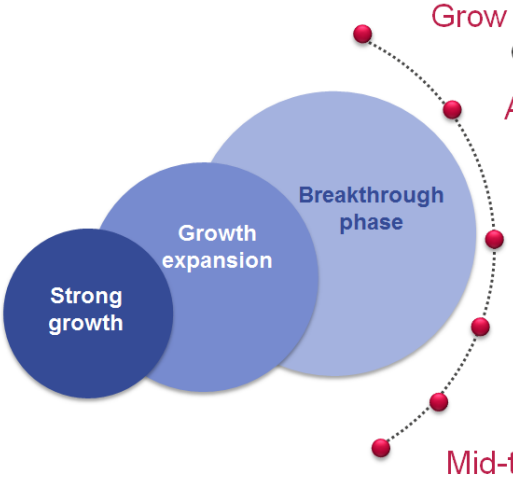

# 2016 half-year management report

**28 July 2016**

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

## UCB continues to deliver on its growth strategy




**Grow Cimzia®, Vimpat® and Neupro®**
Combined net sales: € 1 124 million (+19%)

**Advance and prepare growth expansion**
Briviact® *(brivaracetam)* launched
*Romosozumab*: BLA[1] submitted to U.S. FDA

**Deliver breakthrough solutions**
Strong early pipeline with 9 NMEs[2]

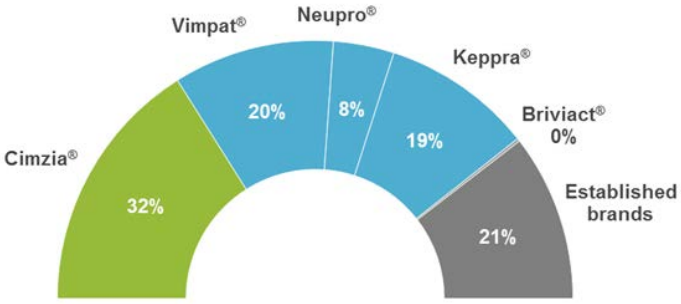
**Continued focus:** nitrates divested

**2016 financial outlook confirmed**

**Mid-term target:**
Competitive 30% rEBITDA margin in 2018

1 BLA: biologic license application
2 NME: new molecular entity

## Net sales breakdown




HY 2016 net sales* € 1 877 million
(+10%; CER: +9%)

* Excluding € 1 million hedging

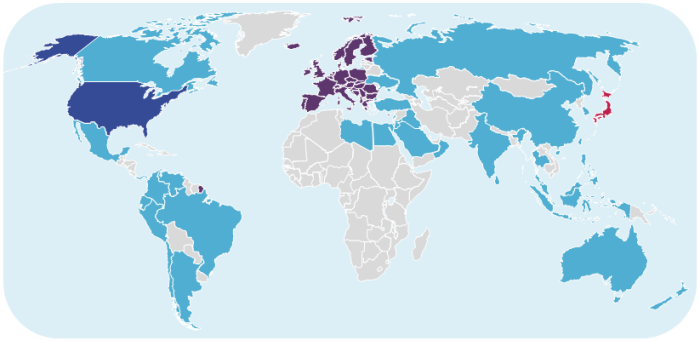
**Cimzia®** +23% (+24% CER)
- Strong performance across all regions

**Vimpat®** +18% (+18% CER)
- Robust growth in all markets

**Keppra®** -8% (-7% CER)
- Continued in-market demand

**Briviact®** € 7 million
- Launched in some EU countries and North America

**Neupro®** +11% (+12% CER)
- Growing in all geographies



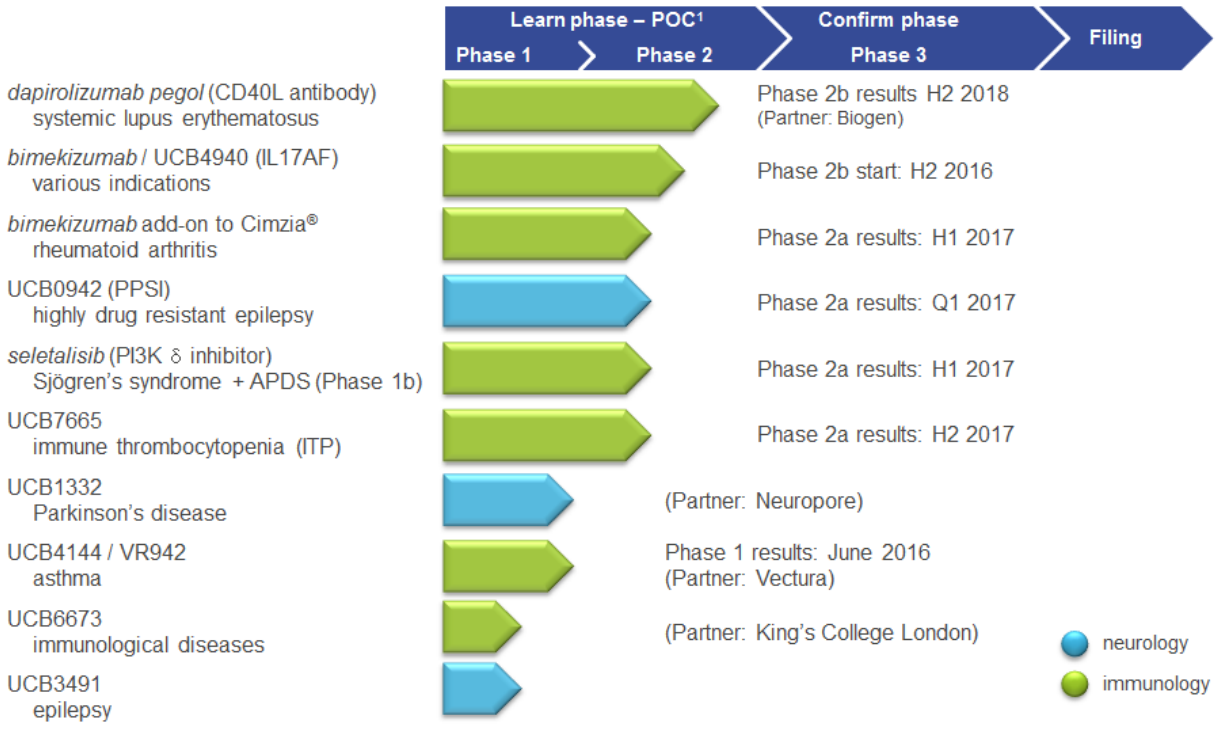
| U.S. | Europe | Japan | Int'l markets |
|---|---|---|---|
| € 864 million | € 624 million | € 132 million | € 257 million |
| % 46 of net sales | % 33 of net sales | % 7 of net sales | % 14 of net sales |
| 1 185 employees | 4 254 employees | 395 employees | 1 809 employees |

# Pipeline

## romosozumab

| | | |
|---|---|---|
| Osteoporosis | Phase 3<br>• Osteoporosis in postmenopausal women<br>• Osteoporosis in men<br><br>Biologic license application submission to U.S. FDA (July 2016) | Amgen |
| **75 million** people (across 7 major pharma markets)[1] | | Study<br>• Frame (Feb. 2016)<br>• Bridge (Mar. 2016)<br>• Arch (H1 2017) |

1 Estimated prevalent cases for all osteoporosis in U.S., Europe and Japan; WHO 2007
WHO Scientific Group on the assessment of osteoporosis at primary health care level




POC: proof of concept

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# 1. Business performance review[1]

## 1.1. Key highlights

- In the first six months of 2016, revenue increased to € 2 019 million by 5% (5% at constant exchange rates (CER)). Net sales went up to € 1 876 million by 10% (+9% CER). This growth was driven by the continued performance of the core products Cimzia®, Vimpat® and Neupro®. Royalty income and fees declined to € 51 million (-40%; -38%CER) mainly due to patent expiration and divestiture. Other revenue reached € 92 million (-28%; -27%CER) mainly due to less milestone payments.
- Recurring EBITDA grew to € 549 million by 18% (+11% CER), reflecting continued strong net sales growth and a continued under-proportional growth of operating expenses.
- Net profit increased from € 289 million to € 316 million (+9%; 0%CER).
- Core earnings per share went up to € 1.72 from € 1.18 in the first half of 2015.

| For the six months ended 30 June[1] | Actual | | Variance | |
|---|---|---|---|---|
| € million | **2016** | 2015 | Actual rates | CER |
| **Revenue** | **2 019** | **1 917** | **5%** | **5%** |
| Net sales | 1 876 | 1 704 | 10% | 9% |
| Royalty income and fees | 51 | 85 | -40% | -38% |
| Other revenue | 92 | 128 | -28% | -27% |
| **Gross profit** | **1 447** | **1 369** | **6%** | **4%** |
| Marketing and selling expenses | -451 | -433 | 4% | 6% |
| Research and development expenses | -458 | -472 | -3% | -2% |
| General and administrative expenses | -87 | -99 | -12% | -11% |
| Other operating income / expenses (-) | -19 | -31 | -39% | -39% |
| **Recurring EBIT (REBIT)** | **432** | **335** | **29%** | **18%** |
| Non-recurring income / expenses (-) | 50 | 80 | -37% | -39% |
| **EBIT (operating profit)** | **482** | **415** | **16%** | **7%** |
| Net financial expenses (-) | -65 | -47 | 40% | 40% |
| Share of net profits of associates | 0 | 1 | -89% | -89% |
| **Profit before income taxes** | **417** | **369** | **13%** | **3%** |
| Income tax expenses (-) / credit | -91 | -108 | -16% | -23% |
| **Profit from continuing operations** | **325** | **261** | 25% | 14% |
| Profit / loss (-) from discontinued operations | -9 | 28 | N.A. | N.A. |
| **Net profit** | **316** | **289** | **9%** | **0%** |
| Attributable to UCB shareholders | 300 | 267 | 12% | 2% |
| Attributable to non-controlling interest | 16 | 22 | -27% | -27% |
| **Recurring EBITDA** | **549** | **464** | **18%** | **11%** |
| Capital expenditures (including intangible assets) | 71 | 97 | -27% | N.A. |
| Net financial debt[2] | 1 346 | 921 | 46% | N.A. |
| Cash flow from continuing operating activities[3] | 258 | 145 | >100% | N.A. |
| **Weighted average number of shares** (non-diluted) | **188** | **192** | -2% | N.A. |
| **EPS** (€ per weighted average number of shares - non diluted) | **1.59** | **1.39** | **15%** | 4% |
| **Core EPS** (€ per weighted average number of shares - non diluted) | **1.72** | **1.18** | **46%** | **34%** |

1 Due to rounding, some financial data may not add up in the tables included in this management report.
2 For the net financial debt, the reporting date for comparative period is 31 December 2015.
3 Interest received has been presented as part of net cash flow generated from operating activities (see cash flow statement)

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 2015. This condensed consolidated interim financial information has been reviewed, not audited.

**Scope change**: As a result of the divestment of the activities Films (in September 2004), Surface Specialties (in February 2005), and the divestiture of Kremers Urban Pharmaceuticals Inc. (November 2015), UCB reports the results from those activities as a part of profit from discontinued operations. Kremers Urban is treated as "discontinued operations" since 1 January 2013.

**Recurring and non-recurring**: Transactions and decisions of a one-time nature that affect UCB's results are shown separately ("non-recurring" items).

Besides EBIT (earnings before interest and taxes or operating profit), a line for "recurring EBIT" (REBIT or recurring operating profit), reflecting the on-going profitability of the company's biopharmaceutical activities, is included. The recurring EBIT is equal to the line "operating profit before impairment, restructuring and other income and expenses" reported in the consolidated financial statements..

**Core EPS** is the core profit, or the profit attributable to the UCB shareholders, adjusted for the after-tax impact of non-recurring items, the financial one-offs, non-recurring income taxes, the after-tax contribution from discontinued operations and the after-tax amortization of intangibles linked to sales, per non-dilutive weighted average number of shares.

## 1.2. 2016 key events

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

### Important agreements / initiatives

- During the first six month 2016, UCB divested its nitrate business to selected parties:
  In January 2016, **UCB divested three cardiovascular products from its established brand portfolio to Merus Labs International Inc.** (Canada). The transaction relates to nitrate products sold in Europe and selected markets and amounted to € 92 million.
  In May 2016, **UCB handed over its nitrate franchise in China** (Elantan® and Isoket®) to Chinese company Jilin Yinglian Biopharmaceutical and its financial partner PAG Asia. The transaction amounted to € 60 million.
  In July 2016, **UCB divested remaining nitrates business** in Russia and Ukraine.
- February 2016 - **UCB entered into an agreement with Avara Pharmaceuticals Services** to divest UCB's Shannon manufacturing site in Ireland.
- March 2016 - **UCB exercised its option to redeem the € 300 million perpetual subordinated bonds**. The perpetual subordinated bonds were issued in 2011 at 99.499% and offered investors a coupon of 7.75% per annum during the first five years.
- June 2016 – Early redemption of the US$ 200 million Lannett senior unsecured notes.
- July 2016 – **UCB out-licensed UCB6352 to Syndax Pharmaceuticals** to develop the antibody which is expected to begin clinical trials in oncology in 2016.

## Regulatory update and pipeline progress

### Neurology

- **Briviact®** (*brivaracetam*) as adjunctive therapy for partial-onset seizures in patients from 16 years of age was approved in EU in January and in the U.S. in February 2016 and received Drug Enforcement Administration (DEA) scheduling in May 2016. Briviact® is now available to patients with epilepsy in the EU and in North America.
- The Phase 3 data for **Vimpat®** (*lacosamide*) as monotherapy in the treatment of adults with partial-onset seizures were filed with the European authorities in January 2016. In July 2016, the Japanese regulatory authorities approved Vimpat® as adjunctive therapy in the treatment of partial-onset seizures in adult patients with epilepsy.
- In February 2016, the Japanese regulatory authorities approved **E Keppra®** (*levetiracetam*) as adjunctive therapy in the treatment of primary generalized tonic-clonic seizures (PGTCS).

All other clinical development programs are continuing as planned.

### Immunology

- In March 2016, UCB announced top-line results from EXXELERATE, the first head-to-head superiority study of two treatments in the anti-TNF class, comparing **Cimzia®** (*certolizumab pegol*) plus methotrexate (MTX) to Humira® (*adalimumab*) plus MTX in adult patients with moderate to severe rheumatoid arthritis who are inadequate responders to MTX. The primary endpoints for superiority were not met, as results between Cimzia® and Humira® were numerically comparable. This study was designed as a treatment approach in line with core principles of the treat-to-target guidelines, which advocate evaluating response early and ensuring a change in therapy for patients not responding at three months.
- In June 2016, the Phase 2b program started for ***dapirolizumab pegol***, an anti-CD40L pegylated Fab being developed in systemic lupus erythematosus jointly with Biogen. The dose-ranging study aims to enroll around 160 patients for 12 months. First results are expected in H2 2018.
- In June, positive results from a Phase 1b study in patients with psoriatic arthritis (PsA) were presented at EULAR (Annual European Congress of Rheumatology) for ***bimekizumab***, an investigational humanized IgG1 monoclonal antibody specifically designed to potently and selectively inhibit the biological function of both IL-17A and IL-17F, two key proinflammatory cytokines. IL-17A and IL-17F are involved in chronic inflammatory processes that drive many severe skin and joint diseases. Phase 2b studies for *bimekizumab* will start this year.
- **UCB7665** started a Phase 2, proof-of-concept (POC) study, in idiopathic thrombocytopenic purpura (ITP) in March 2016; topline results are expected Q3 2017
- In May 2016, ***seletalisib*** started a Phase 1b study in activated PI3 kinase delta syndrome (APDS), a rare cause of immunodeficiency. The Phase 2a study in patients with primary Sjogren's syndrome (pSS) which started in November 2015 is ongoing with first results expected in H1 2017.
- In June 2016, a Phase 1 study successfully completed with **UCB4144/VR942**, an immunomodulatory inhaled biologic for patients with uncontrolled asthma in development partnership with Vectura. The generated data package supports the continued development of UCB4144/VR942 and progression of Phase 2 preparative activities.

All other clinical development programs are continuing as planned.

**Bone**

- In February, UCB and Amgen announced positive top-line results from a Phase 3 study evaluating ***romosozumab*** in postmenopausal women with osteoporosis (FRAME), which met the co-primary endpoints of reducing the incidence of new vertebral fracture through months 12 and 24.

  UCB and Amgen also announced in March positive top-line results from a Phase 3 study evaluating romosozumab in men with osteoporosis (BRIDGE), which met the primary endpoint of increasing bone mineral density at the lumbar spine at 12 months.

  In July, UCB and Amgen submitted the biologics license application (BLA) for romosozumab to the U.S. FDA, based on the FRAME study results in postmenopausal women with osteoporosis.

  All other clinical development programs are continuing as planned.

## 1.3. Net sales by product

Total net sales in the first six months of 2016 increased to € 1 876 million, 10% higher than last year or +9% at constant exchange rates (CER). This was driven by the continued strong growth (+19%; +17% CER) of the core products, Cimzia®, Vimpat® and Neupro®, to combined net sales of € 1 124 million – representing 60% of UCB's total net sales.

Including Keppra® and the newly launched anti-epileptic-drug Briviact®, the combined net sales of all core products reached € 1 485 million or 79% of UCB's total net sales.

| € million | Actual June YTD | | Variance % | |
|---|---|---|---|---|
| | **2016** | 2015 | Actual rates | CER[1] |
| **Core products** | **1 485** | **1 327** | **12%** | **13%** |
| Immunology / Cimzia® | 602 | 490 | 23% | 24% |
| Neurology | | | | |
| Vimpat® | 379 | 323 | 18% | 18% |
| Keppra® (including Keppra® XR) | 354 | 385 | -8% | -7% |
| Briviact® | 7 | | N.A. | N.A. |
| Neupro® | 143 | 129 | 11% | 12% |
| **Established brands** | **392** | **423** | **-7%** | **-4%** |
| Zyrtec® (including Zyrtec-D® / Cirrus®) | **80** | 92 | -13% | -11% |
| Xyzal® | **57** | 60 | -5% | 0% |
| *venlafaxine ER* | **56** | 34 | 62% | 62% |
| Nootropil® | **22** | 27 | -19% | -11% |
| Other products | **177** | 210 | -16% | -12% |
| **Net sales before hedging** | **1 877** | **1 749** | **7%** | **9%** |
| Designated hedges reclassified to net sales | -1 | -46 | | |
| **Total net sales** | **1 876** | **1 704** | **10%** | **9%** |

1 CER: Constant exchange rate

## Core products

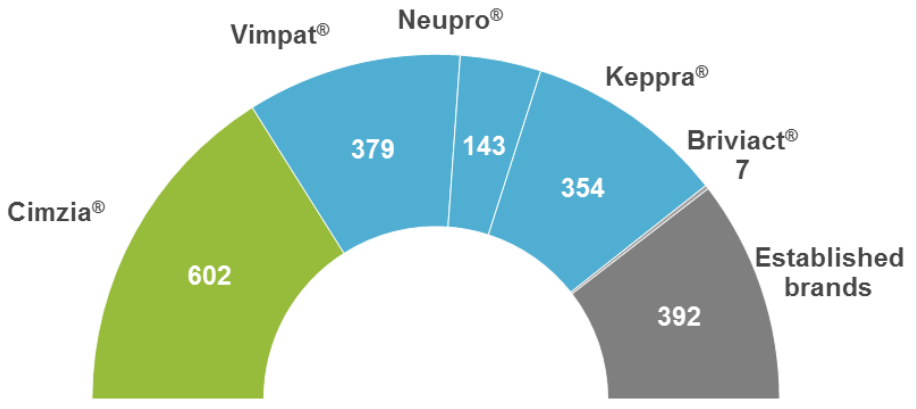
- **Immunology / Cimzia®** (*certolizumab pegol*), for people living with inflammatory TNF mediated diseases, net sales went up to € 602 million, +23% (+24%CER), driven by sustainable growth in all markets where Cimzia® is available to patients.

**Neurology:**

- **Vimpat®** (*lacosamide*) with net sales of € 379 million, +18% (+18%CER) is reaching more and more people living with epilepsy, supported by sustainable growth in all markets where Vimpat® is available to patients.
- **Keppra®** (*levetiracetam*), for epilepsy, net sales were € 354 million, -8% (-7%CER). Mainly as stocking effects in 2015 and in the U.S. did not re-occur in the first six months 2016.
- UCB's epilepsy franchise is strengthened by the first launches of **Briviact®** (*brivaracetam*) in the EU since January and in North America since June 2016 reporting net sales of €7 million in the first six months 2016.
- **Neupro®** (*rotigotine*), the patch for Parkinson's disease and restless legs syndrome, reached net sales of € 143 million, +11% (+12%CER). Mainly due to the sustainable growth in the EU and the strong growth in Japan and international markets.

## Established brands

- **Zyrtec®** (*cetirizine*, including Zyrtec®-D/Cirrus®) and **Xyzal®** (*levocetirizine*), both for allergy, had net sales of € 80 million (-13%; -11%CER) and € 57 million (-5%; 0%CER) respectively, due to generic competition.
- ***Venlafaxine ER*** (*venlafaxine hydrochloride* extended release) for the treatment of depressive and anxiety disorders reached net sales of € 56 million after € 34 million (+62%; +62%CER), benefitting from higher demand in the market.
- **Nootropil®** (*piracetam*), for cognitive disorders, had net sales of € 22 million, declining by 19% (-11%CER) due to mandatory price reductions and divestitures.
- **Other products**: Net sales for other established brands decreased to € 177 million (-16%; -12%CER) due to mandatory price reductions, generic competition and divestitures. Adjusted for the divestitures –mainly the nitrates established brand business- the decline would have been 4%.
- **Designated hedges reclassified for sales and unallocated** were negative with € 1 million reflecting UCB's realized transactional hedging activities which have to be recognized in the "net sales" line according to IFRS. These are mainly related to the U.S. Dollar, the Japanese Yen, the British Pound and the Swiss Franc.

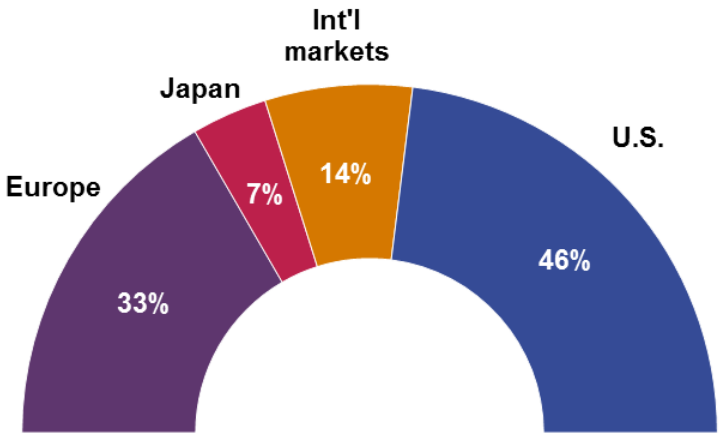



**HY 2016 net sales**
**€ 1 877 million**
(before hedging)

## 1.4. Net sales by geographical area

| € million | Actual June YTD | | Variance - actual rates | | Variance - CER | |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | € million | % | € million | % |
| **Net sales – U.S.** | **864** | **775** | **90** | **12%** | **90** | **12%** |
| Cimzia® | 371 | 321 | 51 | 16% | 51 | 16% |
| Vimpat® | 288 | 244 | 44 | 18% | 44 | 18% |
| Neupro® | 38 | 36 | 2 | 5% | 2 | 5% |
| Keppra® (including Keppra® XR) | 99 | 124 | -26 | -21% | -25 | -20% |
| Briviact® | 4 | | N.A. | N.A. | N.A. | N.A. |
| *venlafaxine ER* | 56 | 34 | 21 | 62% | 21 | 62% |
| Other products | 9 | 15 | -6 | -41% | -6 | -41% |
| **Net sales - Europe** | **624** | **603** | **21** | **3%** | **28** | **5%** |
| Cimzia® | 169 | 137 | 32 | 23% | 35 | 25% |
| Vimpat® | 74 | 64 | 10 | 15% | 10 | 16% |
| Neupro® | 79 | 73 | 6 | 8% | 6 | 9% |
| Keppra® | 122 | 127 | -4 | -3% | -3 | -3% |
| Briviact® | 3 | | N.A. | N.A. | N.A. | N.A. |
| Zyrtec® (including Cirrus®) | 37 | 41 | -4 | -9% | -3 | -7% |
| Other products | 139 | 160 | -22 | -13% | -20 | -13% |
| **Net sales - Japan** | **132** | **124** | **8** | **7%** | **2** | **2%** |
| Cimzia® | 19 | 4 | 16 | > 100% | 14 | > 100% |
| Neupro® | 19 | 15 | 5 | 31% | 5 | 31% |
| E Keppra® | 48 | 51 | -3 | -5% | -6 | -12% |
| Zyrtec® (including Cirrus®) | 23 | 31 | -8 | -26% | -10 | -31% |
| Xyzal® | 22 | 23 | -2 | -7% | -1 | -3% |
| **Net sales – International markets** | **257** | **248** | **9** | **4%** | **33** | **13%** |
| Cimzia® | 42 | 29 | 13 | 44% | 16 | 55% |
| Vimpat® | 18 | 14 | 3 | 23% | 5 | 33% |
| Neupro® | 7 | 5 | 2 | 47% | 3 | 59% |
| Keppra® | 85 | 83 | 2 | 2% | 9 | 11% |
| Other products | 106 | 117 | -11 | -10% | -4 | -3% |
| **Sub-total** | **1 877** | **1 749** | 128 | 7% | 154 | 9% |
| **Designated hedges reclassified to net sales** | **-1** | **-46** | | | | |
| **Total net sales** | **1 876** | **1 704** | **172** | **10%** | **154** | **9%** |

- **U.S. net sales** reached € 864 million, +12% or +12%CER. Key driver was the sustainable growth (+16%; +14%CER) of Cimzia®, Vimpat® and Neupro® combined net sales to € 697 million – 81% of UCB's net sales in the U.S. The Keppra® franchise amounted to € 99 million, down 21% (20% CER) as stocking effects in 2015 did not re-occur in 2016 – as expected. *Venlafaxine ER* reported net sales of € 56 million after € 34 million, benefitting from higher demand in the market. Net sales of the other products reached € 9 million after € 15 million, mainly due to generic competition.
- **Europe net sales** reached € 624 million, up by 3% (+5% CER), driven by the continued growth of Cimzia®, Vimpat® and Neupro® combined net sales to € 322 million (+17%) – representing 52% of UCB's net sales in Europe. Keppra® net sales reached € 122 million, (-3%) due mandatory price reductions. The allergy franchise Zyrtec® reached € 37 million (-9%). Other products contributed € 139 million (-13%).
- **Japan net sales** reached € 132 million, up by 7% (+2%CER). Cimzia® net sales were € 19 million after € 4 million in the first half 2015, reflecting sustainable in-market demand (partner: Astellas). Neupro® grew 31% to € 19 million while E Keppra® had strong in-market growth and reached € 48 million (-5%) due to different shipment patterns; UCB's partner in Japan for both is Otsuka. The allergy franchise continued to decrease due to loss of exclusivity: Zyrtec® was down 26% reaching € 23 million while Xyzal® declined by 7% to € 22 million.
- **International markets** net sales amounted to € 257 million, +4% (+13% CER) driven by the strong growth of Cimzia®, Vimpat® and Neupro® as well as Keppra®.
- **Designated hedges reclassified for sales** were negative with € 1 million reflecting UCB's realized transactional hedging activities which have to be recognized in the "net sales" line according to IFRS.




**HY 2016 net sales**
**€ 1 877 million**
(before hedging)

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

## 1.5. Royalty income and fees

| € million | Actual June YTD | | Variance % | |
|---|---|---|---|---|
| | **2016** | 2015 | Actual rates | CER |
| Biotechnology IP | 26 | 39 | -32% | -28% |
| Zyrtec® U.S. | 15 | 16 | 0% | 0% |
| Toviaz® | 6 | 15 | -57% | -57% |
| Other | 3 | 16 | -82% | -82% |
| **Royalty income and fees** | **51** | **85** | **-40%** | **-38%** |

In the first six months 2016, royalty income and fees decreased from € 85 million to € 51 million, (-40%; -38% CER).

Corresponding to the biotechnology IP expenses, also the biotechnology IP income went down due to patent expirations.

Royalties collected for Zyrtec® in the U.S. were stable.

The franchise royalties paid by Pfizer for the overactive bladder treatment Toviaz® (*fesoterodine*) were adjusted to reflect the quarterly allocation.

Other royalty income and fees are down due to the divestment of out-licensed product in 2015.

## 1.6. Other revenue

| € million | Actual June YTD | | Variance % | |
|---|---|---|---|---|
| | **2016** | 2015 | Actual rates | CER |
| Contract manufacturing sales | 49 | 19 | > 100% | > 100% |
| Product profit sharing | 12 | 13 | -9% | -9% |
| Partnerships in Japan | 10 | 54 | -81% | -81% |
| Partnerships in China | 10 | 21 | -49% | -48% |
| Other | 10 | 21 | -51% | -50% |
| **Other revenue** | **92** | **128** | **-28%** | **-27%** |

**Other revenue** reached € 92 million (-28%) from € 128 million.

**Contract manufacturing sales** amounted to € 49 million and more than doubled as it includes now contract manufacturing for Merus Labs International Inc and Jilin Yinlian Biopharmaceuticals due to the divestiture of the nitrates established brands business to these companies (see page 5 of this report).

The **product profit sharing agreements** for Provas® and Xyzal® reached revenue of € 12 million, 9% lower, mainly driven by the life cycle of these products.

**Partnering activities in Japan** encompass the collaboration with Otsuka focusing on E Keppra® and Neupro®, with Astellas for Cimzia® and with Daiichi Sankyo for Vimpat® and revenue reached € 10 million after € 54 million. 2015 was positively impacted by the milestone payment for the Vimpat® filing in Japan.

Our **partnerships in China** encompass the market rights to UCB's allergy franchise and revenue reached € 10 million (-49%), mainly due to payments linked to the transfer of the marketing rights in 2015.

**"Other"** revenue reached € 10 million (-51%) and includes milestone and other payments from our R&D partners.

## 1.7. Gross profit

| € million | Actual June YTD | | Variance % | |
|---|---|---|---|---|
| | **2016** | 2015 | Actual rates | CER |
| **Revenue** | **2 019** | **1 917** | **5%** | **5%** |
| Net sales | 1 876 | 1 704 | 10% | 9% |
| Royalty income and fees | 51 | 85 | -40% | -38% |
| Other revenue | 92 | 128 | -28% | -27% |
| **Cost of sales** | **-572** | **-548** | **4%** | **5%** |
| Cost of sales products and services | -403 | -379 | 6% | 7% |
| Royalty expenses | -107 | -101 | 6% | 8% |
| Amortization of intangible assets linked to sales | -62 | -68 | -8% | -8% |
| **Gross profit** | **1 447** | **1 369** | **6%** | **4%** |

In the first six months 2016, **gross profit** reached € 1 447 million, plus 6%, due to the net sales growth and improved product mix – the core products Cimzia®, Vimpat®, Neupro® now representing 60% of UCB's total net sales, compared to 55% as per June 2015. The gross margin amounted to 72% after 71% in the first six months 2015.

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

The **cost of sales for products and services** increased 6% to € 403 million.

**Royalty expenses** increased to € 107 million from € 101 million due to the growth of marketed core products, mainly Cimzia® and Vimpat®. The biotechnology IP royalty expenses are impacted by patent expiries per end December 2015.

| € million | Actual June YTD | | Variance % | |
|---|---|---|---|---|
| | **2016** | 2015 | Actual rates | CER |
| Biotechnology IP | 1 | -12 | N.A. | N.A. |
| Other | -108 | -88 | 22% | 24% |
| **Royalty expenses** | -107 | -101 | 6% | 8% |

**Amortization of intangible assets linked to sales**: Under IFRS 3 (Business Combinations), UCB has reflected on its balance sheet a significant amount of intangible assets relating to the Celltech and Schwarz Pharma acquisitions (in-process research and development, manufacturing know-how, royalty streams, trade names, etc.). The amortization expenses of the intangible assets for which products have already been launched decreased to € 62 million after € 68 million per June 2015, and is driven by divestments from the established brands portfolio.

## 1.8. Recurring EBIT and recurring EBITDA

| € million | Actual June YTD | | Variance % | |
|---|---|---|---|---|
| | **2016** | 2015 | Actual rates | CER |
| **Revenue** | **2 019** | **1 917** | **5%** | **5%** |
| Net sales | 1 876 | 1 704 | 10% | 9% |
| Royalty income and fees | 51 | 85 | -40% | -38% |
| Other revenue | 92 | 128 | -28% | -27% |
| **Gross profit** | **1 447** | **1 369** | **6%** | **4%** |
| Marketing and selling expenses | -451 | -433 | 4% | 6% |
| Research and development expenses | -458 | -472 | -3% | -2% |
| General and administrative expenses | -87 | -99 | -12% | -11% |
| Other operating income / expenses (-) | -19 | -31 | -39% | -39% |
| **Total operating expenses** | **-1 015** | **-1 034** | **-2%** | **0%** |
| **Recurring EBIT (REBIT)** | **432** | **335** | **29%** | **18%** |
| Amortization of intangible assets | -82 | -85 | -4% | -4% |
| Depreciation charges | -36 | -43 | -17% | -15% |
| **Recurring EBITDA (REBITDA)** | **549** | **464** | **18%** | **11%** |

**Operating expenses**, encompassing marketing and selling expenses, research and development expenses, general and administrative expenses and other operating income/expenses, reached € 1 015 million, decreasing by 2% and reflecting:

- 4% higher **marketing and selling expenses** of € 451 million. While the continued growth of Cimzia®, Vimpat® and Neupro® enables synergies and efficiencies, UCB is launching Briviact® in the EU and North America since January and June 2016 respectively.
- 3% lower **research and development expenses** of € 458 million. The advances in the late-stage clinical development pipeline and the about to start phase 2b clinical development programs for *bimekizumab* and *dapirolizumab pegol* (second half of 2016) led to lower R&D expenses in the first six months 2016.
- 12% lower **general and administrative expenses** of € 87 million, thanks to tight cost control and continued improvements;
- 39% lower **other operating expenses** of € 19 million, related to grants received and no impairment of receivables as needed in 2015 due to the Greek crisis.

**Recurring EBIT** increased to € 432 million, compared to € 335 million for the first six months 2015.

- total amortization of intangible assets (product related and other) amounted to € 82 million;
- depreciation charges went down 17% to € 36 million.

As foreseen in the agreement between UCB and Lonza for the manufacturing by Lonza of PEGylated antibody fragment-based bulk actives, UCB has participated in the pre-financing of the related capital expenditure. Depreciation charges on this investment for an amount of € 5 million for the first six months 2016 (compared to € 5 million for first six months 2015) are recognized in the cost of sales and are added back for recurring EBITDA calculation purposes.

**Recurring EBITDA** reached € 549 million after € 464 million, a plus by 18% and driven by the higher gross profit and the decrease of operating expenses in the first six months 2016.

## 1.9. Net profit

| € million | Actual YTD June | | Variance % | |
|---|---|---|---|---|
| | **2016** | 2015 | Actual rates | CER |
| **Recurring EBIT** | **432** | **335** | **29%** | **18%** |
| Impairment charges | -11 | -1 | > 100% | > 100% |
| Restructuring expenses | -9 | -10 | -3% | 0% |
| Gain on disposals | 77 | 107 | -28% | -28% |
| Other non-recurring income / expenses (-) | -7 | -16 | -62% | -62% |
| **Total non-recurring income / expenses (-)** | **50** | **80** | **-37%** | **-39%** |
| | | | | |
| **EBIT (operating profit)** | **482** | **415** | **16%** | **7%** |
| Net financial expenses (-) | -65 | -47 | 40% | 40% |
| Result from associates | 0 | 1 | -89% | -89% |
| **Profit before income taxes** | **417** | **369** | **13%** | **3%** |
| Income tax expense (-) / credit | -91 | -108 | 16% | 23% |
| **Profit from continuing operations** | **325** | **261** | **25%** | **14%** |
| Profit / loss (-) from discontinued operations | -9 | 28 | N.A. | N.A. |
| **Net profit** | **316** | **289** | **9%** | **0%** |
| Attributable to UCB shareholders | 300 | 267 | 12% | 2% |
| Attributable to non-controlling interests | 16 | 22 | -27% | -27% |
| **Net profit attributable to UCB shareholders** | **300** | **267** | **12%** | **2%** |
| **Core net profit attributable to UCB shareholders** | **325** | **226** | **43%** | **32%** |
| Weighted average number of shares (million) | 188 | 192 | -2% | N.A. |
| **Core EPS attributable to UCB shareholders** | **1.72** | **1.18** | **46%** | **34%** |

**Total non-recurring income / expenses** (-) amounted to € 50 million pre-tax income, compared to € 80 million pre-tax income in 2015. Main driver of this income is the gain (€ 75 million) from the divestiture of UCB's nitrates established brands in China, Europe and other selected markets (see 2016 key events section) offset with the impairment of oncology molecules and restructuring expenses. The 30 June 2015 non-recurring items included the gain from the divestiture of UCB's established brands in India; restructuring expenses and other expenses related to litigations.

**Net financial expenses** increased to € 65 million from € 47 million, due to the € 28 million impairment of the Lannett warrants received pursuant to the sale of Kremers Urban in 2015.

**Income tax expenses** were € 91 million compared to € 108 million in June 2015. The average effective tax rate on recurring activities was 25% compared to 32.7% in the same period of last year. The effective tax rate for the period to June 2016 has decreased from the previous year due to the adverse impact on the rate in June 2015 of a tax audit.

**Profit/loss from discontinued operations**, reflecting the divestiture and activities respectively of Kremers Urban, reached a loss of € 9 million after a profit of € 28 million in 2015. In November 2015, the divestiture of UCB's U.S. specialty generics business, Kremers Urban, to Lannett was successfully closed.

The **net profit of the Group** amounted to € 316 million (after € 289 million) of which € 300 million is attributable to the UCB shareholders and € 16 million to non-controlling interests. For the first six months of 2015, profit was € 289 million, which included profit from discontinued operations, and of which € 267 million were attributable to UCB shareholders and € 22 million to non-controlling interests.

The **core net profit** attributable to the UCB shareholders of € 325 million (+43%), is leading to **core earnings per share (EPS)** of € 1.72 compared to € 1.18 in 2015 per non-dilutive weighted average number of shares of 188 million and 192 million respectively.

## 1.10. Core EPS

| € million | Actual YTD June | | Variance % | |
|---|---|---|---|---|
| | 2016 | 2015 | Actual rates | CER |
| **Net profit** | **316** | **289** | **9%** | **0%** |
| Attributable to UCB shareholders | 300 | 267 | 12% | 2% |
| Attributable to non-controlling interests | 16 | 22 | -27% | -27% |
| **Net profit attributable to UCB shareholders** | **300** | **267** | **12%** | **2%** |
| Total non-recurring income (-) / expenses | -50 | -80 | 37% | 39% |
| Income tax on non-recurring expenses (-)/ credit | -9 | 13 | N.A. | N.A. |
| Financial one-off income (-) / expenses | 28 | 2 | >100% | >100% |
| Income tax on financial one-off income / expenses (-) | 0 | 0 | N.A. | N.A. |
| Profit (-) / loss from discontinued operations | 9 | -28 | N.A. | N.A. |
| Amortization of intangibles linked to sales | 62 | 68 | -8% | -8% |
| Income tax on amortization of intangibles linked to sales | -16 | -16 | 0% | 0% |
| **Core net profit attributable to UCB shareholders** | **325** | **226** | **43%** | **32%** |
| Weighted average number of shares (million) | 188 | 192 | -2% | N.A. |
| **Core EPS attributable to UCB shareholders** | **1.72** | **1.18** | **46%** | **34%** |

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 intangibles linked to sales, gives rise to a core net profit attributable to the UCB shareholders of € 325 million (+43%), leading to **core earnings per share (EPS)** of € 1.72 compared to € 1.18 in 2015 per non-dilutive weighted average number of shares of 188 million and 192 million respectively.

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## 1.11. Balance sheet

The **intangible assets** decreased by € 140 million from € 1 055 million at 31 December 2015 to € 915 million at 30 June 2016. This includes the ongoing amortization of the intangible assets (€ 78 million), disposal of intangibles of the Nitrates business, partially offset by additions through in-licensing, software and capitalized eligible software development costs.

**Goodwill** down from € 5 164 million at 31 December 2015 to € 5 061 million stemming from the weakened U.S. dollar and British pound compared to December 2015.

**Other non-current assets** decreased by € 137 million, mainly driven by an increase in deferred tax assets, increasing property, plant and equipment, more than offset with the repayment of the US$ 200 million Lannett note.

The **current asset** decrease from € 2 838 million as of 31 December 2015 to € 2 455 million as of 30 June 2016 relates to higher working capital, compensated with decrease in cash due to the repayment of the perpetual subordinated bonds and the payment of taxes related to the sale of Kremers Urban in 2015.

**UCB's shareholders' equity**, at € 5 067 million, a decrease of € 479 million between 31 December 2015 and 30 June 2016. The important changes stem from the net profit after non-controlling interest (€ 300 million), impacted by USD and GBP negative currency translation (€ 143 million), offset with dividend payments (€ 212 million), employee benefits (€ 111 million) and the repayment of hybrid capital (€ 295 million)

The **non-current liabilities** amount € 2 420 million, an increase of € 71 million mainly related to the employment benefits.

The **current liabilities** amounts € 2 706 million, down € 355 million, due to repayment of short term borrowings, decrease of income tax payables related to the sale of Kremers Urban in 2015.

The **net debt** increased by € 425 million from € 921 million as of end December 2015 to € 1 346 million as per end June 2016, and mainly relates to the dividend payment on the 2015 results, the repayment of the perpetual subordinated bonds, payment of taxes related to the sale of Kremers Urban in 2015, the acquisition of own shares offset by the underlying net profitability.

## 1.12. Cash flow statement

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

- **Cash flow from operating activities** amounted € -28 million of which € 258 million from continuing operations compared to € 145 million in 2015. The underlying net profitability is offset with increased working capital.
- **Cash flow from investing activities** showed an inflow of € 260 million in 2016 of which € 83 million from continuing operations compared to € 23 million in 2015. The divestment of cardiovascular products from the established brand portfolio generated € 152 million and Lannett reimbursed the US$ 200 million outstanding senior unsecured loan notes, offset with the investment in tangible and intangible assets.
- **Cash flow from financing activities** has an outflow of € 698 million, which includes the dividend paid to the UCB shareholders and the shareholders of the perpetual subordinated bond, reimbursement of the perpetual subordinated bond, the acquisition of treasury shares and repayment of short term borrowings.

## 1.13. Outlook 2016

In 2016, UCB expects the continued growth of its products driving company growth. UCB will also advance its development pipeline to offer potential new solutions for patients.

2016 **revenue** is expected to grow to approximately € 4.0-4.1 billion. **Recurring EBITDA** should increase to approximately € 970-1 010 million. **Core earnings per share** are therefore expected in the range of € 2.90-3.20 based on an average of 188 million shares outstanding.

The figures for the outlook 2016 as mentioned above are calculated on the same basis as the actual figures for the first six months of 2016 and for 2015 as mentioned earlier in this management report, in the condensed consolidated interim financial information as taken up on the following pages as well as in the consolidated financial statements as at 31 December 2015.

# 2. Condensed consolidated financial statements

## 2.1. Condensed consolidated income statement

| For the six months ended 30 June<br>€ million | Note | 2016<br>Reviewed | 2015<br>Reviewed |
|---|---|---|---|
| **Continuing operations** | | | |
| Net sales | 3.6 | 1 876 | 1 704 |
| Royalty income and fees | | 51 | 85 |
| Other revenue | | 92 | 128 |
| **Revenue** | | **2 019** | **1 917** |
| Cost of sales | | -572 | -548 |
| **Gross profit** | | **1 447** | **1 369** |
| Marketing and selling expenses | | -451 | -433 |
| Research and development expenses | | -458 | -472 |
| General and administrative expenses | | -87 | -99 |
| Other operating income / expenses (-) | 3.9 | -19 | -31 |
| **Operating profit before impairment, restructuring and other income and expenses** | | **432** | **335** |
| Impairment of non-financial assets | 3.10 | -11 | -1 |
| Restructuring expenses | 3.11 | -9 | -10 |
| Other income / expenses (-) | 3.12 | 70 | 91 |
| **Operating profit** | | **482** | **415** |
| Financial income | 3.13 | 29 | 32 |
| Financial expenses | 3.13 | -94 | -79 |
| Net financial expenses (-) | | **-65** | -47 |
| Share of net profits of associates accounted for using the equity method | | **0** | 1 |
| **Profit / loss (-) before income taxes** | | **417** | **369** |
| Income tax expense (-) / credit | 3.14 | -91 | -108 |
| **Profit / loss (-) from continuing operations** | | **325** | **261** |
| **Discontinued operations** | | | |
| Profit / loss (-) from discontinued operations | 3.8 | -9 | 28 |
| **Profit for the period** | | **316** | **289** |
| Attributable to equity holders of UCB S.A. | | 300 | 267 |
| Attributable to non-controlling interests | | 16 | 22 |
| **Basic earnings per share (€)**[1] | | | |
| From continuing operations | | 1.64 | 1.24 |
| From discontinued operations | | -0.05 | 0.15 |
| **Total basic earnings per share** | | **1.59** | **1.39** |
| **Diluted earnings per share (€)**[2] | | | |
| From continuing operations | | 1.64 | 1.24 |
| From discontinued operations | | -0.05 | 0.15 |
| **Total diluted earnings per share** | | **1.59** | **1.39** |

1 The weighted average number of shares in issue during the interim period, for the purposes of the basic earnings per share calculation, is 188 253 608 (2015: 192 108 790).

2 The weighted average number of shares during the interim period, for the purposes of the diluted earnings per share calculation is 188 253 608 (2015: 192 108 790).

## 2.2. Condensed consolidated statement of comprehensive income

| For the six months ended 30 June<br>€ million | 2016<br>Reviewed | 2015<br>Reviewed |
|---|---|---|
| **Profit for the period** | **316** | **289** |
| **Other comprehensive income** | | |
| **Items to be reclassified to profit or loss in subsequent periods** | | |
| Net gain / loss (-) on available for sale financial assets | -9 | 2 |
| Exchange differences on translation of foreign operations | -141 | 284 |
| Effective portion of gains / losses (-) on cash flow hedges | -11 | -10 |
| Income tax relating to the components of other comprehensive income to be reclassified to profit or loss in subsequent periods | | |
| **Items not to be reclassified to profit or loss in subsequent periods** | | |
| Re-measurement of defined benefit obligation | -117 | 18 |
| Income tax relating to the components of other comprehensive income not to be reclassified to profit or loss in subsequent periods | 6 | -4 |
| **Other comprehensive income / loss (-) for the period, net of tax** | **-272** | **289** |
| **Total comprehensive income for the period, net of tax** | | |
| Attributable to UCB S.A. shareholders | 26 | 592 |
| Attributable to non-controlling interests | 18 | -13 |
| **Total comprehensive income for the period, net of tax** | **44** | **578** |

## 2.3. Condensed consolidated statement of financial position

| € million | Note | 30 June 2016 Reviewed | 31 Dec. 2015 Audited |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 3.15 | 915 | 1 055 |
| Goodwill | 3.16 | 5 061 | 5 164 |
| Property, plant and equipment | 3.17 | 681 | 651 |
| Deferred income tax assets | | 875 | 843 |
| Financial and other assets (incl. derivative financial instruments) | 3.18 | 206 | 405 |
| **Total non-current assets** | | **7 738** | **8 118** |
| **Current assets** | | | |
| Inventories | 3.19 | 589 | 566 |
| Trade and other receivables | | 936 | 836 |
| Income tax receivables | | 6 | 19 |
| Financial and other assets (incl. derivative financial instruments) | | 104 | 54 |
| Cash and cash equivalents | | 813 | 1 285 |
| Assets of disposal group classified as held for sale | | 7 | 78 |
| **Total current assets** | | **2 455** | **2 838** |
| **Total assets** | | **10 193** | **10 956** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Capital and reserves attributable to UCB shareholders | 3.20 | 5 175 | 5 672 |
| Non-controlling interests | 3.27 | -108 | -126 |
| **Total equity** | | **5 067** | **5 546** |
| **Non-current liabilities** | | | |
| Borrowings | 3.21 | 346 | 349 |
| Bonds | 3.22 | 1 254 | 1 236 |
| Other financial liabilities (incl. derivative financial instruments) | 3.23 | 115 | 117 |
| Deferred income tax liabilities | | 7 | 48 |
| Employee benefits | | 539 | 417 |
| Provisions | 3.24 | 67 | 76 |
| Trade and other liabilities | | 93 | 106 |
| **Total non-current liabilities** | | **2 420** | **2 349** |
| **Current liabilities** | | | |
| Borrowings | 3.21 | 57 | 117 |
| Bonds | 3.22 | 504 | 506 |
| Other financial liabilities (incl. derivative financial instruments) | 3.23 | 147 | 131 |
| Provisions | 3.24 | 67 | 66 |
| Trade and other liabilities | | 1 614 | 1 688 |
| Income tax payables | | 317 | 553 |
| Liabilities of disposal group classified as held for sale | | 0 | 0 |
| **Total current liabilities** | | **2 706** | **3 061** |
| **Total liabilities** | | **5 126** | **5 410** |
| **Total equity and liabilities** | | **10 193** | **10 956** |

## 2.4. Condensed consolidated statement of cash flows

| For the six months ended 30 June<br>€ million | Note | 2016<br>Reviewed | 2015<br>Reviewed |
|---|---|---|---|
| **Profit attributable to UCB shareholders** | | **300** | **267** |
| Non-controlling interests | | 16 | 22 |
| Adjustment for profit (-)/loss from associates | | 0 | -1 |
| Adjustment for non-cash transactions | 3.25 | 160 | 28 |
| Adjustment for items to disclose separately under operating cash flow | 3.25 | 91 | 123 |
| Adjustment for items to disclose under investing and financing cash flows | 3.25 | -51 | -65 |
| Change in working capital | 3.25 | -205 | -46 |
| Interest received* | | 25 | 16 |
| **Cash flow generated from operations** | | **336** | **345** |
| Tax paid during the period | | -364 | -193 |
| **Net cash flow used in (-)/generated by operating activities** | | **-28** | **152** |
| From continuing operations | | 258 | 145 |
| From discontinued operations | | -286 | 7 |
| **Net cash flow generated from operating activities** | | **-28** | **152** |
| Acquisition of intangible assets | | -15 | -65 |
| Acquisition of property, plant and equipment | | -55 | -32 |
| Acquisition of subsidiaries, net of cash acquired | | 0 | -3 |
| Acquisition of other investments | | -2 | -3 |
| **Sub-total acquisitions** | | **-72** | **-103** |
| Proceeds from sale of intangible assets | | 1 | 0 |
| Proceeds from sale of property, plant and equipment | | 0 | 1 |
| Proceeds from sale of business unit, net of cash disposed | | 329 | 110 |
| Proceeds from sale of other investments | | 2 | 8 |
| Dividends received | | 0 | 0 |
| **Sub-total disposals** | | **333** | **119** |
| **Net cash flow used in (-)/generated by investing activities** | | **260** | **16** |
| From continuing operations | | 83 | 23 |
| From discontinued operations | | 177 | -7 |
| **Net cash flow from investing activities** | | **260** | **16** |
| Proceeds from issuance of share capital | | -300 | 0 |
| Proceeds from issuance of bonds | | 0 | 350 |
| Repayment of bonds (-) | | | |
| Proceeds from borrowings | | 15 | 155 |
| Repayment of borrowings (-) | | -94 | -302 |
| Payment of finance lease liabilities | | -1 | -1 |
| Acquisition (-) / disposal of treasury shares | | -49 | -101 |
| Dividend paid to UCB shareholders, net of dividend paid on own shares | | -230 | -225 |
| Interest paid | | -39 | -45 |
| **Net cash flow used in (-)/generated by financing activities** | | **-698** | **-169** |
| From continuing operations | | -698 | -169 |
| From discontinued operations | | 0 | 0 |
| **Net cash flow from financing activities** | | **-698** | **-169** |
| **Net increase / decrease (-) in cash and cash equivalents** | | **-466** | **-1** |
| From continuing operations | | -357 | -1 |
| From discontinued operations | | -109 | 0 |
| **Net cash and cash equivalents at the beginning of the period** | | **1 277** | **507** |
| Effect of exchange rate fluctuations | | -24 | 4 |
| **Net cash and cash equivalents at the end of the period** | | **787** | **509** |

* Interest received has been presented as part of net cash flow generated from operating activities instead of net cash flow used in financing activities. The comparative amount for 2015 has been reclassified.

## 2.5. 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[1] | Available for sale financial assets | Cash flow hedges | Total | Non-controlling interests | Total stockholders' equity |
| **Balance at 1 January 2016** | **2 614** | **295** | **-295** | **2 915** | **-66** | **182** | **43** | **-16** | **5 672** | **-126** | **5 546** |
| Profit for the period | | | | 300 | | | | | 300 | 16 | 316 |
| Other comprehensive income / loss (-) | | | | | -111 | -143 | -9 | -11 | -274 | 2 | -272 |
| **Total comprehensive income** | | | | **300** | **-111** | **-143** | **-9** | **-11** | **26** | **18** | **44** |
| Capital increase | | | | | | | | | | | |
| Dividends | | | | -207 | | | | | -207 | | -207 |
| Share-based payments | | | | 10 | | | | | 10 | | 10 |
| Transfer between reserves | | | 16 | -16 | | | | | 0 | | 0 |
| Treasury shares | | | -26 | | | | | | -26 | | -26 |
| Capital Decrease | | -295 | | | | | | | -295 | | -295 |
| Dividend to shareholders of perpetual subordinated bonds | | | | -5 | | | | | -5 | | -5 |
| **Balance at 30 June 2016 (reviewed)** | **2 614** | **0** | **-305** | **2 997** | **-177** | **39** | **34** | **-27** | **5 175** | **-108** | **5 067** |
| | | | | | | | | | | | |
| **Balance at 1 January 2015** | **2 614** | **295** | **-173** | **2 515** | **-96** | **-138** | **13** | **-28** | **5 002** | **-160** | **4 842** |
| Profit for the period | | | | 267 | | | | | 267 | 22 | 289 |
| Other comprehensive income / loss (-) | | | | | 14 | 297 | 2 | -10 | 302 | -13 | 289 |
| **Total comprehensive income** | | | | **267** | **14** | **159** | **2** | **-10** | **570** | **8** | **578** |
| Capital increase | | | | | | | | | | | |
| Dividends | | | | -202 | | | | | -202 | | -202 |
| Share-based payments | | | | 25 | | | | | 25 | | 25 |
| Transfer between reserves | | | -4 | 4 | | | | | 0 | | 0 |
| Treasury shares | | | -103 | | | | | | -103 | | -103 |
| Dividend to shareholders of perpetual subordinated bonds | | | | -12 | | | | | -12 | | -12 |
| Acquired non-controlling interest | | | | | | | | | | | |
| **Balance at 30 June 2015 (reviewed)** | **2 614** | **295** | **-281** | **2 598** | **-82** | **159** | **14** | **-38** | **5 280** | **-152** | **5 128** |

1 Net investment hedge is presented as part of "Cumulative translation adjustments". Comparative amount for 2015 has been reclassified.

# 3. Notes

## 3.1. General information

UCB SA/NV (UCB or the Company) and its subsidiaries (together the Group) is a global biopharmaceutical company focused on severe diseases in two therapeutic areas namely Neurology and Immunology.

This condensed consolidated interim financial information of the Company as at and for the six months ended 30 June 2016 (hereafter the "interim period") comprise the Company and its subsidiaries. Within the Group, UCB Pharma SA and UCB S.R.O, both wholly owned subsidiaries, have branches in the U.K and Slovakia, respectively, that are integrated into their accounts.

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

The Board of Directors approved this condensed consolidated interim financial information for issue on 27 July 2016. 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 2015 are available on the UCB website.

## 3.2. 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 2015, 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.

## 3.3. Accounting policies

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 2015.

### Amended standards adopted by the Group

A number of amendments and annual improvements to standards became applicable for the current reporting period. However, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments and improvements to the standards.

### Impact of standards issued but not yet applied by the Group

IFRS 15 Revenue from contracts with customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim period within annual reporting periods beginning on or after 1 January 2018, and will allow early adoption. Management is currently assessing the effects of

applying the new standard on the Group's financial statements and has started to identify and summarize the terms of all sales, distribution, collaboration and out-licensing agreements in order to assess the impact of the new revenue standard. Revenue from out-licensing agreements is likely to be affected. The impact on net sales and other revenues is still being examined. At this stage, the Group is not able yet to estimate the effect of the new rules on the Group's financial statements. The Group will make more detailed assessments of the effect over the next months. The Group does not expect to adopt the new standard before 1 January 2018.

IFRS 9 Financial instruments

IFRS 9 *Financial instruments* addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard is effective as from 1 January 2018 onwards. The Group is yet to assess IFRS 9's full impact.

IFRS 16 Leases

IFRS 16 *Leases* is effective as from 1 January 2019 and specifies how to recognize, measure, present and disclose leases. The new standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting remains largely unchanged from IAS 17. The Group is yet to assess the full impact of this new standard.

There are no other standards or amendments to standards that are not yet effective and that would be expected to have a material impact on the Group's financial statements.

## 3.4. 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 2015.

## 3.5. Financial risk management

### Financial risk factors

The Group is exposed to various financial risks arising from its underlying operations and corporate finance activities. These financial risks are market risk (including currency risk, interest risk and price risk), credit risk and liquidity risk. This 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 2015. There have been no changes in the Financial Risk Management Committee (FRMC).

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal circumstances without incurring unacceptable losses or risking damage to the Group reputation.

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

## Fair value estimation

IFRS 7 requires disclosure of fair value measurements by level of the following hierarchy:

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

All fair value measurements disclosed are recurring.

### Financial assets measured at fair value

| € million - 30 June 2016 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Available-for-sale assets** | | | | |
| Quoted equity securities | 56 | 0 | 0 | 56 |
| Quoted debt securities | 3 | 0 | 0 | 3 |
| **Derivative financial assets** | | | | |
| Forward foreign exchange contracts – cash flow hedges | 0 | 12 | 0 | 12 |
| Forward exchange contracts – fair value through the profit and loss | 0 | 58 | 0 | 58 |
| Interest rate derivatives – cash flow hedges | 0 | 0 | 0 | 0 |
| Interest rate derivatives – fair value through profit and loss | 0 | 75 | 0 | 75 |
| Warrants | 0 | 0 | 0 | 0 |

### Financial liabilities measured at fair value

| € million - 30 June 2016 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Derivative financial liabilities** | | | | |
| Forward foreign exchange contracts – cash flow hedges | 0 | 37 | 0 | 37 |
| Forward exchange contracts – fair value through the profit and loss | 0 | 80 | 0 | 80 |
| Interest rate derivatives – cash flow hedges | 0 | 4 | 0 | 4 |
| Interest rate derivatives – fair value through profit and loss | 0 | 7 | 0 | 7 |
| **Other financial liabilities excluding derivatives** | | | | |
| Warrants to the shareholders of Edev Sarl | 0 | 0 | 133 | 133 |

The following tables present the Groups financial assets and liabilities that are measured at fair value at 31 December 2015 and are grouped in accordance with the fair value hierarchy.

### Financial assets measured at fair value

| € million – 31 December 2015 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Available-for-sale assets** | | | | |
| Quoted equity securities | 64 | 0 | 0 | 64 |
| Quoted debt securities | 3 | 0 | 0 | 3 |
| **Derivative financial assets** | | | | |
| Forward foreign exchange contracts – cash flow hedges | 0 | 10 | 0 | 10 |
| Forward exchange contracts – fair value through the profit and loss | 0 | 19 | 0 | 19 |
| Interest rate derivatives – cash flow hedges | 0 | 0 | 0 | 0 |
| Interest rate derivatives – fair value through profit and loss | 0 | 55 | 0 | 55 |
| **Other financial assets excluding derivatives** | | | | |
| Warrants | 0 | 29 | 0 | 29 |

## Financial liabilities measured at fair value

| € million - 31 December 2015 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Derivative financial liabilities** | | | | |
| Forward foreign exchange contracts – cash flow hedges | 0 | 25 | 0 | 25 |
| Forward exchange contracts – fair value through the profit and loss | 0 | 51 | 0 | 51 |
| Interest rate derivatives – cash flow hedges | 0 | 3 | 0 | 3 |
| Interest rate derivatives – fair value through profit and loss | 0 | 7 | 0 | 7 |
| **Other financial assets excluding derivatives** | | | | |
| Warrants to the shareholders of Edev Sarl | 0 | 0 | 162 | 162 |

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-Scholes" method (for FX options only) and market data publicly available. There have not been any changes in valuation techniques compared to December 2015 (see Note 4.5 of the 2015 annual report).

Due to the declining share price of Lannett Company Inc., an impairment was accounted for in 2016 on the warrants received pursuant to the sale of Kremers Urban Pharmaceuticals Inc. ("KU") in order to reduce the net carrying amount of these warrants down to € 0 (see Note 3.13).

## Fair value measurements using significant unobservable inputs (Level 3).

The fair value of the Warrants issued by a subsidiary is determined using a discounted net present value model of the probabilized cash outflows. There has not been any change in valuation technique compared to December 2015. The value of the warrants is based on the profitability of the subsidiary and the key assumptions used in the valuation model include unobservable inputs for forecasted net sales, milestone events and discount rate. The discount rate used amounts to 8.2%. An increase/decrease in net sales of 10% would lead to an increase/decrease of the fair value of the warrants with 1%. A decrease / increase in the discount rate with 1% would lead to an increase/decrease of the fair value of the warrants with 2%. The change in fair value since December 2015, recognized in profit and loss, amounts to € 6 million and is accounted for in financial expenses/financial income (see Note 3.13).

The following table presents the changes in Level 3 instruments:

| € million | Warrants |
|---|---|
| 1 January 2016 | 162 |
| Cash purchase of additional warrants | 0 |
| Cash settlement of warrants | -32 |
| Effect of changes in fair value recognized in profit and loss | 6 |
| Effect of movements in exchange rates | -3 |
| 30 June 2016 | 133 |

### 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 2016** | 31 December 2015 | **30 June 2016** | 30 June 2015 |
| USD | 1.107 | 1.087 | 1.116 | 1.115 |
| JPY | 114.270 | 130.610 | 124.399 | 134.094 |
| GBP | 0.835 | 0.737 | 0.779 | 0.732 |
| CHF | 1.082 | 1.086 | 1.096 | 1.056 |

## 3.6. 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, that being the Executive Committee, review the operating results and operating plans, and make resource allocation decisions on a company-wide basis, therefore UCB operates as one segment.

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

### Product sales information

| For the six months ended 30 June<br>€ million | **2016 Reviewed** | 2015 Reviewed |
|---|---|---|
| Cimzia® | 602 | 490 |
| Vimpat® | 379 | 323 |
| Keppra® (including Keppra® XR) | 354 | 385 |
| Neupro® | 143 | 129 |
| Zyrtec® (including Zyrtec-D® / Cirrus®) | 80 | 92 |
| Xyzal® | 57 | 60 |
| *Venlafaxine ER* | 56 | 34 |
| Nootropil® | 22 | 27 |
| Briviact® | 7 | |
| Other products | 177 | 210 |
| Designated hedges reclassified to net sales | -1 | -46 |
| **Total net sales** | **1 876** | **1 704** |

## Geographic information

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

| For the six months ended 30 June<br>€ million | **2016 Reviewed** | 2015 Reviewed |
|---|---|---|
| U.S. | 864 | 775 |
| Europe – other (excluding Belgium) | 161 | 167 |
| Germany | 139 | 117 |
| Japan | 132 | 124 |
| Spain | 81 | 76 |
| Italy | 79 | 80 |
| France (including French territories) | 79 | 79 |
| China[1] | 78 | 78 |
| U.K. and Ireland | 68 | 66 |
| Belgium | 17 | 18 |
| Other countries[1] | 179 | 170 |
| Designated hedges reclassified to net sales | -1 | -46 |
| **Total net sales** | **1 876** | **1 704** |

1 The term of emerging markets is no longer used with reference to geographies. Comparative amount for 2015 has been reclassified.

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<br>€ million | **2016 Reviewed** | 2015 Audited[1] |
|---|---|---|
| Switzerland | 298 | 302 |
| Belgium | 256 | 223 |
| U.K. and Ireland | 47 | 50 |
| U.S. | 29 | 28 |
| Germany | 19 | 19 |
| China[2] | 14 | 15 |
| Japan | 12 | 10 |
| Brazil[2] | 2 | 1 |
| Other countries[2] | 4 | 3 |
| **Total assets (property, plant and equipment)** | **681** | **651** |

1 The reporting date for the comparative period is 31 December 2015.
2 The term of emerging markets is no longer used with reference to geographies. Comparative amount for 2015 has been reclassified.

## Information about major customers

UCB has 1 customer which individually accounts for more than 16% of the total net sales at the end of June 2016.

In the U.S., sales to 3 wholesalers accounted for approximately 84% of U.S. sales (June 2015: 82%).

## 3.7. Seasonality of operations

The Group's revenue in the Biopharmaceutical segment includes seasonal revenue derived from the allergy franchise and 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.

## 3.8. Assets of disposal group classified as held for sale and discontinued operations

Assets of disposal group classified as held for sale as per June 30, 2016 relate to the inventory of the nitrates business in China, Russia and Ukraine and to the IP rights related to the nitrates business in Russia and Ukraine. In May 2016, the Group sold its product rights for Elantan® and Isoket® in China to the Chinese company Jilin Yinglian Biopharmaceutical and its financial partner PAG Asia. The stock of these products will be transferred to the buyer at the end of 2016 and is therefore presented as assets held for sale as per end of June 2016. As the sales price will be higher than the carrying amount, no impairment has been accounted for on this stock. On 4 July 2016 the Group sold its nitrates business in Russia and Ukraine to Alvogen (see Note 3.29 Events after the reporting period). All assets related to the transferred business, being the IP rights and inventory, are presented as held for sale as per end of June 2016. No impairment has been accounted for as the selling price is higher than the carrying amount for these assets.

Assets of disposal group classified as held for sale as per 31 December 2015 mainly relate to the intangible assets and inventory related to the nitrates business in Europe, Turkey, South Korea and Mexico (€ 71 million) as well as to the non-current assets and inventory of the Shannon manufacturing site in Ireland.

The nitrates business in Europe, Turkey, South Korea and Mexico was sold in January 2016 to Merus Labs International Inc. A gain of € 25 million was realized on this divestment (see Note 3.12). The Shannon manufacturing site in Ireland was sold to Avara Pharmaceuticals Services in May 2016. No additional loss/gain was realized on this sale.

As per 30 June 2016 no operations have been classified as discontinued operations. The loss from discontinued operations as per 30 June 2016 amounts to € 9 million and relates to some additional costs relating to the divestment of Kremers Urban Pharmaceuticals, Inc. ("KU"), previously the Group's U.S. specialty generics subsidiary that was sold to Lannett Company, Inc. in November 2015 as well as to a partial reversal of provisions related to the legacy films and chemical activities for € 2 million.

The profit from discontinued operations as per June 30, 2015 relates to the operations of KU for the first 6 months of 2015 (€ 28 million) as well as the partial reversal of provisions related to the legacy films and chemical activities (€ 0 million). For more information relating to the divestment of KU in 2015 we refer to the 2015 annual report and 2015 half-year report.

## 3.9. Other operating income / expenses (-)

Other operating income / expenses (-) amounted to € 19 million expenses in the interim period (2015: € 31 million expenses), and mainly result of amortization related to non-production intangible assets, Branded Prescription Drug fee in the U.S. and grants.

In 2015, the expenses were related to the amortization related to non-production intangible assets, Branded Prescription Drug fee in the US and impairment of trade receivables related to the Greek crisis.

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

In the first half of 2016, 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 € 11 million for the IP rights relating to two small molecules purchased from Wilex in 2009. In 2015 an impairment of € 1 million was recognized on intangible assets.

## 3.11. Restructuring expenses

Restructuring expenses amounting to € 9 million (2015: € 10 million) were attributable to severance costs.

## 3.12. Other income and expense

Other income / expenses (-) amounted to € 70 million income in 2016 (2015: € 91 million income) and is mainly the result of the € 49 million gain on the sale of the nitrates business in China to Jilin Yinglian Biopharmaceutical and its financial partner PAG Asia and the € 25 million gain on the sale of the nitrates business in Europe, Turkey, South Korea and Mexico to Merus Labs International Inc., partially offset with mainly legal fees.

In the first half of 2015, the income was related to the € 105 million gain on the sale of the established brands in India to Dr. Reddy (net assets amounting € 5 million), offset with mainly legal fees.

## 3.13. Financial income and financial expenses

The financial income and expenses amounted to € 65 million expenses (2015: € 47 million expenses) and include fair value and impairment losses on the Lanett warrant received pursuant to the sale of KU for an amount of € 28 million (see Note 3.5).

## 3.14. Income tax expense (-) / credit

The Group operates internationally, implying being subject to income taxes in many different tax jurisdictions, notably in the jurisdictions where the main R&D activities are undertaken.

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| For the six months ended 30 June<br>€ million | **2016<br>Reviewed** | 2015<br>Reviewed |
|---|---|---|
| Current income taxes | -152 | -116 |
| Deferred income taxes | 61 | 8 |
| **Total income tax expense (-) / credit** | **-91** | **-108** |

The Group's consolidated effective tax rate in respect of continuing operations for the six months is 21.9% (2015: 29.3%).

The Group's effective tax rate excluding non-recurring items is 25.3% (2015: 32.7%).

The effective tax rate for the period to June 2016 has decreased from the previous year due to the adverse impact on the rate in June 2015 due to tax audit.

## 3.15. Intangible assets

During the period, the Group added approximately € 0.5 million (2015: € 19 million) of intangible assets through in-licensing deals. Additionally, the Group capitalized € 21 million (2015: € 22 million) of software and capitalized eligible software development costs.

In the first half of the year, the Group impaired its intangible assets for € 11 million (2015: € 1 million). The impairment charges are detailed in Note 3.10 and are presented in the income statement under the heading "impairment of non-financial assets".

Total disposals of intangible assets during the first six months of 2016 amount to € 13 million of which € 9 million is related to the sale of the IP rights for the nitrates business in China. € 4 million is transferred to assets held for sale and relates to the IP rights for the nitrates business in Russia and Ukraine.

The amortization charge for the period amounted to € 78 million (2015: € 90 million).

The effect of movements in exchange rates amounted € -19 million ( 2015: € +37 million).

There was also a transfer of assets for € 38 million from intangible assets to property, plant and equipment.

## 3.16. Goodwill

Goodwill was affected by the movements in exchange rates for € 103 million.

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

## 3.17. Property, plant and equipment

During the period, the Group acquired approximately € 32 million (2015: € 32 million) of new equipment.

The Group also disposed of various property, plant and equipment with a carrying amount of approximately € 0 million (2015: € 2 million).

After the review of the property, plant and equipment for an indication of impairment, € 0 million (2015: € 0 million) of impairment charges was assessed for the period.

The depreciation charge for the period amounted to € 36 million (2015: € 41 million).

Due to exchange rate fluctuations, the net book value of property, plant and equipment decreased by € 4 million (2015: € +39 million)

There was also a transfer of assets for € 38 million from intangible assets to property, plant and equipment.

## 3.18. Financial and other assets

Non-current financial and other assets amounted to € 206 million at 30 June 2016 (December 2015: € 405 million).

The decrease is mainly related to the repayment in June 2016 by Lannett Company, Inc. of the outstanding senior unsecured loan notes that the Group received following the disposal of KU in November 2015 (€ 184 million) and the fair value and impairment losses accounted for on the warrant received following this disposal (€ 28 million) (see Note 3.5).

## 3.19. Write-down of inventories

Included in cost of sales for the six months ended 30 June 2016 are € 11 million (2015: € 9 million) allowances recognized to reduce the carrying amount of inventories to their net realizable value.

## 3.20. Capital and reserves

### Share capital and share premium

The issued share capital of the Company amounted to € 584 million at 30 June 2016 (2015: € 584 million), represented by 194 505 658 shares (2015: 194 505 658 shares). There is no authorized, unissued share capital.

At 30 June 2016, the share premium reserves amounted to € 2 030 million (2015: € 2 030 million).

### Hybrid capital

On 18 March 2016, UCB S.A. exercised its option to redeem the € 300 million perpetual subordinated bonds that were issued at 99.499% and that offered investors a coupon of 7.75% per annum during the first five years.

These bonds were listed on the Luxembourg Stock Exchange and qualified as 'equity' instruments under IAS 32. Accordingly, interest expenses are accounted for as dividends to the shareholders. An amount of € 5 million dividend to shareholders of the perpetual subordinated bonds for the period from 1 January till 18 March 2016 is presented in retained earnings. Any transaction costs were deducted from the Hybrid capital, taking tax effects into account.

### Treasury shares

The Group acquired 700 000 shares (June 2015: 4 434 675 shares) of UCB S.A. for a total amount of € 48 million (June 2015: € 195 million) and sold 736 361 treasury shares (June 2015: 2 096 134 treasury shares) for a total amount of € 39 million (June 2015: € 94 million) in the first half of the year.

At 30 June 2016, the Group retained 6 213 861 treasury shares, of which none related to share swap deals (December 2015: 6 250 222 shares of which none 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 Executive Committee members and certain categories of employees.

In the current year, no call options on UCB shares have been acquired.

### Other reserves

Other reserves amounted to € -177 million (2015: € -82 million) and consists of the following items:

- the IFRS acquisition value surplus that arose during the Schwarz Pharma business combination for € 232 million (2015: € 232 million);
- the re-measurement value of the defined benefit obligation for € -375 million (2015: € -264 million) is mainly impacted by change in discount rates and change in assumptions relating to retirement age;
- the purchase of the remaining 25% non-controlling interest in Schwarz Pharma Zhuhai Company Ltd. for € -11 million in 2012 (2015: € -11 million); and
- the purchase of the remaining 30% non-controlling interest in UCB Biopharma SA (Brazil) € -23 million in 2014 (2015: € -23 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 (€). It also includes the hedging of the net investment in the US operations.

## 3.21. Borrowings

On 30 June 2016, the Group's weighted average interest rate was 3.65% (June 2015: 3.47%) prior to hedging. The floating interest rate payments are subject to designated cash flow hedges and fixed interest rate payments are subject to designated fair value hedges, thereby fixing the weighted average interest rate for the Group at 2.96% (June 2015: 2.99%) post hedging.

Since the bank borrowings are at a floating interest rate that is reset every six months, the carrying amount of the bank borrowings equates to their fair value. With respect to the current borrowings, the carrying amounts approximate their fair values as the effect of discounting is considered to be insignificant.

Further to the outstanding debt, capital market instruments and the syndicated revolving credit facility (undrawn per 30 June 2016), UCB has access to certain bilateral credit facilities as well as the Belgian commercial paper market.

The carrying amounts of borrowings are as follows:

| € million | 2016 | 2015 (audited)[1] |
|---|---|---|
| **Non-current** | | |
| Bank borrowings | 340 | 342 |
| Other long-term loans | 0 | 0 |
| Finance leases | 6 | 7 |
| **Total non-current borrowings** | **346** | **349** |
| | | |
| **Current** | | |
| Bank overdrafts | 26 | 8 |
| Current portion of bank borrowings | 5 | 95 |
| Debentures and other short-term loans | 24 | 12 |
| Finance leases | 2 | 2 |
| Total current borrowings | **57** | **117** |
| | | |
| **Total borrowings** | **403** | **466** |

1 The reporting date for comparative period is 31 December 2015.

## 3.22. Bonds

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

| € million | Coupon rate | Maturity date | Carrying amount | | Fair value | |
|---|---|---|---|---|---|---|
| | | | **30 June 2016 Reviewed** | 31 Dec. 2015 Audited | **30 June 2016 Reviewed** | 31 Dec. 2015 Audited |
| **Non-current** | | | | | | |
| EMTN note[1] | 3.284% | 2019 | 20 | 20 | 20 | 20 |
| EMTN note[1] | 3.292% | 2019 | 55 | 55 | 55 | 55 |
| Retail bond | 3.750% | 2020 | 257 | 257 | 273 | 271 |
| Institutional Eurobond | 4.125% | 2021 | 374 | 369 | 394 | 392 |
| Institutional Eurobond | 1.875% | 2022 | 352 | 346 | 358 | 350 |
| Retail bond | 5.125% | 2023 | 196 | 189 | 216 | 210 |
| **Total non-current bonds** | | | **1 254** | **1 236** | **1 316** | **1 298** |
| | | | | | | |
| **Current** | | | | | | |
| Institutional Eurobond | 5.750% | 2016 | 504 | 506 | 512 | 525 |
| **Total current bonds** | | | **504** | **506** | **512** | **525** |

1 The fair value of the EMTN Notes cannot be accurately determined given the limited liquidity in secondary market trading for these notes, and is for reporting purposes replaced by the carrying value.

## Retail bonds

### Maturing in 2020

In March 2013, UCB completed a public offering of € 250 million bonds, in the form of a retail public offering in Belgium under its established EMTN program. The bonds were issued at 101.875% of the nominal value. The retail bond has a coupon of 3.75% per annum and an effective interest rate of 3.444% per annum. The bonds have been listed on the regulated market of Euronext Brussels.

### Maturing in 2023

During October 2009, UCB completed a public offering of € 750 million fixed rate bonds, carrying a coupon and an effective interest rate of 5.75% per annum, and aimed at retail investors.

During September 2013, UCB launched an unconditional public exchange offer for a maximum of € 250 million out of the € 750 million retail bonds maturing in November 2014 and having a gross coupon of 5.75%. The existing bondholders had the opportunity to exchange their existing bonds against newly issued bonds maturing October 2023 in an exchange ratio of 1 to 1. These bonds carry a coupon of 5.125% per annum while their effective interest rate is 5.398% per annum.

At the end of the exchange period, 175 717 existing bonds were tendered in the exchange offer, representing a nominal amount of € 176 million. The 175 717 new bonds were issued in October 2013 and have been listed on Euronext Brussels. The existing bonds exchanged in the exchange offer were cancelled by UCB. The outstanding 574 283 of the retail bonds matured and have been redeemed in November 2014.

## 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 Euronext Brussels.

### Maturing in 2022

In April 2015, UCB completed an offering of € 350 million senior unsecured bonds, due April 2022, issued under its EMTN program. The Bonds were issued at 99.877% in April 2015 and will be redeemed at 100% of their principal amount. These bonds carry a coupon of 1.875% per annum while their effective interest rate is 2.073% per annum. The bonds have been listed on Euronext Brussels.

## EMTN notes

### Maturing in 2019

In November 2013, UCB completed an offering of € 55 million notes, due in 2019. The notes were issued at 100% and will be redeemed at 100% of their principal amount. These notes carry a coupon of 3.292% per annum while their effective interest rate is 3.384% per annum. The notes have been listed on Euronext Brussels.

### Maturing in 2019

In December 2013, UCB completed an offering of € 20 million notes, due in 2019. The notes were issued at 100% and will be redeemed at 100% of their principal amount. These notes carry a coupon of 3.284% per annum while their effective interest rate is 3.356% per annum. The notes have been listed on Euronext Brussels.

## 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.

## 3.23. Other financial liabilities

The other financial liabilities include derivative financial instruments for € 129 million (2015: € 86 million). The other financial liabilities also include a liability of € 133 million (2015: € 162 million) resulting from the issuance of warrants to the shareholders of Edev Sàrl (see Note 3.5).

## 3.24. Provisions

### Environmental provisions

The environmental provisions decreased from € 22 million as per end of December 2015 to € 21 million at the end of the interim period, due to the utilization of certain environmental provisions related to the divestiture of the Surface Specialties business. UCB retained full responsibility in accordance with the contractual terms agreed upon with Cytec Industries Inc.

### Restructuring provisions

The restructuring provisions decreased from € 28 million as per end of December 2015 to € 24 million at the end of the interim period. The utilization of the provision is partially offset by provisions for further optimization.

### Other provisions

Other provisions decreased from € 92 million as per end of December 2015 to € 91 million at the end of June 2016. A decrease of € 16 million is due to the partial utilization of the provision accounted for in 2015 related to the divestment of the plant in Shannon (total provision end of December 2015 amounted to € 26 million). The remaining other new provisions mainly relate to provisions for litigations and product liabilities. An assessment is performed with respect to these risks together with the Group legal advisers and experts in the different domains and the current outstanding amount was assessed as being management's best estimate of the cost to settle the Group's obligations at balance sheet date.

## 3.25. 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<br>€ million | 2016<br>Reviewed | 2015<br>Reviewed |
|---|---|---|
| **Adjustment for non-cash transactions** | **160** | **28** |
| Depreciation and amortization | 114 | 131 |
| Impairment / reversal (-) charges | 39 | 2 |
| Equity settled share based payment expense | -5 | 29 |
| Other non-cash transactions in the income statement | -23 | -10 |
| Adjustment IAS 39 | -11 | 4 |
| Unrealized exchange gain (-) / loss | 34 | -145 |
| Change in provisions and employee benefits | 6 | -3 |
| Change in inventories and bad debt provisions | 5 | 20 |
| **Adjustment for items to disclose separately under operating cash flow** | **91** | **123** |
| Tax charge of the period from continuing operations | 91 | 108 |
| Tax charge of the period from discontinued operations | 0 | 15 |
| **Adjustment for items to disclose under investing and financing cash flow** | **-51** | **-65** |
| Gain (-) / loss on disposal of fixed assets | -78 | -105 |
| Dividend income (-) / expenses | 0 | 0 |
| Interest income (-) / expenses | 27 | 40 |
| **Change in working capital** | | |
| Inventories movement per consolidated balance sheet | -24 | -23 |
| Trade and other receivable and other assets movement per consolidated balance sheet | -102 | -40 |
| Trade and other payable movement per consolidated balance sheet | -90 | 8 |
| **As it appears in the consolidated balance sheet and corrected by:** | **-216** | **-55** |
| Non-cash items[1] | 3 | -47 |
| Change in inventories and bad debt provisions disclosed separately under operating cash flow | 1 | -20 |
| Change in interest receivable / payable disclosed separately under operating cash flow | -10 | -8 |
| Change in dividend receivable disclosed separately under investing cash flow | 0 | 0 |
| Change in dividend payable disclosed separately under financing cash flow | 23 | 23 |
| Currency translation adjustments | -6 | 65 |
| **As it appears in the consolidated cash flow statement** | **-205** | **-42** |

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.

## 3.26. Related party transactions

### Key management compensation

There were no changes with respect to the related parties identified and disclosed in the 2015 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 2016 where they exercised their mandate.

| € million | 2016<br>Reviewed |
|---|---|
| Short-term employee benefits | 8 |
| Termination benefits | 0 |
| Post-employment benefits | 2 |
| Share-based payments | 0 |
| **Total key management compensation** | **10** |

## 3.27. Shareholders and shareholders structure

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

| Last update: 30 June 2016 | Current | Voting[1] | Last relevant notification |
|---|---|---|---|
| **Share capital** | **€ 583 516 974** | | 13 March 2014 |
| **Total number of voting** (= denominator) | **194 505 658** | | |
| **Financière de Tubize S.A. ('Tubize')** | **68 076 981** | **35.00%** | |
| Securities carrying voting rights (shares) | 68 076 981 | 35.00% | 18 December 2015 |
| **Schwarz Vermögensverwaltung GmbH & Co. KG ('Schwarz')** | **2 471 404** | **1.27%** | |
| Securities carrying voting rights (shares) | 2 471 404 | 1.27% | 13 March 2014 |
| **Tubize + Schwarz[3]** | | | |
| Securities carrying voting rights (shares) | **70 548 385** | **36.27%** | |
| **UCB S.A./N.V.** | **4 463 332** | **2.29%** | |
| Securities carrying voting rights (shares) | 3 463 332 | 1.78% | 30 June 2016 |
| Assimilated financial instruments (options)[2] | 1 000 000 | 0.51% | 17 November 2015 |
| Assimilated financial instruments (other)[2] | 0 | 0.00% | 18 December 2015 |
| **UCB Fipar S.A.** | **3 185 529** | **1.64%** | |
| Securities carrying voting rights (shares) | 2 750 529 | 1.41% | 30 June 2016 |
| Assimilated financial instruments (options)[2] | 435 000 | 0.22% | 3 June 2015 |
| Assimilated financial instruments (other)[2] | 0 | 0.00% | 25 December 2015 |
| **UCB SA + UCB Fipar S.A.[4]** | **7 648 861** | **3.93%** | |
| Securities carrying voting rights (shares) | 6 213 861 | 3.19% | |
| Assimilated financial instruments[2] | 1 435 000 | 0.74% | |
| Assimilated financial instruments (other)[2] | 0 | 0.00% | |
| **Freefloat[5] (securities carrying voting rights (shares))** | **117 743 412** | **60.53%** | |
| Capital Research and Management Company (subsidiary of The Capital Group Companies Inc.) | | | |
| Securities carrying voting rights (shares) | 19 462 506 | 10.01% | 13 November 2015 |
| Vanguard Health Care Fund | | | |
| Securities carrying voting rights (shares) | 9 741 353 | 5.01% | 28 October 2014 |
| BlackRock, Inc. | | | |
| Securities carrying voting rights (shares) | 5 964 748 | 3.07% | 30 November 2015 |

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 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 shareholdings
4 UCB SA/NV indirectly controls UCB Fipar SA | article 6, §5, 2° and article 9, §3, 2° of the law on the disclosure of large shareholdings.
5 Free float being the UCB shares not held by the Reference Shareholder (Tubize) and Schwarz, UCB SA/NV or UCB Fipar SA. Only shares held by these entities are taken into account for this calculation, to the exclusion of assimilated financial instruments

## 3.28. Dividends

The Board of Directors' proposal to pay a gross dividend of € 1.10 (2015: € 1.06 per share) to the holders of the UCB shares entitled to a dividend or 190 803 607 shares has been approved on 28 April 2016. The 3 702 051 shares held by UCB SA at dividend date are not entitled to a dividend. A total dividend of € 210 million was distributed (2015: € 205 million) for the business year 2015 as approved by the UCB shareholders at their annual general meeting on 28 April 2016, and was thus reflected in the first half of 2016.

## 3.29. Commitments and contingencies

**Contingent assets and liabilities**

Events have taken place in the first half of the year 2016, leading to an update of the contingent assets or liabilities disclosed in the 2015 annual report (p. 142).

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 4500 Reglan product liability cases. The cases have been largely consolidated in three different jurisdictions: Philadelphia, San Francisco, and New Brunswick. Each of the cases involves claims of injury resulting from an alleged failure to warn of the risks associated with the use of *metoclopramide* for more than 12 weeks. The vast majority of claims involve alleged injuries sustained as a result of the use of generic *metoclopramide*. There are no cases currently scheduled for trial in 2016. While the Company believes it has meritorious defenses to these claims, in order to avoid the expense and distraction of litigation, the Company has entered into a confidential Master Settlement Agreement which establishes a framework to resolve all of the claims against the Company for an amount which is within the Company's existing insurance coverage limits. The Settlement is subject to sufficient participation by the plaintiffs as determined in the Company's sole discretion. The Company anticipates the Settlement to be finalized in 2016.

Entities of the UCB Group have been named as defendants in several product liability cases in France. The claimants in these actions claim that their mothers took Distilbène®, a former product of the UCB Group, during their pregnancy, and that as a result of this they suffered bodily injuries. The Group has product liability insurance in place. but as this insurance cover will not be sufficient, the Group has accounted for a provision of € 50 million relating to these case (Note 13 and 31.3 of the 2015 annual report).

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. A court hearing was held on 17 February 2015, and subsequently proposed a settlement substantially below what Desitin is seeking. Desitin rejected the court's proposed settlement. The parties are currently awaiting a hearing date. The Company believes it has meritorious defenses against the claim.

UCB was a defendant in a litigation initiated by the Medical Research Council (MRC) which was scheduled to begin trial in May 2016 in the High Court of Justice, Chancery Division in London (U.K.). The dispute was successfully resolved prior to trial through a mutually agreed settlement by the parties on terms which were very favorable to UCB. All claims were dropped and the proceedings have been dismissed.

In February 2015, a complaint was filed in the U.S. District Court for the Northern District of Georgia naming as defendants UCB Holdings, Inc., UCB, Inc. Defined Benefit Pension Plan, and the Administrative Committee of the UCB, Inc. Defined Benefit Pension Plan. The complaint seeks class action status and purports to assert claims for certain pension benefits on behalf of certain current and former employees of UCB, Inc. who had previously been employed by two different predecessor companies which were acquired by UCB, Inc. in the 1990s. On 6 January 2016, the court granted UCB's motion to dismiss five of the ten claims in the case. The Company believes it has meritorious defenses to the claims asserted and intends to vigorously defend this matter; however, the parties have agreed to mediate the case in August 2016.

On 22 June 2015, the Company received a subpoena from the New York Attorney General's Office, Medicaid Fraud Control Unit ("NYAG"), seeking documents pertaining to alleged underpayment of Medicaid rebates for certain periods between 2002-2005. The Company is cooperating fully with the NYAG.

In March, 2016, the Company received a Civil Investigative Demand (CID) from the Civil Frauds Unit of the U.S. Attorney's Office in the Southern District of New York. The CID requests the Company to identify and provide all contracts (from January 2006 through the present) between the Company and any Pharmacy Benefit Manager (PBM) concerning Cimzia®, including all documents necessary to show all services performed by any PBM as well as all payments made to any PBM. The Company is cooperating with the U.S. Attorney's Office in response to the CID.

It is not anticipated that any other material liabilities will arise from the contingent liabilities other than those provided for (see Note 3.24 and Note 31 of the 2015 annual report).

**Capital commitments**

At 30 June 2016, the Group has committed to spend € 50 million (end of 2015: € 40 million) mainly with respect to capital expenditure for the biological plant in Bulle (Switzerland), installation of a new manufacturing line (Belgium) and for IT infrastructure.

UCB has entered into long-term development agreements with various pharmaceutical enterprises, clinical trial operators and financial investors. Such collaboration agreements may include milestone payments which are dependent on successful clinical development or on meeting specified sales targets. At 30 June 2016, the Group has commitments payable within the coming half year of approximately € 16 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.

## 3.30. Events after the reporting period

- UCB divested the remaining nitrates business in Russia and Ukraine.
- UCB and Daiichi Sankyo announced Japanese approval of *lacosamide* (brand name Vimpat®) as adjunctive therapy in the treatment partial-onset seizures in adult patients with epilepsy.
- UCB out-licensed UCB6352 to Syndax Pharmaceuticals to develop the antibody which is expected to begin clinical trials in oncology in 2016.

# 4. Statutory auditor's report on review of the condensed consolidated interim financial information for the period ended 30 June 2016

**Introduction**

We have reviewed the condensed consolidated financial information of UCB SA and its subsidiaries (the 'Group') as of 30 June 2016, which comprises the condensed consolidated statement of financial position and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in the equity and the condensed 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 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 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, 27 July 2016

PwC Bedrijfsrevisoren / Reviseurs d'Entreprises

Represented by

Romain Seffer

Bedrijfsrevisor / Réviseur d'entreprises

# 5. 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 2016, 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

Jean-Christophe TELLIER,

Chief Executive Officer

Detlef THIELGEN,

Chief Financial Officer

# 6. Glossary of terms

**CER** Constant exchange rates

**Core EPS / Core earnings per share**

Profit attributable to UCB shareholders, adjusted for the after-tax impact of non-recurring items, the financial one-off items, the non-recurring income taxes, the after-tax contribution from discontinued operations and the after-tax amortization of intangibles linked to sales, divided by the non-dilutive weighted average number of shares.

**EBIT / Earnings Before Interest and Taxes**

Operating profit as mentioned in the consolidated financial statements.

**EMA / European Medicines Agency**

Agency responsible for the evaluation of medicinal products designed to protect and promote human and animal health. www.emea.europa.eu

**EPS** Earnings per share

**ESTBALISHED BRANDS**

Portfolio of 150 post-patent, high-quality medicines, with proven value for patients and doctors since many years

**FDA / U.S. Food and Drug Administration**

Agency within the U.S. Department of Health and Human Services is responsible for protecting and promoting the nation's health. www.fda.gov

**Financial one-off items**: Gains and losses arising upon the sale of non-current financial assets (other than derivatives and reimbursement rights with respect to defined benefit plans) as well as impairment losses accounted for on these financial assets are considered as financial one-off items.

**Net financial debt**

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

**PGTCS** Primary generalized tonic-clonic seizures osteoporosis

**PMDA / Pharmaceuticals And Medical Devices Agency**

Japanese regulatory agency in charge of protecting the public health by assuring safety, efficacy and quality of pharmaceuticals and medical devices. http://www.pmda.go.jp/english/

**POS** Partial onset seizure

**Recurring EBIT (REBIT)**

Operating profit adjusted for impairment charges, restructuring expenses, and other income and expenses.

**Recurring EBITDA (REBITDA / Recurring Earnings Before Interest, Taxes, Depreciation and Amortization charges)**

Operating profit adjusted for amortization, depreciation, impairment charges, restructuring expenses and other income and expenses.

**Weighted average number of ordinary shares**

Number of ordinary shares outstanding at the beginning of a given period, adjusted by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

**Working capital**

Includes inventories, trade and other receivables and trade and other payables, both due within and after 12 months.

## Financial calendar

| | |
|---|---|
| 25 October 2016 | Interim report |
| 23 February 2017 | 2016 full year financial results |

## Notes

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union including IAS 34 – Interim Financial Reporting. In preparing this financial statements as of and for the six month period ended 30 June 2016, the same accounting policies and accounting estimates have been used as in the 31 December 2015 annual consolidated financial statements, unless indicated otherwise. None of the new or revised IFRS Standards and interpretations adopted as of 1 January 2016 had a material impact on this interim report.

This interim report only provides an explanation of events and transactions that are significant to understand the changes in the financial position and financial performance since the last annual reporting period, and should therefore be read in conjunction with the consolidated financial statements for the financial year ended on 31 December 2015, available on the website of UCB (www.ucb.com). Other information on the website of UCB or on any other website does not form part of this half-year report.

## Official report language

Pursuant to Belgian law, UCB is required to prepare its half-year report in French and in Dutch. UCB has also made this report available in English. In the event of any differences in translations or interpretations, the French version shall prevail.

## Forward-looking statements

This half-year report contains forward-looking statements based on current plans, estimates and beliefs of management. All statements, other than statements of historical fact, are statements that could be deemed forward-looking statements, including estimates of revenues, operating margins, capital expenditures, cash, other financial information, expected legal, political, regulatory or clinical results and other such estimates and results. By their nature, such forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions which could cause actual results to differ materially from those that may be implied by such forward-looking statements contained in this half-year report. Important factors that could result in such differences include: changes in general economic, business and competitive conditions, the inability to obtain necessary regulatory approvals or to obtain them on acceptable terms, costs associated with research and development, changes in the prospects for products in the pipeline or under development by UCB, effects of future judicial decisions or governmental investigations, product liability claims, challenges to patent protection for products or product candidates, changes in laws or regulations, exchange rate fluctuations, changes or uncertainties in tax laws or the administration of such laws and hiring and retention of its employees.

Additionally, information contained in this document shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any offer, solicitation or sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of such jurisdiction. UCB is providing this information as of the date of this presentation and expressly disclaims any duty to update any information contained in this half-year report, either to confirm the actual results or to report a change in its expectations.

There is no guarantee that new product candidates in the pipeline will progress to product approval or that new indications for existing products will be developed and approved. Products or potential products which are the subject of partnerships, joint ventures or licensing collaborations may be subject to differences between the partners. Also, UCB or others could discover safety, side effects or manufacturing problems with its products after they are marketed.

Moreover, sales may be impacted by international and domestic trends toward managed care and health care cost containment and the reimbursement policies imposed by third-party payers as well as legislation affecting biopharmaceutical pricing and reimbursement.

## About UCB

UCB, Brussels, Belgium (www.ucb.com) is a global biopharmaceutical company focused on the discovery and development of innovative medicines and solutions to transform the lives of people living with severe diseases of the immune system or of the central nervous system. With more than 7 500 people in approximately 40 countries, the company generated revenue of € 3.9 billion in 2015. UCB is listed on Euronext Brussels (symbol: UCB). Follow us on Twitter: @UCB_news

## Contact


**Investor Relations**

Antje Witte
Investor Relations, UCB
T +32.2.559.94.14
antje.witte@ucb.com

Isabelle Ghellynck,
Investor Relations, UCB
T+32.2.559.95.88
isabelle.ghellynck@ucb.com

**Corporate Communications**

France Nivelle
Global Communications, UCB
T +32.2.559.91.78
france.nivelle@ucb.com

Laurent Schots,
Media Relations, UCB
T+32.2.559.92.64
laurent.schots@ucb.com


**Check out our New IR App on** Available on the App Store **and** ANDROID APP ON Google play