2014 half-year management report

30 July 2014

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1. Business performance review[1]

1.1. Key highlights

- **Revenue** in the first six months of 2014 grew by 6% to € 1 757 million or by 10% at constant exchange rates (CER). **Net sales** increased to € 1 562 million by 7% (+11% CER). This growth was driven by the performance of the core medicines Cimzia®, Vimpat® and Neupro®, more than overcompensating generic competition to Keppra® and other mature products. Royalty income and fees reached € 81 million. Other revenue increased by 8% driven by payments received from Sanofi and the European Investment Bank.
- **Recurring EBITDA** increased to € 391 million by 29% (+40% CER) despite headwind from foreign exchange rates reflecting a strong net sales growth, lower operating expenses with stable research and development expenses.
- **Net profit** increased from € 68 million by 66% to € 113 million.
- **Core earnings per share** went up to € 1.22 from € 0.70 in the first half of 2013.

For the six months ended 30 June[1]	Actual		Variance	
€ million	**2014**	2013 (restated)[2]	Actual rates	CER
Revenue	**1 757**	**1 657**	**6%**	**10%**
Net sales	1 562	1 466	7%	11%
Royalty income and fees	81	85	-5%	-6%
Other revenue	114	106	8%	9%
Gross profit	**1 195**	**1 139**	**5%**	**10%**
Marketing and selling expenses	-375	-413	9%	5%
Research and development expenses	-446	-444	0%	-2%
General and administrative expenses	-102	-107	5%	3%
Other operating income / expenses (-)	2	3	-7%	-8%
Recurring EBIT (REBIT)	**274**	**178**	**54%**	**74%**
Non-recurring income / expenses (-)	-47	-19	>-100%	>-100%
EBIT (operating profit)	**227**	**159**	**43%**	**64%**
Net financial expenses (-)	-67	-72	7%	6%
Profit before income taxes	**160**	**87**	**83%**	**>100%**
Income tax expenses (-) / credit	-48	-22	>-100%	>-100%
Profit from continuing operations	**112**	**65**	71%	>100%
Profit / loss (-) from discontinued operations	1	3	-58%	-58%
Net profit	**113**	**68**	**66%**	**100%**
Attributable to UCB shareholders	137	59	>100%	>100%
Attributable to non-controlling interest	-24	9	>-100%	>-100%
Recurring EBITDA	**391**	**303**	**29%**	**40%**
Capital expenditures (including intangible assets)	91	152	-40%	n.a.
Net financial debt[3]	1 729	2 000	-14%	n.a.
Cash flow from operating activities	174	2	>100%	n.a.
Weighted average number of shares (million - non-diluted)	**191**	**182**	5%	n.a.
EPS (€ per weighted average number of shares - non diluted)	**0.72**	**0.32**	**>100%**	**>100%**
Core EPS (€ per weighted average number of shares - non diluted)	**1.22**	**0.70**	**75%**	**92%**

1 Due to rounding, some financial data may not add up in the tables included in this management report.
2 Restatement related to IFRS 10.
3 Except for the net financial debt, where 2013 relates to balance as at 31 December 2013, restated.

1.2. 2014 key events

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

Important agreements / initiatives

- January 2014 - **UCB and Biogen Idec enter agreement to develop and commercialize multiple sclerosis and hemophilia therapies in Asia.** The relationship leverages UCB's expertise and presence in Asia to bring Biogen Idec's innovative therapies to patients in new markets. The exclusive agreements grant UCB the right to commercialize Biogen Idec products in South Korea, Hong Kong, Thailand, Singapore, Malaysia and Taiwan, and both develop and commercialize products in China.
- March 2014 - **UCB Convertible Bond Early Redemption.** UCB completed the conversion of its € 500 million 4.50% Convertible Bonds due in 2015, which it had opted to early redeem in January 2014. The resulting share capital is € 583 516 974 with the total number of shares with voting rights at 194 505 658.
- March 2014 - **UCB and Sanofi partner for breakthrough innovation in immune-mediated diseases.** Scientific and strategic collaboration for the discovery and development of innovative anti-inflammatory small molecules which have the potential to treat a wide range of immune-mediated diseases in areas such as gastroenterology and arthritis. Under the terms of the agreement, Sanofi and UCB will share costs and profits on a 50/50 basis. UCB will be entitled to initial upfront, preclinical and clinical development milestone payments from Sanofi, potentially exceeding € 100 million.
- June 2014 - **UCB and European Investment Bank (EIB) partner to accelerate development of new medicines for patients.** Innovative partnership agreement to provide "at-risk co-development funding" of up to € 75 million for the development of selected UCB compounds.
- July 2014 - **UCB and Dermira enter into strategic collaboration in dermatology to broaden patient access to Cimzia®**. This collaboration, which gives Dermira exclusive rights to develop Cimzia® in psoriasis in the U.S., Canada and the EU, aims to broaden patient access and is driven by positive Phase 2 results in psoriasis and Phase 3 results in psoriatic arthritis.

Regulatory update and pipeline progress

Central Nervous System (CNS)

- In March 2014, UCB returned to Biotie the global rights to ***tozadenant*** (SYN115), a selective inhibitor of the adenosine 2a receptor for the treatment of Parkinson's disease. This decision was made following an assessment of UCB's early and late stage clinical development pipeline as well as its preclinical opportunities and does not reflect any concerns regarding safety or efficacy of *tozadenant*.
- Discussions with regulatory agencies in the U.S., the EU and Asia to move **Vimpat®** (*lacosamide*) into Phase 3 development for primary generalized tonic-clonic seizures (PGTCS) support the decision by UCB to start the Phase 3 program early 2015.
- In July 2014, positive topline results from the latest Phase 3 study with ***brivaracetam*** showed reduced partial-onset seizure frequency and improved responder rates, both with statistical significance. The most commonly reported adverse events were somnolence, dizziness, fatigue and headache. This study was designed to evaluate the efficacy and safety of brivaracetam (100 and 200 mg/day, without titration) compared to placebo, as adjunctive treatment in adult focal epilepsy patients with partial-onset seizures, not fully controlled despite treatment with one or two concomitant antiepileptic drugs (AEDs). Submissions to U.S. and EU regulatory authorities are planned for early 2015.

Immunology

- In January 2014, the New England Journal of Medicine published results from a Phase 2 trial evaluating ***romosozumab*** (CDP7851 / AMG785) in osteoporosis in postmenopausal women that showed significant increases in low bone mineral density at both spine and hip. In June 2014, first patients have been enrolled in a Phase 3 study to compare the efficacy and safety of *romosozumab* in men with osteoporosis; first results are expected in H2 2016.
- **UCB4940**, a large molecule for immunological diseases has successfully passed Phase 1 and achived "POC-lite" (proof-of-concept). Phase 2 has started in June 2014 with first headline results expected in H2 2015.
- **UCB5857**, a small molecule for immunological diseases has successfully passed a Phase 1 study. Phase 2 studies are expected to begin in early 2015.
- For **UCB7665**, a large molecule for immunological diseases, Phase 1 has been initiated.

2. Operating and financial review[1]

The financial information included in this management report should be read in conjunction with the condensed consolidated interim financial information and the consolidated financial statements as at 31 December 2013. This condensed consolidated interim financial information has been reviewed, not audited.

Scope change: As a result of the divestiture 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 income statement.

Core EPS: The net 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 intangible assets linked to sales, per non-diluted, weighted average number of shares.

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

2.1. Net sales by product

€ million	Actual June YTD		Variance %	
	2014	2013	Actual rates	CER
Core products	**672**	**537**	**25%**	**29%**
Cimzia®	353	272	30%	35%
Vimpat®	217	185	17%	21%
Neupro®	102	80	27%	29%
Other products	**890**	**929**	**-4%**	**0%**
Keppra® (including Keppra® XR)	339	361	-6%	-2%
Zyrtec® (including Zyrtec-D® / Cirrus®)	93	133	-30%	-25%
Metadate™ CD (including *methylphenidate ER*)	66	18	>100%	>100%
Xyzal®	48	47	2%	4%
Nootropil®	26	29	-9%	0%
omeprazole	24	30	-22%	-18%
Other	294	310	-5%	-2%
Total net sales	**1 562**	**1 466**	**7%**	**11%**

In the first six months 2014, net sales grew to € 1 562 million a plus of 7% compared to the first six months of 2013, or +11% at constant exchange rate (CER).

Core products

Cimzia® (*certolizumab pegol*), for inflammatory TNF mediated diseases continued its growth path and showed net sales of € 353 million, +30% (+35% CER), supported by continuously broadened patient access in Japan (partner Astellas) and with additional indications to patients in the U.S. and the EU.

Vimpat® (*lacosamide*), for adjunctive therapy for epilepsy continued its growth trajectory in the first six months 2014 with an increase of 17% (+21% CER) achieving net sales of € 217 million.

Neupro® (*rotigotine*), the patch for Parkinson's disease and restless legs syndrome, continued to grow, driven by broader patient access in the U.S. since 2012 and the launch in Japan in 2013 (partner Otsuka). In the first six months, net sales reached € 102 million, +27% (+29% CER).

Other products

Keppra® (*levetiracetam*), for epilepsy continued to decline as expected, reporting net sales of € 339 million, down by 6% (-2% CER), driven by the U.S. and Europe. However, emerging markets and in Japan (partner Otsuka, E Keppra®) showed strong growth with +12% and +48% respectively.

Zyrtec® (*cetirizine*), for allergy, decreased net sales by 30% to € 93 million (-25% CER), due to generic competition.

Metadate ™ **CD** (*methylphenidate HCI*, including *methylphenidate ER*) for attention deficit and hyperactivity disorders reached net sales of € 66 million, after € 18 million in the first six months 2013, supported by generic product.

Xyzal® (*levocetirizine*), for allergy, reached stable net sales of € 48 million, +2%.

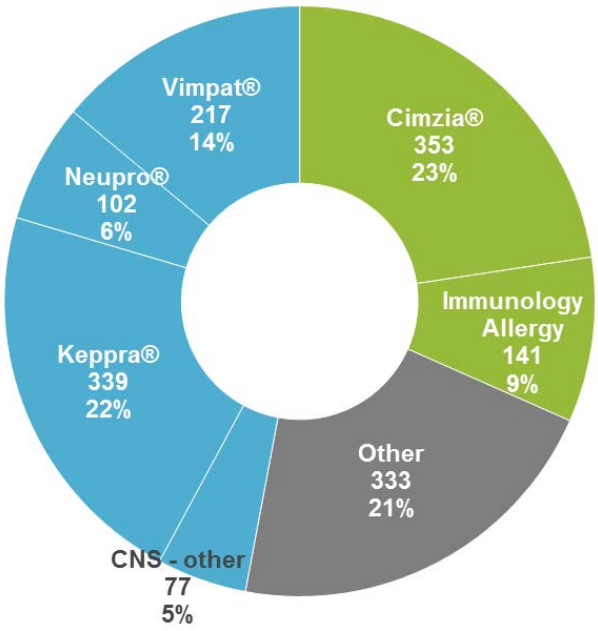
Nootropil® (*piracetam*), for cognitive disorders, reached net sales of € 26 million (-9%).

omeprazole, a generic product for hyperacidity disease, had net sales of € 24 million (-22%; -18% CER) due to the competitive environment.

Other products: net sales for other products decreased by 5% to € 294 million. At constant currency rates (CER) the decrease was 2%.

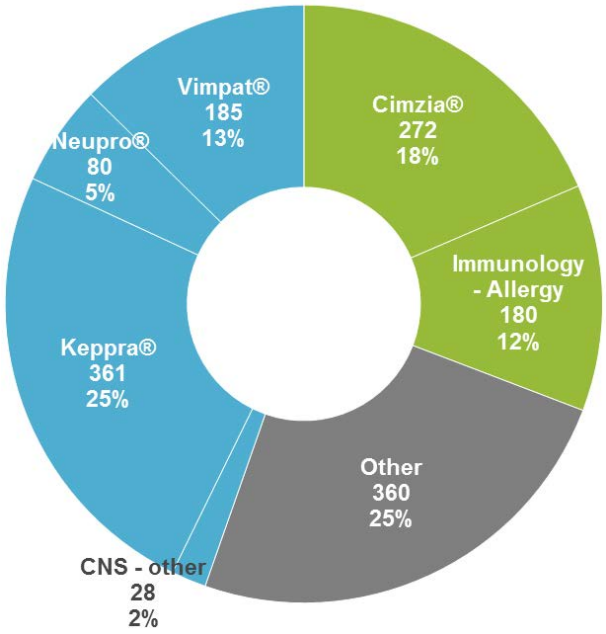
Net sales - HY 2014

€ 1 562 million



Net sales - HY 2013

€ 1 466 million



2.2. Net sales by geographical area

€ million	Actual June YTD		Variance - actual rates		Variance - CER	
	2014	2013	€ million	%	€ million	%
Net sales - North America	**669**	**580**	**90**	**15%**	**120**	**21%**
Cimzia®	214	174	40	23%	50	29%
Vimpat®	158	139	19	13%	26	19%
Neupro®	24	16	8	50%	9	56%
Keppra® (including Keppra® XR)	97	112	-15	-13%	-11	-9%
Metadate™ CD (including *methylphenidate ER*)	66	18	48	>100%	51	>100%
omeprazole	24	30	-7	-22%	-6	-18%
Other	86	90	-4	-4%	0	0%
Net sales - Europe	**572**	**567**	**5**	**1%**	**6**	**1%**
Cimzia®	106	78	28	36%	29	37%
Vimpat®	52	42	10	25%	10	25%
Neupro®	67	60	6	11%	6	11%
Keppra®	141	162	-21	-13%	-21	-13%
Zyrtec® (including Cirrus®)	39	37	2	6%	2	7%
Xyzal®	24	25	-1	-4%	-1	-3%
Nootropil®	13	14	-1	-5%	-1	-4%
Other	131	149	-19	-12%	-19	-13%
Net sales - Japan	**114**	**107**	**7**	**6%**	**18**	**17%**
Cimzia®	19	8	11	>100%	14	>100%
Neupro®	8	2	6	>100%	6	>100%
E Keppra®	39	26	13	48%	17	66%
Zyrtec® (including Cirrus®)	35	61	-26	-43%	-22	-36%
Xyzal®	12	10	2	22%	2	22%
Other	0	0	0	-11%	0	0%
Net sales - Emerging markets	**147**	**164**	**-17**	**-11%**	**-1**	**-1%**
Cimzia®	3	3	0	-22%	0	-15%
Vimpat®	2	2	1	56%	1	72%
Neupro®	1	1	0	12%	0	24%
Keppra®	44	40	5	12%	9	23%
Nootropil®	13	15	-2	-12%	1	5%
Zyrtec® (including Cirrus®)	12	26	-14	-56%	-13	-49%
Xyzal®	8	10	-2	-19%	-1	-10%
Other	64	67	-3	-6%	2	3%
Net sales - Rest of World	**49**	**53**	**-4**	**-8%**	**-2**	**-4%**
Cimzia®	12	9	3	28%	3	36%
Vimpat®	4	2	2	69%	2	83%
Neupro®	2	1	1	>100%	1	>100%
Keppra®	18	22	-4	-16%	-3	-13%
Zyrtec®(including Cirrus®)	4	5	0	-2%	0	-2%
Xyzal®	2	2	0	1%	0	1%
Other	6	12	-6	-52%	-6	-50%
Unallocated	**12**	**-4**	15	n.s.	15	n.s.
Total net sales	**1 562**	**1 466**	**96**	**7%**	**156**	**11%**

North America net sales reported by UCB reached € 669 million in the first six months of 2014, an increase of 15% from the year before. At constant exchange rates (CER), the increase would have been 21%. Cimzia® grew net sales by 23% (+29% CER) to € 214 million. Vimpat®, reached net sales of € 158 million, up 13% (+19% CER). Neupro® showed net sales of € 24 million, plus 50% (+56% CER). Keppra® declined to € 97 million, down by 13% (-9% CER), due to continued generic competition. Metadate™ CD net sales were € 66 million after € 18 million in the first six months 2013, this increase was supported by the launch of generic product in 2013. *Omeprazole*, reported net sales of € 24 million (-22%; -18% CER). The net sales of the other products in this region reached € 86 million or -4% (0% CER).

Europe net sales were stable (+1%) at € 572 million in the first six months of 2014. Cimzia® net sales grew by 36% to € 106 million. The anti-epileptic drug Vimpat® increased net sales by 25% to € 52 million. Neupro® showed net sales of € 67 million up by 11%. Keppra® net sales represented € 141 million, a decrease of 13%, due to continued generic competition and price reductions. Within the allergy franchise, Zyrtec® reached net sales of € 39 million (+6%) while Xyzal® decreased by 4% to € 24 million, due to further generic competition. All other products contributed € 144 million to European net sales, a reduction of 13% versus the previous year, mainly due to generic competition.

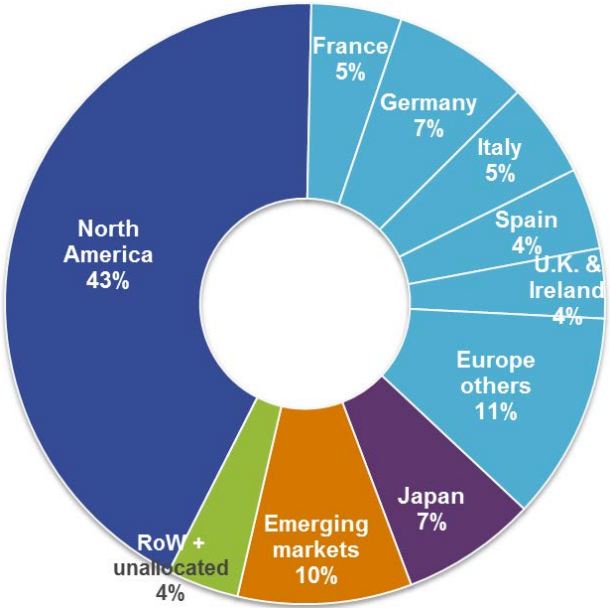
Japan net sales increased to € 114 million by 6% (+17% CER). Newly launched medicines in 2013 – together with our partners, Cimzia® and Neupro® reached net sales of € 19 million after € 8 million and € 8 million after € 2 million respectively. E Keppra® net sales were € 39 million, plus 48% (+66% CER). Zyrtec®, affected by the continued generic erosion, decreased by 43% to € 35 million while Xyzal® showed net sales of € 12 million (+22%).

Emerging markets net sales were € 147 million in the first half of 2014, a decrease by 11% (-1% CER), driven by unfavourable exchange rates, competition to mature products like the allergy products while Cimzia®, Vimpat® and Neupro® are being launched these markets.

"Rest of the World" net sales amounted to € 49 million, -8% (-4% CER). While Cimzia®, Vimpat® and Neupro® are being successfully launched in these countries, competition to mature products lead to this decrease.

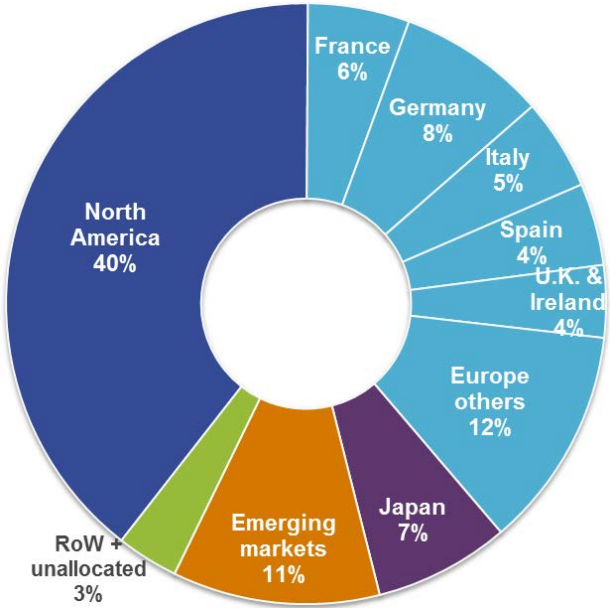
Net sales - HY 2014

€ 1 562 million



Net sales - HY 2013

€ 1 466 million



North America: U.S. and Canada
Europe: Albania, Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Finland, France (including French territories), Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom and Vatican
Emerging markets: Brazil, Russia, India, China, Mexico and Turkey

2.3. Royalty income and fees

€ million	Actual June YTD		Variance %	
	2014	2013	Actual rates	CER
Biotechnology IP	37	42	-13%	-16%
Toviaz®	8	14	-40%	-40%
Zyrtec® U.S.	13	10	31%	36%
Other	23	19	18%	19%
Royalty income and fees	**81**	**85**	**-5%**	**-6%**

In the first six months of 2014, royalty income and fees amounted to € 81 million, down by 5% compared to the same period last year. Biotechnology intellectual property (IP) royalties and the franchise royalties paid by Pfizer for overactive bladder franchise decreased due to generic competition while Zyrtec® U.S. royalty income on over-the-counter sales and other royalty income from out-licensed product increased.

2.4. Other revenue

€ million	Actual June YTD		Variance %	
	2014	2013	Actual rates	CER
Contract manufacturing sales	30	45	-33%	-32%
Novartis product profit sharing	14	16	-10%	-10%
Astellas (Cimzia®) / Otsuka (E Keppra®, Neupro®)	12	28	-57%	-57%
Other	58	17	>100%	>100%
Other revenue	**114**	**106**	**8%**	**9%**

Other revenue for the first half of 2014 increased to € 114 million, up 8%, driven by payments received from Sanofi on the scientific and strategic collaboration agreement for the discovery and development of innovative anti-inflammatory small molecules (announced in March 2014) and co-development funding for the development of selected UCB compounds from the European Investment Bank (announced in June 2014), both reported under “Other”. Contract manufacturing sales decreased to € 30 million, due to the end of the contract manufacturing agreements for the products Delsym™ and Equasym®. The profit-sharing agreement with Novartis on selected products in Germany represents € 14 million. Milestone payments received for Cimzia® and E Keppra® in Japan reached € 12 million. In 2013, UCB received an upfront payment from the out-licensing of *olokizumab* to R-Pharm, reported under “Other”.

2.5. Gross profit

€ million	Actual June YTD		Variance %	
	2014	2013 (restated)[1]	Actual rates	CER
Revenue	**1 757**	**1 657**	**6%**	**10%**
Net sales	1 562	1 466	7%	11%
Royalty income and fees	81	85	-5%	-6%
Other revenue	114	106	8%	9%
Cost of sales	**-562**	**-518**	**-9%**	**-9%**
Cost of sales products and services	-405	-372	-9%	-9%
Royalty expenses	-88	-68	-30%	-30%
Amortization of intangible assets linked to sales	-69	-78	12%	11%
Gross profit	**1 195**	**1 139**	**5%**	**10%**

1 Restatement related to IFRS 10.

In the first six months of 2014, gross profit increased by 5% to € 1 195 million, following the increase in net sales.

Cost of sales has three components:

- The **cost of sales for products and services** increased by € 33 million or 9% to € 405 million, due to higher sales and product mix.
- **Royalty expenses** increased to € 88 million mainly as a result of higher royalties related to UCB's core products.

€ million	Actual June YTD		Variance %	
	2014	2013	Actual rates	CER
Biotechnology IP	-23	-21	-10%	-7%
Other	-65	-47	-39%	-41%
Royalty expenses	**-88**	**-68**	**-30%**	**-30%**

- **Amortization 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 amortization expenses of the intangible assets for which products have already been launched amounted to € 69 million in half-year 2014, and is € 9 million lower compared to the same period of 2013, due to the expiration of the write-down period of certain intangible assets.

2.6. Recurring EBIT and recurring EBITDA

€ million	Actual June YTD		Variance %	
	2014	2013 (restated)[1]	Actual rates	CER
Revenue	**1 757**	**1 657**	**6%**	**10%**
Net sales	1 562	1 466	7%	11%
Royalty income and fees	81	85	-5%	-6%
Other revenue	114	106	8%	9%
Gross profit	**1 195**	**1 139**	**5%**	**10%**
Marketing and selling expenses	-375	-413	9%	5%
Research and development expenses	-446	-444	0%	-2%
General and administrative expenses	-102	-107	5%	3%
Other operating income / expenses (-)	2	3	-7%	-8%
Total operating expenses	**-920**	**-961**	**4%**	**2%**
Recurring EBIT (REBIT)	**274**	**178**	**54%**	**74%**
Amortization of intangible assets	84	94	-11%	-11%
Depreciation charges	33	31	4%	5%
Recurring EBITDA (REBITDA)	**391**	**303**	**29%**	**40%**

1 Restatement related to IFRS 10.

Operating expenses, encompassing marketing and selling expenses, research and development expenses, general and administrative expenses and other operating income / expenses, went down by 4% to € 920 million reflecting:

- € 38 million lower **marketing and selling expenses** reflecting continued improvement and constantly striving for improved resource allocation;
- stable **research and development expenses** reflecting a well advanced, late-stage clinical development pipeline and a growing early pipeline;
- € 5 million lower **general and administrative expenses** driven by continued improvements;

Recurring EBIT is up by 54% (+74% CER) achieving € 274 million.

- Amortization of intangible assets went down from € 94 million to € 84 million, due to the expiration of the write-down period of certain intangible assets;
- Depreciation charges went up by € 2 million to € 33 million.

Recurring EBITDA increased by 29% (+40% CER) to € 391 million compared to the same period in 2013. Despite the headwind from foreign currency rates, this reflects the higher net sales partnered with lower operating expenses – while R&D expenses remained stable.

2.7. Net profit and core EPS

€ million	Actual YTD June		Variance %	
	2014	2013 (restated)[1]	Actual rates	CER
Recurring EBIT	**274**	**178**	**54%**	**74%**
Impairment charges	-26	-8	>-100%	>-100%
Restructuring expenses	-14	-11	-28%	-30%
Gain on disposals	11	8	19%	14%
Other non-recurring income / expenses (-)	-18	-8	>-100%	>-100%
Total non-recurring income / expenses (-)	**-47**	**-19**	**>-100%**	**>-100%**
EBIT (operating profit)	**227**	**159**	**43%**	**64%**
Net financial expenses (-)	-67	-72	7%	6%
Profit before income taxes	**160**	**87**	**83%**	**>100%**
Income tax expenses (-) / credit	-48	-22	>-100%	>-100%
Profit from continuing operations	**112**	**65**	**71%**	**>100%**
Profit / loss (-) from discontinued operations	1	3	-58%	-58%
Net profit	**113**	**68**	**66%**	**100%**
Attributable to UCB shareholders	137	59	>100%	>100%
Attributable to non-controlling interests	-24	9	>-100%	>-100%
Net profit attributable to UCB shareholders	**137**	**59**	**>100%**	**>100%**
After-tax non-recurring items and financial one-offs	46	14	>100%	>100%
Profit / loss (-) from discontinued operations	-1	-3	58%	58%
Amortization of intangibles linked to sales	69	78	-12%	-11%
Taxes on amortization of intangibles	-18	-21	15%	15%
Core net profit attributable to UCB shareholders	**233**	**127**	**84%**	**>100%**
Weighted average number of shares (million)	191	182	5%	n.a.
Core EPS attributable to UCB shareholders	**1.22**	**0.70**	**75%**	**92%**

[1] Restatement related to IFRS 10.

Total non-recurring income / expenses (-) amounted to € 47 million pre-tax expense after € 19 million expense in 2013, including € 35 million impairment charges related to *tozadenant*, € 14 million severance costs, € 11 million gain on disposal of intangible assets and € 10 million other expenses mainly related to litigations. The 30 June 2013 non-recurring expenses included € 8 million impairment charges and € 11 million severance costs.

Net financial expenses were € 67 million compared to € 72 million in 2013, down by 7% mainly due to the early redemption of the convertible bond in March 2014, partially offset by interest expenses related to the € 350 million senior unsecured bonds issued in October 2013.

The **average tax rate** on recurring activities was 24% compared to 23% in the same period of last year. A provision release reduced the 2013 tax rate.

Net profit reached €113 million, a plus of 66%.

Net profit attributable to non-controlling interest was € -24 million, after € 9 million in the first six months 2013.

Net profit attributable to UCB shareholders for the first six months reached € 137 million, i.e. € 78 million higher than the prior year.

The net 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 linked to sales, amounts to a **core net profit** of € 233 million, 84% higher than in 2013.

Core earnings per share, which reflect the net profit attributable to UCB shareholders after the tax effect of non-recurring items, financial one-offs and the amortization of intangibles, increased from € 0.70 in June 2013 to € 1.22 as per end June 2014, based on 191 million weighted average number of shares outstanding (2013: 182 million).

2.8. Balance sheet

Intangible assets decreased by € 59 million from € 1 312 million at 31 December 2013 to € 1 253 million at 30 June 2014. This includes the impairment of *tozadenant* (€ 35 million), the on-going amortization of the intangible assets (€ 84 million) mainly related to the acquisition of Celltech in 2004 and Schwarz Pharma in 2006, the addition of intangible assets mainly related through in-licensing deals (€ 11 million), capitalization of software development costs (€ 13 million) and the impact of the stronger US$ and British pound.

A € 35 million increase in **goodwill** to € 4 729 million between 31 December 2013 and 30 June 2014 reflects the impact of the increasing US$ and British pound.

Other non-current assets increased by € 93 million, from € 1 330 million to € 1 423 million, mainly driven by the tangible and deferred tax assets.

The decrease of **current assets** from € 2 424 million as of 31 December 2013 to € 2 319 million as of 30 June 2014 reflects a decrease in cash and equivalents. Cash remains at € 638 million covering the retail bond maturing in November 2014. Inventories and trade receivables as part of working capital remained stable.

UCB's **shareholders' equity**, at € 4 657 million, representing 48% of total liabilities and equity, increased by € 334 million between 31 December 2013 and 30 June 2014. The important changes stem from the net profit after non-controlling interest (€ 113 million), the conversion of the convertible bond (€ 419 million) offset with the dividend payments (€ -199 million).

The decrease in **non-current liabilities** from € 3 092 million to € 2 767 stems from the conversion of the convertible bond.

A slight decrease in **current liabilities** from € 2 345 million to € 2 300 million.

The **net debt** of € 1 729 million, a decrease of € 271 million compared to € 2 000 million as per end December 2013, relates to the conversion of the convertible bond, the dividend payment on the 2013 results and the dividend paid related to the perpetual subordinated bond, the further investment in intangible and tangible assets, off-set by the underlying net profitability.

2.9. Cash flow statement

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

- **Cash flow from operating activities** amounted € 174 million in the first half of 2014 compared to € 2 million in the same period of 2013. This stems from the underlying net profitability and improved working capital
- **Cash flow from investing activities** showed an outflow of € 86 million in the first six months of 2014 compared to € 140 million in the corresponding period of 2013 including the committed investments in the biological plant in Bulle (Switzerland) .
- **Cash flow from financing activities** had an outflow of € 201 million compared to an inflow of € 192 million in the first half of 2013. The 2014 outflow covers mainly the dividend to UCB shareholders. The 2013 inflow reflects the issuance of the retail bond and the second installment received from the European Investment Bank, offset by the dividend paid to UCB shareholders.

2.10. Outlook 2014

In 2014, UCB expects the continued growth of Cimzia®, Vimpat®, Neupro® to drive company growth.

UCB confirms the 2014 **revenue** to grow to approximately € 3.5-3.6 billion. **Recurring EBITDA** should increase to approximately € 740-770 million. **Core earnings per share** reflect a higher number of shares and are expected in the range of € 1.90-2.05 based on an average of 192 million shares outstanding.

3. Condensed consolidated financial statements

3.1. Condensed consolidated income statement

For the six months ended 30 June € million	Note	2014 Reviewed	2013 Restated[1]
Continuing operations			
Net sales	4.6	1 562	1 466
Royalty income and fees		81	85
Other revenue		114	106
Revenue		**1 757**	**1 657**
Cost of sales		-562	-518
Gross profit		**1 195**	**1 139**
Marketing and selling expenses		-375	-413
Research and development expenses		-446	-444
General and administrative expenses		-102	-107
Other operating income / expenses (-)	4.8	2	3
Operating profit before impairment, restructuring and other income and expenses		**274**	**178**
Impairment of non-financial assets	4.9	-26	-8
Restructuring expenses	4.10	-14	-11
Other income / expenses (-)	4.11	-7	0
Operating profit		**227**	**159**
Financial income	4.12	31	32
Financing costs	4.12	-98	-104
Profit / loss (-) before income taxes		**160**	**87**
Income tax expense (-) / credit	4.13	-48	-22
Profit / loss (-) from continuing operations		**112**	**65**
Discontinued operations			
Profit / loss (-) from discontinued operations	4.14	1	3
Profit for the period		**113**	**68**
Attributable to equity holders of UCB S.A.		137	59
Attributable to non-controlling interests		-24	9
Basic earnings per share (€)[2]			
From continuing operations		0.71	0.31
From discontinued operations		0.01	0.01
Total basic earnings per share		**0.72**	**0.32**
Diluted earnings per share (€)[3]			
From continuing operations		0.71	0.31
From discontinued operations		0.01	0.01
Total diluted earnings per share		**0.72**	**0.32**

1 Restatement related to IFRS 10.

2 The weighted average number of shares in issue during the interim period, for the purposes of the basic earnings per share calculation, is 190 661 655 (2013: 181 899 163).

3 The weighted average number of shares during the interim period, for the purposes of the diluted earnings per share calculation is 190 661 655 (2013: 192 997 083).

3.2. Condensed consolidated statement of comprehensive income

For the six months ended 30 June € million	2014 Reviewed	2013 Restated[1]
Profit for the period	**113**	**68**
Other comprehensive income		
Items to be reclassified to profit or loss in subsequent periods		
Net gain / loss (-) on available for sale financial assets	-1	-2
Exchange differences on translation of foreign operations	32	-16
Effective portion of gains / losses (-) on cash flow hedges	-19	13
Net gain / loss (-) on hedge of net investment in foreign operation	0	0
Income tax relating to the components of other comprehensive income to be reclassified to profit or loss in subsequent periods	0	0
Items not to be reclassified to profit or loss in subsequent periods		
Remeasurement of defined benefit obligation	-48	-24
Income tax relating to the components of other comprehensive income not to be reclassified to profit or loss in subsequent periods	3	3
Other comprehensive income / loss (-) for the period, net of tax	**-33**	**-26**
Total comprehensive income for the period, net of tax	**80**	**42**
Attributable to UCB S.A. shareholders	102	34
Attributable to non-controlling interests	-22	8
Total comprehensive income for the period, net of tax	**80**	**42**

1 Restatement related to IFRS 10

3.3. Condensed consolidated statement of financial position

€ million	Note	30 June 2014 Reviewed	31 Dec. 2013 Restated[1]	1 Jan. 2013 Restated[1]
Assets				
Non-current assets				
Intangible assets	4.15	1 253	1 312	1 386
Goodwill	4.16	4 729	4 694	4 808
Property, plant and equipment	4.17	736	722	602
Deferred income tax assets		561	498	505
Financial and other assets (incl. derivative financial instruments)	4.18	126	110	132
Total non-current assets		**7 405**	**7 336**	**7 433**
Current assets				
Inventories	4.19	625	627	616
Trade and other receivables		1 008	972	828
Income tax receivables		9	9	13
Financial and other assets (incl. derivative financial instruments)		39	66	40
Cash and cash equivalents		638	750	326
Assets of disposal group classified as held for sale		0	0	0
Total current assets		**2 319**	**2 424**	**1 823**
Total assets		**9 724**	**9 760**	**9 256**
Equity and liabilities				
Equity				
Capital and reserves attributable to UCB shareholders	4.20 - 4.21	4 810	4 454	4 486
Non-controlling interests		-153	-131	-123
Total equity		**4 657**	**4 323**	**4 363**
Non-current liabilities				
Borrowings	4.22	266	269	193
Bonds	4.23	1 388	1 758	1 697
Other financial liabilities (incl. derivative financial instruments)	4.24	8	13	39
Deferred income tax liabilities		100	112	123
Employee benefits		351	294	290
Provisions	4.25	326	330	435
Trade and other liabilities		328	316	304
Total non-current liabilities		**2 767**	**3 092**	**3 081**
Current liabilities				
Borrowings	4.22	133	135	197
Bonds	4.23	581	588	0
Other financial liabilities (incl. derivative financial instruments)	4.24	183	195	200
Provisions	4.25	38	46	51
Trade and other liabilities		1 263	1 267	1 299
Income tax payables		102	114	65
Assets of disposal group classified as held for sale		0	0	0
Total current liabilities		**2 300**	**2 345**	**1 812**
Total liabilities		**5 067**	**5 437**	**4 893**
Total equity and liabilities		**9 724**	**9 760**	**9 256**

1 Restatement related to IFRS10

3.4. Condensed consolidated statement of cash flows

For the six months ended 30 June € million	Note	2014 Reviewed	2013 Restated[1]
Profit attributable to UCB shareholders		**137**	**59**
Non-controlling interests		-24	9
Adjustment for profit (-) / loss from discontinued operations		-1	-3
Adjustment for non-cash transactions	4.26	70	162
Adjustment for items to disclose separately under operating cash flow	4.26	48	22
Adjustment for items to disclose under investing and financing cash flow	4.26	40	52
Change in working capital	4.26	11	-261
Cash flow generated from operations		**281**	**40**
Tax paid during the period		-107	-38
Net cash flow generated from operating activities		**174**	**2**
Acquisition of intangible assets		-31	-34
Acquisition of property, plant and equipment		-60	-118
Acquisition of subsidiaries, net of cash acquired		-10	0
Acquisition of other investments		0	-1
Sub-total acquisitions		**-101**	**-153**
Proceeds from sale of intangible assets		12	0
Proceeds from sale of property, plant and equipment		3	12
Proceeds from sale of business unit, net of cash disposed		0	0
Proceeds from sale of other investments		0	1
Dividends received		0	0
Sub-total disposals		**15**	**13**
Net cash flow from investing activities		**-86**	**-140**
Proceeds from issuance of share capital		0	3
Proceeds from issuance of bonds		0	249
Repayment of bonds (-)		0	0
Proceeds from borrowings		186	461
Repayment of borrowings (-)		-186	-325
Payment of finance lease liabilities		-2	-1
Acquisition (-) / issuance of treasury shares		47	42
Dividend paid to UCB shareholders, net of dividend paid on own shares		-222	-205
Interest received		5	13
Interest paid		-29	-45
Net cash flow from financing activities		**-201**	**192**
Cash from discontinued operations		**0**	**-2**
Net increase / decrease (-) in cash and cash equivalents		**-113**	**52**
Net cash and cash equivalents at the beginning of the period		**745**	**316**
Effect of exchange rate fluctuations		1	-1
Net cash and cash equivalents at the end of the period		**633**	**367**
Of which cash and cash equivalents		638	379
Of which bank overdrafts		-5	-12

1 Restatement related to IFRS10.

3.5. 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 2014 (restated)[1]	**2 154**	**295**	**-168**	**2 510**	**61**	**-469**	**-6**	**22**	**55**	**4 454**	**-131**	**4 323**
Profit for the period				137						137	-24	113
Other comprehensive income / loss (-)					-45	30	-1	-19		-35	2	-33
Total comprehensive income				**137**	**-45**	**30**	**-1**	**-19**		**102**	**-22**	**80**
Capital increase	460									460		460
Dividends				-199						-199		-199
Share-based payments				13						13		13
Transfer between reserves			14	-14						0		0
Treasury shares			33							33		33
Equity component linked to the convertible bond					-41					-41		-41
Dividend to shareholders of perpetual subordinated bonds				-12						-12		-12
Business combination										0		0
Balance at 30 June 2014 (reviewed)	**2 614**	**295**	**-121**	**2 435**	**-25**	**-439**	**-7**	**3**	**55**	**4 810**	**-153**	**4 657**

Balance at 1 January 2013	**2 151**	**295**	**-239**	**2 662**	**49**	**-378**	**-3**	**-4**	**55**	**4 588**	**5**	**4 593**
Effect of adoption IFRS10 (Note 4.3)				-102						-102	-128	-230
Balance at 1 January 2013 (restated)[1]	**2 151**	**295**	**-239**	**2 560**	**49**	**-378**	**-3**	**-4**	**55**	**4 486**	**-123**	**4 363**
Profit for the period				59						59	9	68
Other comprehensive income / loss (-)					-21	-15	-2	13		-25	-1	-26
Total comprehensive income				**59**	**-21**	**-15**	**-2**	**13**		**34**	**8**	**42**
Capital increase	3									3		3
Dividends				-182						-182		-182
Share-based payments				7						7		7
Transfer between reserves			17	-17						0		0
Treasury shares			25							25		25
Equity component linked to the convertible bond										0		0
Dividend to shareholders of perpetual subordinated bonds				-11						-11		-11
Business combination										0		0
Balance at 30 June 2013 (restated)[1]	**2 154**	**295**	**-197**	**2 416**	**28**	**-393**	**-5**	**9**	**55**	**4 362**	**-115**	**4 247**

1 Restatement related to IRFS10

4. Notes

4.1. 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.

This condensed consolidated interim financial information of the Company as at and for the six months ended 30 June 2014 (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 this condensed consolidated interim financial information for issue on 29 July 2014. This condensed consolidated interim financial information has been reviewed, not audited.

The consolidated financial statements of the Group as at and for the year ended 31 December 2013 are available on the UCB website.

4.2. Basis of preparation

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard (IAS) 34, “Interim Financial Reporting” as adopted by the European Union.

This condensed consolidated interim financial information does 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 2013, which have been prepared in accordance with IFRSs.

This condensed consolidated interim financial information is presented in Euro (€) and all values are rounded to the nearest million except where otherwise indicated.

4.3. Accounting policies

Except as noted below, the accounting policies adopted in the preparation of this condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013.

In 2014, the Group adopted IFRS 10, Consolidated Financial Statements, which identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The adoption of this standard resulted in the consolidation of two entities that manage clinical trials for the Group. IAS 27, the previous standard, did not require consolidation of these entities as the Group does not hold any voting rights in the entities and a majority is required to make decisions.

The tables below show the effect on the statement of financial position, the statement of comprehensive income, earnings per share and statement of cash flows.

IFRS 11, Joint Arrangements, seeks to provide users of financial statements with greater clarity about an entity’s involvement in joint arrangements by requiring the entity to recognize the contractual rights and obligations arising from the joint arrangement in which it participates, independently from the arrangement’s legal structure. The adoption of IFRS 11 did not have a financial impact on the Group.

There are no other 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.

Impact on statement of financial position

€ million	Increase / decrease (-) 31 December 2013	1 January 2013
Assets	**-147**	**-101**
Non-current assets		
Intangible assets	-150	-102
Total non-current assets	**-150**	**-102**
Current assets		
Trade and other receivables	-7	-7
Cash and cash equivalents	9	8
Total current assets	**2**	**1**
Liabilities	**132**	**129**
Non-current liabilities		
Other financial liabilities (including derivative financial instruments)	123	125
Total non-current liabilities	**123**	**125**
Current liabilities		
Trade and other liabilities	9	4
Total current liabilities	**9**	**4**
Equity	**-279**	**-230**
Capital and reserves attributable to UCB shareholders	-150	-102
Non-controlling interests	-129	-128

Impact on statement of comprehensive income

€ million	Increase / decrease (-) 31 December 2013	Six months ended 30 June 2013
Net sales		
Other revenue		
Revenue		
Cost of sales	11	4
Gross profit	**11**	**4**
Research and development expenses	-44	-19
Operating profit before impairment, restructuring and other income and expenses	**-33**	**-15**
Impairment of non-financial assets		
Restructuring expenses		
Other income / expenses (-)		
Operating profit	**-33**	**-15**
Financing costs	-21	-4
Profit / loss (-) before income taxes	**-54**	**-19**
Income tax expense (-) / credit		
Profit / loss (-) from continuing operations	**-54**	**-19**
Attributable to UCB shareholders	-46	-33
Attributable to non-controlling interests	-8	14
EPS	-0.26	-0.19

Impact on statement of cash flows

€ million	Increase / decrease (-)	
	31 December 2013	Six months ended 30 June 2013
Cash flows from operating activities	-18	-30
Cash flows from investing activities	28	33
Net increase/decrease (-) in cash and cash equivalents	**10**	**3**

4.4. Estimates

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

In preparing this condensed consolidated interim financial information, the significant judgments 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 2013.

4.5. Financial risk management

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. This condensed consolidated interim financial information does 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 2013. There have been no changes in the Financial Risk Management Committee (FRMC).

Liquidity risk

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

Fair value estimation

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

- Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 – Other valuation techniques for which all inputs 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 market data.

All fair value measurements disclosed are recurring fair value measurements.

As a result of IFRS 13 adoption, the Group reflects the credit and the non-performance risks into its valuation techniques but those changes had no material impact on the valuation.

The following tables presents the Groups financial assets and liabilities measured at fair value at 30 June 2014 and are grouped in accordance with the fair value hierarchy.

Financial assets measured at fair value

€ million - 30 June 2014	Level 1	Level 2	Level 3	Total
Available-for-sale assets				
Quoted equity securities	25	0	0	25
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	8	0	8
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	32	0	32
Call option for non-controlling interest	0	0	0	0

Financial liabilities measured at fair value

€ million - 30 June 2014	Level 1	Level 2	Level 3	Total
Derivative financial liabilities				
Forward foreign exchange contracts – cash flow hedges	0	5	0	5
Forward exchange contracts – fair value through the profit and loss	0	21	0	21
Interest rate derivatives – cash flow hedges	0	2	0	2
Interest rate derivatives – fair value through profit and loss	0	7	0	7

The following tables presents the Groups financial assets and liabilities that are measured at fair value at 31 December 2013 and are grouped in accordance with the fair value hierarchy.

Financial assets measured at fair value

€ million - 31 December 2013	Level 1	Level 2	Level 3	Total
Available-for-sale assets				
Quoted equity securities	17	0	0	17
Quoted debt securities	2	0	0	2
Derivative financial assets				
Forward foreign exchange contracts – cash flow hedges	0	24	0	24
Forward exchange contracts – fair value through the profit and loss	0	17	0	17
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	1	0	1
Call option for non-controlling interest	0	0	0	0

Financial liabilities measured at fair value

€ million - 31 December 2013	Level 1	Level 2	Level 3	Total
Derivative financial liabilities				
Forward foreign exchange contracts – cash flow hedges	0	1	0	1
Forward exchange contracts – fair value through the profit and loss	0	24	0	24
Interest rate derivatives – cash flow hedges	0	1	0	1
Interest rate derivatives – fair value through profit and loss	0	15	0	15

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.

Fair value measurements categorized within level 2 of the fair value hierarchy are calculated using either the "Discounted cash flow" or the "Black and Scholes" method (for FX options only) and market data publicly available.

Fair value measurements using significant unobservable inputs (level 3).

The fair value of the Call Option received as part of the Meizler acquisition discussed in Note 6 of the annual report 2013 is determined using a Monte Carlo Simulation Option Pricing Model. In addition to the market based volatility and Brazilian risk free interest rate, the key assumptions used in this valuation model include unobservable inputs for forecasted revenue and EBITDA amounts.

The fair value as per end June 2014 is zero.

Exchange rates

The following important exchange rates were used in preparing this condensed consolidated interim financial information:

Equivalent of € 1	Closing rate		Average rate	
	30 June 2014	31 December 2013	**30 June 2014**	30 June 2013
USD	1.369	1.379	1.371	1.313
JPY	138.670	145.140	140.407	125.170
GBP	0.800	0.832	0.821	0.851
CHF	1.214	1.225	1.221	1.230

4.6. 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:

Product sales information

Net sales consist of the following:

For the six months ended 30 June € million	**2014 Reviewed**	2013 Reviewed
Cimzia®	353	272
Keppra® (including Keppra® XR)	339	361
Vimpat®	217	185
Neupro®	102	80
Zyrtec® (including Zyrtec-D® / Cirrus®)	93	133
Metadate™ CD (including *methylphenidate ER*)	66	18
Xyzal®	48	47
Nootropil®	26	29
omeprazole	24	30
Other products	294	310
Total net sales	**1 562**	**1 466**

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	**2014 Reviewed**	2013 Reviewed
North America	669	580
Emerging markets	147	164
Germany	115	118
Japan	114	107
Italy	80	72
France	76	80
Spain	68	65
U.K. and Ireland	59	57
Belgium	16	16
Rest of world	218	207
Total net sales	**1 562**	**1 466**

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	**2014 Reviewed**	2013 Audited[1]
Switzerland	276	248
Belgium	238	259
North America	92	91
U.K. and Ireland	83	80
Germany	20	21
Emerging markets	16	13
Japan	7	7
Spain	1	1
France	0	0
Other countries	3	2
Total assets (property, plant and equipment)	**736**	**722**

1 The reporting date for the comparative period is 31 December 2013.

Information about major customers

UCB has two customers which individually account for more than 10% of total net sales at the end of June 2014 (June 2013: one large customer).

In the U.S., sales to three wholesalers accounted for approximately 85% of U.S. sales (June 2013: 86%).

4.7. 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.

4.8. Other operating income / expenses (-)

Other operating income / expenses (-) amounted to € 2 million income in the interim period (2013: € 3 million expenses). Income is mainly as a result of reimbursement by third parties for developments expenses and reversal of provisions, offset by, amortization related to non-production intangible assets.

4.9. 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 recognized. Impairment losses recognized in previous interim periods for certain non-financial assets are not reversed.

In the first half of 2014, management reviewed the non-financial assets (including intangible assets and goodwill) for impairment on the basis of external and internal indicators, and concluded an impairment of € 35 million related to the intangible asset *tozadenant* (2013: an impairment of € 8 million mainly related to the intangible asset CMC544, a development project in oncology out licensed to Pfizer).

The 2013 impairment charge related to the Group property, plant and equipment of the damaged bioplant in Bulle (Switzerland) due to the explosion, was reversed for € 8 million in the 2014 interim period.

4.10. Restructuring expenses

Restructuring expenses amounting to € 14 million (2013: € 11 million) were attributable to severance costs.

4.11. Other income and expense

Other income / expenses (-) amounted to € 7 million expenses in 2014 (2013: € 0 million) and is mainly the result of legal fees, the partial reversal of the insurance cover related to the damaged bioplant in Bulle (Switzerland) (€ 8 million expenses), offset by an € 11 million gain on disposal of intangible assets. 2013 was related to € 8 million legal fees, offset by an € 8 million gain on disposal of tangible assets.

4.12. Financial income and financing costs

The financial income and expenses amounted to € 67 million expenses (2013: € 72 million).

4.13. Income tax expense (-) / credit

The income tax expense for the six months ended 30 June 2014 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	2014 Reviewed	2013 Restated
Current income taxes	-109	-45
Deferred income taxes	61	23
Total income tax expense (-) / credit	**-48**	**-22**

The Group's consolidated effective tax rate in respect of continuing operations for the six months is 30% (2013: 25%).

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 24% (2013: 23%).

4.14. Discontinued operations

The profit from discontinued operations of € 1 million (2013: € 3 million) arose due to the partial reversal of provisions related to the legacy films and chemicals activities of the Group.

4.15. Intangible assets

During the period, the Group added approximately € 11 million (2013: € 24 million) of intangible assets through in-licensing deals. Additionally, the Group capitalized € 13 million (2013: € 10 million) of software development costs.

In the first half of the year, the Group impaired its intangible assets for € 35 million related to *tozadenant* (2013: € 6 million). The impairment charges are detailed in Note 4.9 and have been presented in the income statement under the heading "impairment of non-financial assets".

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

The amortization charge for the period amounted to € 84 million (2013: € 94 million).

4.16. Goodwill

Goodwill was affected by the movements in exchange rates for € 35 million.

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

4.17. Property, plant and equipment

During the period, the Group spent approximately € 60 million (2013: € 118 million) in acquiring new property, plant and equipment, mainly investments in the construction of a biological plant in Bulle (Switzerland) supporting new products.

The Group also disposed of various property, plant and equipment with a carrying amount of approximately € 3 million (2013: € 3 million).

After the review of the property, plant and equipment for an indication of impairment, € 0 million (2013: € 1 million) of impairment charges was assessed for the period.

In the first half of the year, the Group reversed € 8 million impairment related to the damaged bioplant in Bulle (Switzerland). The impairment charges are detailed in Note 4.9 and have been presented in the income statement under the heading “impairment of non-financial assets”.

The depreciation charge for the period amounted to € 28 million (2013: € 27 million).

4.18. Financial and other assets

Non-current financial and other assets amounted to € 126 million at 30 June 2014 (December 2013: € 110 million).

The increase is related to investments in Dermira, Inc, Lomus Pharma, Inc and Beryllium, Inc, offset by a decrease in the fair value of the Wilex and Biotie Therapies investments.

4.19. Write-down of inventories

Included in cost of sales for the six months ended 30 June 2014 are €12 million (2013: € 11 million) allowances recognized to reduce the carrying amount of inventories to their net realizable value.

4.20. Capital and reserves

Share capital and share premium

The issued share capital of the Company amounted to € 584 million at 30 June 2014 (2013: € 550 million), represented by 194 505 658 shares (2013: 183 427 152 shares). There is no authorized, unissued share capital.

At 30 June 2014, the share premium reserves amounted to € 2 030 million (2013: € 1 604 million) and increased due to the conversion of the convertible bond including:

- € 396 million related to the newly issued shares;
- € 38 million related to the equity component linked to the convertible bond;
- € -15 million related to the capital portion of the convertible bond net of tax; and
- € 5 million related to transaction costs and unpaid interests.

Hybrid capital

On 18 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, on 18 March 2016 and each quarter thereafter. After the First Call Date the interest is floating at 3 months EURIBOR + 988.9 bps. The bonds are listed on the Luxembourg Stock Exchange.

The perpetual subordinated bonds qualify as 'Equity' instruments for the Group under IAS 32: Financial Instruments Presentation because:

- The bonds have a perpetual maturity;
- are subordinated;
- UCB may elect to defer interest payments if no Mandatory Payment Events occurred in the previous 12 months on junior securities or repurchases or redemption of parity of junior securities.

Accordingly, interest is not presented as interest expenses in the income statement but accounted for as dividends to the shareholders, 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 2014 and the € 12 million dividend to shareholders of the perpetual subordinated bonds related to the first half of 2014 are presented in retained earnings.

Treasury shares

The Group acquired 3 186 638 shares (2013: 527 564 shares) of UCB S.A. for a total amount of € 120 million (2013: € 20 million) and issued 4 320 694 treasury shares (2013: 1 575 272 treasury shares) for a total amount of € 116 million (2013: € 59 million) in the first half of the year.

At 30 June 2014, the Group retained 3 009 004 treasury shares, of which 2.5 million related to share swap deals (December 2013: 4 143 060 shares of which 3.7 million related to share swap deals). The treasury shares have been acquired in order to honor the exercise of stock options and share awards granted to the Board of Directors and certain categories of employees.

In the current year, 200 000 call options on UCB shares have been exercised impacting treasury shares for € -1 million (2013: 460 000 call options for € -3 million).

Other reserves

Other reserves amounted to € -25 million (2013: € 61 million) and consists of the following items:

- the IFRS acquisition value surplus that arose during the Schwarz Pharma business combination for € 232 million (2013: € 232 million);
- the equity component linked to the convertible bond for € 0 million (2013: € 41 million) as a result of UCB's decision to revoke the cash settlement option linked to the convertible bond (see share capital and share premium).
- the re-measurement value of the defined benefit obligation for € -223 million (2013: € -178 million) is mainly impacted by lower discount rates;
- the redemption liability related to Meizler Biopharma for € -23 million (2013: € -23 million); and
- the purchase of the remaining 25% non-controlling interest in Schwarz Pharma Zuhai Company Ltd. for € -11 million (2013: € -11 million).

Cumulative translation adjustments

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

4.21. Dividends

The Board of Directors' proposal to pay a gross dividend of € 1.04 (2013: € 1.02 per share) to the holders of the 194 505 658 UCB shares, or a total distribution of € 202 million (2013: € 186 million) for the business year 2013 was approved by the UCB shareholders at their annual general meeting on 24 April 2014, and was thus reflected in the first half of 2014.

4.22. Borrowings

On 30 June 2014, the Group's weighted average interest rate was 4.43% (June 2013: 4.42%) 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 3.15% (June 2013: 3.56%) post hedging.

Further to the outstanding debt capital market instruments and the syndicated revolving credit facility (undrawn per 30 June 2014), UCB has access to certain bilateral credit facilities as well as the Belgian commercial paper market.

In this respect, UCB entered into a 7 year floating rate bullet loan agreement with the European Investment Bank (EIB) of which a first installment of € 150 million was received in May 2012, maturing in 2019, and a second installment of € 100 million was received in April 2013, maturing in 2020. This loan was granted to UCB in support of its research and development in the central nervous system.

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

	Carrying amount		Fair value	
€ million	**2014**	2013 (audited)[1]	**2014**	2013 (audited)[1]
Non-current				
Bank borrowings	250	250	250	250
Other long-term loans	6	7	6	7
Finance leases	10	12	10	12
Total non-current borrowings	**266**	**269**	**266**	**269**
Current				
Bank overdrafts	5	5	5	5
Current portion of bank borrowings	126	103	126	103
Debentures and other short-term loans	0	24	0	24
Finance leases	2	3	2	3
Total current borrowings	133	135	133	135
Total borrowings	**399**	**404**	**399**	**404**

1 The reporting date for comparative period is 31 December 2013.

4.23. Bonds

The carrying amounts and fair values of bonds are as follows:

€ million	Coupon rate	Maturity date	Carrying amount		Fair value	
			2014	2013 (audited)[1]	**2014**	2013 (audited)[1]
Non-current						
Convertible bond	4.500%	2015	0	406	0	597
Institutional Eurobond	5.750%	2016	517	516	551	549
EMTN note	3.284%	2019	20	20	21	20
EMTN note	3.292%	2019	55	55	57	55
Retail bond	3.750%	2020	255	248	270	255
Institutional Eurobond	4.125%	2021	360	344	388	360
Retail bond	5.125%	2023	181	169	205	186
Total non-current bonds			**1 388**	**1 758**	**1 492**	**2 022**
Current						
Retail bond	5.750%	2014	581	588	586	595
Total current bonds			**581**	**588**	**586**	**595**

1 The reporting date for the comparative period is 31 December 2013.

Convertible bond

In September 2009, UCB issued senior unsecured convertible bonds amounting to € 500 million, maturing on 22 October 2015 (i.e. 6-year duration). The convertible bonds were issued at 100% of their principal amount, with a coupon of 4.5%, payable semi-annually in arrears. The conversion price was set at € 38.746. Bondholders had the right to convert the bonds into new and / or existing (at the option of the Company) shares of the Company.

In April 2012, UCB purchased € 70 million par value of the outstanding convertible bond for a total proceed of € 82 million.

UCB exercised its option to redeem all outstanding convertible bonds effective on 12 March 2014. A number of bondholders exercised their conversion rights prior to such redemption with respect to an aggregate number of 9 985 convertible bonds (of which 8 585 held by third party investors), resulting in two capital increases for an aggregate amount of € 33 million in capital and € 396 million in issuance premium, and the resulting issuance of an aggregate number of 11 078 506 new UCB shares. 15 convertible bonds, with an aggregate nominal value of € 750 000 were not converted but redeemed on 12 March 2014 at par together with interest accrued to that date.

As per 19 March 2014, UCB S.A. no longer had any convertible bonds outstanding.

The convertible bond recognized in the statement of financial position is calculated as follows:

€ million	**2014 Reviewed**	2013 Audited[1]
Balance at 1 January	**406**	**393**
Effective interest expense	5	31
Nominal interest accrued for / not yet due	-3	-4
Nominal interest accrual of previous period, paid in current period	0	4
Interest paid	0	-19
Unamortized transaction costs upon initial recognition	0	0
Amortization charge for the period	0	1
Repurchase of convertible bond	-1	0
Conversion of convertible bond	-407	0
As at reporting date	**0**	**406**

1 The reporting date for the comparative period is 31 December 2013

Retail bonds

Maturing in 2014 / 2023

During October 2009, UCB completed a public offering of € 750 million fixed rate bonds, due in 2014 and aimed at retail investors. These retail bonds will be redeemed at 100% of their principal amount and carry a coupon and an effective interest rate of 5.75% per annum. The bonds have been listed on the Luxembourg Stock Exchange.

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 existing bonds exchanged in the exchange offer were cancelled by UCB. As a consequence, 574 283 of the retail bonds maturing in 2014 remain outstanding.

The 175 717 new bonds, representing a nominal amount of € 176 million, were issued in October 2013. The new bonds have been listed on NYSE Euronext Brussels.

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 NYSE Euronext Brussels.

Institutional Eurobonds

Maturing in 2016

In December 2009, UCB completed an offering of € 500 million senior unsecured bonds, due in 2016 and aimed at institutional investors. The bonds were issued at 99.635% and will be redeemed at 100% of their principal amount. These bonds carry a coupon of 5.75% per annum while their effective interest rate is 5.8150% per annum. The bonds have been listed on the Luxembourg Stock Exchange.

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 NYSE Euronext Brussels.

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 NYSE 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 NYSE Euronext Brussels.

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.

4.24. Other financial liabilities

The other financial liabilities are primarily comprised of a share swap transaction of 2.5 million UCB shares OTC for a total amount of € 155 million (31 December 2013: 3.7 million UCB shares OTC or € 167 million) (see Note 4.27), and derivative financial liabilities for € 35 million (2013: € 41 million).

4.25. Provisions

Environmental provisions

The environmental provisions decreased from € 30 million as per end December 2013 to € 29 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 2014, a part of the provision related to the Surface Specialties business was reversed.

Restructuring provisions

The restructuring provisions decreased from € 25 million as per end December 2013 to € 19 million at the end of the current interim period, including the further payments related to the SHAPE program announced in August 2008 and other severance costs related to prior years.

Tax provisions

The tax provisions remained constant at € 294 million from per end December 2013 and 30 June 2014. Provisions for tax risks are recorded if UCB considers that tax authorities might challenge a tax position taken by the Group or a subsidiary.

Other provisions

The other provisions decreased from € 27 million as per end December 2012 to € 22 million at 30 June 2014 and relate mainly to litigations and product liabilities. 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.

4.26. 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.

For the six months ended 30 June € million	**2014 Reviewed**	2013 Restated
Adjustment for non-cash transactions	**70**	**162**
Depreciation and amortization	111	120
Impairment / reversal (-) charges	28	8
Equity settled share based payment expense	-2	-10
Other non-cash transactions in PL	-45	-17
Adjustment IAS 39	11	18
Unrealized exchange gain (-) / losses	-26	42
Change in provisions & employee benefits	-4	3
Change in inventories and bad debt provisions	-3	-2
Adjustment for items to disclose separately under operating cash flow	**48**	**22**
Tax charge of the period	48	22
Adjustment for items to disclose under investing and financing cash flow	**40**	**52**
Gain (-) / loss on disposal of fixed assets	-10	-9
Dividend income (-) / expenses	0	0
Interest income (-) / expenses	50	61
Change in working capital		
Inventories movement per consolidated BS	2	-31
Trade and other receivable and other assets movement per consolidated BS	-13	-88
Trade and other payable movement per consolidated BS	-4	-58
As it appears in the consolidated balance sheet and corrected by:	**-15**	**-177**
Non-cash items[1]	28	-67
Change in inventories and bad debt provisions disclosed separately under operating cash flow	3	2
Change in interest receivable / payable disclosed separately under operating cash flow	-28	-37
Change in dividend receivable disclosed under investing cash flow	0	0
Change in dividend payable disclosed under financing cash flow	23	23
Change in payable balance disclosed under cash flow from discontinued operations	0	0
Currency translation adjustments	0	-5
As it appears in the consolidated cash flow statement	**11**	**-261**

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.

4.27. Related party transaction

Key management compensation

There were no changes with respect to the related parties identified and disclosed in the 2013 annual report.

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 six months ended 30 June 2014 where they exercised their mandate.

€ million	2014 Reviewed
Short-term employee benefits	5
Termination benefits	0
Post-employment benefits	1
Share-based payments	3
Total key management compensation	**9**

Shareholders and shareholders structure

Notifications received pursuant to the Law of 2 May 2007 on large shareholdings[1]

Last update: 3 July 2014	Current	Voting[1]	Last relevant notification
Share capital	**€ 583 516 974**		19 March 2014
Total number of voting (= denominator)	**194 505 658**		
Financière de Tubize S.A. ('Tubize')	**66 370 000**	**34.12%**	
Securities carrying voting rights (shares)	66 370 000	34.12%	1 March 2012
UCB S.A./N.V.	**5 865 535**	**3.02%**	
Securities carrying voting rights (shares)	255 535	0.13%	2 July 2014
Assimilated financial instruments (options)[2]	4 160 000	2.14%	8 April 2014
Assimilated financial instruments (other)[2]	1 450 000	0.75%	20 June 2014
UCB Fipar S.A.	**1 297 569**	**0.67%**	
Securities carrying voting rights (shares)	247 569	0.13%	2 July 2014
Assimilated financial instruments[2]	1 050 000	0.54%	20 June 2014
Schwarz Vermögensverwaltung GmbH Co. KG ('Schwarz')	**2 471 404**	**1.27%**	
Securities carrying voting rights (shares)	2 471 404	1.27%	1 March 2012
Tubize[3+4] + UCB S.A./N.V. + UCB Fipar S.A. + Schwarz[4]	**76 004 508**	**39.08%**	
Securities carrying voting rights (shares)	69 344 508	35.65%	
Assimilated financial instruments[2]	6 660 000	3.42%	
Freefloat[5] (securities carrying voting rights (shares))	**121 983 579**	**62.71%**	
Capital Research and Management Company (subsidiary of The Capital Group Companies Inc.)			
Securities carrying voting rights (shares)	13 905 411	7.15%	8 January 2014
Vanguard Health Care Fund			
Securities carrying voting rights (shares)	9 345 949	4.80%	3 March 2014

1 All percentages are calculated on the basis of the current total number of voting rights.
2 Assimilated financial instruments within the meaning of article 6 of the Royal Decree of 14 February 2008 on the disclosure of large shareholders, which, if exercised, grant an additional voting right.
3 Tubize controls UCB S.A./N.V., which indirectly controls UCB Fipar S.A. | article 6, §5, 2° and article 9, §3, 2° of the Law on the disclosure of large shareholders.
4 Tubize and Schwarz have declared to be acting in concert | article 6, §4 and article 9, §3, 3° of the Law on the disclosure of large shareholders.
5 Free float being the UCB shares not held by Tubize, UCB S.A./N.V., UCB Fipar S.A. or Schwarz. Only shares hold by these entities are taken into account for this calculation, to the exclusion of assimilated financial instruments

4.28. Commitments and contingencies

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 2013 annual report (p. 117).

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.

UCB continues to be a defendant in slightly less than 4 600 Reglan® product liability cases. These cases have been largely consolidated in three different jurisdictions, San Francisco, Philadelphia and Atlantic City. Each of the litigations involve claims of injury resulting from alleged failure to warn of the risk associated with the use of the metoclopramide for more than 12 weeks. The vast majority of the claims involve alleged injuries sustained as a result of the use of generic metoclopramide. There are a number of legal issues before the courts awaiting decisions that could impact the timing and outcome of the resolution of these cases.There are no cases scheduled for trial during the year 2014. It is too early to predict with certainty the outcome or potential liability arising from any case that may come to trial in the future. The Company believes it has meritorious defenses to these claims.

UCB Pharma SA (UCB) is a defendant in a litigation initiated by Desitin Arzneimittel GmbH (Desitin) pending at the district court of Hamburg (Germany). Desitin is claiming damages for the loss allegedly suffered from the enforcement of an injunction obtained by UCB against Desitin's trademark "Kepmini" which injunction was later revoked. Desitin is claiming damages in the amount of € 10 million. The court has set a first hearing for 28 October 2014. The Company believes it has meritious defenses against the claim.

Furthermore the Group entered into various agreements in order to conduct its activities which provide for potential contingent liabilities.

It is not anticipated that any other material liabilities will arise from the contingent liabilities other than those provided for in Note 39 of the 2013 annual report.

Capital commitments

At 30 June 2014, the Group has committed to spend € 35 million (2013: € 43 million) principally in relation to capital expenditure on the construction of a biological plant in Bulle (Switzerland) and IT infrastructure. The new manufacturing plant should be operational in 2015.

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 2014, the Group had commitments payable within the coming half year of approximately € 6 million with respect to intangible assets.

Guarantees

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

4.29. Events after the reporting period

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

5. Statutory auditor's report on review of the condensed consolidated interim financial information for the period ended 30 June 2014

Introduction

We have reviewed the condensed consolidated interim financial information of UCB SA and its subsidiaries (the 'Group') as of 30 June 2014, which comprises the condensed consolidated statement of financial position as of 30 June 2014, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows 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 condensed consolidated interim financial information in accordance with IAS 34 as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated 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 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union.

Sint-Stevens-Woluwe, 29 July 2014

PwC Bedrijfsrevisoren / Reviseurs d'Entreprises

Represented by

Jean Fossion

Bedrijfsrevisor / Réviseur d'entreprises

6. Responsibility statement

We hereby confirm that, to the best of our knowledge, the condensed consolidated financial information for the six-month period ended 30 June 2014, 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 information, 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,
Chief Executive Officer

Jean-Christophe TELLIER,
Chairman of the Executive Committee & CEO-elect

Detlef THIELGEN,
Chief Financial Officer

7. Glossary of terms

CER
Constant exchange rates

Core EPS / Core earnings per share
Net 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 linked to sales, divided by the number of shares outstanding.

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

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

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

Net financial debt
Non-current and current borrowings and bank overdrafts less debt securities, restricted cash deposit with respect to financial lease agreements, cash and cash equivalents.

Recurring EBIT (REBIT)
Operating profit adjusted for impairment charges, restructuring expenses, and other exceptional 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 exceptional income and expenses.

Weighted average number of ordinary shares
Number of ordinary shares outstanding at the beginning of the 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.