, in two lawsuits involving the promotion and sale of opioids. Those cases are American Resource Insurance Co., Inc. v. Purdue Pharma, LP, et al., in the U.S. District Court for the Southern District of Alabama, and State of Arkansas, et. al. v. Purdue Pharma, L.P. in the Circuit Court of Crittenden County, Arkansas. The cases are on-going.

42.3.3 Investigations

Southern District of New York – Pharmacy Benefit Managers and Cimzia®

In March 2016, the Company received a Civil Investigative Demand (CID) from the Civil Frauds Unit of the U.S. Attorney's Office in the Southern District of New York. The CID requests the Company to identify and provide all contracts (from January 2006 through the date of the CID) between the Company and any Pharmacy Benefit Manager (PBM) concerning Cimzia®, including all documents necessary to show all services performed by any PBM as well as all payments made to any PBM. As of August 2016, all documents requested have been submitted to the government. The Company is cooperating with the U.S. Attorney's Office in response to the CID provided.

42.3.4 Other matters

Cimzia® CIMplicity® Lawsuit: In March 2018, UCB, Inc. was served with a lawsuit alleging that since 2011, Cimzia® CIMplicity® program, namely the nurse educator services and reimbursement services, violated federal and state false claims act and anti-kickback statutes. On 17 December 2018, the U.S. Department of Justice moved to dismiss all claims. The case is on-going.

42.3.5 Concluded legal matters

- ***Ex Parte* Reexamination:** In March 2016, Argentum Pharmaceuticals filed an ex parte reexamination request before the Patent Trial and Appeal Board (PTAB), seeking to invalidate the Vimpat® '551 patent. On 16 June 2016, the USPTO granted the request for the reexamination. On 23 February 2018, the USPTO confirmed the patentability of the Vimpat® '551 patent.
- **Divested Business Litigation:** Desmopressin in October 2008, Apotex Inc. filed suit against UCB, Lonza Braine S.A. and S&D Chemicals (Canada) Ltd., in the Ontario Superior Court in Toronto, Ontario, Canada, alleging breach of contract and seeking damages for alleged failure to supply Apotex with the drug, desmopressin. UCB divested this drug as a part of its Bioproducts Business to Lonza in 2006. Lonza has cross-claimed against UCB and S&D Chemicals, UCB has cross-claimed against Lonza and S&D Chemicals, and S&D Chemicals has cross-claimed against UCB and Lonza. During Q2 2018, the parties reached an amicable settlement with no payments due by UCB. All claims against UCB were dismissed in May.

43 Related party transactions

43.1 Intra-Group sales and services

During the financial years ended 31 December 2018 and 2017, all intra-UCB Group transactions were carried out based on assessments of mutual economic benefit to the parties involved, and the applicable conditions were established in accordance with criteria of at arm's length negotiations and fair dealing, and with a view to creating value for the entire UCB Group. Conditions governing intra-UCB Group transactions were similar to conditions governing third-party transactions.

With regard to the sale of intermediary and finished products, these criteria were accompanied the principle of increasing each party's respective production cost by an at arm's length profit margin. With regard to intra-UCB Group services rendered, these criteria are accompanied by the principle of charging fees sufficient to cover each party's respective incurred costs and an at arm's length mark-up. Intra-Group transactions carried out within the UCB Group constitute standard transactions for a biopharmaceutical Group. These transactions include the purchase and sale of intermediary and finished medical products, deposits and loans for UCB Group affiliates as well as centralized functions and activities carried out by the UCB Group in order to optimize operations through economies of scale and scope.

43.2 Financial transactions with related parties other than UCB SA affiliates

During 2018 there have been no financial transactions with other related parties other than affiliates of UCB SA.

43.3 Key management compensation

Key management compensation as disclosed below comprises compensation recognized in the income statement for members of the Board of Directors and the Executive Committee, for the portion of the year where they exercised their mandate.

€ million	2018	2017
Short-term employee benefits	17	18
Termination benefits	0	0
Post-employment benefits	3	4
Share-based payments	8	11
Total key management compensation	**28**	**33**

Short-term employee benefits include salaries (including social security contributions), bonuses earned during the year, car leasing and other allowances where applicable. Share-based compensation includes the amortization over the vesting period of the fair value of equity instruments granted, and comprises share options, share awards and performance shares further explained in Note 27. The termination benefits contain all compensated amounts, including benefits in kind and deferred compensation. There have been no loans granted by the Company or a subsidiary of the Group to any Director or officer of the Group, nor any guarantees given with respect hereto.

43.4 Shareholders and shareholders structure

The main shareholder of UCB is Financière de Tubize SA (also referred to herein as the "Reference Shareholder" or "Tubize"), a Belgian company listed on Euronext Brussels, holding 68 076 981 UCB shares on a total number of 194 505 658 (i.e. 35.00%) as at 31 December 2018.

Based on the transparency declarations received by Tubize and, as the case may be, more recent public disclosures, the shareholder structure of Tubize per 31 December 2018 can be summarized as follows:

	Concert		Outside concert		Total	
	Voting rights	%	Voting rights	%	**Voting rights**	**%**
Financière Eric Janssen SPRL	8 525 014	19.14%	1 988 800	4.46%	10 513 814	23.60%
Daniel Janssen	5 881 677	13.20%	–	–	5 881 677	13.20%
Altaï Invest SA	4 969 795	11.16%	26 468	0.06%	4 996 263	11.22%
Barnfin SA	3 903 835	8.76%	–	–	3 903 835	8.76%
Jean van Rijckevorsel	11 744	0.03%	–	–	11 744	0.03%
Total voting rights held by the reference shareholders	**23 292 065**	**52.28%**	**2 015 268**	**4.52%**	**25 307 333**	**56.81%**
Other shareholders	–	–	19 241 265	43.19%	19 241 265	43.19%
Total voting rights	**23 292 065**	**52.28%**	**21 256 533**	**47.72%**	**44 548 598**	**100.00%**

Altaï Invest SA is controlled by Evelyn du Monceau, born Evelyn Janssen. Barnfin SA is controlled by Bridget van Rijckevorsel, born Paule Bridget Janssen.

The reference shareholders of Tubize, belonging to the Janssen family, act in concert, i.e. they have entered into a shareholders' agreement concerning the concerted exercise of their voting rights in order to pursue a sustainable common policy with regard to Tubize and concerning the possession, acquisition or transfer of voting securities cf. article 3, §1, 13°, a), b) and c) of the Law on the disclosure of large shareholdings and article 3, §1, 5°, a) and b) of the Law on public takeover bids.

With respect to its shareholding in UCB, Tubize was acting in concert with Schwarz, i.e. they have entered into an agreement concerning the concerted exercise of their voting rights in order to pursue a sustainable common policy with regard to UCB and concerning the possession, acquisition or transfer of voting securities (cf. article 3, §1, 13°, b) and c) of the Law on the disclosure of large shareholdings and article 3, §1, 5°, b) of the Law on public takeover bids).

UCB received on 25 January 2018 a transparency notification from Tubize mentioning that Tubize received confirmation on 19 January 2018 of the termination of the agreement to act in concert with Schwarz, and a transparency notification from Schwarz confirming this information on 29 January 2018.

UCB and its subsidiaries also hold UCB shares (see below for an overview of their shareholdings at 31 December 2018). The remaining UCB shares are held by the public.

Please find below an overview of the large shareholdings of UCB (including assimilated financial instruments) on the basis of the transparency notifications received pursuant to the law of 2 May 2007, on the disclosure of large shareholdings (situation as at 31 December 2018):

				Latest update
	Share capital	**€ 583 516 974**		13 March 2014
	Total number of voting rights (= denominator)	**194 505 658**		
1	**Financière de Tubize SA ('Tubize')**			
	securities carrying voting rights (shares)	**68 076 981**	**35.00%**	19 January 2018
2	**UCB SA/NV**			
	securities carrying voting rights (shares)	2 102 356	1.08%	31 December 2018
	assimilated financial instruments (options)[1]	0	0.00%	06 March 2017
	assimilated financial instruments (other)[1]	0	0.00%	18 December 2015
	Total	**2 102 356**	**1.08%**	
3	**UCB Fipar SA**			
	securities carrying voting rights (shares)	3 494 828	1.80%	31 December 2018
	assimilated financial instruments (options)[1]	435 000	0.22%	03 June 2015
	assimilated financial instruments (other)[1]	0	0.00%	25 December 2015
	Total	**3 929 828**	**2.02%**	
	UCB SA/NV + UCB Fipar SA[2]			
	securities carrying voting rights (shares)	5 597 184	2.88%	
	assimilated financial instruments (options)[1]	435 000	0.22%	
	assimilated financial instruments (other)[1]	0	0.00%	
	Total	**6 032 184**	**3.10%**	
	Free float[3]	**120 831 493**	**62.12%**	
4	**Vanguard Health Care Fund**			
	securities carrying voting rights (shares)	9 741 353	5.01%	28 October 2014
5	**BlackRock, Inc.**			
	securities carrying voting rights (shares)	9 072 842	4.66%	27 December 2018

(all percentages are calculated on the basis of the current total number of voting rights)

1 Assimilated financial instruments within the meaning of article 6 of the Law of 2 May 2007 on the disclosure of large shareholdings, which, if exercised, grant an additional voting right: i.e., securities, options, futures, swaps, interest term agreements and other derivatives concerning existing securities carrying voting rights that grant their holder the right to acquire such securities carrying voting rights pursuant to an agreement that is binding under the applicable law and only on the holders' own initiative.

2 UCB SA/NV indirectly controls UCB Fipar SA | art. 6, §5, 2° and art. 9, §3, 2° of the law on the disclosure of large shareholdings.

3 Free float being the UCB shares not held by the reference shareholder (Tubize), UCB SA/NV or UCB Fipar SA. Only securities carrying voting rights (shares) held by these entities are taken into account for this calculation, to the exclusion of assimilated financial instruments.

44 Events after the balance sheet date

The UCB site in Monheim 'Creative Campus Monheim' has been divested to the city of Monheim am Rhein. The contract was signed in November 2018 and 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 area, including UCB. UCB has now leased its respective space for the next 20 years. The city of Monheim plans to further develop and expand the campus. They have already presented a master plan accordingly.

45 UCB companies (fully consolidated)

Name and office	Holding	Controlling partner
Australia		
UCB Australia Pty. Ltd. – Level 1, 1155 Malvern Road – 3144 Malvern, Victoria	100%	UCB SA
Austria		
UCB Pharma Gesellschaft m.b.H. – Twin Tower, Wienerbergstrasse 11/12a – 1100 Wien	100%	UCB Finance NV
Belgium		
UCB Fipar SA – Allée de la Recherche, 60 – 1070 Brussels (BE0403.198.811)	100%	UCB Belgium SA
UCB Biopharma SPRL – Allée de la Recherche, 60 – 1070 Brussels (BE0543.573.053)	100%	UCB Pharma SA
UCB Belgium SA – Allée de la Recherche, 60 – 1070 Brussels (BE0402.040.254)	100%	UCB Pharma SA
UCB Pharma SA – Allée de la Recherche, 60 – 1070 Brussels (BE0403.096.168)	100%	UCB SA
Sifar SA – Allée de la Recherche, 60 – 1070 Brussels (BE0453.612.580)	100%	UCB Finance NV
UCB Ventures SA – Allée de la Recherche, 60 – 1070 Brussels (BE0667 816 096)	100%	UCB SA
UCB Ventures Belgium SA – Allée de la Recherche, 60 – 1070 Brussels (BE0668 388 891)	100%	UCB Ventures SA
Brazil		
UCB Biopharma Ltda – Av. Brigadeiro Faria Limal Itaim Bibi – CEP: 04538-132 São Paulo	100%	UCB SA
Bulgaria		
UCB Bulgaria EOOD –15, Ljubata Str., Fl. 4 apt. 10-11, Lozenetz – Sofia 1407	100%	UCB SA
Canada		
UCB Canada Inc. – 2060 Winston Park Drive, Suite 401 – ON L6H5R7 Oakville	100%	UCB Holdings Inc.
China		
UCB Trading (Shanghai) Co Ltd – Suite 317, 439 No.1 Fu Te Road West – Shanghai (Pilot Free Trade Zone)	100%	UCB SA
UCB Pharma (Hong Kong) Ltd – Unit 3713-18,37F, Tower 1, Millenium City 5, 388 Kwun Tong Road, Kwun Tong, Kowloon – Hong Kong	100%	UCB Pharma GmbH
UCB Pharma (Zhuhai) Company Ltd – Section A., Workshop, No.3 Science & Technology 05th Road, Innovation Coast, National Hi-Tech Industrial Development Zone – Zhuhai Guangdong Province	100%	UCB Pharma GmbH
Czech Republic		
UCB S.R.O. – Thámova 13 – 186 00 Praha 8	100%	UCB SA
Denmark		
UCB Nordic AS – Edvard Thomsens Vej 14, 7 – 2300 Copenhagen	100%	UCB Finance NV
Finland		
UCB Pharma Oy Finland – Bertel Jungin aukio 5 , 6.krs – 02600 Espoo	100%	UCB Finance NV
France		
UCB Pharma SA – Défense Ouest 420, rue d'Estienne d'Orves – 92700 Colombes	100%	UCB SA
Germany		
UCB Pharma GmbH – Alfred-Nobel-Strasse 10 – 40789 Monheim am Rhein	100%	UCB GmbH
UCB GmbH – Alfred-Nobel-Strasse 10 – 40789 Monheim am Rhein	100%	UCB Finance NV
UCB BioSciences GmbH – Alfred-Nobel-Strasse 10 – 40789 Monheim am Rhein	100%	UCB Pharma GmbH
UCB Innere Medizin GmbH & Co. KG – Alfred-Nobel-Strasse 10 – 40789 Monheim am Rhein[3]	100%	UCB Pharma GmbH
UCB Primary Care GmbH[3] – Alfred-Nobel-Strasse 10 – 40789 Monheim am Rhein	100%	UCB Pharma GmbH
Greece		
UCB A.E. – 63 Agiou Dimitriou Street – 17456 Alimos – Athens	100%	UCB SA
Hungary		
UCB Hungary Ltd – Obuda Gate Building Arpád Fejedelem útja 26-28 – 1023 Budapest	100%	UCB SA
India		
UCB India Private Ltd – Building No. – P3, Unit No. – 103, 1st Floor, Prithvi Complex, Kalher Pipe Line, Kalher, Bhiwandi, Thane – 421302 Maharashtra	100%	UCB SA

Name and office	Holding	Controlling partner
Uni-Mediflex Private Ltd – Building No. – P3, Unit No. – 103, 1st Floor, Prithvi Complex, Kalher Pipe Line, Kalher, Bhiwandi, Thane – 421302 Maharashtra	100%	UCB SA
Ireland		
UCB (Pharma) Ireland Ltd – United Drug House Magna Drive, Magna Business Park, City West Road – Dublin 24	100%	UCB SA
UCB Manufacturing Ireland Ltd – Shannon Industrial Estate – Shannon, County Clare	100%	UCB SA
Italy		
UCB Pharma SpA – Via Varesina 162 – 20156 Milano	100%	UCB SA
Japan		
UCB Japan Co Ltd – Shinjuku Grand Tower, 8-17-1 Nishi-Shinjuku – 160-0023 Shinjuku, Tokyo	100%	UCB SA
Luxembourg		
Edev Sàrl – Rue Eugène Ruppert, 5C – 2453 Luxembourg	0%	N/A
Malaysia		
UCB Trading (Malaysia) Sdn. Bhd. – Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra – 59200 Kuala Lumpur	100%	UCB SA
Mexico		
UCB de Mexico SA de C.V. – Calzada Mariano Escobedo 595, Piso 3, Oficina 03/100, Colonia Rincón del Bosque, Bosque de Chapultepec I sección, Alcaldía Miguel Hidalgo – 11589 Mexico D.F.	100%	UCB SA
Vedim SA de C.V. – Calzada Mariano Escobedo 595, Piso 3, Oficina 03/100, Colonia Rincón del Bosque, Bosque de Chapultepec I sección, Alcaldía Miguel Hidalgo – 11589 Mexico D.F.	100%	Sifar SA
Netherlands		
UCB Finance N.V. – Hoge Mosten 2 – 4822 NH Breda	100%	UCB SA
UCB Pharma B.V. (Netherlands) – Hoge Mosten 2 – 4822 NH Breda	100%	UCB Finance NV
Norway		
UCB Pharma A.S. – Grini Naeringspark 8b – 1361 Osteras, Baerum	100%	UCB Finance NV
Poland		
Vedim Sp. z.o.o. – Ul. Z. Herberta, 8 – 00-380 Warszawa	100%	Sifar SA
UCB Pharma Sp. z.o.o. – Ul. Z. Herberta, 8 – 00-380 Warszawa	100%	UCB SA
Portugal		
UCB Pharma (Produtos Farmaceuticos) Lda – Estrada de Paço de Arcos, 58 – 2770-130 Paço de Arcos	100%	UCB SA
Romania		
UCB Pharma Romania S.R.L. – 40-44 Banu Antonache, 4th fl., district 1 – 011665 Bucharest	100%	UCB SA
Russia		
UCB Pharma LLC – Shturvaluaya 5 bldg 1 – 125364 Moscow	100%	UCB SA
UCB Pharma Logistics LLC – Perevedenovky pereulok 13 bldg 21 – 105082 Moscow	100%	UCB SA
Singapore		
UCB Trading (SG) Pte. Ltd. –8 Marina Boulevard #05-02, Marina Bay Financial Centre Tower 1 – 18981 Singapore	100%	UCB SA
South Korea		
UCB Korea Co Ltd. – 4th Fl., A+ Asset Tower, 369 Gangnam-daero, Seocho-gu – 06621 Seoul	100%	UCB SA
Spain		
Vedim Pharma SA[1] – Plaza de Manuel Gómez Moreno, s/n, Edificio Bronce, 5th floor – 28020 Madrid	100%	UCB SA
UCB Pharma SA – Plaza de Manuel Gómez Moreno, s/n, Edificio Bronce, 5th floor – 28020 Madrid	100%	Vedim Pharma SA
Sweden		
UCB Pharma AB (Sweden) – Klarabergsgatan 29 – 111 21 Stockholm	100%	UCB Finance NV

Name and office	Holding	Controlling partner
Switzerland		
UCB Farchim SA (A.G. – Ltd.) – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Investissements SA
UCB Investissements SA – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Finance NV
Doutors Réassurance SA – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Investissements SA
UCB-Pharma AG – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Investissements SA
Medeva Pharma Suisse SA – Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Investissements SA
UCB Medical Devices SA – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Investissements SA
Taiwan		
UCB Pharmaceuticals (Taiwan) Ltd –12F.-2, No.88, Dunhua N. Rd., Songshan Dist. – 10551 Taipei	100%	UCB SA
Thailand		
UCB Trading (Thailand) Ltd – 98 Sathorn Square, 37/F, Room 3780, North Sathorn Road, Khwaeng Silom, Khet Bangrak – 10500 Bangkok	100%	UCB SA
Turkey		
UCB Pharma A.S. – Palladium Tower, Barbaros Mah., Kardelen Sok. No.2, Kat.24/80 – 34746 Istanbul	100%	UCB SA
U.K.		
UCB Fipar Ltd[2], subs. of UCB Inc. – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB Inc.
Fipar U.K. Ltd[2], subs of UCB Fipar Ltd. – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB Fipar Ltd
UCB (Investments) Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB SA
Celltech Group Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB (Investments) Ltd
Celltech R&D Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Celltech Group Ltd
Celltech Ltd[2] – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Celltech Group Ltd
Darwin Discovery Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Celltech Group Ltd
UCB Pharma Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Celltech Group Ltd
Schwarz Pharma Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Celltech Group Ltd
Ukraine		
UCB Ukraine LLC – 19 Grygoriya Skovorody Str., Business Center "Podol Plaza" – 04070 Kiev	100%	UCB Pharma GmbH
U.S.		
UCB Holdings Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	UCB Finance NV
UCB Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	UCB Holdings Inc.
UCB Biosciences Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	UCB Inc.
UCB Manufacturing Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	UCB Inc.
Upstate Pharma LLC – C T Corporation System, 111 Eight Avenue, NY – 10011 New York	100%	UCB Inc.
Beryllium LLC[1] – 251 Little Falls Drive – 19808 Wilmington, Delaware	100%	UCB Biosciences Inc.
Beryllium Discovery Corp. – 3 Preston Court – 01730 Bedford, Massachusetts	100%	UCB Biosciences Inc.
The RNA Medicines Company Inc. – 2711 Centerville Road, Suite 400 – 19808 Wilmington, Delaware	100%	UCB Biosciences Inc.
Element Genomics Inc.[4] – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	UCB Biosciences Inc.

[1] These companies have merged with other companies of the Group and are included in the Consolidated Income Statement for 2017 and 2018 (up till their effective merge date).
[2] UCB Fipar Ltd, Fipar U.K. Ltd and Celltech Ltd have been liquidated as per 09 July 2018, respectively 21 June 2018 and 21 June 2018. These companies are included in the Consolidated Income Statement for 2017 and 2018 (up till their liquidation date).
[3] The shares in UCB Innere Medizin GmbH & Co. KG and UCB Primary Care GmbH have been disposed of as per 28 September 2018. The results of both entities are included in the Consolidated Income Statement for 2017 and 2018 (up till 28 September 2018).
[4] On 30 March 2018 UCB acquired Element Genomics Inc. The biotech spin-off is fully consolidated in the Consolidated Income Statement for 2018 from the effective date of acquisition.

4 Responsibility statement

We hereby confirm that, to the best of our knowledge, the consolidated financial statements as of 31 December 2018, prepared in accordance with International Financial Reporting standards (IFRS), as adopted by the European Union, and with the legal requirements applicable in Belgium, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation as a whole, and that the management report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed by Jean-Christophe Tellier (CEO) and Detlef Thielgen (CFO) on behalf of the Board of Directors.

5 Statutory auditor's report

Statutory auditor's report to the General Shareholders' Meeting of UCB SA/NV for the year ended 31 December 2018

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated accounts of UCB SA (the "Company") and its subsidiaries (jointly "the Group"). This report includes our report on the audit of the consolidated accounts, as well as the report on other legal and regulatory requirements. These reports form part of an integrated whole and are indivisible.

We have been appointed as statutory auditor by the general meeting d.d. 25 April 2018, following the proposal formulated by the board of directors and following the recommendation by the audit committee and the proposal formulated by the works' council. Our mandate will expire on the date of the general meeting which will deliberate on the consolidated accounts prepared on 31 December 2020. We started the statutory audit of the consolidated accounts of the Company before 1990.

5.1 Report on the consolidated accounts

5.1.1 Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated statement of financial position total of EUR 10 514 million and a profit for the year (attributable to equity holders) of EUR 800 million.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

5.1.2 Basis for unqualified opinion

WWe conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing (ISAs) as approved by the IAASB for the years ending as from 31 December 2018, which are not yet approved at the national level. Our responsibilities under those standards are further described in the "Statutory auditor's responsibilities for the audit of the consolidated accounts" section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the requirements related to independence.

We have obtained from the Board of Directors and Company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

5.1.3 Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated accounts of the current period. These matters were addressed in the context of our audit of the consolidated accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Significant judgements and estimates in sales rebates, discounts and returns adjustments recognised in the U.S. (refer to Notes 2.7.1, 3.2.1 and 34)

Area of focus

In the U.S., the UCB Group sells products to various customers that are part of commercial and governmental contractual arrangements or other reimbursement programmes (Medicaid, Medicare or equivalent scheme). This process leads to significant adjustments to the gross sales in the form of rebates, chargebacks, discounts and product returns. At year-end significant amounts of these unsettled adjustments are recorded as accruals in the balance sheet. The process for determining these accruals is complex and depends on contract terms and regulation, as well as forecasts of sales volumes by channel and estimates on expected returns of products. As disclosed in Note 34, the amount of the accruals at 31 December 2018 is EUR 460 million (EUR 445 million as per 31 December 2017). We also evaluated whether appropriate revenue recognition policies were consistent with IFRSs as adopted by the European Union.

How our audit addressed the area of focus

Our testing focused on the accruals for sales rebates, chargebacks, discounts and product returns recognised at the year-end as the process for these accruals involves the use of large volumes of data, regarding sales volumes and discounts from multiple sources, which, taken together, require significant management judgement in a complex U.S. healthcare environment.

We obtained management's calculations of the accruals for sales rebates, chargebacks, discounts and product returns and tested the inputs into the accrual calculations. We performed the following procedures:

- We assessed the completeness and accuracy of the accruals by understanding and testing the process management used to calculate and record the year-end balances.
- We tested the mathematical accuracy of the year-end balances and compared such amounts to our own independently developed expectations (substantive analytics). Our independent expectations were developed based on sales figures, historical rebate invoices received, adjusted for current volumes, rebate rates as included in sales contracts and agreements with third parties and adjusted for any Company or industry specific factors.
- We assessed the key judgements and assumptions within management's analysis and we considered other known factors such as generic entrants and government, legal or regulatory information, as applicable. We assessed the assumptions used to determine the standard lag times for commercial rebates, Medicare rebates, Medicaid rebates, cash discounts, chargebacks and returns.
- We examined third party statements and data such as external data, we sampled rebate and chargeback invoices processed subsequently to year end and we assessed management's estimates of channel inventory.
- We performed look back tests that compared accruals recognised in previous periods to actual rebates, chargebacks, discounts or returns received in order to test management's historical accuracy in calculating these accruals.

In determining the appropriateness of the revenue recognition policy in accordance with IFRS 15 applied by management in calculating sales rebates, chargebacks, discounts and product returns under contractual and regulatory requirements, there is room for judgement. We did not identify any material differences between our independent expectations and the accruals and we found the judgements made by management to be reasonable. Also, the policies applied are consistent in all material respects with IFRSs as adopted by the European Union.

Carrying value of goodwill and intangible assets (refer to Notes 2.10, 2.14, 2.15, 3.2.2, 13, 19 and 20)

Area of focus

The UCB Group has EUR 870 million of intangible assets (31 December 2017 – EUR 817 million), comprising significant licenses, patents and acquired trademarks. In addition, the Group has EUR 4 970 million of goodwill at 31 December 2018 (31 December 2017 – EUR 4 838 million).

The carrying values of goodwill and intangible assets are contingent on future cash flows and if these cash flows do not meet the Group's expectations, there is risk that the assets will be impaired. The impairment reviews performed by the Group contain a number of significant judgements and estimates including revenue growth, the success of new product launches, patent expiry dates, profit margins, terminal values and discount rate. Changes in these assumptions might lead to a change in the carrying value of intangible assets and goodwill. The Group has one cash generating unit ("CGU"), Biopharmaceuticals, for goodwill impairment testing purposes.

How our audit addressed the area of focus

We obtained the UCB Group's impairment evaluation analyses and tested the reasonableness of the methodology and the key assumptions, including profit and cash flow growth, terminal values, the impact of the expiry of patents, pricing impacts, potential product obsolescence, the probability of success for pipeline products and the selection of discount rates. We have assessed management's substantiation of its assumptions, including comparing relevant assumptions to industry and economic forecasts. In doing this, we worked with our internal valuation specialists. We have also evaluated the process to prepare the Groups strategic plan that was approved by UCB's Board of Directors.

We obtained and evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions and we performed our own independent sensitivity calculations to quantify the downside changes to management's models required to result in impairment. We also assessed the reasonability of the forecasted discounted cash flows by comparing those to the Group's market capitalisation.

As a result of our work, we determined that no impairment charge should be recognized in 2018 (see Note 13). We found that management's judgements were supported by reasonable assumptions that would require unreasonable downside changes before any material impairment was necessary.

In respect of the Biopharmaceuticals CGU, we confirmed that this is the lowest level at which management monitors goodwill for internal purposes, that it is consistent with how the Group's results and financial position are reported to the executive committee and the board of directors and that it thus complies with IFRS as adopted by the European Union.

Recognition of deferred tax assets and uncertain tax positions (refer to Notes 2.2.1, 2.12, 3.2.5, 31 and 35)

Area of focus

The UCB Group has significant tax losses from past business performance. There is inherent uncertainty involved assessing both the availability of losses and tax credits and in forecasting future taxable profits, which determines the extent to which deferred tax assets are recognised. Additionally, the availability and the amount of the tax losses and tax credits can be impacted by ongoing tax audits. At 31 December 2018, the Group has recognised EUR 760 million of deferred tax assets (31 December 2017 – EUR 715 million). The process for the determination of deferred tax assets is complex and involves a significant amount of judgement.

The group operates in a complex multinational tax environment and there are open tax and transfer pricing matters with tax authorities. Judgement is required in assessing the level of provisions required in respect of uncertain tax positions. At 31 December 2018, the Group has recognised provisions of EUR 91 million in respect of uncertain tax positions (31 December 2017 – EUR 55 million). The increase in provisions for uncertain tax positions is explained by a combination of an increase in the number of tax matters identified in various countries and uncertain tax positions identified in previous years that required an update.

How our audit addressed the area of focus

We evaluated the appropriateness of the management's key assumptions and estimates, in particular the

likelihood of generating sufficient future taxable profits to support the recognition of deferred tax assets.

We evaluated the possible effects of tax audit outcomes on the availability of tax losses and tax credits (and the need for recognizing a provision for uncertain tax positions, if deemed necessary).

We considered the status of recent and current tax authority audits, the outcome of previous audits, the judgemental positions taken in tax returns and current year estimates and developments in the tax environment.

In conjunction with our own specialists in International Tax, we assessed and evaluated the correspondence with the relevant tax authorities and certain third party tax opinions. Based on this information, we analysed and challenged the assumptions used by management to determine tax provisions. We conclude that the provisions for uncertain tax positions are recognized in accordance with IFRIC 23.

We assessed whether the UCB Group's disclosures about the sensitivity of the recognition of deferred tax assets to reasonably possible changes in key assumptions reflected the associated inherent risks and the disclosures in respect of tax and uncertain tax positions.

As a result of our work, we determined that management's conclusions on the recognition of deferred tax assets and its recoverability are appropriate. We also determined that the provisions for uncertain tax positions and the related disclosures are acceptable.

Ongoing litigation, claims and regulatory investigations (refer to Notes 2.29, 3.2.3, 33 and 42)

Area of focus

The pharmaceutical industry is a highly regulated industry, which increases the inherent risk for litigation, claims and regulatory investigations. The UCB Group is engaged in a number of legal actions, including product liability, commercial litigation and regulatory investigations, which could have a material impact on the financial statements.

We focused on this area because the outcome of such legal actions is uncertain and the positions taken by the management are based on the application of material judgement and estimation. Accordingly, unexpected adverse outcomes of such legal actions could materially impact the Group's reported profits and balance sheet position or future cash flows.

At 31 December 2018, the Group held provisions of EUR 206 million (31 December 2017 – EUR 158 million) among others in respect of actual legal actions brought against the Group and disclosures have been made in Note 33 in relation to these provisions, as well as the disclosure of contingent liabilities in Note 42 relating to ongoing regulatory investigations or legal claims where the directors believe to have meritorious defences against the claims.

As disclosed in Notes 33 and 42, the Group is involved in several product liability cases related to the product Distilbène. In 2015, a provision was recognised for EUR 50 million representing the expected future cash flows exceeding the insurance coverage and is considered as a significant estimate. This provision amounted to EUR 68 million as at 31 December 2017 and was further increased to EUR 99 million as at 31 December 2018.

How our audit addressed the area of focus

We discussed actual or pending legal and regulatory claims with the Group's General Counsel to update our understanding of the status of each case.

We established our own expectation of the likely outcome and tested substantively the amount provided (e.g. Distilbène) by evaluating the assumptions used in measuring the provision by discussion and by reference to the actual (similar) court decisions, to available documentation such as correspondence with external legal counsels and by obtaining independent confirmations from the external legal counsels.

We considered the completeness of legal and regulatory matters through inquiry with the Group's General Counsel and by reading minutes of meetings of the executive committee and the board of directors, and did not identify any other legal matters that had not already been disclosed to us.

We evaluated the assumptions regarding the measurement of the provision related to the Distilbène product liability of EUR 99 million (31 December 2017 – EUR 68 million) by reference to the actual court decisions for closed Distilbène cases and the effect of newly initiated cases in the course of 2018. We discussed with UCB's management and assessed the assumptions used.

Our testing did not identify any material misstatements in the provisions recorded. We found that in the context of the Group financial statements, the judgements made by management and the provisions recorded are reasonable and the disclosures relating to legal and regulatory matters, provisions and contingent liabilities in Notes 33 and 42 were in accordance with the requirements of IFRSs as adopted by the European Union.

Post-employment benefit provisions (refer to Notes 2.28, 3.2.4 and 32)

Area of focus

The UCB Group has different employee benefit schemes around the world of which the most significant and with the most potential for misstatement are in the U.K., Belgium and Germany. Significant estimates are made in valuing post-retirement defined benefit plans and small changes in the assumptions and estimates used, of which the main ones are discount rate, inflation and longevity, could have a significant impact on the results and the financial position of the Group as disclosed in Note 32.

The total amount of the post-retirement benefit provisions recognized at 31 December 2018 amounts to EUR 396 million (31 December 2017 – EUR 412 million), consisting of a total defined benefit obligation of EUR 996 million (31 December 2017 – EUR 1 040 million) offset by total plan assets of EUR 600 million (31 December 2017 – EUR 629 million).

How our audit addressed the area of focus

With the involvement of our internal actuarial specialists, we have challenged the key assumptions being mainly the discount rate, inflation rate, mortality / life expectancy, inflation rates and future salary increases. We have compared the key assumptions used against our internal benchmarks and externally derived data.

We have performed audit procedures on the fair value of plan assets, the determination of the defined benefit obligation and the underlying census data.

Based on our procedures performed, we consider management's assumptions and the resulting valuation of the employee benefit obligation to be within a reasonable range. We have assessed and agreed with the adequacy of the disclosures in Note 32 in respect of post-retirement benefits.

5.1.4 Responsibilities of the Board of Directors for the preparation of the consolidated accounts

The Board of Directors is responsible for the preparation of consolidated accounts that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

5.1.5 Statutory auditor's responsibilities for the audit of the consolidated accounts

Our objectives are to obtain reasonable assurance about whether the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated accounts.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

5.2 Report on other legal and regulatory requirements

5.2.1 Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and the content of the director's report on the consolidated accounts, the non-financial information and the other information included in the annual report.

5.2.2 Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard (Revised) which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated accounts and the other information included in the annual report, and to report on these matters.

5.2.3 Aspects related to the directors' report on the consolidated accounts and to other information included in the annual report

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts and the other information included in the annual report, this report is consistent with the consolidated accounts for the year under audit, and is prepared in accordance with the article 119 of the Companies' Code.

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

The non-financial information required by virtue of article 119, §2 of the Companies' Code is included in the directors' report on the consolidated accounts. The Company has prepared the non-financial information, based on GRI standards. However, we do not express an opinion as to whether the non-financial information has been prepared in accordance with the GRI standards as disclosed in the consolidated accounts.

5.2.4 Statement related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated accounts, and our registered audit firm remained independent of the Group in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the consolidated accounts referred to in article 134 of the Companies' Code are correctly disclosed and itemized in the notes to the consolidated accounts.

5.2.5 Other statements

- This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Brussels, 27 February 2019

The Statutory Auditor
PwC Reviseurs d'Entreprises scrl / Bedrijfsrevisoren cvba
Represented and signed by

Romain Seffer
Registered Auditor

6 Abbreviated statutory financial statements of UCB SA

6.1 Introduction

In accordance with the Belgian Companies Code, it has been decided to present an abbreviated version of the statutory financial statements of UCB SA.

The statutory financial statements of UCB SA are prepared in accordance with Belgian Generally Accepted Accounting Principles.

It should be noted that only the consolidated financial statements as presented above, present a true and fair view of the financial position and performance of the UCB Group.

The statutory auditor has issued an unqualified audit opinion and certify that the non-consolidated financial statements of UCB SA for the year ended 31 December 2018 give a true and fair view of the financial position and results of UCB SA in accordance with all legal and regulatory dispositions.

In accordance with the legislation, these separate financial statements, together with the management report of the Board of Directors to the general assembly of shareholders, as well as the auditor's report will be filed at the National Bank of Belgium within the statutory periods.

These documents are available on our website www.ucb.com or on simple request, addressed to:

UCB SA
Corporate Communication
Allée de la Recherche 60
B-1070 Brussels (Belgium)

6.2 Balance sheet

€ million	2018	2017
Assets		
Formation expenses	11	12
Intangible assets	0	0
Tangible assets	18	9
Financial assets	4 128	4 813
Fixed assets	**4 157**	**4 834**
Amounts receivable after more than one year	1 596	1 150
Amounts receivable within one year or less	883	1 591
Short-term investments	113	156
Cash at bank and on hand	122	28
Deferred charges and accrued income	176	211
Current assets	**2 890**	**3 136**
Total assets	**7 047**	**7 970**
Liabilities		
Capital	584	584
Share premium	2 000	1 999
Reserves	2 729	2 929
Profit brought forward	22	36
Equity	**5 334**	**5 548**
Provisions	38	41
Provisions and deferred taxes	**38**	**41**
Amounts payable after more than one year	1 261	1 501
Amounts payable within one year or less	375	830
Accrued charges and deferred income	39	50
Current liabilities	**1 675**	**2 381**
Total liabilities	**7 047**	**7 970**

6.3 Income statement

€ million	2018	2017
Operating income	74	77
Operating charges	-128	-131
Operating result	**-55**	**-54**
Financial income	258	181
Financial charges	-181	-91
Financial result	**77**	**90**
Profit before income taxes	**22**	**36**
Income taxes	0	0
Profit for the year available for appropriation	**22**	**36**

Following the Royal Decree of 18 December 2015 holding implementation of Directive 2013/34/EU of 26 June 2013 on the annual and consolidated financial statements and related reports of certain types of undertakings, that amended the RD of 30 January 2001 implementing the Companies Code, the exceptional results are now shown as part of operating result or financial result depending on the nature of the amounts.

6.4 Appropriation account

€ million	2018	2017
Profit for the period available for appropriation	22	36
Profit brought forward from previous year	0	0
Profit to be appropriated	**22**	**36**
To legal reserve	0	0
To other reserves	0	0
Withdrawal from capital and reserves	**213**	**190**
From capital and share premium account	0	0
From reserves	213	190
Appropriation to capital and reserves	**0**	**0**
Profit to be carried forward	0	0
Result to be carried forward	**0**	**0**
Dividends	-233	-226
Profit to be distributed	**-233**	**-226**
If the proposed allocation of the profit is approved, the total gross dividend will be fixed at:	€ 1.21	€ 1.18
If the proposed allocation of profit is approved and taking into account the tax regulations, the total net dividend off withholding tax per share will be fixed at:	€ 0.847	€ 0.826

The activities of UCB SA generated in 2018 a net profit of € 22 million after income taxes. The amount available for distribution is € 22 million.

The issued share capital of UCB SA is represented by 194 505 658 shares without par value as per 31 December 2018.

Per 31 December 2018, UCB SA owns 2 012 356 own shares in order to honor the exercise of share options and share awards granted to the Board of Directors and certain categories of employees.

The Board of Directors proposes to pay a gross dividend of € 1.21 per share. If this dividend proposal is approved by the General Meeting on 25 April 2019, the net dividend of € 0.847 per share will be payable as of 30 April 2019 against the delivery of coupon #22. The shares held by UCB SA are not entitled to a dividend.

Per 31 December 2018, 192 493 302 UCB shares are entitled to a dividend, representing a total distribution of € 233 million. This amount may fluctuate depending the number of UCB shares held by UCB SA on the dividend approval date. The Board of Directors will communicate at the general meeting the total number of UCB shares entitled to a dividend and will submit the aggregate amount to be distributed for approval. The annual accounts of 2018 will be adapted accordingly.

6.5 Summary of significant accounting principles

The Board of Directors made the following decisions in accordance with the Article 28 of the Royal Decree of 30 January 2001 on implementing the company code.

6.5.1 Tangible assets

Tangible assets purchased from third parties have been included in the balance sheet at purchase price; assets manufactured by the company itself have been valued at cost. The purchase price or cost is depreciated on a straight-line basis considering "pro rata temporis". The depreciation rates are as follows:

- Administrative buildings 3%
- Industrial buildings 5%
- Tools 15%
- Furniture and office machinery 15%
- Vehicles 20%
- Computer equipment and office machines 33.3%
- Prototype equipment 33.3%

6.5.2 Financial assets

UCB shareholdings have been valued in accordance with the proportion held in shareholders' equity of the UCB companies concerned.

Shareholdings not part of the UCB companies are valued at cost. An impairment is booked whenever the valuation shows a permanent loss in realizable value.

6.5.3 Receivables and liabilities

They are shown at their book value. Receivables have been written down if their repayment, when due, is entirely or partly uncertain and doubtful.

6.5.4 Assets and commitments expressed in foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions.

Non-monetary assets and liabilities (intangible and tangible assets, shareholdings), denominated in foreign currencies, are translated at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at balance sheet date rate. Realized and unrealized exchange differences on foreign currency transactions are recognized in the income statement.

6.5.5 Provisions

All the risks born by the company have been the subject of provisions reviewed each year, in accordance with the rules of prudence, good faith and sincerity. Provisions are recorded at normal value.

6.5.6 Foreign currencies

Derivatives are accounted for at fair value through P&L unless the derivative has no offsetting exposure in the stand-alone financial statements, in which case, the derivative will only be disclosed as off-balance sheet commitment not affecting the balance sheet and/or income statement accounts. The amount disclosed as off-balance sheet commitment will be in line with the IFRS methodology. Additionally, the effective portion of changes in the fair value of the derivative financial instruments that are designated and qualify as cash flow hedges, are classified on the same line in the income statement or balance sheet as the hedged item once the hedged item affects profit or loss or results in the recognition of a non-financial asset or liability.

6.5.7 Fair value adjustments on loans being acquired

Loans that have been acquired are recognized in the balance sheet at nominal value. All differences between the nominal value and the acquisition value are recognized on an accrual account and taken in the income statement pro rata temporis on a linear basis over the remaining duration of the loans.

Lloyd, living with epilepsy

CHAPTER

7 Data and reporting

People data

Patient Value Pillars

	2018
Patient Value Units	**2 853**
Bone	123
Immunology	914
Neurology	1 285
NewMedicines™	531
Patient Value Practices	**822**
Development/medical practices	753
Marketing and access practices	69
Patient Value Functions	**851**
Corporate strategy and development	32
Finance	532
Legal	124
Talent	163
Patient Value Operations	**2 969**
Quality assurance	165
Technical operations	2 804
Total	**7 495**

Permanent and fixed-term contracts by gender

	2017			2018		
	Women	Men	Total	**Women**	**Men**	**Total**
Fixed-term contract	407	390	797	344	323	667
Permanent contract	3 314	3 367	6 681	3 353	3 475	6 828
Total	**3 721**	**3 757**	**7 478**	**3 697**	**3 798**	**7 495**

Permanent and fixed-term contracts by region

	2017				2018			
	Europe	International Markets	U.S.	Total	**Europe**	**International Markets**	**U.S.**	**Total**
Fixed-term contract	135	652	10	797	131	528	8	667
Permanent contract	4 281	1 289	1 111	6 681	4 245	1 273	1 310	6 828
Total	**4 416**	**1 941**	**1 121**	**7 478**	**4 376**	**1 801**	**1 318**	**7 495**

Part-time and full-time contracts by gender

	2017			2018		
	Women	Men	Total	**Women**	**Men**	**Total**
Part-time contract	428	86	514	418	104	522
Full-time contract	3 293	3 671	6 964	3 279	3 694	6 973
Total	**3 721**	**3 757**	**7 478**	**3 697**	**3 798**	**7 495**

Employees by region and gender

	2017			2018		
	Women	Men	Total	**Women**	**Men**	**Total**
Europe	**2 189**	**2 227**	**4 416**	**2 129**	**2 247**	**4 376**
Belgium	951	1 149	2 100	992	1 197	2 189
Germany	385	243	628	260	178	438
U.K.	316	297	613	326	316	642
Switzerland	187	297	484	191	323	514
Rest of Europe	350	241	591	360	233	593
International Markets (IM)	**909**	**1 032**	**1 941**	**854**	**947**	**1 801**
China	404	337	741	370	277	647
Japan	102	312	414	96	315	411
Rest of IM	403	383	786	388	355	743
U.S.	**623**	**498**	**1 121**	**714**	**604**	**1 318**
Grand Total	**3 721**	**3 757**	**7 478**	**3 697**	**3 798**	**7495**

Employees by subgroup and age group, women

	2017				2018			
	≤ 29y	30-49y	≥ 50y	Total	**≤ 29y**	**30-49y**	**≥ 50y**	**Total**
Administration/support	73	323	152	548	58	294	169	521
Executives	–	12	31	43		12	31	43
Managers/professionals	133	1 549	446	2 128	142	1 567	479	2 188
Sales force	88	646	186	920	91	594	178	863
Technical staff	22	48	12	82	23	46	13	82
Total	**316**	**2 578**	**827**	**3 721**	**314**	**2 513**	**870**	**3 697**

Employees by subgroup and age group, men

	2017				2018			
	≤ 29y	30-49y	≥ 50y	Total	≤ 29y	30-49y	≥ 50y	Total
Administration/support	32	169	96	297	39	169	105	313
Executives	–	35	68	103	–	38	66	104
Managers/professionals	65	1 387	610	2 062	81	1 427	628	2 136
Sales force	88	635	219	942	70	598	224	892
Technical staff	40	231	82	353	34	244	75	353
Total	**225**	**2 457**	**1 075**	**3 757**	**244**	**2 476**	**1 098**	**3 798**

New hires by region

	2017	2018
Europe	**449**	**466**
Belgium	212	211
Germany	47	37
U.K.	76	100
Switzerland	69	57
Rest of Europe	45	62
International Markets (IM)	**301**	**303**
China	102	130
Japan	65	43
Rest of IM	134	130
U.S.	**131**	**336**
Grand Total	**881**	**1 105**

New hires by region and age group, women

	2017				2018			
	≤ 29y	30-49y	≥ 50y	Total	≤ 29y	30-49y	≥ 50y	Total
Europe	**75**	**141**	**22**	**238**	**63**	**145**	**19**	**228**
Belgium	38	66	7	111	29	59	5	93
Germany	5	18	2	25	3	10	3	16
U.K.	14	32	5	51	12	42	3	57
Switzerland	13	12	–	25	10	8	1	19
Rest of Europe	5	13	8	26	9	26	7	43
International Markets (IM)	**38**	**113**	**6**	**157**	**45**	**113**	**5**	**163**
China	20	35	2	57	31	47	–	78
Japan	6	21	–	27	–	8	2	10
Rest of IM	12	57	4	73	14	58	3	75
U.S.	**4**	**59**	**18**	**81**	**24**	**116**	**37**	**177**
Grand Total	**117**	**313**	**46**	**476**	**132**	**374**	**61**	**567**

New hires by region and age group, men

	2017				2018			
	≤ 29y	30-49y	≥ 50y	Total	≤ 29y	30-49y	≥ 50y	Total
Europe	**47**	**137**	**27**	**211**	**56**	**150**	**33**	**239**
Belgium	20	70	11	101	29	76	13	118
Germany	5	13	4	22	4	13	4	21
U.K.	6	15	4	25	9	25	9	43
Switzerland	13	26	5	44	12	23	3	38
Rest of Europe	3	13	3	19	2	13	4	19
International Markets (IM)	**34**	**98**	**12**	**144**	**19**	**106**	**15**	**140**
China	19	26	–	45	14	36	2	52
Japan	4	28	6	38	1	25	7	33
Rest of IM	11	44	6	61	4	45	6	55
U.S.	**–**	**33**	**17**	**50**	**29**	**104**	**26**	**159**
Grand Total	**81**	**268**	**56**	**405**	**104**	**360**	**74**	**538**

Departures by region

	2017	2018
Europe	**297**	**458**
Belgium	88	99
Germany	39	211
U.K.	54	61
Switzerland	25	24
Rest of Europe	91	63
International Markets (IM)	**468**	**431**
China	246	226
Japan	47	45
Rest of IM	175	160
U.S.	**169**	**135**
Grand Total	**934**	**1 024**

Departures by region and age group, women

	2017				2018			
	≤ 29y	30-49y	≥ 50y	Total	≤ 29y	30-49y	≥ 50y	Total
Europe	**18**	**82**	**48**	**148**	**28**	**130**	**90**	**248**
Belgium	5	26	8	39	6	24	9	39
Germany	2	5	11	18	8	60	61	129
U.K.	8	15	8	31	8	18	8	34
Switzerland	2	5	1	8	6	4	–	10
Rest of Europe	1	31	20	52	–	24	12	36
International Markets (IM)	**54**	**175**	**10**	**239**	**26**	**172**	**11**	**209**
China	46	96	3	145	19	92	1	112
Japan	–	10	3	15	1	10	4	15
Rest of IM	8	69	4	81	6	70	6	82
U.S.	**–**	**64**	**28**	**92**	**3**	**67**	**14**	**84**
Grand Total	**72**	**321**	**86**	**479**	**57**	**369**	**115**	**541**

Departures by region and age group, men

	2017				2018			
	≤ 29y	30-49y	≥ 50y	Total	≤ 29y	30-49y	≥ 50y	Total
Europe	**14**	**83**	**52**	**149**	**14**	**111**	**85**	**210**
Belgium	7	30	12	49	5	34	21	60
Germany		9	12	21	4	32	46	82
U.K.	4	12	7	23	3	14	10	27
Switzerland	3	11	3	17	2	10	2	14
Rest of Europe	–	21	18	39	–	21	6	27
International Markets (IM)	**47**	**148**	**34**	**229**	**38**	**157**	**27**	**222**
China	37	63	1	101	28	85	1	114
Japan	4	18	12	34	1	16	13	30
Rest of IM	6	67	21	94	9	56	13	78
U.S.	**–**	**61**	**16**	**77**	**–**	**30**	**21**	**51**
Grand Total	**61**	**301**	**104**	**455**	**52**	**298**	**133**	**483**

Training hours by gender

Number training hours women/men	2017	2018
Administration/support staff	20/35	16/32
Executives	17/13	15/7
Managers/professionals	19/21	17/17
Sales force	8/8	22/22
Technical staff	57/75	58/55
Average training hours	19.50	20.79
Total hours	**159 100**	**159 045**

GRI standards

Universal standards

Organization profile

Disclosure			External assurance	Report reference
102-1	Name of the organization	●		Letter to our stakeholders
102-2	Activities, brands, products, and services	●		Letter to our stakeholders
102-3	Location of headquarters	●		We are UCB
102-4	Location of operations	●	β	Letter to our stakeholders
102-5	Ownership and legal form	●		Corporate governance statement
102-6	Markets served	●	β	We are UCB
102-7	Scale of the organization	●	β	Letter to our stakeholders People data
	Total number of employees	●	β	People data
	Total number of operations	●	β	Letter to our stakeholders
	Net sales (for private sector organizations) or net revenues (for public sector organizations)	●	β	Letter to our stakeholders
	Total capitalization (for private sector organizations) broken down in terms of debt and equity	●	β	Letter to our stakeholders
	Quantity of products or services provided	●		Letter to our stakeholders
102-8	Information on employees and other workers	●	β	Our people
	Total number of employees by employment contract (permanent and temporary), by gender	●	β	Our people People data
	Total number of employees by employment contract (permanent and temporary), by region	●	β	Our people People data
	Total number of employees by employment type (full-time and part-time), by gender	●	β	Our people People data
	Whether a significant portion of the organization's activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees	●	β	Our people People data
	Any significant variations in the numbers reported in Disclosures 102-8-a, 102-8-b, and 102-8-c (such as seasonal variations in the tourism or agricultural industries)	●		Our people People data
	An explanation of how the data have been compiled, including any assumptions made	●	β	Our people People data
102-9	Supply chain	●		Supply chain and procurement
102-10	Significant changes to the organization and its supply chain	●		No significant changes in the organization and its supply chain
102-11	Precautionary Principle or approach	●		Our environmental footprint
102-12	External initiatives	●		Relations with industry associations Access to Health in CSR projects
102-13	Membership of associations	●		Relations with industry associations Access to Health in CSR projects

β Indication that Standard Disclosure item is externally assured
● Full disclosure
◖ Partial disclosure

Strategy

Disclosure		External assurance	Report reference
102-14	Statement from senior decision-maker	●	Letter to our stakeholders
102-15	Key impacts, risks, and opportunities	●	Risk management Stakeholder engagement and materiality

Ethics and integrity

Disclosure		External assurance	Report reference
102-16	Values, principles, standards, and norms of behavior	● β	We are UCB
102-17	Mechanisms for advice and concerns about ethics	●	Code of Conduct Procurement Human rights

Governance

Disclosure		External assurance	Report reference
102-18	Governance structure	● β	Our governance
102-20	Executive-level responsibility for economic, environmental, and social topics	●	Corporate Societal Responsibility Board
102-21	Consulting stakeholders on economic, environmental, and social topics	●	Stakeholder engagement and materiality
102-22	Composition of the highest governance body and its committees	●	Board of Directors and Board committees
102-23	Chair of the highest governance body	●	Board of Directors and Board committees
102-24	Nominating and selecting the highest governance body	◖	Governance, Nomination and Compensation Committee
102-26	Role of highest governance body in setting purpose, values, and strategy	◖	Executive Committee
102-30	Effectiveness of risk management processes	●	Risk management
102-32	Highest governance body's role in sustainability reporting	●	Corporate Societal Responsibility Board
102-40	List of stakeholder groups	●	Stakeholder engagement and materiality
102-41	Collective bargaining agreements	◖	Collective bargaining agreements are country-specific

β Indication that Standard Disclosure item is externally assured
● Full disclosure
◖ Partial disclosure

Stakeholder engagement

Disclosure		External assurance		Report reference
102-42	Identifying and selecting stakeholders	●		Stakeholder engagement and materiality
102-43	Approach to stakeholder engagement	●		Stakeholder engagement and materiality
102-44	Key topics and concerns raised	●		Stakeholder engagement and materiality

Reporting principles

Disclosure		External assurance		Report reference
102-45	Entities included in the consolidated financial statements	●		Our financials
102-46	Defining report content and topic Boundaries	●		Stakeholder engagement and materiality
102-47	List of material topics	●		Stakeholder engagement and materiality
102-48	Restatements of information	●		Our environmental footprint
102-49	Changes in reporting	●		Stakeholder engagement and materiality (Scope)
102-50	Reporting period	●	β	Stakeholder engagement and materiality (Scope)
102-51	Date of most recent report	●	β	Stakeholder engagement and materiality (Scope)
102-52	Reporting cycle	●	β	Stakeholder engagement and materiality (Scope)
102-53	Contact point for questions regarding the report	●	β	Contact details
102-54	Claims of reporting in accordance with the GRI Standards	●	β	Stakeholder engagement and materiality
102-55	GRI content index	●	β	GRI tables
102-56	External assurance	●	β	Assurance report

Topic specific standards

Economic

Economic performance

Disclosure		External assurance		Report reference
GRI 201: Economic performance 2018				
201-1	Direct economic value generated and distributed	●	β	Our financials
201-3	Defined benefit plan obligations and other retirement plans	●	β	Our financials Employee benefits

β Indication that Standard Disclosure item is externally assured
● Full disclosure
◖ Partial disclosure

Market presence

Disclosure		External assurance	Report reference
GRI 202: Market presence 2018			
202-2	Proportion of senior management hired from the local community	●	Diversity and inclusion

Anti-corruption

Disclosure		External assurance	Report reference
The progress of the actions and mitigation of potential risks relative to the very relevant material aspect 'Personal and Confidential Information, Business Ethics and Anti-Bribery and Anti-Corruption' are being managed by the Ethics and Compliance department, within the Legal Patient Value Function.			
GRI 205: Anti-corruption 2018			
205-1	Operations assessed for risks related to corruption	◖	Anti-bribery and anti-corruption
205-2	Communication and training about anti-corruption policies and procedures	◖	Code of Conduct Compliance Monitoring
	Total number and percentage of governance body members that the organization's anti-corruption policies and procedures have been communicated to, broken down by region		No disclosure
	Total number and percentage of employees that the organization's anti-corruption policies and procedures have been communicated to, broken down by employee category and region		No disclosure
	Total number and percentage of business partners that the organization's anti-corruption policies and procedures have been communicated to, broken down by type of business partner and region. Describe if the organization's anti-corruption policies and procedures have been communicated to any other persons or organizations		No disclosure
	Total number and percentage of governance body members that have received training on anti-corruption, broken down by region		No disclosure
	Total number and percentage of employees that have received training on anti-corruption, broken down by employee category and region	◖ β	Code of Conduct
205-3	Confirmed incidents of corruption and actions taken	◖	Anti-bribery and anti-corruption

Environmental

Energy

Disclosure		External assurance	Report reference
GRI 302: Energy 2018			
302-1	Energy consumption within the organization	● β	Towards carbon neutrality
302-4	Reduction of energy consumption	●	Towards carbon neutrality

β Indication that Standard Disclosure item is externally assured
● Full disclosure
◖ Partial disclosure

Water

Disclosure		External assurance		Report reference
GRI 303: Water and effluents 2018				
303-1	Water withdrawal by source	●	β	Water withdrawal

Emissions

Disclosure		External assurance		Report reference
GRI 305: Emissions 2018				
305-1	Direct (Scope 1) GHG emissions	●	β	Carbon reduction
305-2	Energy indirect (Scope 2) GHG emissions	●	β	Carbon reduction
305-3	Other indirect (Scope 3) GHG emissions	◖		Carbon reduction

Effluents and waste

Disclosure		External assurance		Report reference
GRI 306: Effluents and waste 2018				
306-2	Waste by type and disposal method	●	β	Waste production
306-3	Significant spills	●	β	Waste production
306-4	Transport of hazardous waste	●	β	Waste production

Social

Employment

Disclosure		External assurance		Report reference
The progress of the actions and mitigation of potential risks relative to the very relevant material aspects 'People Management and People Development' are being managed by the Talent and Company Reputation Patient Value Function.				
GRI 401: Employment 2018				
401-1	New employee hires and employee turnover	●	β	People attraction and recruitment People departures

Occupational health and safety

Disclosure		External assurance		Report reference
The progress of the actions and mitigation of potential risks relative to the very relevant material aspects 'People Management and People Development' are being managed by the Talent and Company Reputation Patient Value Function.				
GRI 403: Occupational health and safety 2018				
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	◖		People well-being and occupational health and safety
403-3	Workers with high incidence or high risk of diseases related to their occupation	◖		People well-being and occupational health and safety

β Indication that Standard Disclosure item is externally assured
● Full disclosure
◖ Partial disclosure

Training and education

Disclosure		External assurance		Report reference
The progress of the actions and mitigation of potential risks relative to the very relevant material aspects 'People Management and People Development' are being managed by the Talent and Company Reputation Patient Value Function.				
GRI 404: Training and education 2018				
404-1	Average hours of training per year per employee	●	β	Learning at UCB
404-3	Percentage of employees receiving regular performance and career development reviews	◖		Performance review of our people

Diversity and equal opportunity

Disclosure		External assurance		Report reference
The progress of the actions and mitigation of potential risks relative to the very relevant material aspects 'People Management and People Development' are being managed by the Talent and Company Reputation Patient Value Function.				
GRI 405: Diversity and equal opportunity 2018				
405-1	Diversity of governance bodies and employees	●	β	Diversity at Board and Executive Committee level People data

Non-discrimination

Disclosure		External assurance		Report reference
The progress of the actions and mitigation of potential risks relative to the very relevant material aspect 'Personal and Confidential Information, Business Ethics and Anti-Bribery and Anti-Corruption' are being managed by the Ethics and Compliance department, within the Legal Patient Value Function.				
GRI 406: Non-discrimination 2018				
406-1	Incidents of discrimination and corrective actions taken	●		Our people

Child labor

Disclosure		External assurance		Report reference
GRI 408: Child labor 2018				
408-1	Operations and suppliers at significant risk for incidents of child labor	◖		Code of Conduct

β Indication that Standard Disclosure item is externally assured
● Full disclosure
◖ Partial disclosure

Human rights assessment

Disclosure		External assurance		Report reference
GRI 412: Human rights assessment 2018				
412-2	Employee training on human rights policies or procedures	◖		Code of Conduct
	Total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations			No disclosure
	Percentage of employees trained during the reporting period in human rights policies or procedures concerning aspects of human rights that are relevant to operations	●	β	Code of Conduct

Local communities

Disclosure		External assurance	Report reference
The progress of the actions and mitigation of potential risks relative to the very relevant material aspects 'Access to Health and Medicines, Pricing and Disease Awareness and Education' are being managed by the Marketing and Patient Access Patient Value Practice and Talent and Company Reputation Patient Value Function, supported by other departments.			
GRI 413: Local communities 2018			
413-1	Operations with local community engagement, impact assessments, and development programs	●	Our people Our community engagement Access to Health in CSR projects

Public policy

Disclosure		External assurance	Report reference
GRI 415: Public policy 2018			
415-1	Political contributions	◖	Relations with public authorities

Customer health and safety

Disclosure		External assurance	Report reference
GRI 416: Customer health and safety 2018			
416-1	Assessment of the health and safety impacts of product and service categories	●	Patient and drug safety
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	●	Patient and drug safety

β Indication that Standard Disclosure item is externally assured
● Full disclosure
◖ Partial disclosure

Marketing and labeling

Disclosure		External assurance	Report reference
GRI 417: Marketing and labeling 2018			
417-1	Requirements for product and service information and labeling	●	Product responsibility
417-3	Incidents of non-compliance concerning marketing communications	◖	Marketing communications and unsolicited medical information requests

Customer privacy

Disclosure		External assurance	Report reference
The progress of the actions and mitigation of potential risks relative to the very relevant material aspect 'Personal and Confidential Information, Business Ethics and Anti-Bribery and Anti-Corruption' are being managed by the Ethics and Compliance department, within the Legal Patient Value Function.			
GRI 418: Customer privacy 2018			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	●	Risk management

Socio-economic compliance

Disclosure		External assurance	Report reference
The progress of the actions and mitigation of potential risks relative to the very relevant material aspect 'Personal and Confidential Information, Business Ethics and Anti-Bribery and Anti-Corruption' are being managed by the Ethics and Compliance department, within the Legal Patient Value Function.			
GRI 419: Socio-economic compliance 2018			
419-1	Non-compliance with laws and regulations in the social and economic area	●	Relations with public authorities

Employee engagement

Disclosure		External assurance	Report reference
GRI 501: Employee engagement 2018			
501-1	Percentage of colleagues engaging in Employee survey	●	People insights
501-2	Percentage of colleagues completing the mandatory training programs	●	Code of Conduct
501-3	Initiatives in support of environmental sustainability and awareness organized by colleagues	◖	From green strategy to green action
501-4	Initiatives in support of UCB's CSR patient initiatives in resource-poor countries organized by colleagues	◖	No activity was organized in 2018

β Indication that Standard Disclosure item is externally assured
● Full disclosure
◖ Partial disclosure

Innovation

Disclosure		External assurance	Report reference
The progress of the actions and mitigation of potential risks relative to the very relevant material aspects 'Innovation, Research and Development' are being managed by the New Medicines Patient Value Unit and the Corporate Strategy and Business Development Patient Value Function, supported by other departments.			
GRI 502: Innovation 2018			
502-1	Percentage of the revenue invested in R&D	●	From Patient Value Strategy to action in R&D Innovation

Pricing

Disclosure		External assurance	Report reference
The progress of the actions and mitigation of potential risks relative to the very relevant material aspects 'Access to Health and Medicines, Pricing and Disease Awareness and Education' are being managed by the Marketing and Patient Access Patient Value Practice and Talent and Company Reputation Patient Value Function, supported by other departments.			
GRI 503: Pricing 2018			
503-1	Access initiatives	◖	From Patient Value Strategy to patient access Risk management

Disease awareness

Disclosure		External assurance	Report reference
The progress of the actions and mitigation of potential risks relative to the very relevant material aspects 'Access to Health and Medicines, Pricing and Disease Awareness and Education' are being managed by the Marketing and Patient Access Patient Value Practice and Talent and Company Reputation Patient Value Function, supported by other departments.			
GRI 504: Disease awareness 2018			
504-1	Disease awareness and education	●	Raising disease awareness

Access to health

Disclosure		External assurance	Report reference
The progress of the actions and mitigation of potential risks relative to the very relevant material aspects 'Access to Health and Medicines, Pricing and Disease Awareness and Education' are being managed by the Marketing and Patient Access Patient Value Practice and Talent and Company Reputation Patient Value Function, supported by other departments.			
GRI 505: Access to health 2018			
505-1	Access to health in resource-poor countries	●	Access to health in CSR projects

β Indication that Standard Disclosure item is externally assured
● Full disclosure
◖ Partial disclosure

Independent limited assurance report on the UCB Integrated Annual Report 2018

This report has been prepared in accordance with the terms of our three year engagement contract dated 22 October 2018, whereby we have been engaged to issue an independent limited assurance report in connection with selected ESG data, marked with a Greek small letter beta (β), of the Integrated Annual Report as of and for the year ended 31 December 2018 (the "Report").

Responsibility of Board of Directors

The Board of Directors of UCB SA ("the Company") is responsible for the preparation of the selected ESG indicators for the year 2018 marked with a Greek small letter beta (β) in the Integrated Annual Report of UCB and its subsidiaries and the declaration that its reporting meets the requirements of the Global Reporting Initiative (GRI) Standards – Core (the "Subject Matter Information"), in accordance with the criteria disclosed in the Report and with the recommendations of the GRI Standards (the "Criteria").

This responsibility includes the selection and application of appropriate methods for the preparation of the Subject Matter Information, for ensuring the reliability of the underlying information and for the use of assumptions and estimates for individual sustainability disclosures which are reasonable in the circumstances. Furthermore, the responsibility of the Board of Directors includes the design, implementation and maintenance of systems and processes relevant for the preparation of the Subject Matter Information that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an independent conclusion about the Subject Matter Information based on the procedures we have performed and the evidence we have obtained. We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information". This standard requires that we comply with ethical requirements and that we plan and perform the engagement to obtain limited assurance as to whether nothing has come to our attention that causes us to believe that the Subject Matter Information is not fairly stated, in all material respects, based on the Criteria.

The objective of a limited-assurance engagement is to perform the procedures we consider necessary to provide us with sufficient appropriate evidence to support the expression of a conclusion in the negative form on the Subject Matter Information.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

The selection of such procedures depends on our professional judgment, including the assessment of the risks of management's assertion being materially misstated. The scope of our work comprised the following procedures:

- assessing and testing the design and functioning of the systems and processes used for data-gathering, collation, consolidation and validation, including the methods used for calculating and estimating the Subject Matter Information as of and for the year ended 31 December 2018 presented in the Report;
- conducting interviews with responsible officers including site visits;
- inspecting internal and external documents.

We have evaluated the Subject Matter Information against the Criteria. The accuracy and completeness of the Subject Matter Information are subject to inherent limitations given their nature and the methods for determining, calculating or estimating such information. Our Limited Assurance Report should therefore be read in connection with the Criteria.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. Our audit firm applies International Standard on Quality Control (ISQC) n° 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Conclusion

Based on the procedures performed, as described in this Independent Limited Assurance Report, and the evidence obtained, nothing has come to our attention that causes us to believe that the selected ESG indicators for the year 2018 marked with a Greek small letter beta (β) in UCB's Integrated Annual Report 2018, and UCB's assertion that the report meets the requirement GRI Standards – Core, is not fairly stated, in all material respects, in accordance with the Criteria.

Restriction on Use and Distribution of our Report

Our assurance report has been made in accordance with the terms of our engagement contract. Our report is intended solely for the use of the Company, in connection with their Integrated Annual Report as of and for the year ended 31 December 2018 and should not be used for any other purpose. We do not accept, or assume responsibility to anyone else for this report or for the conclusions that we have reached.

Sint-Stevens-Woluwe, 27 February 2019

PwC Bedrijfsrevisoren bcvba
Represented by

Marc Daelman
Registered auditor

Glossary of terms

CER

Constant exchange rates

Core EPS/Core earnings per share

Profit attributable to UCB shareholders, adjusted for the after-tax impact of non-recurring items, the financial one-off items, the non-recurring income taxes, the after-tax contribution from discontinued operations and the after-tax amortization of intangibles linked to sales, divided by the non-dilutive weighted average number of shares.

Core products

Cimzia®, Vimpat®, Keppra®, Briviact® and Neupro®

CPM

The Corporate Performance Multiplier is one of the 2 multipliers defining the bonus payout. It is based on the company's meeting corporate targets.

EBIT/Earnings Before Interest and Taxes

Operating profit as mentioned in the consolidated financial statements

EMA/European Medicines Agency

Agency responsible for the evaluation of medicinal products designed to protect and promote human and animal health. www.emea.europa.eu

EPS

Earnings per share

Established brands

Portfolio of 150 post-patent, high-quality medicines, with proven value for patients and doctors since many years

FDA/U.S. Food and Drug Administration

Agency within the U.S. Department of Health and Human Services is responsible for protecting and promoting the nation's health www.fda.gov

Financial one-off items

Gains and losses arising upon the sale of non-current financial assets (other than derivatives and reimbursement rights with respect to defined benefit plans) as well as impairment losses accounted for on these financial assets are considered as financial one-off items.

FRMC

Financial Risk Management Committee

Global Reporting Initiative

An international independent standards organization that helps businesses, governments and other organizations to understand and report the most important social, environmental and governance aspects raised by internal and external stakeholders

IPM

Individual Performance Multiplier, one of the 2 multipliers defining the bonus payout. It considers a combination of individual results achieved and behaviors demonstrated.

KU

Kremers Urban, specialty generic pharmaceutical company in the U.S., divested in November 2015

LTI

Long-Term Incentives aim at motivating and retaining key talent over a period of at least 3 years. They align employee rewards with company and patient goals, providing increased financial benefits as the company grows. At UCB, this includes Stock Awards, Stock Options and Performance Shares.

Net dividend

The amount a shareholder of UCB will receive after principal deduction of Belgian withholding tax, which is currently 30%. Lower withholding tax rates may be applicable for certain categories of investors.

Net financial debt

Non-current and current borrowings, bonds and bank overdrafts less available for sale debt securities, restricted cash deposit with respect to financial lease agreements, cash and cash equivalents

OCI

Other comprehensive income

PBM

Pharmacy Benefit Manager

PGTCS

Primary generalized tonic-clonic seizures

PMDA/Pharmaceuticals and Medical Devices Agency

Japanese regulatory agency in charge of protecting the public health by assuring safety, efficacy and quality of pharmaceuticals and medical devices.
http://www.pmda.go.jp/english

POS

Partial onset seizures, also known as focal seizures

PSP

Performance Share Plan which awards a grant of UCB common stock to qualifying executives. The awards vest three years after grant, pending certain conditions, including meeting pre-established companywide targets.

Recurring EBIT (rEBIT)

Operating profit adjusted for impairment charges, restructuring expenses, and other income and expenses

Recurring EBITDA (rEBITDA/Recurring Earnings Before Interest, Taxes, Depreciation and Amortization charges)

Operating profit adjusted for amortization, depreciation, impairment charges, restructuring expenses and other income and expenses

Sustainable Development Goals

Collection of 17 global goals set by the United Nations General Assembly in 2015 defined as a call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity

Weighted average number of ordinary shares

Number of ordinary shares outstanding at the beginning of a given period, adjusted by the number of shares bought back or issued during the period, multiplied by a time-weighting factor

Working capital

Includes inventories, trade and other receivables and trade and other payables, both due within and after 12 months.

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Forward-looking statements

This Integrated Annual Report contains forward-looking statements, including, without limitation, statements containing the words "believes", "anticipates", "expects", "intends", "plans", "seeks", "estimates", "may", "will", and "continue" and similar expressions. These forward-looking statements are based on current plans, estimates and beliefs of management. By their nature, such forward-looking statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and assumptions which might cause the actual results, financial condition, performance or achievements of UCB, or industry results, to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements contained in this Integrated Annual Report.

Important factors that could result in such differences include but are not limited to: changes in general economic, business and competitive conditions, the inability to obtain necessary regulatory approvals or to obtain them on acceptable terms, costs associated with research and development, changes in the prospects for products in the pipeline or under development by UCB, effects of future judicial decisions or governmental investigations, product liability claims, challenges to patent protection for products or product candidates, changes in laws or regulations, exchange rate fluctuations, changes or uncertainties in tax laws or the administration of such laws and hiring and retention of its employees. There is no guarantee that new product candidates in the pipeline will progress to product approval or that new indications for existing products will be developed and approved. Products or potential products which are the subject of partnerships, joint ventures or licensing collaborations may be subject to differences between the partners. Also, UCB or others could discover safety, side effects or manufacturing problems with its products after they are marketed. Moreover, sales may be impacted by international and domestic trends toward managed care and health care cost containment and the reimbursement policies imposed by third-party payers as well as legislation affecting biopharmaceutical pricing and reimbursement.

Given these uncertainties, the public is cautioned not to place any undue reliance on such forward-looking statements. These forward-looking statements are made only as of the date of this Integrated Annual Report. UCB expressly disclaims any obligation to update any such forward-looking statements in this Integrated Annual Report to reflect any change in its expectations with regard thereto or any change in events, conditions, for circumstances on which any such statement is based, unless such statement is required pursuant to applicable laws and regulations.

Report language

Pursuant to Belgian Law, UCB is required to prepare its Integrated Annual Report in French and Dutch. UCB has also made this report available in English.

Availability of the Integrated Annual Report

The Integrated Report is available on the investor website of UCB (https://www.ucb.com/investors).

Other information on the website of UCB or on any other website, does not form part of this Integrated Annual Report.

Financial calendar

25 April 2019	Annual general meeting
25 July 2019	2019 half-year financial results

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