2012 half-year financial report

Key highlights

- **Revenue** in the first six months of 2012 increased by 2% to € 1 706 million. Net sales amounted to € 1 527 million or 2% higher than the previous interim period because of the solid performance of the core products Cimzia®, Vimpat® and Neupro® as well as E Keppra® in Japan partially offset by the generic competition to the mature product portfolio. Royalty income and fees decreased by 13% driven by expiration of patents. Other revenue increased by 16% driven by income received from UCB's collaborations in Japan, namely Otsuka and Astellas.
- **Recurring EBITDA** reached € 347 million compared to € 443 million as at 30 June 2011, decreasing 22%, mainly reflecting increase in revenue, offset by higher operating expenses due to launch activities and R&D expenses.
- **Net profit** decreased from € 199 million in the first half of 2011 to € 137 million in the first half of 2012, reflecting lower operating profit, higher net financial expenses and low income tax expenses.
- **Core EPS** achieved € 1.09 from € 1.44 in the first half of 2011.

For the six months ended 30 June[1]	Actual		Variance	
€ million	**2012**	2011	Actual rates	Cst rates
Revenue	**1 706**	**1 679**	**2%**	**-2%**
Net sales	1 527	1 501	2%	-2%
Royalty income and fees	83	96	-13%	-17%
Other revenue	95	82	16%	12%
Gross profit	**1 183**	**1 158**	**2%**	**-3%**
Marketing and selling expenses	-440	-405	9%	3%
Research and development expenses	-419	-337	24%	20%
General and administrative expenses	-94	-91	3%	1%
Other operating income / expenses (-)	-3	-6	-52%	-64%
Recurring EBIT (REBIT)	**227**	**319**	**-29%**	**-35%**
Non-recurring income / expenses (-)	-14	-14	5%	3%
EBIT (operating profit)	**213**	**305**	**-30%**	**-37%**
Net financial expenses (-)	-76	-63	20%	20%
Profit before income taxes	**137**	**242**	**-43%**	**-51%**
Income tax expenses (-)	-2	-44	-96%	-96%
Profit from continuing operations	**135**	**198**	-31%	-41%
Profit from discontinued operations	2	1	21%	21%
Non-controlling interest	0	0		
Net profit (after non-controlling interests)	**137**	**199**	**-31%**	**-41%**
Recurring EBITDA	**347**	**443**	**-22%**	**-27%**
Adjusted net profit [1]	**140**	**203**	**-31%**	**-41%**
Capital expenditures (including intangible assets)	83	58	43%	n.a.
Net financial debt[2]	1 756	1 548	13%	n.a.
Cash flow from operating activities[3]	221	119	n.a.	n.a.
Weighted average number of shares - non-diluted	**179.1**	**179.5**	n.a.	n.a.
EPS (€ per weighted average number of shares – non diluted)	**0.77**	**1.10**	**-31%**	**-41%**
Core EPS (€ per weighted average number of shares – non diluted)	**1.09**	**1.44**	**-25%**	**-39%**

[1] Adjusted for after-tax impact of non-recurring, one-off items and after-tax contribution from discontinued operations.

[2] Except for the net financial debt, where 2011 relates to the situation as published in the audited consolidated financial statements as at 31 December 2011.

[3] In 2011, the interest received & paid were re-classified from net cash flow generated by operating activities to the net cash flow used in financing activities.

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2012 key events

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

Important agreements / initiatives

- January 2012: **UCB strengthens strategic alliance with WILEX.** UCB has exercised its subscription and oversubscription rights on the issuance of new shares in WILEX AG, Munich, Germany, a company specialising in the development of drugs and diagnostic agents for cancer. UCB has acquired additional 576 484 shares in WILEX which increases its total holding to 15.71%.
- January 2012: **UCB and Astellas announce agreement to jointly develop and commercialize Cimzia® in Japan.** Following the decision of Otsuka Pharmaceutical to discontinue its collaboration in immunology, UCB and Astellas agreed to co-develop and co-promote Cimzia® (*certolizumab pegol*) in Japan.
- February 2012: **UCB and Nodality enter into a multi-year strategic collaboration** to utilize the Nodality's proprietary Single Cell Network Profiling (SCNP) technology to assist the development of several UCB compounds in the field of immunology. The terms of the agreement include an upfront payment, R&D funding, success-based milestones, and royalties on future diagnostic sales.
- April 2012: **Convertible bonds.** UCB purchased € 70 million par value of the outstanding 2015 convertible bond (€ 500 million 4.50% convertible bond issued by UCB S.A. on 30 September 2009).
- May 2012: **UCB expands in Brazil:** UCB and Meizler Biopharma, a privately-owned Brazilian pharmaceutical company, announced that they have signed an agreement by which UCB acquires 51% of Meizler Biopharma. As part of the partnership, UCB will bring parts of its mature and new medicines into Meizler Biopharma's portfolio for commercialisation in Brazil.
- June 2012: **UCB-Harvard Research Alliance expands and moves forward:** UCB has launched a second collaborative research project with Harvard that builds upon the innovative Research Alliance signed in 2011. The second research project aims at driving translation and developing small molecule compounds for induction of autophagy, with potential applications in the treatment of neurodegenerative diseases.

Regulatory update and pipeline progress

Central Nervous System (CNS)

- In January 2012, the **Vimpat®** (*lacosamide*) open-label pilot Phase 2 study for **adjunctive therapy** in primary generalised tonic-clonic seizures (**PGTCS**) reported positive results. The compound will now move into Phase 3 development for PGTCS. Both U.S. and European monotherapy Phase 3 development programme for Vimpat® in partial-onset seizures are on track, with first results expected in the second quarter 2013 and in the fourth quarter 2014 respectively. The paediatric trial Phase 3 programme is due to start in the first half of 2013.
- In April 2012, **Neupro®** (*rotigotine*) received U.S. regulatory approval. The room temperature stable patch is now approved and launched for early and advanced **Parkinson's disease** (PD) as well as **restless legs syndrome** (RLS). Neupro® is available for patients in the U.S. since July 2012.

Immunology

- In January, UCB has filed **Cimzia®** (*certolizumab pegol*) in **rheumatoid arthritis** (RA) for marketing authorisation with the Japanese Ministry of Health, Labour and Welfare (MHLW). UCB and Astellas Pharma Inc. have agreed to co-develop and co-promote Cimzia® in Japan.
  In February and April, the Phase 3 trials for Cimzia® in **psoriatic arthritis** (PsA) and **axial spondyloarthritis** (AxSpA), including ankylosing spondylitis (AS) reported first positive results. Submission to regulatory authorities for these indications is planned by the end of 2012.
  In March, Cimzia® Phase 3 programme in **juvenile idiopathic arthritis** (JIA) started as scheduled. First results are expected in the second half of 2014.
- In April, **CDP7851** (*sclerostin antibody* also known as AMG 785) Phase 3 clinical trial programme started for the treatment of **post-menopausal osteoporosis** (PMO). This includes a two-year study in more than 5 000 post-menopausal women with osteoporosis. Initial results from the Phase 3 programme are expected by the end of 2015.

2012 half-year management report

The financial information included in this management report should be read in conjunction with the condensed consolidated interim financial statements and the consolidated financial statements as at 31 December 2011. These condensed consolidated interim financial statements have been reviewed, not audited.

Scope change: As a result of the divestment of the remaining non-Pharma activities (i.e. Surface Specialties) in February 2005, 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.

Adjusted net profit: Transactions and decisions of a one-time nature that are impacting UCB's results for both periods under review are highlighted separately ("non-recurring items" and "one-off items"). For like-for-like comparison purposes, a line with "adjusted net profit", reflecting the on-going after-tax profitability of the biopharmaceutical activities, is included. Adjusted net profit is equal to the line "profit" reported in the consolidated financial statements, adjusted for discontinued operations and the after-tax impact of non-recurring items and one-off items.

Core EPS: The adjusted net profit, as defined above, adding back the after tax amortisation of intangible assets linked to sales, per non-diluted, weighted average number of shares.

Core products: The "core products" are UCB's newly launched medicines being Cimzia®, Vimpat® and Neupro®. UCB's priority is the continued launch and growth of those three products.

1. Net sales by product

€ million	Actual June YTD		Variance %	
	2012	2011	Actual rates	Cst rates
Core products	**413**	**285**		
Cimzia®	209	143	46%	38%
Vimpat®	150	97	54%	46%
Neupro®	54	45	20%	19%
Other products	**1 114**	**1 216**		
Keppra® (includ. Keppra® XR)	445	507	-12%	-15%
Zyrtec® (includ. Zyrtec-D® / Cirrus®)	150	166	-9%	-15%
Xyzal®	71	68	5%	3%
Omeprazole	39	37	6%	-2%
Metadate™ CD	38	34	10%	2%
Nootropil®	31	36	-14%	-11%
Other	340	368	-8%	-10%
Total net sales	**1 527**	**1 501**	**2%**	**-2%**

Net sales amount to € 1 527 million or 2% higher than last year.

Core products

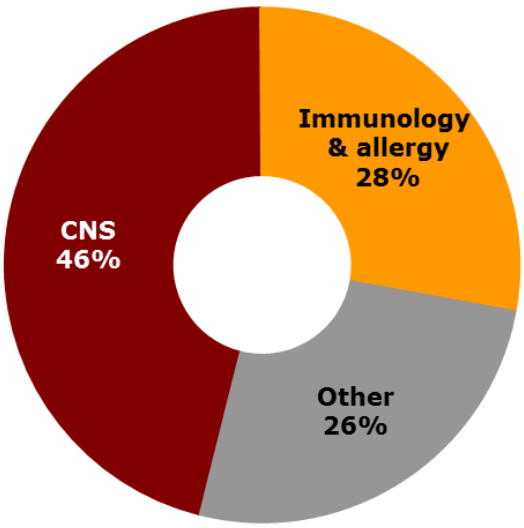
- **Cimzia®** *(certolizumab pegol)*, for moderately to severely rheumatoid arthritis (RA) and for Crohn's disease (CD; available in the U.S., Russia and Switzerland) reached net sales of € 209 million, an increase of € 66 million or 46% compared to last year.

- **Vimpat®** (*lacosamide*), for epilepsy, as an add-on therapy for the treatment of partial-onset seizures reached net sales of € 150 million, an increase of 54% compared to the first half year of 2011.
- **Neupro®** (*rotigotine*), for Parkinson's disease (PD) and restless legs syndrome (RLS), showed net sales increasing from € 45 million in 2011 to € 54 million in 2012 (+20%) mostly in European countries.

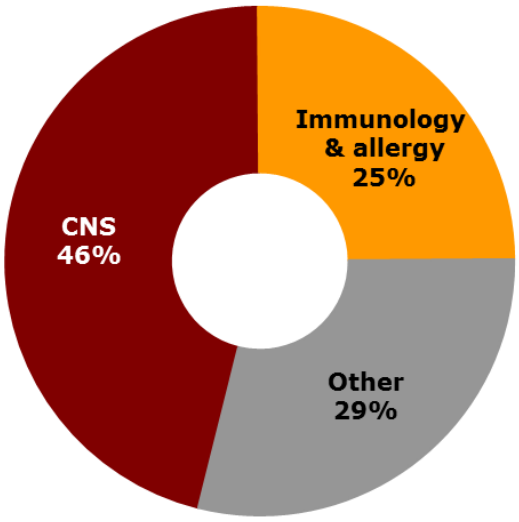
Other products

- **Keppra®** (*levetiracetam*), for epilepsy, reached net sales of € 445 million (of which € 26 million for Keppra® XR) which is 12% lower than last year. The net sales decreased due to further post-patent expiry erosion in North America (-10%) and in Europe (-25%), partly compensated by an increase of 70% in "Rest of World" due to E Keppra® in Japan.
- **Zyrtec®** (*cetirizine*, including Zyrtec®-D / Cirrus®), for allergy, had decreased net sales of 9% to € 150 million, due to generic competition.
- **Xyzal®** (*levocetirizine),* for allergy, reached net sales of € 71 million, an increase of 5% compared to 2011, mainly due to growing market share in Japan.
- ***omeprazole*,** a generic product for hyperacidity disease, reached net sales of € 39 million compared to € 37 million last year.
- **Metadate™ CD** (*methylphenidate HCI*), for attention deficit and hyperactivity disorder, reached net sales of € 38 million, an increase of 11%.
- **Nootropil®** (*piracetam*), for cognitive disorders, saw a decrease in net sales of 14% from € 36 million to € 31 million.
- **Other products**: net sales for other products decreased by 8% and reached € 340 million.

Net sales - HY 2012 – € 1 527 million



Net sales - HY 2011 – € 1 501 million



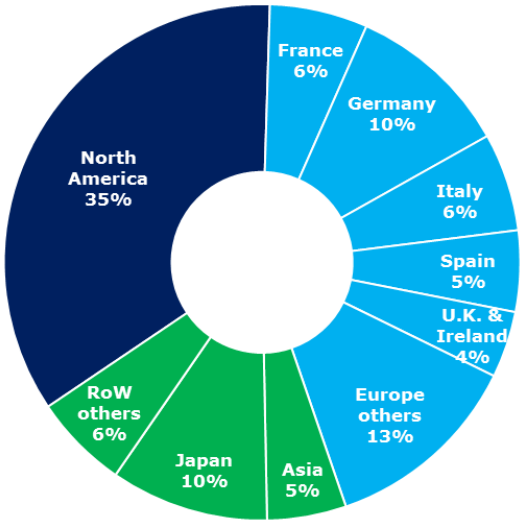
2. Net sales by region

€ million	Actual June YTD		variance			
			At actual rates		At constant rates	
	2012	2011	€ million	%	€ million	%
Net sales North America	**538**	**482**	**56**	**12%**	**17**	**3%**
Core products						
Cimzia®	145	107	38	36%	27	25%
Vimpat®	110	69	41	59%	33	48%
Other products						
Keppra® (including Keppra® XR)	115	127	-12	-10%	-21	-16%
Metadate™ CD	38	34	4	10%	1	2%
Tussionex™	16	24	-8	-34%	-9	-39%
venlafaxine XR	13	35	-22	-62%	-23	-65%
Other	101	85	16	19%	9	11%
Net sales Europe	**670**	**736**	**-64**	**-9%**	**-66**	**-9%**
Core products						
Cimzia®	58	34	24	70%	23	68%
Vimpat®	37	27	10	36%	9	35%
Neupro®	53	45	8	19%	8	18%
Other products						
Keppra®	250	333	-83	-25%	-84	-25%
Xyzal®	31	42	-10	-24%	-10	-24%
Zyrtec® (including Cirrus®)	34	39	-5	-13%	-5	-12%
Nootropil®	17	20	-3	-16%	-3	-13%
Other	190	195	-5	-3%	-6	-3%
Net sales Rest of World	**320**	**275**	**44**	**16%**	**27**	**10%**
Core products						
Cimzia®	6	2	4	219%	3	200%
Vimpat®	3	1	2	178%	2	171%
Neupro®	1	1	1	113%	1	112%
Other products						
Zyrtec® (including Cirrus®)	112	124	-12	-10%	-22	-18%
Keppra®	80	47	33	70%	28	61%
Xyzal®	39	26	13	52%	12	46%
Nootropil®	14	16	-2	-12%	-1	-9%
Other	65	59	6	10%	4	6%
Unallocated	**-1**	**8**				
Total net sales	**1 527**	**1 501**	**26**	**2%**	**-32**	**-2%**

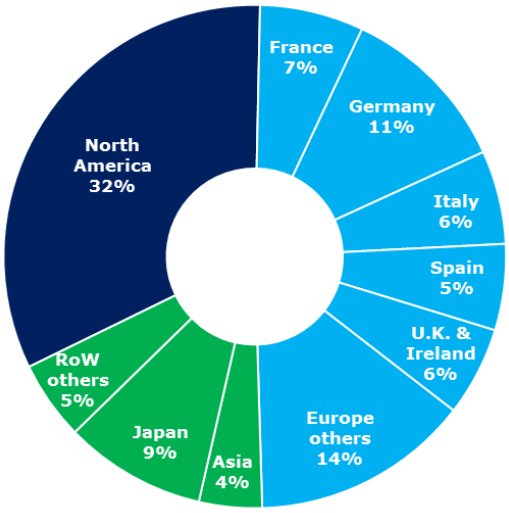
- **North America** net sales reported by UCB reached € 538 million in the first six months of 2012, an increase of 12% from the year before. At constant currency rates, the increase would have been 3%. Cimzia®, for patients suffering from Crohn's disease (CD) and rheumatoid arthritis (RA), reached net sales of € 145 million, compared to € 107 million last year. The anti-epileptic drug Vimpat®, available as an add-on therapy for the treatment of partial-onset seizures achieved net sales of € 110 million in the first half of 2012, up € 41 million. Keppra® and Keppra® XR, declined to € 115 million in the first half year 2012, down by 10% year-over-year. Metadate™CD reached € 38 million or a plus of 10%. Both Tussionex™ (*hydrocodone polistirex and chlorpheniramine polistirex*) and *Venlafaxine XR* net sales decreased by 34% and 62% respectively compared to last year due to further generic competition. The net sales of the other products in this region reached € 101 million, up 19%.

- **Europe** net sales totalled € 670 million in 2012, a decrease of 9% compared to 2011. Cimzia® net sales increased from € 34 million to € 58 million. The anti-epileptic drug Vimpat® contributed € 37 million to net sales, compared to € 27 million in the first half of 2011. Neupro® net sales of € 53 million are up by 19% compared to the previous year for the treatment of Parkinson's disease and restless-legs-syndrome. Keppra® net sales represented € 250 million, a decrease of 25% compared to the same period of last year, due to generic competition. The allergy drug Xyzal® decreased 24% due to further generic competition in Europe, while the net sales of Zyrtec® decreased to a level of € 34 million. Nootropil® decreased and accounted for € 17 million of European net sales. All other products contributed € 190 million to European net sales, a reduction of 3% versus the previous year**.**
- **"Rest of World"** net sales amounted to € 320 million in 2012, an increase of 16%, mainly related to E Keppra® in Japan. Zyrtec® and Xyzal® contributed € 151 million, of which € 121 million in Japan. Market leading Keppra® net sales grew 70% year-over-year. All core products Cimzia®, Vimpat® and Neupro® are available in the "Rest of World".

Net sales - HY 2012 - € 1 527 million



Net sales - HY 2011 - € 1 501 million



3. Royalty income and fees

€ million	Actual June YTD		Variance %	
	2012	2011	Actual rates	Cst rates
Biotechnology IP	41	54	-24%	-28%
Toviaz®	21	17	21%	21%
Zyrtec® U.S.	10	14	-23%	-29%
Other	11	11	0%	-7%
Royalty income and fees	**83**	**96**	**-13%**	**-17%**

Royalty income and fees for the first half of 2012 amounted to € 83 million, down by € 13 million or 13% compared to the same period last year. Biotechnology intellectual property (IP) royalties decreased to € 41 million due to expiration of patents. The royalties paid by Pfizer for the overactive bladder treatment Toviaz® (*fesoterodine*) increased by 21% to € 21 million. Zyrtec® U.S. royalty income received on the over-the-counter sales amounted to € 10 million in June 2012 compared to € 14 million in the same period last year. The other royalty income remained stable at € 11 million.

4. Other revenue

€ million	Actual June YTD		Variance %	
	2012	2011	Actual rates	Cst rates
Contract manufacturing sales	45	43	4%	-1%
Provas™ and other profit sharing	13	19	-32%	-32%
Astellas / Otsuka	25	6	334%	331%
Other	12	14	-13%	-20%
Other revenue	**95**	**82**	**16%**	**12%**

Other revenue for the first half of 2012 amounted to € 95 million, up 16%. Contract manufacturing sales increased to € 45 million, 4% higher compared to the same period last year. Contract manufacturing sales is for a major part related to the agreements with GSK announced in 2009. The profit-sharing agreement with Novartis on Provas™, Jalra® and Icandra® in Germany represents € 13 million, down by 32%. The 2011 Otsuka-related other revenue pertains to the reimbursement of R&D expenses recognised as part of the agreements entered into by Otsuka and UCB in June 2008 for E Keppra® and Cimzia® in Japan. From 2012 onwards Otsuka focuses on E Keppra® and Neupro®. On 1 February 2012 UCB entered in an agreement with Astellas to co-develop and co-promote Cimzia® in Japan.

5. Gross profit

€ million	Actual June YTD		Variance %	
	2012	2011	Actual rates	Cst rates
Revenue	**1 706**	**1 679**	**2%**	**-2%**
Net sales	1 527	1 501	2%	-2%
Royalty income	83	96	-13%	-17%
Other revenue	95	82	16%	12%
Cost of sales	**-523**	**-521**	**0%**	**-1%**
Cost of sales products and services	-386	-372	4%	3%
Royalty expenses	-61	-70	-14%	-16%
Amortisation of intangible assets linked to sales	-75	-79	-5%	-8%
Gross profit	**1 183**	**1 158**	**2%**	**-3%**
of which				
Products and services	1 236	1 211	2%	-3%
Net royalty income	23	26	-12%	-20%
Amortisation of intangible assets linked to sales	-75	-79	-5%	-8%

Gross profit of € 1 183 million is 2% higher than in first half 2011 following the increase of net sales.

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

- The **cost of sales for products and services** increased by € 14 million from € 372 million in 2011 to € 386 million in 2012, due to the product mix.
- The **royalty expenses** decreased from € 70 million in 2011 to € 61 million in 2012, as a result of strong decrease of the biotechnology IP. Higher royalties related the core product Vimpat® were over-compensated by lower *venlafaxine XR* royalty expense.

€ million	Actual June YTD		Variance %	
	2012	2011	Actual rates	Cst rates
Biotechnology IP	-15	-26	-45%	-48%
Other	-46	-44	5%	3%
Royalty expenses	**-61**	**-70**	**-14%**	**-16%**

- **Amortisation of intangible assets linked to sales**: UCB has reflected on its balance sheet a significant amount of intangible assets mainly relating to the Celltech and Schwarz Pharma acquisitions (in-process R&D, manufacturing know-how, royalty streams, trade-names, etc.). The amortisation expenses of the intangible assets for which products have already been launched amounted to € 75 million in half-year 2012, and is € 4 million lower compared to the same period of 2011, mainly due to the expiration of the write-down period of certain intangible assets.

6. Recurring EBIT and recurring EBITDA

€ million	Actual June YTD		Variance %	
	2012	2011	Actual rates	Cst rates
Revenue	**1 706**	**1 679**	**2%**	**-2%**
Net sales	1 527	1 501	2%	-2%
Royalty income and fees	83	96	-13%	-17%
Other revenue	95	82	16%	12%
Gross profit	**1 183**	**1 158**	**2%**	**-3%**
Marketing and selling expenses	-440	-405	9%	3%
Research and development expenses	-419	-337	24%	20%
General and administrative expenses	-94	-91	3%	1%
Other operating income / expenses (-)	-3	-6	-52%	-64%
Total operating expenses	**-956**	**-839**	**14%**	**9%**
Recurring EBIT (REBIT)	**227**	**319**	**-29%**	**-35%**
Amortisation of intangible assets	88	91	-3%	-6%
Depreciation charges	32	33	-5%	-8%
Recurring EBITDA (REBITDA)	**347**	**443**	**-22%**	**-27%**

Operating expenses, encompassing marketing and selling expenses, research and development expenses, general and administrative expenses and other operating income / expenses, reached € 956 million in first half 2012 compared to € 839 million in the interim period last year, € 117 million or 14% higher, reflecting:

- € 35 million higher marketing and selling expenses driven by the launch of Neupro® in the U.S. in July, the continued launch of E Keppra® in Japan and further regional expansion of Cimzia®, Vimpat® and Neupro®;
- € 82 million higher research and development expenses reflecting a well advanced, late-stage clinical development pipeline;
- € 3 million higher general and administrative expenses;
- € 3 million lower other operating income / expenses (-) mainly as a result of reversal of provisions.

Recurring EBIT is down by 29% to € 227 million due to the higher operating expenses.

- Amortisation of intangible assets went down from € 91 million to € 88 million mainly due to the expiration of the write-down period of intangible assets;
- Depreciation charges amounted to € 32 million, a decrease of € 1 million.

Recurring EBITDA is down by 22% to € 347 million or a decrease of € 96 million compared to 2011. This reflects higher revenue contrasted by higher operating expenses due to on-going launch activities for UCB's core products in major regions as well as E Keppra® and continued high R&D budgets to develop potential new treatment options for people living with severe diseases.

7. Net profit, adjusted net profit and core earnings

€ million	Actual YTD June		Variance %	
	2012	2011	Actual rates	Cst rates
Recurring EBIT	**227**	**319**	**-29%**	**-35%**
Impairment charges	-1	-6	-78%	-79%
Restructuring expenses	-12	-3	343%	342%
Other non-recurring income / expenses (-)	-1	-5	-75%	-76%
Total non-recurring income / expenses (-)	-14	-14	5%	3%
EBIT (operating profit)	**213**	**305**	**-30%**	**-37%**
Net financial expenses	-76	-63	20%	20%
Profit before income taxes	**137**	**242**	**-43%**	**-51%**
Income tax expenses (-) / credit	-2	-44	-96%	-96%
Profit from continuing operations	**135**	**198**	**-31%**	**-41%**
Profit / loss (-) from discontinued operations	2	1	21%	21%
Non-controlling interests	0	0		
Net profit	**137**	**199**	**-31%**	**-41%**
After-tax non-recurring items	10	5		
Profit / loss (-) from discontinued operations	-2	-1		
Tax and financial one-offs	-5	0		
Adjusted net profit (after non-controlling interests)	**140**	**203**	**-31%**	**-41%**

- **Total non-recurring income / expenses (-)** amounted to € 14 million pre-tax expense, including € 1 million impairment charges, € 12 million severance costs.

  The 30 June 2011 non-recurring expenses included € 4 million impairment of SYN-118, € 3 million severance costs and € 5 million other non-recurring expenses mainly related to additional amortisation and depreciation.

- **Net financial expenses** were € 76 million compared to € 63 million in 2011, an increase of € 13 million due to lower gains on interest rate derivatives in 2012 and € 9 million one-off loss on debt extinguishment related to the convertible bond.

- The average **tax** rate on recurring activities is 14% in the first half of 2012 compared to 21% in the same period of last year. The main reason for the lower tax rate are the reduction of tax rates in two of UCB's significant territories, the further recognition of tax losses and the release of provisions due to the finalisation of a tax audit and expiry of statute of limitation.

- **Net profit** after non-controlling interests for the first half year reached € 137 million, i.e. € 62 million lower than prior year.

- Adjusting for the after-tax impact of non-recurring items and financial one-offs and for the after-tax contribution from discontinued operations, **adjusted net profit** reached € 140 million, which is 31% below the € 203 million of adjusted net profit for half-year 2011.

- **Core EPS** (earnings per share), which reflect the after tax effect of non-recurring items, financial one-offs, the amortisation of intangibles, and tax one-offs, decreased from € 1.44 in June 2011 to € 1.09 as per end June 2012, based on 179.1 million weighted average number of shares in June 2012 (June 2011: 179.5 million).

8. Balance sheet (see condensed consolidated statement of financial position)

- **Intangible assets:** increased by € 21 million from € 1 525 million at 31 December 2011 to € 1 546 million at 30 June 2012. This includes the addition of intangible assets related to milestones incurred under collaboration agreements and through in-licencing deals (€ 85 million), capitalisation of software development costs (€ 20 million), the on-going amortisation of the intangible assets (€ 88 million) mainly related to the acquisition of Celltech in 2004 and Schwarz Pharma in 2006 and the impact of the stronger U.S. dollar and British pound.

- **Goodwill**: a € 129 million increase in goodwill between 31 December 2011 and 30 June 2012 reflects the impact of the increasing U.S. dollar and British pound, and the preliminary accounting for the acquisition of 51% of Meizler Biopharma in Brazil.
- **Other non-current assets**: other non-current assets increased by € 84 million, from € 1 148 million to € 1 232 million, mainly driven by the tangible and deferred tax assets.
- **Current assets**: the decrease from € 1 706 million as of 31 December 2011 to € 1 671 million as of 30 June 2012 reflects a decrease in the trade receivables, higher inventory and cash.
- **Shareholders' equity**: UCB's shareholders' equity, at € 4 760 million, representing 51% of total liabilities and equity, decreased by € 63 million between 31 December 2011 and 30 June 2012. Equity increased by the amount of net profit after non-controlling interest (€ 137 million), the cumulative translation adjustments (€ 6 million), non-controlling interests related to the acquisition of Meizler Biopharma, and decreased by share based payments (€ 3 million), the dividend to the shareholders of the perpetual bond (€ 12 million) and by € 178 million as the result of dividends declared on the 2011 results, the purchase of treasury shares (€ 4 million), the fair value adjustments related to the derivative financial instruments and the available for sale financial assets (€ 5 million) recognised in equity.
- **Non-current liabilities**: the increase in non-current liabilities from € 2 743 million to € 2 851 million stems from higher borrowings, liabilities related to milestones incurred under collaboration agreements and a decrease in the convertible bond.
- **Current liabilities**: the increase in current liabilities from € 1 612 million to € 1 766 million is mainly related to an increase of the short term loans and share swap transactions.
- **Net debt**: the net debt of € 1 756 million, an increase of € 208 million compared to € 1 548 million as per end December 2011, relates to the dividend payment on the 2011 results and the dividend paid related to the perpetual subordinated bond, the purchase of a portion of the convertible bond, the acquisition of Meizler Biopharma and the further investment in intangible and tangible assets, off-set by the underlying net profitability.

9. Cash flow statement (see cash flow section hereafter)

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

- **Cash flow from operating activities** amounted € 221 million in the first half of 2012 compared to € 119 million in the same period of 2011. This stems from the lower trade receivables and higher inventory and trade payables (net working capital improvement).
- **Cash flow from investing activities** shows an outflow of € 147 million in the first six months of 2012 compared to € 51 million in the corresponding period of 2011 due to higher spending in tangible and intangible assets and the acquisition of 51% of Meizler Biopharma in the first half of 2012.
- **Cash flow from financing activities** has an outflow of € 28 million compared to € 224 million in the first half of 2011. This includes the purchase of the convertible bond, the dividend paid to the UCB shareholders and the shareholders of the perpetual subordinated bond, compensated by higher borrowings.

10. Risks

In accordance with Article 13 § 5 of the Belgian Royal Decree of 14 November 2007, UCB states that the fundamental risks confronting the Company are materially unchanged from those described on the pages 51 – 55 of the 2011 Annual Report. On a regular basis, the Board of Directors and the Chief Operating Decision Makers, being the Executive Committee, evaluate the business risks that confront UCB.

11. Outlook 2012: Outlook updated

UCB expects its financial results in 2012 to be driven by the continued growth of Cimzia®, Vimpat® and Neupro® as well as by post-exclusivity expiry erosion for Keppra®. **Revenue** 2012 is now anticipated to exceed € 3.2 billion. **Recurring EBITDA** is expected in the range of € 630-660 million. **Core earnings per share** are expected at approximately € 1.70 – based on 179 million shares outstanding.

Condensed consolidated income statement

For the six months ended 30 June € million	Note	2012 Reviewed	2011 Reviewed
Continuing operations			
Net sales	6	1 527	1 501
Royalty income		83	96
Other revenue		95	82
Revenue		**1 706**	**1 679**
Cost of sales		-523	-521
Gross profit		**1 183**	**1 158**
Marketing and selling expenses		-440	-405
Research and development expenses		-419	-337
General and administrative expenses		-94	-91
Other operating income / expenses (-)	9	-3	-6
Operating profit before impairment, restructuring and other income and expenses		**227**	**319**
Impairment of non-financial assets	10	-1	-6
Restructuring expenses	11	-12	-3
Other income / expenses (-)	12	-1	-5
Operating profit		**213**	**305**
Financial income	13	37	42
Financing costs	13	-113	-105
Profit / loss (-) before income taxes		**137**	**242**
Income tax expense (-) / credit	14	-2	-44
Profit / loss (-) from continuing operations		**135**	**198**
Discontinued operations			
Profit / loss (-) from discontinued operations	15	2	1
Profit for the period		**137**	**199**
Attributable to:			
Equity holders of UCB S.A.		137	199
Non-controlling interests		0	0
Earnings per share attributable to equity holders of UCB S.A.			
Basic earnings per share (€)[1]			
From continuing operations		0.76	1.10
From discontinued operations		0.01	0.01
Total basic earnings per share		**0.77**	**1.11**
Diluted earnings per share (€)[2]			
From continuing operations		0.67	1.04
From discontinued operations		0.01	0.01
Total diluted earnings per share		**0.68**	**1.05**

[1] The weighted average number of shares in issue during the interim period, for the purposes of the basic earnings per share calculation, is 179 079 006 (2011: 179 507 737).

[2] The weighted average number of shares during the interim period, for the purposes of the diluted earnings per share calculation, is 197 647 358 (2011: 197 037 749).

Condensed consolidated statement of comprehensive income

For the six months ended 30 June € million	2012 Reviewed	2011 Reviewed
Profit for the period	**137**	**199**
Other comprehensive income		
Net gain / loss (-) on available for sale financial assets	-3	2
Exchange differences on translation of foreign operations	6	-128
Effective portion of gains / losses (-) on cash flow hedges	-2	13
Net gain / loss (-) on hedge of net investment in foreign operation	0	0
Income tax relating to the components of other comprehensive income	0	0
Other comprehensive income / loss (-) for the period, net of tax	**1**	**-113**
Total comprehensive income for the period, net of tax	**138**	**86**
Attributable to:		
Equity holders of UCB S.A.	138	86
Non-controlling interests	3	-1
Total comprehensive income for the period, net of tax	**141**	**85**

Condensed consolidated statement of financial position

€ million	Note	30 June 2012 Reviewed	31 December 2011 Audited
ASSETS			
Non-current assets			
Intangible assets	16	1 546	1 525
Goodwill	17	4 928	4 799
Property, plant and equipment	18	541	500
Deferred income tax assets		481	443
Employee benefits		22	25
Financial and other assets (including derivative financial instruments)	19	188	180
Total non-current assets		**7 706**	**7 472**
Current assets			
Inventories	20	600	537
Trade and other receivables		734	851
Income tax receivables		6	13
Financial and other assets (including derivative financial instruments)		16	38
Cash and cash equivalents		315	267
Total current assets		**1 671**	**1 706**
Total assets		**9 377**	**9 178**
EQUITY AND LIABILITIES			
Equity			
Capital and reserves attributable to UCB shareholders	21, 22	4 756	4 821
Non-controlling interests		4	2
Total equity		**4 760**	**4 823**
Non-current liabilities			
Borrowings	23	191	42
Bonds	24	1 683	1 730
Other financial liabilities (including derivative financial instruments)		49	60
Deferred income tax liabilities		190	220
Employee benefits		114	111
Provisions	26	460	472
Trade and other liabilities		164	108
Total non-current liabilities		**2 851**	**2 743**
Current liabilities			
Borrowings	23	201	45
Other financial liabilities (including derivative financial instruments)		200	116
Provisions	26	61	71
Trade and other liabilities		1 242	1 294
Income tax payables		62	86
Total current liabilities		**1 766**	**1 612**
Total liabilities		**4 617**	**4 355**
Total equity and liabilities		**9 377**	**9 178**

Condensed consolidated statement of cash flows

For the six months ended 30 June € million	Note	2012 Reviewed	2011[a] Reviewed
Profit attributable to equity holders of UCB S.A.		**137**	**199**
Non-controlling interests		0	0
Adjustment for profit (-) / loss from discontinued operations		0	-1
Adjustment for non-cash transactions	27	22	118
Adjustment for items to disclose separately under operating cash flow	27	2	44
Adjustment for items to disclose under investing and financing cash flow	27	67	65
Change in working capital	27	89	-190
Cash flow generated from operations		**317**	**235**
Tax paid during the period		-96	-116
NET CASH FLOW GENERATED FROM OPERATING ACTIVITIES		**221**	**119**
Acquisition of intangible assets		-30	-23
Acquisition of property, plant and equipment		-53	-35
Acquisition of subsidiaries, net of cash acquired		-66	-3
Acquisition of other investments		-1	-1
Sub-total acquisitions		**-150**	**-62**
Proceeds from sale of intangible assets		1	1
Proceeds from sale of property, plant and equipment		0	2
Proceeds from sale of business unit, net of cash disposed		0	8
Proceeds from sale of other investments		2	0
Dividends received		0	0
Sub-total disposals		**3**	**11**
NET CASH FLOW FROM INVESTING ACTIVITIES		**-147**	**-51**
Proceeds from issuance of perpetual bonds		0	295
Purchase of convertible bond (-)		-82	0
Proceeds from borrowings		558	307
Repayment of borrowings (-)		-260	-566
Payment of finance lease liabilities		-1	-1
Purchase of treasury shares		-5	-42
Dividend paid to UCB shareholders net of dividend paid on own shares		-178	-176
Dividend paid to shareholders of perpetual subordinated bonds		-23	0
Interest received		23	20
Interest paid		-60	-61
NET CASH FLOW FROM FINANCING ACTIVITIES		**-28**	**-224**
CASH FROM DISCONTINUED OPERATIONS		**0**	**0**
NET INCREASE / DECREASE (-) IN CASH AND CASH EQUIVALENTS		**46**	**-156**
Net cash and cash equivalents at the beginning of the period		253	477
Effect of exchange rate fluctuations		0	0
NET CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**299**	**322**
Of which cash and cash equivalents		315	341
Of which bank overdrafts		-16	-19

[a] In 2011, the interest received & paid were re-classified from net cash flow generated by operating activities to the net cash flow used in financing activities.

Condensed consolidated statement of changes in equity

€ million	Attributed to equity holders of UCB S.A.											
	Share capital and share premium	Hybrid Capital	Treasury shares	Retained earnings	Other reserves	Cumulative translation adjustments	Available for sale financial assets	Cash flow hedges	Net investment hedge	Total	Non-controlling interests	Total stockholders' equity
Balance at 1 January 2012	**2 151**	**295**	**-262**	**2 614**	**280**	**-301**	**-1**	**-10**	**55**	**4 821**	**2**	**4 823**
Profit for the period				**137**						**137**	**0**	**137**
Other comprehensive income / loss (-)						**6**	**-3**	**-2**		**1**	**3**	**4**
Total comprehensive income	**0**	**0**	**0**	**137**	**0**	**6**	**-3**	**-2**	**0**	**138**	**3**	**141**
Dividends				**-178**						**-178**		**-178**
Share-based payments				**6**						**6**		**6**
Transfer between reserves			**9**	**-9**						**0**		**0**
Purchase of treasury shares			**-13**							**-13**		**-13**
Dividend to shareholders of perpetual subordinated bonds				**-12**						**-12**		**-12**
Equity component of convertible bond					**-7**					**-7**		**-7**
Balance at 30 June 2012 (reviewed)	**2 151**	**295**	**-266**	**2 558**	**273**	**-295**	**-4**	**-12**	**55**	**4 755**	**5**	**4 760**
Balance at 1 January 2011	**2 151**	**0**	**-125**	**2 568**	**280**	**-342**	**1**	**2**	**55**	**4 590**	**2**	**4 592**
Profit for the period				199						199		199
Other comprehensive income / loss (-)						-128	2	13		-113	-1	-114
Total comprehensive income	**0**	**0**	**0**	**199**	**0**	**-128**	**2**	**13**	**0**	**86**	**-1**	**85**
Dividends				-177						-177		-177
Share-based payments				7						7		7
Transfer between reserves										0		0
Treasury shares			-42							-42		-42
Issuance of perpetual subordinated bonds		295								295		295
Dividend to shareholders of perpetual subordinated bonds				-7						-7		-7
Balance at 30 June 2011 (reviewed)	**2 151**	**295**	**-167**	**2 590**	**280**	**-470**	**3**	**15**	**55**	**4 752**	**1**	**4 753**

Notes to the condensed consolidated interim financial statements

1. General information

UCB S.A. (hereafter "UCB" or the "Company") and its subsidiaries (together the "Group") is a global biopharmaceutical company focused on severe diseases in two therapeutic areas namely Central Nervous System disorders and Immunology.

These condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2012 (hereafter the "interim period") comprise the Company and its subsidiaries.

UCB is a limited liability company which is listed on the Euronext Brussels Stock Exchange, incorporated and domiciled in Belgium. Its registered office is at 60, Allée de la Recherche, B-1070 Brussels, Belgium.

The Board of Directors approved these condensed consolidated interim financial statements for issue on 31 July 2012. These condensed consolidated interim financial statements have been reviewed, not audited.

The consolidated financial statements of the Group as at and for the year ended 31 December 2011 are available on UCB website.

2. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting" as adopted by the European Union.

These condensed consolidated interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2011, which have been prepared in accordance with IFRSs.

These condensed consolidated interim financial statements are presented in Euro and all values are rounded to the nearest million except when otherwise indicated.

3. Accounting policies

The accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2011.

There are no new IFRSs or IFRICs that are effective for the first time for this interim period that would be expected to have a material impact on the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective in 2012.

4. Estimates

The preparation of these condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2011, with the exception of changes in estimates that are required in determining the provision for income taxes.

5. Financial risk management

5.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest risk and price risk), credit risk and liquidity risk. These condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2011. There have been no changes in the Financial Risk Management Committee and in 2012, UCB has established a Euro Crisis Task Force in order to closely monitor the economic developments in the Eurozone. This task force actively reviews the potential exposure for the Group and takes actions to mitigate any potential risks.

5.2. Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3. Fair value estimation

All financial instruments carried at fair value are categorised into three categories, defined as follows:

- Level 1 – Quoted prices in active markets for identical assets and liabilities;
- Level 2 – Other valuation techniques for which all inputs (other than quoted prices) which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3 – Valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable data.

The following table presents the Groups financial assets and liabilities that are measured at fair value at 30 June 2012.

Financial assets measured at fair value

€ million - 30 June 2012	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale assets				
Quoted equity securities	30	0	0	30
Quoted debt securities	3	0	0	3
Derivative financial assets				
Forward foreign exchange contracts – cash flow hedges	0	1	0	1
Forward exchange contracts – fair value through the profit and loss	0	14	0	14
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	62	0	62

Financial liabilities measured at fair value

€ million - 30 June 2012	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial liabilities				
Forward foreign exchange contracts – cash flow hedges	0	14	0	14
Forward exchange contracts – fair value through the profit and loss	0	57	0	57
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	19	0	19
Derivative linked to convertible bond	0	0	0	0

The following table presents the Groups financial assets and liabilities that are measured at fair value at 31 December 2011.

Financial assets measured at fair value

€ million - 31 December 2011	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale assets				
Quoted equity securities	31	0	0	31
Quoted debt securities	2	0	0	2
Derivative financial assets				
Forward foreign exchange contracts – cash flow hedges	0	6	0	6
Forward exchange contracts – fair value through the profit and loss	0	32	0	32
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	63	0	63

Financial liabilities measured at fair value

€ million - 31 December 2011	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial liabilities				
Forward foreign exchange contracts – cash flow hedges	0	19	0	19
Forward exchange contracts – fair value through the profit and loss	0	99	0	99
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	31	0	31
Derivative linked to convertible bond	0	0	0	0

During the interim period, 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.

5.4. Exchange rates

The following important exchange rates were used in preparing these condensed consolidated interim financial statements:

Equivalent of € 1	Closing rate		Average rate	
	2012	2011	2012	2011
USD	1.265	1.296	1.297	1.402
JPY	100.960	99.770	103.279	114.871
GBP	0.807	0.836	0.823	0.868
CHF	1.201	1.217	1.205	1.270

The closing rates represent spot rates as at 30 June 2012 and 31 December 2011, while the average rates represent averages over the first six months of the year.

6. 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. Enterprise-wide disclosures about product sales, geographic areas and revenues from major customers are presented below:

6.1. Product sales information

Net sales consist of the following:

For the six months ended 30 June € million	2012 Reviewed	2011 Reviewed
Cimzia®	209	143
Vimpat®	150	97
Neupro®	54	45
Keppra® (including Keppra® XR)	445	507
Zyrtec® (including Zyrtec-D® / Cirrus®)	150	166
Xyzal®	71	68
omeprazole	39	37
Metadate™ CD	38	34
Nootropil®	31	36
Other products	340	368
Total net sales	**1 527**	**1 501**

6.2. Geographic information

The table below shows net sales in each geographic market in which customers are located:

For the six months ended 30 June € million	2012 Reviewed	2011 Reviewed
North America	538	482
Germany	155	173
France	93	99
Italy	93	89
Spain	77	82
UK and Ireland	63	85
Belgium	22	21
Rest of world	486	470
Total net sales	**1 527**	**1 501**

The table below illustrates the property, plant and equipment in each geographic market in which the assets are located:

For the six months ended 30 June € million	2012 Reviewed	2011 Audited[1]
Belgium	231	220
UK and Ireland	93	89
Switzerland	90	78
North America	81	70
Germany	23	23
France	2	2
Spain	2	2
Rest of world	19	16
Total	**541**	**500**

[1] The reporting date for the comparative period is 31 December 2011.

6.3. Information about major customers

UCB has one customer which individually account for more than 10% of total net sales at the end of June 2012 (2011: one large customer).

In the U.S., sales to three wholesalers accounted for approximately 85% of US sales (2011: 83%).

7. Seasonality of operations

The Group's revenue in the Biopharmaceutical segment is somewhat seasonal. The revenue derived from the allergy franchise fluctuates as a result of the severity of the different pollinic seasons in the various geographic areas where it operates.

However, on a consolidated basis, the different effects show no systematic or easily predictable seasonal pattern.

8. Business combination

On 30 May 2012, UCB acquired 51% of the issued and outstanding shares of Meizler Biopharma ("Meizler"), a privately-owned Brazilian pharmaceutical company, for a purchase price equal to US$ 80 million (€ 64 million) minus 51% of Meizler's net debt. The adjustment for net debt has not been finalised at the time these financial statements were published. Under the terms of the deal, the purchase price may be increased by up to $30 million for certain contingent payments. The purchase agreement also grants the selling shareholders a put option exercisable in 2014, 2015 or 2016 on the remaining shares in Meizler and it grants UCB a call option providing the right to purchase the selling shareholders' remaining shares in Meizler in 2016. The exercise price is based on a multiple of the EBITDA results for the preceding year.

Meizler is a privately-held Brazilian pharmaceutical company founded in 1990 and it is based outside of Sao Paulo. With a team of about 130 employees, it commercializes a portfolio of in-licensed specialty products on the Brazilian market covering different therapeutic areas including central nervous system and immunology. UCB will bring parts of its mature and new medicines into Meizler's portfolio for commercialisation in Brazil. Based on the UCB's control of the Board of Directors and management, UCB has fully consolidated Meizler.

The total purchase price was allocated to the preliminary net tangible and intangible assets based upon their historic book values as of 30 May 2012 as set forth below. The excess of the cash purchase price over the preliminary net tangible assets and intangible assets was recorded as goodwill. The Company expects to continue to obtain information during the measurement period (up to one year from the acquisition date) to assist it in determining the fair values of the net assets acquired at the acquisition date, the amount of contingent consideration and the put and call options for the remaining 49% of the shares of Meizler. The estimated values recorded as of 30 June 2012 are not yet finalised and are subject to change, which could be significant. The preliminary purchase price allocation for Meizler is as follows:

€ million	30 June 2012 Reviewed
Cash consideration	**64**
Recognised amounts of identifiable assets acquired and liabilities assumed (provisional fair value)	
Non-current assets	4
Current assets	15
Non-current liabilities	-2
Current liabilities	-12
Total identifiable net assets	**5**
Non-controlling interests and currency translation adjustment	-2
Goodwill	**57**

9. Other operating income and expenses

Other operating income / expenses (-) amounted to € 3 million expenses in the interim period (2011: € 6 million expenses) mainly as amortisation related to non-production intangible assets and reversal of provisions.

10. Impairment of non-financial assets

At the end of each reporting period, management assesses whether there is any indication that an asset may be impaired. If such an indication exists, management then estimates the recoverable amount of the asset in order to assess whether an impairment loss needs to be recognised. Impairment losses recognised in previous interim periods for certain non-financial assets are not reversed.

In the first half of 2012, management reviewed the non-financial assets (including intangible assets and goodwill) for impairment on the basis of external and internal indicators, and concluded that impairment charges of € 1 million related to tangible assets should be recognised in the interim period (2011: € 6 million mainly related to SYN-118 intangible).

11. Restructuring expenses

Restructuring expenses amounting to € 12 million (2011: € 3 million) were attributable to severance costs. The June 2011 expenses were related to severance costs.

12. Other income and expense

Other income / expenses (-) amounted to € 1 million expenses in 2012 (2011: € 5 million expenses) and is mainly the result legal fees related to litigations. The expense in 2011 was mainly related to the result of additional amortisation and depreciation.

13. Financial income and expenses

The financial income and expenses amounting € 76 million expenses (2011: 63 million) include € 9 million one-off loss on debt extinguishment related to the partial repurchase of convertible bond.

14. Income tax expense (-) / credit

The income tax expense for the six months ended 30 June 2012 is accrued using the tax rate that would be applicable to expected total annual earnings, being an estimated average annual effective income tax rate applied to the pre-tax income at 30 June.

For the six months ended 30 June € million	2012 Reviewed	2011 Reviewed
Current income taxes	-64	-41
Deferred income taxes	62	-3
Total income tax expense	**-2**	**-44**

The Group's consolidated effective tax rate in respect of continuing operations for the six months is 1.3% (2011: 18.3%).

The Group's effective tax rate excluding the tax impact on the one-off impairment of non-financial assets, restructuring expenses and capital gains amounts to 13.7% (2011: 20.6%).

15. Discontinued operations

The profit from discontinued operations of € 2 million (2011: € 1 million) arose due to the partial reversal of provisions related to the legacy chemicals activities of the Group.

16. Intangible assets

During the period, the Group added approximately € 85 million (2011: € 6 million) of intangible assets related to milestones incurred under collaboration agreements and through in-licencing deals. Additionally, the Group capitalised € 20 million (2011: € 17 million) of software development costs.

In the first half of the year, the Group did not impair its intangible assets (2011: € 6 million). The impairment charges are detailed in Note 10 and have been presented in the income statement under the caption "impairment of non-financial assets".

No material disposals of intangible assets were undertaken during the interim period.

The amortisation charge for the period amounted to € 88 million (2011: € 91 million).

17. Goodwill

During the period, the Group acquired a subsidiary (see Note 8) from which a goodwill of € 57 million arose on a preliminary basis. Additionally, the goodwill was affected by the movements in exchange rates for € 72 million.

In the first half of the year, the Group did not recognise any impairment charges on its goodwill.

18. Property, plant and equipment

During the period, the Group spent approximately € 53 million (2011: € 36 million) in acquiring new property, plant and equipment, including investments on the construction of a biological pilot plant in Braine, Belgium and a biological plant in Bulle, Switzerland supporting new product and delivery devices.

The Group also disposed of various property, plant and equipment with a carrying amount of approximately € 1 million (2011: € 2 million).

After the review of the property, plant and equipment for an indication of impairment, € 1 million (2011: € 0 million) of impairment charges was assessed for the period.

The depreciation charge for the period amounted to € 27 million (2011: € 30 million).

During the six months ended 30 June 2012, borrowing costs amounting to € 2 million were capitalised since the investments on the construction of both pilot and biological plants in Braine and in Bulle are qualifying assets included in "assets under construction" during the interim period.

19. Financial and other assets

Non-current financial and other assets amounted to € 188 million at 30 June 2012 (Dec. 2011: € 180 million).

In January 2012, UCB has strengthened its early pipeline alliance with WILEX AG and increased its total holding to 15.71% (2011: 15.38 %). The total investment in WILEX amounts to € 15 million (2011: € 12 million) or 15.71% of the total shareholding.

20. Write-down of inventories

Included in cost of sales for the six months ended 30 June 2012 is an amount of € 11 million (2011: € 8 million) in respect of allowances recognised to reduce the carrying amount of inventories to their net realisable value.

21. Capital and reserves

21.1. Share capital and share premium

The issued share capital of the Company amounted to € 550 million at 30 June 2012 (2011: € 550 million), represented by 183 365 052 shares (2011: 183 365 052 shares). There is no authorised, unissued share capital.

At 30 June 2012, the share premium reserves amounted to € 1 601 million (2011: € 1 601 million).

21.2. Hybrid capital

On 8 March 2011, UCB S.A. completed the placement of € 300 million perpetual subordinated bonds (the "bonds") that were issued at 99.499% and offer investors a coupon of 7.75% per annum during the first five years. The bonds have no maturity date, however UCB will have a right to redeem the bonds on the 5th anniversary of their issue, in 2016 and each quarter thereafter. The bonds are listed on the Luxembourg Stock Exchange.

In view of the fact that the bonds have a perpetual maturity and are subordinated, associated with the fact that UCB has the right to defer interest payments, the perpetual subordinated bonds qualify as 'Equity' instruments for the Group under IAS32: Financial Instruments Presentation.

Accordingly, interest is not presented as interest expenses in the income statement but accounted for corresponding to the accounting for dividends to the shareholders, that is within the Statement of Changes in Equity. Any transaction costs are deducted from the Hybrid capital, taking tax effects into account.

Hybrid capital amounted to € 295 million at 30 June 2012 and the € 12 million dividend to shareholders of the perpetual subordinated bonds related to the first half of 2012 are presented in retained earnings.

21.3. Treasury shares

The Group acquired 1 426 541 shares (2011: 1 114 259 shares) of UCB S.A. for a total amount of € 49 million (2011: € 37 million) and issued 1 827 592 treasury shares (2011: 25 280 treasury shares) for a total amount of € 58 million (2011: € 1 million) in the first half of the year. The Group retained 6 732 890 treasury shares (of which 4,3 million related to share swap deals) at 30 June 2012 (December 2011: 7 133 941 shares). The treasury shares have been acquired in order to honour the exercise of stock options and share awards granted to the Board of Directors and certain categories of employees.

The Group purchased 2 600 000 American style options on UCB shares for a total premium of € 12 million.

21.4. Other reserves

Other reserves amounted to € 273 million (2011: € 280 million) and consists of the following items:

- the IFRS acquisition value surplus that arose during the Schwarz Pharma business combination for € 232 million (2011: € 232 million) and;
- the equity component linked to the convertible bond for € 41 million (2011: € 48 million) as a result of UCB's decision to revoke the cash settlement option linked to the convertible bond. The 2012 decrease is the consequence of the partial repurchase of the convertible bond.

21.5. Cumulative translation adjustments

The cumulative translation adjustments reserve represents the cumulative currency translation differences arising upon consolidation of Group companies that use functional currencies other than the Euro.

22. Dividends

The Board of Directors' proposal to pay a gross dividend of € 1.00 (2011: € 0.98 per share) to the holders of the 180 597 755 UCB shares, or a total distribution of € 181 million (2011: € 180 million) for the business year 2011 was approved by the UCB shareholders at their annual general meeting on 26 April 2012, and was thus reflected in the first half of 2012.

23. Borrowings

On 30 June 2012, the Group's weighted average interest rate was 4.75% (2011: 5.31%) 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 3.73% (2011: 4.49%) post hedging.

Further to the outstanding debt capital market instruments and the syndicated revolving credit facility (undrawn per 30 June 2012), UCB has access to certain committed and non-committed bilateral credit facilities as well as the Belgian commercial paper market. In this respect, in May 2012, UCB entered into a 7 year floating rate bullet loan agreement with the European Investment Bank (EIB) for an amount of € 150 million. This loan was granted to UCB in support of its research and development programme in the therapeutic fields of severe disorders of the central nervous system.

The evolution of the Group's net indebtedness (non-current and current, including finance lease liabilities) is shown below:

€ million	2012 Reviewed	2011 Audited[1]
Balance at 1 January	**87**	**340**
Bank overdrafts	14	17
Bank loans	54	302
Finance lease	19	21
Entry in the scope	**3**	**0**
Loans drawn	**558**	**345**
Repayments	**-259**	**-592**
Bank Loans	-258	-590
Finance lease	-1	-2
Net change in bank overdrafts	**2**	**-3**
Foreign currency impacts	**0**	**-3**
Net investment hedge	**0**	**0**
As at reporting date	**391**	**87**
Bank overdraft	16	14
Bank loans	357	54
Finance lease	18	19

24. Bonds

During the current interim period, UCB did not issue any new bonds. The carrying amounts of the bonds are as follows:

€ million	Coupon rate	Maturity date	2012 Reviewed	2011 Audited[1]
Non-current				
Convertible bond	4.50%	2015	388	444
Retail bond	5.75%	2014	777	773
Institutional Eurobond	5.75%	2016	518	513
Total non-current bonds			**1 683**	**1 730**

24.1. Convertible bond

The convertible bond recognised in the Statement of financial position is calculated as follows:

€ million	2012 Reviewed	2011 Audited[1]
Balance at 1 January	**444**	**432**
Effective interest expense	17	33
Nominal interest accrued for / not yet due	-4	-4
Nominal interest accrual of previous period, paid in current period	4	4
Interest paid	-11	-23
Unamortised transaction cost upon initial recognition	0	0
Amortisation charge for the period	1	1
Repurchase of convertible bond	-63	0

As at reporting date	**388**	**444**

[1] The reporting date for the comparative period is 31 December 2011

24.2. Retail bond

The carrying amount of the retail bond for the six months ended 30 June 2012 amounted to € 777 million (31 December 2011: € 773 million). The Group designates derivative financial instruments under fair value hedges to the retail bond. The increase in the carrying amount of the retail bond is fully attributable to the increase in fair value of the hedged portion of the retail bond, and is almost fully offset by a change in fair value of the corresponding derivative financial instruments.

24.3. Institutional Eurobond

The carrying amount of the institutional Eurobond bond for the six months ended 30 June 2012 amounted to € 518 million (31 December 2011: € 513 million). The Group designates derivative financial instruments under fair value hedges to the institutional Eurobond.

25. Other financial liabilities

The other financial liabilities include, next to the financial derivatives, a share swap transaction of 4.3 million UCB shares OTC for a total amount of € 159 million (see Note 28.2).

26. Provisions

26.1. Environmental provisions

The environmental provisions decreased from € 47 million as per end December 2011 to € 45 million at the end of the current interim period, due to the release of certain environmental provisions related to the divestiture of the Surface Specialties business. This relates to the divested sites on which UCB has retained full responsibility in accordance with the contractual terms agreed upon with Cytec Industries Inc. In the first half of 2012, a part of the provision related to the Surface Specialties business was reversed.

26.2. Restructuring provisions

The restructuring provisions decreased from € 35 million as per end December 2011 to € 29 million at the end of the current interim period, including the further payments related to the SHAPE programme announced in August 2008, the exit from the primary care sector in the U.S. announced in January 2010 and other severance costs related to 2012 (see Note 11).

26.3. Tax provisions

The tax provisions decreased from € 413 million as per end December 2011 to € 400 million as per 30 June 2012. Provisions for tax risks are recorded if UCB considers that tax authorities might challenge a tax position taken by the Group or a subsidiary.

26.4. Other provisions

The other provisions decreased from € 48 million as per end December 2011 to € 47 million at 30 June 2012, and relate mainly to product liability and litigation claims. Provisions for litigation comprise mainly provisions for litigations where UCB or a subsidiary is or might be a defendant against claims of previous employees. Product liability provisions relate to the risks related to the normal course of business and for which the Group might be liable by selling these kinds of drugs. An assessment is performed with respect to the above-mentioned risks together with the Group legal advisers and experts in the different domains.

27. 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 amortisation, 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.

For the six months ended 30 June € million	2012 Reviewed	2011 Reviewed
Adjustment for non-cash transactions	**22**	**118**
Depreciation and amortisation	115	127
Impairment / reversal (-) charges	1	6
Equity settled share based payment expense	-2	1
Adjustment IAS39	-29	-38
Unrealised exchange gain (-) / losses	-70	61
Change in provisions & employee benefits	-8	-41
Change in inventories and bad debt provisions	15	2
Adjustment for items to disclose separately under operating cash flow	**2**	**44**
Tax charge of the period	2	44
Adjustment for items to disclose under investing and financing cash flow	**67**	**65**
Gain (-) / loss on disposal of fixed assets	2	0
Dividend income (-) / expenses interest income (-) / expenses	0	0
Interest income (-) / expenses	65	65
Change in working capital		
Inventories movement per consolidated BS	-64	-2
Trade and other receivable and other assets movement per consolidated BS	108	-58
Trade and other payable movement per consolidated BS	135	-173
Non-cash items[1]	-71	6
Change in inventories and bad debt provisions disclosed separately under operating cash flow	-15	-2
Change in interest receivable / payable disclosed separately under operating cash flow	-20	-16
Change in dividend receivable disclosed under investing cash flow	0	0
Change in dividend payable disclosed under financing cash flow	23	-1
Change in payable balance disclosed under cash flow from discontinued operations	0	1
Currency translation adjustments	-7	55
As it appears in the consolidated cash flow statement	**89**	**-190**

[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.

28. Related party transaction

28.1. Key management compensation

There were no changes with respect to the related parties identified and disclosed in the 2011 Annual Report.

Key management compensation as disclosed below comprises compensation recognised in the income statement for members of the Board of Directors and the Executive Committee, for the six months ended 30 June 2012 where they exercised their mandate.

€ million	2012 Reviewed
Short-term employee benefits	6
Termination benefits	0
Post-employment benefits	2
Share-based payments	2
Total key management compensation	**10**

28.2. Shareholders and shareholders structure

UCB controlling and major shareholdings on 30 June 2012

		Current	Voting	Date (According to the notification in compliance with the Law of 2 May 2007)
	Capital €	**550 095 156**		
	Shares	**183 365 052**		
1	Financière de Tubize S.A. (Tubize)	66 370 000	36.20%	5 October 2011
2	UCB S.A.	1 171 270	0.64%	30 June 2012
	Assimilated securities[1]	2 500 000	1.36%	26 June 2012
	Options[2]	6 606 638		27 April 2012
3	UCB Fipar S.A.	1 261 619	0.69%	30 June 2012
	Assimilated securities[3]	1 800 000	0.98%	27 April 2012
4	UCB S.C.A.	1	0.00%	5 October 2011
5	Schwarz Vermögensverwaltung GmbH	2 471 404	1.35%	5 October 2011
	Tubize + linked companies + Concert 5 (excluding options)	**75 574 294**	**41.22%**	**30 June 2012**
6	Capital Research and Management Company (voting interests)[4]	21 717 895	11.84%	30 October 2008
7	Vanguard Health Care Fund	5 821 811	3.17%	30 March 2012

[1] On June 26th 2012, UCB S.A. sold 2.5 million UCB shares OTC for settlement on June 29th 2012 at a price of € 38.8302 per share. In combination with this spot transaction, also on 26th June 2012, UCB S.A. repurchased 2.5 million UCB shares OTC for settlement on 29th March 2013, together a share swap transaction

[2] If all options were exercised this would represent an additional voting right of 3.60%

[3] On April 27th 2012, UCB Fipar S.A. sold 1.8 million UCB shares OTC for settlement on May 3rd 2012 at a price of € 34.50 per share. In combination with this spot transaction, also on 27th April 2012, UCB Fipar S.A. repurchased 1.8 million UCB shares OTC for settlement on 29th October 2012, together a share swap transaction

[4] Including the UCB shares held by Euro Pacific Growth Fund which exceed 3% of UCB share capital

Tubize has declared acting in concert with Schwarz Vermögensverwaltung GmbH & Co KG.

29. Commitments and contingencies

29.1. Contingent assets and liabilities

No significant events have taken place in the first half of the year, hence there have been no material changes in the contingent assets or liabilities disclosed in the 2011 Annual Report (p. 85).

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.

The UCB Group's activities are subject to tax at various rates around the world computed in accordance with local legislation and practice. Action by governments to increase tax rates or to impose additional taxes may reduce the profitability of the UCB Group. Revisions to tax legislation or to its interpretation may also affect the UCB Group's result in the futures. In addition, any tax authority may initiate a review of the UCB Group's compliance with its tax regime at any time. There are several such reviews pending regarding the UCB Group in a range of jurisdictions such as Germany, the US, the UK, Turkey and India. The UCB Group is not able to predict with certainty the outcome of such reviews, or the impact that such reviews may have on the business of the UCB Group. In the event that such a review resulted in the issue of fines and / or other penalties, this may have a material adverse effect on the profitability of the Group.

Among the matters UCB is involved in, are the Reglan® product liability cases, a commercial dispute arbitration matter initiated by Genentech against the company, and a Civil Investigation Demand (CID) initiated by the U.S. Attorney Office for the Eastern District of Pennsylvania:

- Reglan was acquired by UCB as part of the Schwarz acquisition and was sold by the Company in 2008. Presently, there are more than 5 000 cases in which the Company is named as a defendant. There are currently no cases scheduled for trial.
- Genentech initiated an arbitration against UCB Celltech alleging improper termination of an agreement with Centocor. UCB Celltech has an indemnity agreement with Centocor for any such damages. The parties are awaiting decision.
- UCB also received the above referred CID relating certain Cimzia® programs and is cooperating fully with the authorities to provide the requested information. As with all litigations the outcome cannot be predicted with any certainty, but the company has viable defense that are being asserted in each of these cases.

29.2. Capital commitments

At 30 June 2012, the Group has committed to spend approximately € 102 million principally with respect to capital expenditure on the construction of a biological pilot plant in Braine, Belgium and a biological plant in Bulle, Switzerland.

UCB has entered into long term development agreements with various pharmaceutical, clinical trial operators and private equity companies. Such collaboration agreements include milestone payments which are dependent on successful clinical development or on meeting specified sales targets. At 30 June 2012, the Group had commitments payable within the coming half year of approximately € 7 million with respect to intangible assets.

29.3. Guarantees

Guarantees arising in the normal course of business are not expected to result in any material financial loss.

30. Events after the reporting period

There were no events after the closing of the reporting period.

Statutory auditor's report on the review of the condensed consolidated interim financial information for the period ended 30 June 2012

Introduction

We have reviewed the accompanying consolidated balance sheet of UCB SA and its subsidiaries (the 'Group') as of 30 June 2012 and the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in the equity and the consolidated cash flow statement for the six-month period then ended, as well as the explanatory notes. The board of directors is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with IAS 34 as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union.

Sint-Stevens-Woluwe, 31 July 2012

PwC Bedrijfsrevisoren / Reviseurs d'Entreprises

Represented by

Jean Fossion

Bedrijfsrevisor / Réviseur d'entreprises

Responsibility statement

We hereby confirm that, to the best of our knowledge, the condensed consolidated financial statements for the six-month period ended 30 June 2012, which has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union, gives 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 interim management report includes a fair review of the important events that have occurred during the first six months of the financial year and of the major transactions with the related parties, and their impact on the condensed consolidated financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year.

On behalf of the Board of Directors

Roch DOLIVEUX,

Chairman of Executive Committee & CEO

Detlef THIELGEN,

Executive Vice President & CFO