2017 half-year financial report

Brussels, 27 July 2017

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

Contents

1. Business performance review[1]

1.1. Key highlights

- In the first six months of 2017, revenue increased to € 2.2 billion by 12% (10% at constant exchange rates (CER)). Net sales went up to € 2.0 billion by 10% (+9% CER). Adjusted for divestitures in 2016 and one-time other revenue in 2017, the increase of revenue and net sales was 13% and 14% respectively. This growth was driven by the continued performance of the core products. Royalty income and fees reached € 58 million (+14%). Other revenue reached € 136 million (+48%) due to the one-time other revenue of € 56 million for out-licensing the OTC-allergy drug Xyzal® (*levoceterizine*).

  Recurring EBITDA grew to € 742 million by 35% (+32% CER), driven by higher gross profit and an improved operating expense ratio.
- Profit increased to € 451 million from € 316 million (43%; 38% CER) of which € 431 million is attributable to UCB shareholders and € 20 million to non-controlling interests.
- Core earnings per share went up to € 2.53 from € 1.72 in the first half of 2016.

For the six months ended 30 June[1]	Actual		Variance	
€ million	2017	2016 [3]	Actual rates	CER
Revenue	**2 230**	**1 996**	**12%**	**10%**
Net sales	2 036	1 853	10%	9%
Royalty income and fees	58	51	14%	15%
Other revenue	136	92	48%	45%
Gross profit	**1 666**	**1 424**	**17%**	**15%**
Marketing and selling expenses	-464	-448	3%	2%
Research and development expenses	-474	-458	4%	4%
General and administrative expenses	-93	-87	6%	6%
Other operating income / expenses (-)	-16	1	n/a	n/a
Recurring EBIT (REBIT)	**619**	**432**	**43%**	**39%**
Non-recurring income / expenses (-)	1	50	-99%	-98%
EBIT (operating profit)	**619**	**482**	**28%**	**24%**
Net financial expenses (-)	-55	-65	-15%	-15%
Share of net profits of associates	0	0	n/a	n/a
Profit before income taxes	**564**	**417**	**35%**	**31%**
Income tax expenses (-) / credit	-114	-91	25%	21%
Profit from continuing operations	**450**	**325**	**38%**	**34%**
Profit / loss (-) from discontinued operations	**1**	**-9**	**n/a**	**n/a**
Profit	**451**	**316**	**43%**	**38%**
Attributable to UCB shareholders	431	300	44%	39%
Attributable to non-controlling interest	20	16	47%	42%
Recurring EBITDA	**742**	**549**	**35%**	**32%**
Capital expenditures (including intangible assets)	90	71	29%	n/a
Net financial debt[2]	987	838	-18%	n/a
Cash flow from continuing operating activities	294	258	14%	n/a
Weighted average number of shares (non-diluted)	188	188	0%	n/a
EPS (€ per weighted average number of shares - non diluted)	2.29	1.59	39%	34%
Core EPS (€ per weighted average number of shares - non diluted)	**2.53**	**1.72**	**47%**	**42%**

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 2016.
3 After reclassifications due to IFRS 15

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 2016. This condensed consolidated interim financial information has been reviewed, not audited.

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

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

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

Core EPS is the 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. 2017 key events

There have been several key events that have affected or will affect UCB financially:

Important agreements / initiatives

- January / February 2017 – As part of its innovation strategy, UCB has committed to invest an additional US$ 20 million in venture funds investing in innovative life sciences and healthcare companies.
- February 2017 – Following the approval by the U.S. Food and Drug Administration of Xyzal® Allergy 24HR as an over-the-counter (OTC) treatment for the relief of symptoms associated with seasonal and year-round allergies, UCB is entitled to guaranteed payments for a total amount of US$ 75 million to be paid over ten years by Chattem Inc., a Sanofi company, due to the out-licensing agreement for Xyzal® in the OTC field in the U.S. that was concluded in 2015. This out licensing agreement reflects UCB's strategy to out license its non-core business.
- March 2017 - the U.S. Patent and Trademark Office confirmed the validity of U.S. patent RE38,551 related to Vimpat® in the *Inter Partes Review* proceedings.
- April 2017 - UCB and Q-State Biosciences entered into a multi-year therapeutics discovery collaboration. The joint program will employ a precision-medicine approach to the development of novel therapeutics for epilepsy, and particularly genetically defined subtypes of childhood epilepsy. No financial details disclosed.
- June 2017 - UCB has acquired the remaining 73% stake in Beryllium LLC and now owns 100%. Beryllium LLC is a research company specializing in protein expression and structural biology, enhancing UCB's capabilities in protein engineering and structural biology. (For further information, please see Note 3.9)
- Since June 2017, Besponsa® (*inotuzumab ozogamicin*) is approved in the EU as monotherapy for the treatment of adults with relapsed or refractory CD22-positive B-cell precursor acute lymphoblastic leukemia, becoming the first and only antibody drug conjugate available for patients with this type of leukemia in the European Union. In the U.S., a Biologics License Application was accepted for filing and granted Priority Review in March 2017. Besponsa® originates from a collaboration between Pfizer Inc. and UCB. Pfizer has sole responsibility for all manufacturing and clinical development activities for this molecule. Upon commercialization UCB is entitled to receive royalties.

Regulatory update and pipeline progress

Neurology

- In January 2017, UCB filed a supplemental New Drug Application with the U.S. authorities for **Briviact®** (*brivaracetam*) as monotherapy in the treatment of partial-onset seizures in patients 16 years of age and older with epilepsy.
  In July, UCB filed for marketing authorization with the EU authorities for Briviact® for the adjunctive treatment of partial-onset seizures in children with epilepsy 4 years of age and older. And with the U.S. authorities to extend Briviact® for the monotherapy and adjunctive treatment of children with epilepsy 4 years of age and older.
- In February, the phase 2a study with ***padsevonil*** (UCB0942) - aimed at highly drug resistant epilepsy patients, who failed four anti-epileptic drugs and have at least four seizures/week - showed positive top line results and will progress into further development. Detailed results will be presented at future scientific meetings.
- In March, **Vimpat®** (*lacosamide*) filing has been accepted by the U.S. FDA for pediatric patients living with partial-onset epilepsy at four years and older, based on extrapolation of data.
  In July, the Committee for Medicinal Products for Human Use of the European Medicines Agency has adopted a positive opinion on Vimpat® for the treatment of epilepsy in children from 4 to 16 years of age.
  Also in March, Vimpat® in a phase 3 study achieved positive results as adjunctive therapy in patients with epilepsy (partial-onset seizure; ≥ 4 to <17 years of age). Detailed results will be presented at future scientific meetings and will be submitted to regulatory authorities.
- In March, a phase 2a study started with ***rozanolixizumab*** (UCB7665) in myasthenia gravis (MG), a rare, debilitating neurological auto-immune disease. First results are expected in Q2 2018.
- In July, an open-label phase 1b study with **UCB3491/*radiprodil*** in patients with refractory infantile spasms started. First headline results are expected in H1 2018.
- All other clinical development programs are continuing as planned.

Immunology

- In January 2017, UCB and its partner Dermira announced positive topline results from CIMPACT, a phase 3, placebo- and active-controlled clinical trial evaluating **Cimzia®** (*certolizumab pegol*) in adult patients with moderate-to-severe chronic plaque psoriasis. This completed the positive results from CIMPASI-2 and CIMPASI-1 in Q4 2016. In July, UCB and its partner Dermira submitted marketing applications to U.S. and EU regulatory authorities for Cimzia® in psoriasis.
  In February, to support line extension for Japan, a phase 3 study evaluating Cimzia® in adult patients with psoriasis and psoriatic arthritis started with first results expected in Q4 2018.
  In March, the FDA issued a “complete response letter” in connection with the review of a proposed new indication for Cimzia® to treat polyarticular juvenile idiopathic arthritis (pJIA). The FDA letter concerns the reliability of the submitted pharmacokinetic data. UCB is working with both the FDA and the third party bioanalytical laboratory concerned to work on the issue and to agree on next steps to bring Cimzia® to juvenile patients. This does not affect any other program with Cimzia®.
  Data from the CRIB and CRADLE studies for women of child-bearing age were filed with the European and American health authorities, in May and June respectively. CRADLE was a study evaluating the concentration of Cimzia® in mature breast milk of lactating mothers whereas CRIB was evaluating the transfer of Cimzia® from the mother to the infant via the placenta.
- In June, the phase 2a study in which ***bimekizumab*** was given as add-on therapy to rheumatoid arthritis patients not fully responding to initial TNF therapy completed. Primary endpoint was met and no new safety signal observed. However, data do not suggest sufficient patient value potential for the study population to proceed to phase 2b at this time. In line with its patient value strategy, UCB will focus efforts to define a specific patient sub-population most likely to achieve remission with add-on therapy. If successfully identified, such a population could be explored in a phase 2b study.
  In July, positive results from a phase 2b study in patients with psoriasis were reached for ***bimekizumab***: Up to 79% of patients achieved at least 90% skin clearance at week 12 and up to 60% of patients achieved complete skin clearance at week 12, a secondary efficacy variable. UCB is ready

to advance the phase 3 clinical development program in psoriasis and continues clinical trials in psoriatic arthritis and ankylosing spondylitis (with first phase 2b results in 2018).

- All other clinical development programs are continuing as planned.

Bone

- In May, UCB and Amgen announced that the ***romosozumab*** ARCH study met both primary endpoints and the key secondary endpoint. At the primary analysis, treatment with *romosozumab* for 12 months followed by alendronate significantly reduced the incidence of new vertebral fractures through 24 months, clinical fractures (primary endpoints) and non-vertebral fractures (key secondary endpoint) in postmenopausal women with osteoporosis at high risk for fracture, compared to *alendronate* alone. An imbalance in positively adjudicated cardiovascular serious adverse events was observed as a new safety signal. This newly observed cardiovascular safety signal will have to be assessed as part of the overall benefit: risk profile for *romosozumab*. UCB and Amgen are engaging with global regulators and medical experts in the field to conduct a thorough evaluation of these data.
  In July, the U.S. authorities issued a "complete response letter", with the availability of data from the ARCH study, the Agency has asked that the efficacy and safety data from the study be integrated into the application. The resubmission will also include the efficacy and safety data from the BRIDGE study, the phase 3 trial evaluating *romosozumab* in men with osteoporosis, which has also been requested. This request will be addressed in the form of a resubmission, which is an extension of the current review. The original submission included data from the FRAME study of postmenopausal women with osteoporosis.

1.3. Net sales by product

Total net sales in the first six months of 2017 increased to € 2 036 million, 10% higher than last year or +9% at constant exchange rates (CER). Excluding the divestitures in 2016, the total net sales increased by 14% (+13% CER). This was driven by the continued strong growth of the core products, Cimzia®, Vimpat®, Keppra®, Briviact® and Neupro®, to combined net sales of € 1 741 million – a plus of 18% and representing 85% of UCB's total net sales.

For the six months ended 30 June	Actual		Variance	
€ million	**2017**	2016 [1]	Actual rates	CER
Core products	1 741	1 480	18%	14%
Immunology / Cimzia®	663	598	11%	9%
Neurology				
Vimpat®	477	381	25%	22%
Keppra® (including Keppra® XR + E Keppra®)	412	352	17%	16%
Neupro®	154	142	9%	8%
Briviact®	36	7	> 100%	> 100%
Established brands	302	375	-19%	-16%
Zyrtec® (including Zyrtec-D® / Cirrus®)	61	68	-10%	-12%
Xyzal®	54	54	1%	-1%
Nootropil®	22	22	0%	4%
Venlafaxine ER	1	55	-98%	-98%
Other products	163	176	-7%	-7%
Net sales before hedging	2 043	1 855	10%	9%
Designated hedges reclassified to net sales	-8	-1	> 100%	n/a
Total net sales	**2 036**	**1 853**	**10%**	**9%**

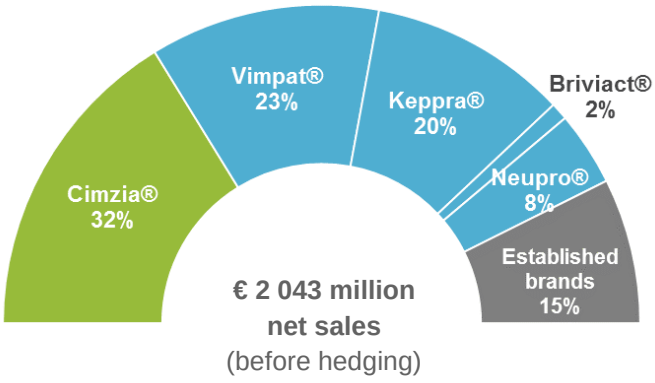
1 After reclassifications due to IFRS 15

Core products

- **Cimzia®** (*certolizumab pegol*), for people living with inflammatory TNF mediated diseases, net sales went up to € 663 million, (+11%; +9% CER), driven by continued, sustainable growth in a competitive market environment. In Japan, net sales with partner Astellas reflect different shipment patterns, while in-market growth continued with 16%.
- **Vimpat®** (*lacosamide*) with net sales of € 477 million, (+25%; +22% CER) is reaching more and more people living with epilepsy. Since August 2016, Vimpat® is also available in Japan, in partnership with Daiichi Sankyo. Since December 2016, Vimpat® is approved for monotherapy in the EU.
- **Keppra®** (*levetiracetam*), for epilepsy, net sales were € 412 million (+17%; +16% CER) and benefitted from stocking effects in most markets. The growth, however, is driven by international markets and Japan. In Japan, E Keppra® net sales with partner Otsuka also reflect different shipment patterns compared to last year.
- **Briviact®** (*brivaracetam*) available for people living with epilepsy in the EU since January 2016 and in the U.S. since June 2016, reached net sales of € 36 million.
- **Neupro®** (*rotigotine*), the patch for Parkinson's disease and restless legs syndrome, reached net sales of € 154 million (+9%; +8% CER). In Japan, net sales with UCB's partner Otsuka reflect different shipment patterns compared to last year. The in-market performance of Neupro® in Japan shows a growth of 14%.

Established brands

- **Zyrtec®** (*cetirizine*, including Zyrtec®-D / Cirrus®) and **Xyzal®** (*levocetirizine*), both for allergy, had net sales of € 61 million (-10%; -12% CER) and € 54 million (+1%; -1% CER) respectively, both impacted by generic competition. Xyzal® was impacted by generic competition mainly in U.S. and Europe, which was compensated by growth in Japan.
- **Nootropil®** (*piracetam*), for cognitive disorders, had stable net sales of € 22 million (+4% CER).
- **Other products**: Net sales for other established brands decreased to € 163 million (-7%; -7% CER). This was mainly driven by the divestiture of the nitrate business in 2016. Adjusted for this divestiture, the business would have stable.
- **Designated hedges reclassified for sales** and unallocated were negative with € 8 million (negative € 1 million in first half 2016) 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 and the the British Pound.

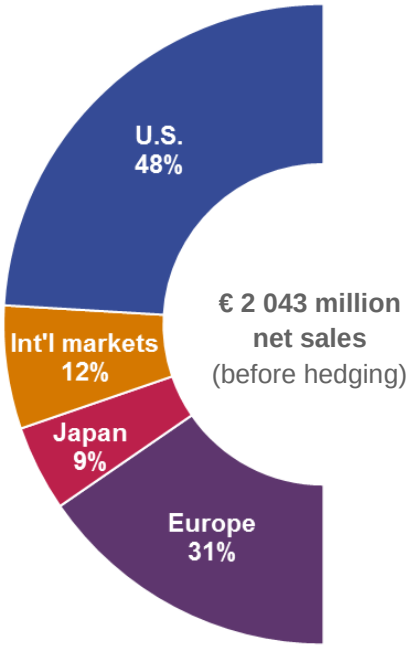


1.4. Net sales by geographical area

For the six months ended 30 June	Actual		Variance actual rates		Variance CER	
€ million	2017	2016 [1]	€ million	%	€ million	%
Net sales – U.S.	983	869	115	13%	85	10%
Cimzia®	420	372	48	13%	35	9%
Vimpat®	368	291	77	26%	66	23%
Keppra® (incl. Keppra® XR)	109	99	10	10%	7	7%
Neupro®	50	39	11	29%	10	25%
Briviact®	25	4	21	> 100%	20	> 100%
Established brands	12	64	-53	-83%	-53	-82%
Venlafaxine ER	1	55	-54	-98%	-54	-98%
Net sales – Europe	629	609	20	3%	25	4%
Cimzia®	176	165	12	7%	14	9%
Keppra®	119	121	-2	-1%	-1	-1%
Vimpat®	82	72	11	15%	11	15%
Neupro®	80	77	4	5%	4	5%
Briviact®	11	3	7	> 100%	8	> 100%
Established brands	160	172	-12	-7%	-11	-6%
Zyrtec® (including Cirrus®)	31	37	-5	-15%	-5	-15%
Other products	128	135	-7	-5%	-6	-4%
Net sales – Japan	177	124	53	43%	50	40%
E Keppra®	93	48	44	91%	42	87%
Cimzia®	18	19	-1	-5%	-1	-7%
Neupro®	17	19	-2	-9%	-2	-9%
Vimpat®	6					
Established brands	43	37	6	15%	5	13%
Xyzal®	27	22	5	24%	5	22%
Zyrtec®	15	15	0	2%	0	0%
Net sales – International markets	255	253	2	1%	-1	0%
Cimzia®	48	42	6	15%	5	13%
Vimpat®	20	18	2	14%	2	10%
Keppra®	91	84	7	8%	7	9%
Briviact®	1	0	0	> 100%	0	> 100%
Neupro®	6	7	-1	-8%	-1	-12%
Established brands	89	101	-13	-13%	-15	-15%
Net sales before hedging	2 043	1 855	189	10%	158	9%
Designated hedges reclassified to net sales	-8	-1	-7	> 100%		
Total net sales	**2 036**	**1 853**	**183**	**10%**	**158**	**9%**

1 After reclassifications due to IFRS 15

- **U.S. net sales** reached € 983 million (+13%; +10% CER). Key driver was the sustainable growth of the core products which reached combined net sales of € 972 million – 99% of UCB's net sales in the U.S. The Keppra® franchise amounted to € 109 million, up 10% (7% CER) mainly due to stocking effects. Net sales of the established brands were € 12 million after € 64 million due to divestitures, namely *venlafaxine ER* in November 2016. Corrected for this divestiture, U.S. net sales increased by 21%.
- **Net sales in Europe** reached € 629 million (+3%, +4% CER), driven by the continued growth of the core products reaching combined net sales to € 467 million – representing 75% of UCB's net sales in Europe. The allergy franchise Zyrtec® reached € 31 million (-15%) and other products contributed € 128 million (-5%) – due to generic competition and divestment.
- **Japan net sales** are impacted by the different shipment patterns to UCB's respective partners in this market and reached € 177 million, up by 43% (+40%CER). Key driver were strong E Keppra® net sales of € 93 million (+91%), supported by stocking effects (partner Otsuka). Cimzia® net sales were € 18 million (after € 19 million) while in-market growth continued with +16% (partner: Astellas). Vimpat® was launched in September 2016 with partner Daiichi Sankyo and reported net sales of € 6 million. Neupro® had net sales of € 17 million after € 19 million (partner Otsuka). The allergy product Zyrtec® was stable with € 15 million while Xyzal® increased by 24% to € 27 million.
- **International markets net sales** amounted to € 255 million, +1% (+0% CER). Sustainable growth of the core products was compensated by impacts from divestitures within the established brands portfolio.
- **Designated hedges reclassified for sales** and unallocated were negative with € 8 million (negative € 1 million in first half 2016) 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 and the British Pound.



1.5. Royalty income and fees

For the six months ended 30 June	Actual		Variance	
€ million	2017	2016	Actual rates	CER
Biotechnology IP	32	26	20%	24%
Zyrtec® U.S.	17	15	10%	8%
Toviaz®	8	6	27%	26%
Other	1	3	-49%	-49%
Royalty income and fees	**58**	**51**	**14%**	**15%**

In the first six months 2017, **royalty income and fees** increased from € 51 million to € 58 million, (14%; 15% CER).

The **biotechnology IP** income went up thanks to royalties for a monoclonal antibody from UCB's antibody platform.

Royalties collected for **Zyrtec® in the U.S.** increased by € 2 million or 10%.

The franchise royalties paid by Pfizer for the overactive bladder treatment **Toviaz®** (*fesoterodine*) went up by € 2 million or 27%.

1.6. Other revenue

For the six months ended 30 June	Actual		Variance	
€ million	2017	2016	Actual rates	CER
Contract manufacturing sales	47	49	-4%	-5%
Product profit sharing	12	12	2%	1%
Partnerships in Japan	6	10	-42%	-42%
Partnership in China	0	10	-98%	-98%
Xyzal® in U.S.	56	-	n/a	n/a
Other	15	10	43%	43%
Other revenue	**136**	**92**	**48%**	**45%**

Other revenue reached € 136 million (+48%) from € 92 million impacted by the one-time other revenue of € 56 million for out-licensing of the over-the-counter - allergy drug Xyzal® in the U.S.

Contract manufacturing sales amounted to € 47 million and includes contract manufacturing related to the divestiture of the nitrates established brands business in 2016.

The **product profit sharing** agreements for Dafiro® / Provas® (2016) and Xyzal® reached revenue of € 12 million.

Partnering activities in Japan encompass the collaboration with Otsuka focusing on E Keppra® and with Daiichi Sankyo for Vimpat®, reached a total of € 6 million after € 10 million.

Our partnership in China encompassed in 2016 the market rights to UCB's allergy franchise and revenue reached € 10 million in 2016. This partnership has now been transferred.

"**Other**" revenue reached € 15 million (43%) and includes milestone and other payments from our R&D partners.

1.7. Gross profit

For the six months ended 30 June	Actual		Variance	
€ million	2017	2016	Actual rates	CER
Revenue	**2 230**	**1 996**	**12%**	**10%**
Net sales	2 036	1 853	10%	9%
Royalty income and fees	58	51	14%	15%
Other revenue	136	92	48%	45%
Cost of sales	**-564**	**-572**	**1%**	**2%**
Cost of sales products and services	-393	-403	-5%	-4%
Royalty expenses	-110	-107	3%	3%
Amortization of intangible assets linked to sales	-61	-62	-3%	-3%
Gross profit	**1 666**	**1 424**	**17%**	**15%**

In the first six months 2017, **gross profit** reached € 1 666 million, plus 17%, due to the net sales growth and improved product mix in general but also driven by the divestitures in 2016. The core products now represent 85% of UCB's net sales, compared to 80% as per June 2016. The gross margin amounted to 75% after 71% in the first six months 2016.

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** decreased by 5% to € 393 million.

Royalty expenses slightly went up to € 110 million from € 107 million due to the growth of marketed core products, mainly Cimzia® and Vimpat®, and impacted by established brands royalties expiring after divestments in 2016.

For the six months ended 30 June	Actual		Variance	
€ million	**2017**	2016	Actual rates	CER
Biotechnology IP	0	1	n/a	n/a
Other	-110	-108	3%	3%
Royalty expenses	**-110**	**-107**	**3%**	**3%**

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 is stable at € 61 million.

1.8. Recurring EBIT and recurring EBITDA

For the six months ended 30 June	Actual		Variance	
€ million	2017	2016	Actual rates	CER
Revenue	2 230	1 996	10%	9%
Net sales	2 036	1 853	10%	9%
Royalty income and fees	58	51	14%	15%
Other revenue	136	92	48%	45%
Gross profit	1 666	1 424	17%	15%
Marketing and selling expenses	-464	-448	3%	2%
Research and development expenses	-474	-458	4%	4%
General and administrative expenses	-93	-87	6%	6%
Other operating income / expenses (-)	-16	1	n/a	n/a
Total operating expenses	-1 047	-992	6%	5%
Recurring EBIT (REBIT)	**619**	**432**	**43%**	**39%**
Amortization of intangible assets	-78	-82	-5%	-5%
Depreciation charges	-45	-36	28%	28%
Recurring EBITDA (REBITDA)	742	549	35%	32%

Operating expenses, encompassing marketing and selling expenses, research and development expenses, general and administrative expenses and other operating income/expenses, reached € 1 047 million, increasing by 6% and reflecting:

- 3% higher **marketing and selling expenses** of € 464 million. Reflecting the continued growth of the core products including the ongoing launch of Briviact®.
- 4% higher **research and development expenses** of € 474 million. Phasing in the late-stage clinical development pipeline and higher revenue led to a R&D ratio of 21% in the first six months 2017.
- 6% higher **general and administrative expenses** of € 93 million;
- **other operating expenses** of € 16 million, mainly due to the collaboration with Amgen in preparation of the commercialization of *romosozumab*.

Total operating expenses in relation to revenue (operating expense ratio) improved to 47% after 50%.

Recurring EBIT increased to € 619 million, compared to € 432 million for the first six months 2016.

- total **amortization of intangible assets** (product related and other) amounted to € 78 million;
- **depreciation charges** increased by 28% to € 45 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 2017 (compared to € 5 million for first six months 2016) are recognized in the cost of sales and are added back for recurring EBITDA calculation purposes.

Recurring EBITDA reached € 742 million after € 549 million, a plus by 35% and driven by higher gross profit and an improved operating expense ratio.

1.9. Net profit

For the six months ended 30 June	Actual		Variance	
€ million	**2017**	2016	Actual rates	CER
Recurring EBIT	619	432	43%	39%
Impairment charges	4	-11	n/a	n/a
Restructuring expenses	-7	-9	-24%	-23%
Gain on disposals	0	77	n/a	n/a
Other non-recurring income / expenses (-)	3	-7	7%	6%
Total non-recurring income / expenses (-)	1	50	-99%	-98%
EBIT (operating profit)	619	482	28%	24%
Net financial expenses (-)	-55	-65	-15%	-15%
Result from associates	0	0	n/a	n/a
Profit before income taxes	564	417	35%	31%
Income tax expense (-) / credit	-114	-91	25%	21%
Profit from continuing operations	450	325	38%	34%
Profit / loss (-) from discontinued operations	1	-9	n/a	n/a
Profit	**451**	**316**	**43%**	**38%**
Attributable to UCB shareholders	431	300	44%	39%
Attributable to non-controlling interests	20	16	47%	42%
Profit attributable to UCB shareholders	431	300	44%	39%

Total non-recurring income / expenses (-) amounted to € 1 million pre-tax income (compared to € 50 million pre-tax income in 2016) including restructuring and litigation expenses offset with reversal of impairment and provisions. The 30 June 2016 main driver of the income is the gain (€ 75 million) from the divestiture of UCB's nitrates established brands in China, Europe and other selected markets offset with the impairment of oncology molecules and restructuring expenses.

Net financial expenses reached € 55 million from € 65 million in 2016 that included the € 28 million impairment of the Lannett warrant (in connection with the Kremers Urban divestiture).

Income tax expenses were € 114 million compared to € 91 million in June 2016. The average effective tax rate on recurring activities was 20% compared to 25% in the same period of last year.

Profit/loss from discontinued operations, reached a gain of € 1 million after a loss of € 9 million in 2016.

The **profit of the Group** amounted to € 451 million (after € 316 million) of which € 431 million is attributable to the UCB shareholders and € 20 million to non-controlling interests. For the first six months of 2016, profit was € 316 million and of which € 300 million were attributable to UCB shareholders and € 16 million to non-controlling interests.

1.10. Core EPS

For the six months ended 30 June	Actual		Variance	
€ million	**2017**	2016	Actual rates	CER
Profit	451	316	43%	38%
Attributable to UCB shareholders	431	300	44%	39%
Attributable to non-controlling interests	20	16	47%	42%
Profit attributable to UCB shareholders	431	300	44%	39%
Total non-recurring income (-) / expenses	-1	-50	n/a	n/a
Income tax on non-recurring expenses (-) / credit	-1	-9	n/a	n/a
Financial one-off income (-) / expenses	0	28	n/a	n/a
Income tax on financial one-off income / expenses (-)	0	0	n/a	n/a
Profit (-) / loss from discontinued operations	-1	9	n/a	n/a
Amortization of intangibles linked to sales	61	62	n/a	n/a
Income tax on amortization of intangibles linked to sales	-12	-16	n/a	n/a
Core profit attributable to UCB shareholders	477	325	47%	42%
Weighted average number of shares (million)	188	188	0%	n/a
Core EPS attributable to UCB shareholders	**2.53**	**1.72**	**47%**	**42%**

The **profit attributable to UCB shareholders**, adjusted for the after-tax impact of non-recurring items, the financial one-offs, the after-tax contribution from discontinued operations and the net amortization of intangibles linked to sales, gives rise to a **core profit attributable to the UCB shareholders** of € 477 million (+47%; +42% CER), leading to **core earnings per share** (EPS) of € 2.53 compared to € 1.72 in 2016 per non-dilutive weighted average number of shares of 188 million.

1.11. Balance sheet

The **intangible assets** decreased by € 55 million from € 875 million at 31 December 2016 to € 820 million at 30 June 2017. This includes the ongoing amortization of the intangible assets (€ 78 million), impairment (€ 2 million), partially offset by reversal of impairment (€ 6 million) and additions through in-licensing, software and capitalized eligible software development costs.

Goodwill down from € 5 178 million at 31 December 2016 to € 4 971 million stemming from the weakened U.S. dollar compared to December 2016 and including € 9 million related to the Beryllium LLC acquisition.

Other non-current assets decreased by € 13 million.

The **current asset** decrease from € 2 331 million as of 31 December 2016 to € 2 200 million as of 30 June 2017 is mostly stemming from a decrease in cash and cash equivalents.

UCB's **shareholders' equity**, at € 5 533 million, an increase of € 56 million between 31 December 2016 and 30 June 2017. The important changes stem from the net profit (€ 451 million), impacted by USD and GBP negative currency translation (€ 198 million), offset with dividend payments (€ 217 million) and acquisition of treasury shares (€ 97 million).

The **non-current liabilities** amount to € 2 293 million at the same level of December 2016.

The **current liabilities** amount to € 1 980 million, down € 438 million, due to lower payroll liabilities and decrease in trade payables.

The **net debt** increased by € 149 million from € 838 million as of end December 2016 to € 987 million as per end June 2017, and mainly relates to the dividend payment on the 2016 results, 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 to € 325 million of which € 294 million from continuing operations compared to € 258 million in 2016. This was achieved despite slightly higher needed working capital.
- **Cash flow from investing activities** showed an outflow of € 109 million in 2017 (continuing operations) compared to an inflow of € 83 million in 2016, after the divestiture of non-core assets.
- **Cash flow from financing activities** has an outflow of € 374 million, which includes the acquisition of treasury shares, dividend payments and repayment of short term borrowings.

1.13. Outlook 2017 updated

UCB expects continued company growth driven by the core medicines reaching more and more patients.

UCB's key financial performance indicators are now expected for:

- **2017 revenue** in the range of € 4.35 - 4.45 billion,
- **recurring EBITDA** in the range of € 1.15 - 1.25 billion and
- **core earnings per share** in the range of € 3.70 - 4.15 based on an expected average of 188 million shares outstanding.

2. Condensed consolidated financial statements

2.1. Condensed consolidated income statement

For the six months ended 30 June € million	Note	2017 Reviewed	2016 Reviewed[3]
CONTINUING OPERATIONS			
Net sales	3.6	2 036	1 853
Royalty income and fees		58	51
Other revenue		136	92
Revenue	3.8	2 230	1 996
Cost of sales		-564	-572
Gross profit		1 666	1 424
Marketing and selling expenses		-464	-448
Research and development expenses		-474	-458
General and administrative expenses		-93	-87
Other operating income / expenses (-)	3.11	-16	1
Operating profit before impairment, restructuring and other income and expenses		619	432
Impairment of non-financial assets	3.12	4	-11
Restructuring expenses	3.13	-7	-9
Other income / expenses (-)	3.14	3	70
Operating profit		619	482
Financial income	3.15	12	29
Financial expenses	3.15	-67	-94
Net financial expenses (-)	3.15	-55	-65
Share of net profits of associates		0	0
Profit before income taxes		564	417
Income tax expense	3.16	-114	-91
Profit from continuing operations		**450**	**325**
DISCONTINUED OPERATIONS			
Profit / loss (-) from discontinued operations	3.10	**1**	**-9**
PROFIT		**451**	**316**
Attributable to equity holders of UCB S.A.		431	300
Attributable to non-controlling interests		20	16
BASIC EARNINGS PER SHARE (€)[1]			
From continuing operations		2.29	1.64
From discontinued operations		0	-0.05
Total basic earnings per share		2.29	1.59
DILUTED EARNINGS PER SHARE (€)[2]			
From continuing operations		2.29	1.64
From discontinued operations		0	-0.05
Total diluted earnings per share		2.29	1.59

1 The weighted average number of shares in issue during the interim period, for the purposes of the basic earnings per share calculation, is 188 252 891 (2016: 188 253 608).

2 The weighted average number of shares during the interim period, for the purposes of the diluted earnings per share calculation is 188 252 891 (2016: 188 253 608).

3 After reclassifications due to IFRS 15

2.2. Condensed consolidated statement of comprehensive income

For the six months ended 30 June € million	2017 Reviewed	2016 Reviewed
Profit for the period	451	316
Items to be reclassified to profit or loss in subsequent periods		
Net gain / loss (-) on available for sale financial assets	-7	-9
Exchange differences on translation of foreign operations	-198	-141
Effective portion of gains / losses (-) on cash flow hedges	126	-11
Income tax relating to the components of other comprehensive income to be reclassified to profit or loss in subsequent periods	-42	
Items not to be reclassified to profit or loss in subsequent periods		
Re-measurement of defined benefit obligation	14	-117
Income tax relating to the components of other comprehensive income not to be reclassified to profit or loss in subsequent periods	-2	6
Other comprehensive income / loss (-) for the period, net of tax	-109	-272
Total comprehensive income for the period, net of tax	**342**	**44**
Attributable to UCB S.A. shareholders	315	26
Attributable to non-controlling interests	27	18

2.3. Condensed consolidated statement of financial position

€ million	Note	30 June 2017 Reviewed	31 Dec. 2016 Audited
ASSET			
Non-current assets			
Intangible assets	3.17	820	875
Goodwill	3.18	4 971	5 178
Property, plant and equipment	3.19	676	678
Deferred income tax assets		898	953
Financial and other assets (incl. derivative financial instruments)	3.20	241	197
Total non-current assets		7 606	7 881
Current assets			
Inventories	3.21	610	578
Trade and other receivables		809	884
Income tax receivables		27	5
Financial and other assets (incl. derivative financial instruments)		140	86
Cash and cash equivalents		589	761
Assets of disposal group classified as held for sale		25	17
Total current assets		2 200	2 331
Total assets		**9 806**	**10 212**
EQUITY AND LIABILITIES			
Equity			
Capital and reserves attributable to UCB shareholders	3.22	5 613	5 584
Non-controlling interests		-80	-107
Total equity		5 533	5 477
Non-current liabilities			
Borrowings	3.23	316	331
Bonds	3.24	1 234	1 243
Other financial liabilities (incl. derivative financial instruments)	3.25	74	94
Deferred income tax liabilities		43	10
Employee benefits		472	479
Provisions	3.26	106	105
Trade and other liabilities		48	55
Total non-current liabilities		2 293	2 317
Current liabilities			
Borrowings	3.23	27	27
Bonds	3.24	0	0
Other financial liabilities (incl. derivative financial instruments)	3.25	65	142
Provisions	3.26	38	61
Trade and other liabilities		1 582	1 860
Income tax payables		268	328
Liabilities of disposal group classified as held for sale		0	0
Total current liabilities		1 980	2 418
Total liabilities		4 273	4 735
Total equity and liabilities		**9 806**	**10 212**

2.4. Condensed consolidated statement of cash flows

For the six months ended 30 June € million	Note	2017 Reviewed	2016 Reviewed
Profit attributable to UCB shareholders		431	300
Non-controlling interests		20	16
Adjustment for profit (-) / loss from associates		0	0
Adjustment for non-cash transactions	3.27	90	160
Adjustment for items to disclose separately under operating cash flow	3.27	114	91
Adjustment for items to disclose under investing and financing cash flows	3.27	16	-51
Change in working capital	3.27	-225	-205
Interest received		9	25
Cash flow generated from operations		455	336
Tax paid during the period		-130	-364
Net cash flow used in (-)/generated by operating activities		**325**	**-28**
From continuing operations		**294**	258
From discontinued operations		**31**	-286
NET CASH FLOW GENERATED FROM OPERATING ACTIVITIES		**325**	**-28**
Acquisition of intangible assets		-44	-15
Acquisition of property, plant and equipment		-46	-55
Acquisition of subsidiaries, net of cash acquired		-7	0
Acquisition of other investments		-14	-2
Sub-total acquisitions		-111	-72
Proceeds from sale of intangible assets		0	1
Proceeds from sale of property, plant and equipment		1	0
Proceeds from sale of business unit, net of cash disposed		0	329
Proceeds from sale of other investments		1	2
Dividends received		0	0
Sub-total disposals		2	333
Net cash flow used in (-) / generated by investing activities		**-109**	**260**
From continuing operations		**-109**	83
From discontinued operations		**0**	177
NET CASH FLOW USED IN (-) / GENERATED BY INVESTING ACTIVITIES		**-109**	**260**
Proceeds from issuance of share capital		0	-300
Proceeds from issuance of bonds		0	0
Repayment of bonds (-)		0	0
Proceeds from borrowings		9	15
Repayment of borrowings (-)		-26	-94
Payment of finance lease liabilities		0	-1
Acquisition of treasury shares		-105	-49
Dividend paid to UCB shareholders, net of dividend paid on own shares		-217	-230
Interest paid		-35	-39
Net cash flow used in (-) / generated by financing activities		**-374**	**-698**
From continuing operations		-374	-698
From discontinued operations		0	0
NET CASH FLOW USED IN (-) / GENERATED BY FINANCING ACTIVITIES		**-374**	**-698**
Net increase / decrease (-) in cash and cash equivalents		**-158**	**-466**
From continuing operations		**-189**	**-357**
From discontinued operations		**31**	**-109**
NET CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**756**	**1 277**
Effect of exchange rate fluctuations		-22	-24
NET CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**576**	**787**

2.5. Condensed consolidated statement of changes in equity

	ATTRIBUTED TO EQUITY HOLDERS OF UCB SA										
€ million	Share capital and share premium	Hybrid capital	Treasury shares	Retained earnings	Other reserves	Cumulative translation adjustments	Available for sale financial assets	Cash flow hedges	Total	Non-controlling interests	Total stockholders' equity
Balance at 1 January 2017	**2 614**	**0**	**-283**	**3 263**	**-164**	**132**	**42**	**-20**	**5 584**	**-107**	**5 477**
Profit for the period				431					431	20	451
Other comprehensive income / loss (-)					12	-205	-7	84	-116	7	-109
Total comprehensive income				431	12	-205	-7	84	315	27	342
Dividends				-217					-217		-217
Share-based payments				28					28		28
Transfer between reserves			48	-48					0		0
Treasury shares			-97						-97		-97
Balance at 30 June 2017 (reviewed)	**2 614**	**0**	**-332**	**3 457**	**-152**	**-73**	**35**	**64**	**5 613**	**-80**	**5 533**
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
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**

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 three therapeutic areas namely Neurology, Immunology and Bone.

This condensed consolidated interim financial information of the Company as at and for the six months ended 30 June 2017 (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 26 July 2017. 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 2016 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 2016, 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 2016 except for the application of IFRS 15 Revenue from Contracts with Customers (see following paragraphs).

New and amended standards adopted by the Group

The Group has decided to apply IFRS 15 Revenue from Contracts with Customers (issued in May 2014). In accordance with the transition provisions in IFRS 15 the new rules have been adopted retrospectively and comparatives for the 2016 financial year have been restated. Following practical expedients have been used: for completed contracts with variable consideration, the transaction price at the contract completion date was used, non-disclosure of the transaction price allocated to the remaining performance obligations and explanation of when these amounts are expected to be recognized in revenue for all reporting periods presented before 1 January 2017.

A number of amendments and annual improvements to standards are mandatory for the first time for the financial year beginning 1 January 2017 (subject to EU endorsement). However, the Group does not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments and improvements to the standards.

The clarifications to IFRS 15 Revenue from Contracts with Customers (issued in April 2016) and effective as of 1 January 2018 (subject to EU endorsement) have been early adopted as from 2017 although the effect of the early adoption compared to an adoption as per 1 January 2018 is nihil as the Group did not make use of the additional practical expedients on transition and as other amendments merely concern clarifications on the existing guidance of IFRS 15.

Changes in accounting policies due to the application of IFRS 15 Revenue from Contracts with Customers

Following the application of IFRS 15 Revenue from Contracts with Customers, the accounting policies for revenue have been revised as follows:

Revenue is recognized when control of a good or service transfers to a customer.

Net sales:

Net sales encompass revenue recognized resulting from transferring control over products to the customer.

The amount of revenue recognized is the amount allocated to the satisfied performance obligation taking into account variable consideration. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration that is included in the transaction price relates to sales returns, rebates, trade and cash discounts, charge-backs granted to various customers that are part of commercial and governmental contractual arrangements or other reimbursement programs, including the U.S. Medicaid Drug Rebate program, the U.S. Federal Medicare program and others as well as the U.S. Branded Prescription Drug Fee. A contract liability is recognized for expected sales returns, rebates, trade and cash discounts, charge-backs or other reimbursements payable directly or indirectly to customers in relation to sales made until the end of the reporting period. Payment terms can differ from contract to contract but no element of financing is deemed present. Therefore the transaction price is not adjusted for the effects of a significant financing component. A receivable is recognized as soon as control over the products is transferred to the customer as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The transaction price is adjusted for any consideration payable to the customer (directly or indirectly) that is economically linked to the revenue contract unless the payment is for distinct services received from the customer. In the latter case, the fair value of the services received is estimated and accounted for as part of marketing and selling expenses.

The amount of variable consideration is estimated on the basis of historical experience and the specific terms in the individual agreements.

Net sales are presented net of value added tax, other sales related taxes or any other amounts collected on behalf of third parties.

Royalty income:

Sales-based royalties resulting from the out-licensing of IP are recognized as the subsequent underlying sales occur provided that the related performance obligation has been satisfied by then.

Other revenue:

Other revenue comprises revenue generated through out-licensing and profit-sharing agreements as well as contract manufacturing agreements. The underlying performance obligations can be satisfied at a point in time or over time depending on the specific situation.

For performance obligations satisfied over time, revenue is recognized based on a pattern that best reflects the transfer of control of the service to the customer. Usually this progress is measured by an input method whereby costs incurred and hours expended relative to total costs expected to be incurred and total hours expected to be expended are used as a basis.

Any variable consideration that is promised in exchange of a license of IP and that is based upon achieving certain sales targets, is accounted for in the same way as sales-based royalties i.e. at the moment the related sales occur provided that the related performance obligation has been satisfied.

Any variable consideration such as a development milestone payment that is promised in exchange for development services or the license of IP, is only included in the transaction price as from the moment the achievement of the related milestone event is highly probable, which then results in a catch up of revenue at that moment for any performances up till that moment.

Any upfront payments or license fees for which there are subsequent performance obligations, are initially reported as deferred revenue and are recognized as revenue when performance obligations are satisfied over the period of the development collaboration or manufacturing obligation.

Impact of the changes in accounting policies due to the application of IFRS 15 Revenue from Contracts with Customers on the Condensed consolidated income statement for the six months ended 30 June 2016

As a result of the application of the revised accounting policies due to the application of IFRS 15 Revenue from Contracts with Customers on a full retrospective basis, following reclassifications were done in the Condensed consolidated income statement for the six months ended 30 June 2016:

- Reclassification of government levies such as clawbacks, paybacks and U.S. Branded Prescription Drug fee from other operating expenses and sales and marketing expenses to net sales for a total amount of € 32 million. Under IFRS 15, the transaction price should exclude any amounts collected on behalf of third parties such as the government or governmental institutions. Therefore these levies have been reclassified to net sales.
- Reclassification of commissions paid to customers from marketing and selling expenses to net sales for an amount of € 15 million as under IFRS 15, these commissions are assessed as being part of the transaction price.
- Reclassification of fees paid to customers and agents for distinct services from net sales to marketing and selling expenses for an amount of € 24 million.

There was no major impact on the Consolidated statement of financial position as per 1 January 2016.

For the six months ended 30 June 2016 € million	As originally presented	Reclassifications due to IFRS 15	As restated
CONTINUING OPERATIONS			
Net sales	1 876	-23	1 853
Royalty income and fees	51		51
Other revenue	92		92
Revenue	**2 019**	**-23**	**1 996**
Cost of sales	-572		-572
Gross profit	**1 447**	**-23**	**1 424**
Marketing and selling expenses	-451	3	-448
Research and development expenses	-458		-458
General and administrative expenses	-87		-87
Other operating income / expenses (-)	-19	20	1
Operating profit before impairment, restructuring and other income and expenses	**432**		**432**
Impairment of non-financial assets	-11		-11
Restructuring expenses	-9		-9
Other income / expenses (-)	70		70
Operating profit	**482**		**482**
Financial income	29		29
Financial expenses	-94		-94
Net financial expenses (-)	**-65**		**-65**
Share of net profits of associates	0		0
Profit before income taxes	**417**		**417**
Income tax expense	-91		-91
Profit from continuing operations	**325**		**325**
DISCONTINUED OPERATIONS			
Profit / loss (-) from discontinued operations	-9		-9

PROFIT	316	316
Attributable to equity holders of UCB S.A.	300	300
Attributable to non-controlling interests	16	16
BASIC EARNINGS PER SHARE (€)		
From continuing operations	1.64	1.64
From discontinued operations	-0.05	-0.05
Total basic earnings per share	**1.59**	**1.59**
DILUTED EARNINGS PER SHARE (€)		
From continuing operations	1.64	1.64
From discontinued operations	-0.05	-0.05
Total diluted earnings per share	**1.59**	**1.59**

Impact of standards issued but not yet applied by the Group

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 but does not expect a major impact from the application of IFRS 9 on the Group's consolidated financial statements.

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 consolidated 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 2016. Due to the changes in accounting policies resulting from the application of IFRS 15, the critical judgments in applying the group accounting policies relating to revenue recognition were adapted as follows: The Group is also party to out-licensing agreements, which can involve upfront payments, development milestones, sales milestones and royalties that may occur over several years and involve certain future contract liabilities. For all out-licensing agreements whereby a license is transferred with other goods or services, the Group first makes an assessment about whether or not the license is to be considered as a distinct performance obligation or not. If the transfer of the license is considered to be a separate performance obligation, revenue relating to the transfer of the license is recognized at a point in time or over time depending on the nature of the license. Revenues are only recognized over time if the Group is performing development or manufacturing activities that significantly affect the IP transferred, hereby exposing the licensee to the effects of these activities when these activities do not represent a separate service. If the Group assesses that these conditions are not fulfilled, revenue resulting from out-licensing agreements is recognized at the moment control over the license is transferred. For licenses that

are bundled with other services (e.g. development or manufacturing services) the Group will apply judgment to assess whether the combined performance obligation is satisfied at a point in time or over time. If revenue is recognized over time, the Group will apply judgment in determining the period over which the services are provided. The Group will also apply judgment when allocating the components of the transaction price to the different performance obligations in case the out-licensing agreement includes other performance obligations in addition to the transfer of the license. Revenue recognition for out-licensing agreements is therefore based on the specific conditions of each out-licensing agreement. This might result in cash receipts being initially recognized as contract liabilities and then released to revenue in subsequent accounting periods based on the different conditions specified in the agreement.

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 2016. 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	Level 1	Level 2	Level 3	Total
30 June 2017				
Available-for-sale assets				
Quoted equity securities	68	0	0	68
Quoted debt securities	1	0	0	1
Derivative financial assets				
Forward foreign exchange contracts – cash flow hedges	0	80	0	80
Forward exchange contracts – fair value through the profit and loss	0	37	0	37
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	50	0	50
Warrants	0	0	0	0

Financial liabilities measured at fair value

€ million	Level 1	Level 2	Level 3	Total
30 June 2017				
Derivative financial liabilities				
Forward foreign exchange contracts – cash flow hedges	0	8	0	8
Forward exchange contracts – fair value through the profit and loss	0	33	0	33
Interest rate derivatives – cash flow hedges	0	2	0	2
Interest rate derivatives – fair value through profit and loss	0	5	0	5
Other financial liabilities excluding derivatives				
Warrants to the shareholders of Edev Sarl	0	0	92	92

The following tables present the Groups financial assets and liabilities that are measured at fair value at 31 December 2016 and are grouped in accordance with the fair value hierarchy.

Financial assets measured at fair value

€ million	Level 1	Level 2	Level 3	Total
31 December 2016				
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	37	0	37
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	61	0	61
Other financial assets excluding derivatives				
Warrants	0	0	0	0

Financial liabilities measured at fair value

€ million	Level 1	Level 2	Level 3	Total
31 December 2016				
Derivative financial liabilities				
Forward foreign exchange contracts – cash flow hedges	0	51	0	51
Forward exchange contracts – fair value through the profit and loss	0	50	0	50
Interest rate derivatives – cash flow hedges	0	2	0	2
Interest rate derivatives – fair value through profit and loss	0	6	0	6
Other financial liabilities excluding derivatives				
Warrants to shareholders of Edev Sarl	0	0	127	127

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 2016 (see Note 4.5 of the 2016 annual report).

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 2016. The value of the warrants is based on the profitability of the subsidiary and the key assumptions used in the valuation model include unobservable inputs for forecasted net sales, milestone events and discount rate. The discount rate used amounts to 8.2%. An increase/decrease in net sales of 10% would lead to an increase/decrease of the fair value of the warrants with 0%. A decrease / increase in the discount rate with 1% would lead to an increase/decrease of the fair value of the warrants with 1%. The change in fair value since December 2016, recognized in profit and loss, amounts to € 6 million and is accounted for in financial expenses/financial income (see Note 3.15).

The following table presents the changes in Level 3 instruments:

€ million	Warrants	Total
1 January 2017	**127**	**127**
Cash purchase of additional warrants	0	0
Cash settlement of warrants	-33	-33
Effect of changes in fair value recognized in profit and loss	6	6
Effect of movements in exchange rates	-8	-8
30 June 2017	**92**	**92**

Exchange rates

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

	Closing rate		Average rate	
Equivalent of € 1	**30 June 2017**	31 Dec. 2016	**30 June 2017**	30 June 2016
USD	1.141	1.055	1.082	1.116
JPY	128.23	123.040	121.624	124.399
GBP	0.877	0.854	0.86	0.779
CHF	1.095	1.073	1.076	1.096

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 € million	2017 Reviewed	2016 Reviewed[1]
Cimzia®	663	598
Vimpat®	477	381
Keppra® (including Keppra® XR)	412	352
Neupro®	154	142
Zyrtec® (including Zyrtec-D® / Cirrus®)	61	68
Xyzal®	54	54
Briviact®	36	7
Nootropil®	22	22
Venlafaxine ER	1	55
Other products	163	176
Designated hedges reclassified to net sales	-8	-1
Total net sales	**2 036**	**1 853**

1 After reclassifications due to IFRS 15.

Geographic information

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

For the six months ended 30 June € million	2017 Reviewed	2016 Reviewed[1]
U.S.	983	869
Japan	177	124
Europe – other (excl. Belgium)	160	156
Germany	151	139
Spain	86	80
Italy	79	75
France (incl. French territories)	77	78
China	72	72
U.K. and Ireland	64	68
Belgium	18	17
Brazil	15	16
Other countries	162	160
Designated hedges reclassified to net sales	-8	-1
Total net sales	**2 036**	**1 853**

1 After reclassifications due to IFRS 15.

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

For the six months ended 30 June € million	2017 Reviewed	2016 Audited[1]
Switzerland	301	300
Belgium	271	269
U.K. and Ireland	41	45
U.S.	26	29
Japan	15	13
China	11	13
Germany	2	3
Brazil	3	2
Other countries	6	4
Total assets (property, plant and equipment)	**676**	**678**

1 The reporting date for the comparative period is 31 December 2016.

Information about major customers

UCB has one customer which individually accounts for more than 16 % of the total net sales at the end of June 2017.

In the U.S., sales to 3 wholesalers accounted for approximately 80 % of U.S. sales (June 2016: 84%).

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. Revenue from contracts with customers

The Group has recognized the following amounts relating to revenue in the consolidated income statement:

For the six months ended 30 June € million	**2017 Reviewed**	2016 Reviewed[1]
Revenue from contracts with customers	2 212	1 985
Revenue from agreements whereby risks and rewards are shared	18	11
Total revenue	**2 230**	**1 996**

1 After reclassifications due to IFRS 15.

Disaggregation of revenue from contracts with customers:

	Actual		Timing of revenue recognition			
	2017	2016[1]	**2017**		2016[1]	
For the six months ended 30 June € million			**At a point in time**	**Over time**	At a point in time	Over time
Net sales – U.S.	983	869	983		869	
Cimzia®	420	372	420		372	
Vimpat®	368	291	368		291	
Keppra® (including Keppra® XR)	109	99	109		99	
Neupro®	50	39	50		39	
Briviact®	25	4	25		4	
Established brands	12	64	12		64	
Net sales – Europe	629	609	629		609	
Cimzia®	176	165	176		165	
Keppra®	119	121	119		121	
Vimpat®	82	72	82		72	
Neupro®	80	77	80		77	
Briviact®	11	3	11		3	
Established brands	160	172	160		172	
Net sales – Japan	177	124	177		124	
E Keppra®	93	48	93		48	
Cimzia®	18	19	18		19	
Neupro®	17	19	17		19	
Vimpat®	6		6			
Established brands	43	37	43		37	

Net sales – International markets	255	253	255		253	
Cimzia®	48	42	48		42	
Vimpat®	20	18	20		18	
Keppra®	91	84	91		84	
Briviact®	1		1			
Neupro®	6	7	6		7	
Established brands	89	101	89		101	
Net sales before hedging	2 043	1 855	2 043		1 855	
Designated hedges reclassified to net sales	-8	-1	-8		-1	
Total net sales	**2 036**	**1 853**	**2 036**		**1 853**	
Royalty income and fees	**59**	**51**	**59**		**51**	
Contract manufacturing revenues	47	49	47		49	
Income from licensing deals (upfront payments, development milestones, sales milestones)	66	24	56	10	11	13
Revenue resulting from services & other deliveries	5	8		5	4	4
Total other revenue	**118**	**81**	**103**	**15**	**64**	**17**
Total revenue from contracts with customers	**2 212**	**1 985**	**2 197**	**15**	**1 968**	**17**

1 After reclassifications due to IFRS 15.

3.9. Business combination

On 2 June 2017, UCB increased its 27% equity stake in Beryllium LLC to full ownership. Beryllium LLC is a research-based company specializing in protein expression and structural biology, located in Bainbridge, Washington and Bedford, Massachusetts (U.S.). UCB has already been successfully partnering with Beryllium LLC for several years and acquired a 27% stake in the company in 2014. The acquisition of Beryllium LLC will enable UCB to boost its capabilities in protein engineering and structural biology, which will benefit UCB's existing and future discovery pipeline. Beryllium LLC will also explore and develop its promising micro RNA targeting platform. UCB increased its equity stake to 100% of the issued and outstanding shares of Beryllium LLC by paying a net amount of € 7 million to Beryllium LLC's external shareholders, after € 7 million was reimbursed to UCB as consideration for the series A preferred units held by UCB in Beryllium LLC since 2014, including accrued dividends. UCB performed an initial purchase price allocation (see table below). Given the recent date of the acquisition, the initial accounting for the business combination is not yet complete. The goodwill represents expected synergies with UCB's super network and core antibody and small molecule discovery approach, as well as skilled workforce. Goodwill is not expected to be tax deductible. Adjustments due to the initial purchase price allocation mainly relate to identification of intangible assets such as the micro RNA targeting platform, customers contracts, research knowledge and standard operating procedures. The fair value of acquired receivables is estimated at € 1 million. All contractual cash flows are expected to be collected. No contingent liabilities have been identified. Acquisition related costs for an amount of € 1 million have been recorded under Other Expenses. No major gain or loss was recognized as a result of the re-measuring to fair value of the equity interest in Beryllium LLC held by UCB before the business combination. The amounts of revenue and profit or loss of Beryllium LLC included in the consolidated income statement for the reporting period since the acquisition are not material. The amounts of revenue and profit or loss for Beryllium LLC (excluding intercompany amounts with UCB) assuming the acquisition date would have been 1 January 2017 are also not material.

€ million	Initial opening balance sheet	Adjustments due to initial purchase price allocation	Adjusted opening balance sheet (not final yet)
Total acquisition value	7		7
Cash consideration paid (net)	7		7
Contingent consideration	-		-
Settlement of receivable on Beryllium LLC at recorded amount	4		4
Fair value of previously held investment	4		4
Recognized amounts of identifiable assets acquired and liabilities assumed	-2	-4	-6
Non-current assets	-2	-4	-6
Current assets	-2		-2
Non-current liabilities	2		2
Current liabilities	-		-
Goodwill	13	-4	9

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

Assets of disposal group classified as held for sale as per 30 June 2017 relate to the Monheim site in Germany (€ 16 million) as well as to intellectual property relating to Metadate® and Tussionex® (€ 9 million). In 2016, UCB decided to dispose of the site in Monheim and enter into a rent-back agreement for that part of the site that is currently used by UCB. Negotiations with the buyer are currently ongoing. As regards the IP for Metadate® and Tussionex®, discussions with third parties are ongoing. No impairment loss has been accounted for on these assets as the estimated selling price is not less than the carrying amount for these assets.

Assets of disposal group classified as held for sale as per 31 December 2016 relate to the Monheim site in Germany.

As per 30 June 2017 no operations have been classified as discontinued operations. The profit from discontinued operations as per 30 June 2017 of € 1 million relates to a partial reversal of provisions related to the legacy films activities. 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.

3.11. Other operating income / expenses (-)

Other operating income / expenses (-) amounted to € 16 million expenses in the interim period (2016: € 1 million income) and mainly include government grants (€ 6 million) as well as the result of the collaboration agreement with Amgen for the development and commercialization of EVENITY™ for an amount of € 25 million (expenses). As from 2017 onwards, all recharges of development and commercialization expenses to / from Amgen are classified as other operating income / expenses. In 2016, the net recharges for development expenses for an amount of € 22 million (expenses) were presented as part of research and development expenses. The net recharges for commercialization expenses for an amount of € 4 million (expenses) were presented as part of marketing and selling expenses. The equivalent total net recharges as per June 2017 consist out of € 20 million marketing and selling expenses and € 5 million development expenses.

In 2016, the other operating income (after reclassifications due to IFRS 15, see Note 3.3) was mainly related to government grants offset by the amortization on intangible assets not related to production.

3.12. 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.

In the first half of 2017, 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 € 2 million for a narcotic cough suppressant. The impairment on *inotuzumab ozogamicin*, out-licensed to Pfizer, for an amount of € 6 million that had been accounted for in 2013, was reversed as Pfizer announced that the European Commission has approved Besponsa® (*inotuzumab ozogamicin)* as monotherapy for the treatment of adults with relapsed or refractory Acute Lymphoblastic Leukemia (ALL). In 2016 an impairment of € 11 million was recognized for the IP rights relating to two small molecules purchased from Wilex in 2009.

3.13. Restructuring expenses

Restructuring expenses amounting to € 7 million (2016: € 9 million) were attributable to severance costs.

3.14. Other income and expense

Other income / expenses (-) amount to € 4 million income in 2017 (2016: € 70 million income) and mainly relate to a reversal of € 10 million of the provision regarding Distilbène in France (Note 3.26 and Note 3.31) offset by legal fees related to intellectual property.

In the first half of 2016, the income was 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.

3.15. Financial income and financial expenses

The financial income and expenses amounted to € 55 million expenses (2016: € 65 million expenses). The financial expenses as per June 2016 include fair value and impairment losses of € 28 million on the Lannett warrant received pursuant to the sale of Kermers Urban in 2015.

3.16. Income tax expense (-)

For the six months ended 30 June € million	**2017 Reviewed**	2016 Reviewed
Current income taxes	-85	-152
Deferred income taxes	-29	61
Total income tax expense (-)	**-114**	**-91**

The Group operates in an international context and is subject to income taxes in all jurisdictions where it is active and in line with the activities being deployed.

The Group's consolidated effective tax rate in respect of continuing operations for the six months is 20.2% (2016: 21.9%).

The Group's effective tax rate excluding non-recurring items is 20.1% (2016: 25.3%).

The effective tax rate for the period to June 2017 has decreased from the previous year due to an additional recognition of deferred tax assets on tax attributes and the finalization of a pending tax audit.

3.17. Intangible assets

During the period, the Group added approximately € 27 million (2016: € 0.5 million) of intangible assets through in-licensing deals, of which Dermira (€ 10 million) and Briviact® (€ 13 million) milestones were the most significant. Additionally, the Group capitalized € 18 million (2016: € 21 million) of software and eligible software development costs.

In the first half of the year, the Group impaired its intangible assets for € 2 million (2016: € 11 million). In addition there was a reversal of a previous impairment of an intangible of € 6 million (2016: € 0 million). The impairment charges are detailed in Note 3.12 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 2017 amount to € 3 million. € 9 million transferred to assets held for sale and relates to Metadate® and Tussionex® (see Note 3.10).

The amortization charge for the period amounted to € 78 million (2016: € 78 million).

The effect of movements in exchange rates amounted € -19 million (2016: € -19 million).

There was also a transfer of assets for € 2 million to intangible assets from property, plant and equipment.

3.18. Goodwill

Goodwill was affected by the movements in exchange rates for € 217 million. Additional goodwill for an amount of € 9 million was recognized following the acquisition of Beryllium LLC on 2 June 2017.

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

3.19. Property, plant and equipment

During the period, the Group acquired approximately € 47 million (2016: € 32 million) of new equipment, of which € 16 million relates to the works to increase the capacity of the Bulle facility (Switzerland).

The Group also disposed of various property, plant and equipment with a carrying amount of approximately € 1 million (2016: € 0 million).

After the review of the property, plant and equipment for an indication of impairment, € 0 million (2016: € 0 million) of impairment charge was assessed for the period.

The depreciation charge for the period amounted to € 37 million (2016: € 36 million).

Due to exchange rate fluctuations, the net book value of property, plant and equipment decreased by € 11 million (2016: € -4 million)

There was also a transfer of assets for € 2 million from property, plant and equipment to intangibles.

3.20. Financial and other assets

Non-current financial and other assets amounted to € 241 million at 30 June 2017 compared to € 197 million as per December 2016. The increase is mainly related to the long term receivable (€ 36 million) on Chattem Inc. following the approval by the U.S. Food and Drug Administration of Xyzal® Allergy 24 HR as an over-the-counter (OTC) treatment for the relief of symptoms associated with seasonal and year-round allergies after the outlicensing of Xyzal® in the OTC field in the U.S. in 2015 (see Note 41 in our Annual Report 2016). Non-current financial assets increased further with € 16 million due to the investments done in UCB Ventures, UCB's corporate venture fund and with € 16 million due to the increase in outstanding derivatives due to higher cash flow hedges. The increase in non-current financial and other assets is offset by a fair value decrease in the equity investments (€ 7 million), the de-recognition of the participation in Beryllium LLC (€ 7 million), the depreciation on the Lonza pre-financing asset (€ 6 million) and the settlement of the royalty receivable on Beryllium LLC upon acquisition (€ 4 million).

3.21. Write-down of inventories

Included in cost of sales for the six months ended 30 June 2017 is € 4 million of income or reversal of write-down (2016: € - 11 million) in respect of correctly reflecting the carrying amount of inventories to their net realizable value.

3.22. Capital and reserves

Share capital and share premium

The issued share capital of the Company amounted to € 584 million at 30 June 2017 (2016: € 584 million), represented by 194 505 658 shares (2016: 194 505 658 shares). There is no authorized, unissued share capital.

At 30 June 2017, the share premium reserves amounted to € 2 030 million (2016: € 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 1 700 000 shares (June 2016: 700 000 shares) for a total amount of € 113 million (June 2016: € 48 million) and sold 1 108 693 treasury shares (June 2016: 736 361 treasury shares) for a total amount of € 58 million (June 2016: € 38 million) in the first half of the year.

At 30 June 2017, the Group retained 6 419 669 treasury shares, of which none related to share swap deals (June 2016: 6 213 861 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, 1 000 000 options on UCB shares have been sold back to the bank counterparties. At 30 June 2017, the Group retained 435 000 options on UCB shares (June 2016: 1 435 000).

Other reserves

Other reserves amounted to € -152 million (2016: € -164 million) and consists of the following items:

- the IFRS acquisition value surplus that arose during the Schwarz Pharma business combination for € 232 million (2016: € 232 million);
- the re-measurement value of the defined benefit obligation for € -350 million (2016: € -362 million) is mainly impacted by change in discount rates and higher return on plan assets;
- the purchase of the remaining 25% non-controlling interest in Schwarz Pharma Zhuhai Company Ltd. for € -11 million in 2012 (2016: € -11 million); and
- the purchase of the remaining 30% non-controlling interest in UCB Biopharma SA (Brazil) € -23 million in 2014 (2016: € -23 million).

Cumulative translation adjustments

The cumulative translation adjustments reserve represents the cumulative currency translation differences relating to the consolidation of Group companies that use functional currencies other than the euro as well as any unrealized cumulative foreign exchange gains or losses resulting from net investment hedges.

3.23. Borrowings

On 30 June 2017, the Group's weighted average interest rate was 3.01% (June 2016: 3.65%) prior to hedging. The floating interest rate payments are subject to designated cash flow hedges and fixed interest rate payments are subject to designated fair value hedges, thereby fixing the weighted average interest rate for the Group at 2.31% (June 2016: 2.96%) 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 2017), UCB has access to certain bilateral credit facilities as well as the Belgian commercial paper market.

The carrying amounts of borrowings are as follows:

For the six months ended 30 June € million	**2017 Reviewed**	2016 Audited[1]
Non-current		
Bank borrowings	312	326
Other long-term loans	0	0
Finance leases	4	5
Total non-current borrowings	**316**	**331**
Current		
Bank overdrafts	13	5
Current portion of bank borrowings	11	12
Debentures and other short-term loans	1	8
Finance leases	2	2
Total current borrowings	**27**	**27**
Total borrowings	**343**	**358**

1. The reporting date for comparative period is 31 December 2016.

3.24. Bonds

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

€ million	Coupon rate	Maturity date	Carrying amount 30 June 2017 Reviewed	Carrying amount 31 Dec. 2016 Audited	Fair value 30 June 2017 Reviewed	Fair value 31 Dec. 2016 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	255	256	270	273
Institutional Eurobond	4.125%	2021	366	370	389	394
Institutional Eurobond	1.875%	2022	349	350	360	358
Retail bond	5.125%	2023	189	192	208	215
Total non-current bonds			**1 234**	**1 243**	**1 302**	**1 315**
Current			0	0	0	0
Total current bonds			**0**	**0**	**0**	**0**

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 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.

3.25. Other financial liabilities

The other financial liabilities include derivative financial instruments for € 48 million (2016: € 109 million). The other financial liabilities also include a liability of € 92 million (2016: € 127 million) resulting from the issuance of warrants to the shareholders of Edev Sàrl (see Note 3.5).

3.26. Provisions

Environmental provisions

The environmental provisions decreased from € 20 million as per end of December 2016 to € 19 million at the end of the interim period, due to the utilization of certain environmental provisions related to the divestiture of the Film business.

Restructuring provisions

The restructuring provisions decreased from € 26 million as per end of December 2016 to € 17 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 € 120 million as per end of December 2016 to € 109 million at the end of June 2017. The decrease relates to the further utilization of the provision related to the divestment of the plant in Shannon (total provision end of December 2016 amounted to € 11 million) and the reduction of the provision for the Distilbène product liability litigation (€ 9 million) (see Note 3.31). The additions to the other provisions mainly relate to provisions for litigations and product royalty payments. 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.

3.27. Note to the consolidated statement of cash flows

The cash flow statement identifies operating, investing and financing activities for the period.

UCB uses the indirect method for the operating cash flows. The net profit and loss is adjusted for:

- the effects of non-cash transactions such as depreciation and amortization, impairment losses, provisions, mark-to-market, etc., and the variance in working capital;
- items of income or expense associated with investing or financing cash flows.

For the six months ended 30 June € million	2017 Reviewed	2016 Reviewed
Adjustment for non-cash transactions	**90**	**160**
Depreciation and amortization	115	114
Impairment / reversal (-) charges	-4	39
Equity settled share based payment expense	-20	-5
Other non-cash transactions in the income statement	-32	-23
Adjustment IAS 39	-5	-11
Unrealized exchange gain (-) / loss	51	34
Change in provisions and employee benefits	-15	6
Change in inventories and bad debt provisions	0	5
Adjustment for items to disclose separately under operating cash flow	**114**	**91**
Tax charge of the period from continuing operations	114	91
Tax charge of the period from discontinued operations	0	0
Adjustment for items to disclose under investing and financing cash flow	**16**	**-51**
Gain (-) / loss on disposal of fixed assets	0	-78
Dividend income (-) / expenses	0	0
Interest income (-) / expenses	16	27
Change in working capital		
Inventories movement per consolidated balance sheet	-33	-24
Trade and other receivable and other assets movement per consolidated balance sheet	84	-102
Trade and other payable movement per consolidated balance sheet	-293	-90
As it appears in the consolidated balance sheet and corrected by:	-242	-216
Non-cash items[1]	-16	3
Change in inventories and bad debt provisions disclosed separately under operating cash flow	0	1
Change in interest receivable / payable disclosed separately under operating cash flow	8	-10
Change in dividend receivable disclosed separately under investing cash flow	0	0
Change in dividend payable disclosed separately under financing cash flow	0	23
Currency translation adjustments	25	-6
As it appears in the consolidated cash flow statement	**-225**	**-205**

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.

3.28. Related party transactions

Key management compensation

There were no changes with respect to the related parties identified and disclosed in the 2016 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 2017 where they exercised their mandate.

€ million	2017 Reviewed
Short-term employee benefits	7
Termination benefits	0
Post-employment benefits	1
Share-based payments	0
Total key management compensation	8

3.29. Shareholders and shareholders structure

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

Last update: 30 June 2017

				Situation as per
	Share capital	**€ 583 516 974**		13 March 2014
	Total number of voting rights (= denominator)	**194 505 658**		
1	Financière de Tubize SA ('Tubize')			18 December 2015
	securities carrying voting rights (shares)	68 076 981	35.00%	
2	Schwarz Vermögensverwaltung GmbH Co. KG ('Schwarz')			13 March 2014
	securities carrying voting rights (shares)	2 471 404	1.27%	
	Tubize + Schwarz[3]			
	securities carrying voting rights (shares)	**70 548 385**	**36.27%**	
3	UCB SA/NV			
	securities carrying voting rights (shares)	3 229 094	1.66%	30 June 2017
	assimilated financial instruments (options)[1]	0	0.00%	06 March 2017
	assimilated financial instruments (other)[1]	0	0.00%	18 December 2015
	Total	3 229 094	1.66%	
4	UCB Fipar SA			
	securities carrying voting rights (shares)	3 190 575	1.64%	30 June 2017
	assimilated financial instruments (options)[1]	435 000	0.22%	03 June 2015
	assimilated financial instruments (other)[1]	0	0.00%	25 December 2015
	Total	3 625 575	1.86%	
	UCB SA/NV + UCB Fipar SA[2]	**6 854 669**	**3.52%**	
	securities carrying voting rights (shares)	6 419 669	3.30%	
	assimilated financial instruments (options)[1]	435 000	0.22%	
	assimilated financial instruments (other)[1]	0	0.00%	
	Free float[4] (securities carrying voting rights (shares))	**117 537 604**	**60.43%**	
5	The Capital Group Companies Inc.			26 May 2017
	securities carrying voting rights (shares)	19 407 367	9.98%	
6	Vanguard Health Care Fund			28 October 2014
	securities carrying voting rights (shares)	9 741 353	5.01%	
7	Wellington Management Group LLP			23 February 2017
	securities carrying voting rights (shares)	5 909 710	3.04%	
8	BlackRock, Inc.			1 June 2017
	securities carrying voting rights (shares)	5 836 096	3.00%	

All percentages are calculated on the basis of the current total number of voting rights.

1 Assimilated financial instruments within the meaning of article 6 of the Royal Decree of 14 February 2008 on the disclosure of large shareholders, which, if exercised, grant an additional voting right.

2 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.

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 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

3.30. Dividends

The Board of Directors' proposal to pay a gross dividend of € 1.15 (2016: € 1.10 per share) to the holders of the UCB shares entitled to a dividend or 191 003 169 shares has been approved on 27 April 2017. The 3 502 489 shares held by UCB SA at dividend date are not entitled to a dividend. A total dividend of € 220 million (2016: € 210 million) was distributed (net of dividend paid on own shares € 217 million in 2017 and in 2016, € 207 million) for the business year 2016 as approved by the UCB shareholders at their annual general meeting on 27 April 2017, and was thus reflected in the first half of 2017.

3.31. Commitments and contingencies

Events have taken place in the first half of the year 2017, leading to an update of the contingent assets or liabilities disclosed in the 2016 annual report (p. 145).

Capital and other commitments

At 30 June 2017, the Group has committed to spend € 72 million (end of 2016: € 69 million) mainly with respect to capital expenditures for the biological plant in Bulle (Switzerland), installation of new manufacturing lines and processes (Belgium) and revamping of the plant in Japan and China.

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 2017, the Group has commitments payable within the coming half year of approximately € 2 million with respect to intangible assets.

UCB has concluded several agreements with Contract Manufacturing Organizations for the supply of its products. Total outstanding commitments towards these CMOs amount to € 501 million as per 30 June 2017.

As part of UCB's innovation strategy, UCB has established a corporate venture fund, UCB Ventures. Within this framework UCB has remaining investment commitments to venture capital funds of US$ 23 million.

Guarantees

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

Contingencies

The Group continues to be actively involved in litigations, claims and investigations. The on-going matters could result in liabilities, civil and criminal penalties, loss of product exclusivity and other costs, fines and expenses associated with findings adverse to UCB's interests.

Potential cash outflows reflected in a provision might be fully or partially off-set by insurance in certain circumstances. UCB has not established provisions for potential damage awards for certain additional legal claims against our subsidiaries if UCB currently believes that a payment is either not probable or cannot be reliably estimated.

1. Intellectual property matters (selected matters)

Vimpat®

- **Delaware District Court Litigation**: In June 2013, UCB filed suit in the District Court of Delaware, against 16 defendants, who were seeking approval of their generic versions of Vimpat®. The defendants filed paragraph IV certifications challenging, among other things, the validity of the RE38,551 ('551) Vimpat® patent. On 12 August 2016, Judge Stark ruled in UCB's favor and upheld the validity of the patent. The defendants have appealed the ruling to the Court of Appeals for the Federal Circuit. An Oral Argument is scheduled for 8 August 2017.
- ***Inter Partes* Review (IPR)**: In November 2015, Argentum Pharmaceuticals filed a petition for an IPR before the U.S. Patent and Trademark Office (USPTO) and Patent Trial and Appeal Board (PTAB), seeking to invalidate the Vimpat® '551 patent. In May 2016, the PTAB instituted the review. Mylan, Breckenridge, and Alembic have joined the IPR.

On 22 March 2017, the PTAB upheld the validity of the '551 patent. Argentum did not appeal the decision, but Mylan, Breckenridge, and Alembic have appealed the decision to the Court of Appeals for the Federal Circuit.

- ***Ex Parte* Reexamination**: In March 2016, Argentum Pharmaceuticals filed an *ex parte* reexamination request before the Patent Trial and Appeal Board (PTAB), seeking to invalidate the Vimpat® '551 patent. On 16 June 2016, the USPTO granted the request for the reexamination. On 7 December 2016, the USPTO issued its first non-final office action. The reexamination is on-going.
- **Accord U.K. Litigation**: In July, 2016, Accord Healthcare filed a legal action before the United Kingdom High Court, requesting a declaration of invalidity and revocation of European Patent (U.K.) 0 888 829, disclosing and claiming *lacosamide*. Trial is scheduled for September 2017.
- **Zydus II Delaware District Court Litigation**: In October 2016, UCB filed suit in the District Court of Delaware, against Zydus Pharmaceuticals, who is seeking approval of its second generic version of Vimpat®. The defendant filed a paragraph IV certification challenging, among other things, the validity of the '551 Vimpat® patent. Zydus was a defendant in the original Vimpat® litigation noted above. Zydus has filed a motion to stay this litigation pending the outcome of the Vimpat® litigation noted above, the pending IPR and the stayed reexamination. We have informed the Court of the favorable IPR decision. No decision on the motion has been rendered to date.
- **Accord Netherlands Litigation**: On 29 June 2017, Accord filed a writ before the District Court of The Hague, seeking to invalidate the Dutch Vimpat® patent and SPC. Trial is scheduled for 5 October 2018.

Neupro®

- **Watson Delaware District Court Litigation**: In August 2014, UCB filed suit in the District Court of Delaware against Watson Pharmaceuticals, who is seeking approval of its generic version of Neupro®. Watson filed a paragraph IV certification challenging, among other things, the validity of certain patents pertaining to Neupro®. Trial was held in June 2017. Currently awaiting decision.
- **Zydus Delaware District Court Litigation**: In November 2016, UCB filed suit in the District Court of Delaware against Zydus Pharmaceuticals, who is seeking approval of its generic version of Neupro®. Zydus filed a paragraph IV certification challenging, among other things, the validity of certain patents pertaining to Neupro®. The case is on-going.
- **Mylan Delaware District Court Litigation**: In March 2017**,** UCB filed suit in the District Court of Delaware against Mylan Pharmaceuticals, who is seeking approval of its generic version of Neupro®. Mylan filed a paragraph IV certification challenging, among other things, the validity of certain patents pertaining to Neupro®. The case is on-going.

Toviaz®

- **Mylan *Inter Partes* Review (IPR):** In January 2016, Mylan Pharmaceuticals filed a petition for an IPR before the U.S. Patent and Trademark Office (USPTO), seeking to invalidate all of the Orange Book listed patents pertaining to Toviaz®. In July 2016, the Patent Trial and Appeal Board (PTAB) instituted the review. Alembic, Torrent and Amerigan have filed joinder motions. On 19 July 2017, the PTAB upheld the validity of all of the Orange Book listed patents. Currently awaiting decision on whether Mylan will appeal the ruling.
- **Torrent Delaware District Court Litigation**: In February 2017, UCB filed suit in the District Court of Delaware against Torrent Pharmaceuticals Ltd. and Torrent Pharma Inc., who is seeking approval of its generic version of Toviaz®. Torrent filed a late paragraph IV certification challenging, among other things, the validity of certain patents pertaining to Toviaz®. In the United States, Toviaz® is distributed by Pfizer. This case is on-going. In June 2013, UCB filed its first lawsuit defending the validity of certain Toviaz® patents, against nine generic companies, and on 20 April 2016, Judge Sleet ruled in Pfizer/UCB's favor upholding the validity of all of the Orange Book listed patents. None of the defendants appealed the ruling. The second lawsuit UCB filed defending certain Toviaz® patents was the Mylan case noted above, where Judge Sleet ruled again in Pfizer/UCB's favor on 26 January 2017, and Mylan did not appeal this ruling.

Adair Patent Litigation – Chugai

On 14 December 2016, Chugai Pharmaceuticals filed a legal action in the United Kingdom Patents Court, seeking a declaration that the sale of their product Actemra® does not infringe UCB's U.S. patent 7,556,771. The case is on-going. Trial is currently scheduled for February 2018.

2. Product liability matters

Reglan® product liability litigation

UCB continues to be a defendant in a limited number of 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. 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 (the "Settlement")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. All major jurisdictions entered into a joint stipulation in June 2017, which resulted in dismissal with prejudice of virtually all cases (approximately 4,400 in the last few months). This triggered funding by the insurance company of the settlement fund, less a certain hold back to defend approximately 5 cases that opted out of the settlement. The Company anticipates the Settlement to be finalized in Q4 2017, at which point the Company will vigorously defend any remaining opt out cases.

Distilbène product liability litigation – France

Entities of the UCB Group have been named as defendants in several product liability cases in France. The claimants in these actions claim that their mothers took distilbène, a former product of the UCB Group, during their pregnancy, and that as a result of this they suffered bodily injuries. The Group has product liability insurance in place, but as this insurance cover will not be sufficient, the Group has accounted for a provision of € 60 million relating to these case (Note 3.14 and Note 3.26).

3. Investigations

Southern District of New York – Pharmacy Benefit Managers and Cimzia®

In March, 2016, the Company received a Civil Investigative Demand (CID) from the Civil Frauds Unit of the U.S. Attorney's Office in the Southern District of New York. The CID requests the Company to identify and provide all contracts (from January 2006 through the 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. As of August 2016, all documents requested have been submitted to the government. The Company is cooperating with the U.S. Attorney's Office in response to the CID provided.

4. Other matters

Divested Business Litigation – Desmopressin

In October 2008, Apotex Inc. filed suit against UCB, Lonza Braine S.A. and S&D Chemicals (Canada) Ltd., in the Ontario Superior Court in Toronto, Ontario, Canada, alleging breach of contract and seeking damages for alleged failure to supply Apotex with the drug, desmopressin. UCB divested this drug as a part of its Bioproducts Business to Lonza in 2006. Lonza has cross-claimed against UCB and S&D Chemicals, UCB has cross-claimed against Lonza and S&D Chemicals, and S&D Chemicals has cross-claimed against UCB and Lonza. Trial was continued to 2018.

5. Concluded legal matters

Ahrens ERISA litigation

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 sought class action status and asserted 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 matter was successfully mediated in August 2016 and on 19 May 2017, the court granted the motion for approval of the settlement. The Order became non-appealable on 19 June 2017.

Mylan Delaware District Court Litigation: In January 2015, UCB filed suit in the District Court of Delaware against Mylan Pharmaceuticals, who is seeking approval of its generic version of Toviaz®. Mylan filed a late paragraph IV certification challenging, among other things, the validity of certain patents pertaining to Toviaz®. In the United States, Toviaz® is distributed by Pfizer. On 26 January 2017, Judge Sleet ruled in Pfizer/UCB's favor and upheld the validity of all of the Orange Book listed patents. Mylan did not appeal the ruling.

New York Attorney General – Medicaid Rebates: 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. In March, 2017, UCB learned the government declined to intervene in the case the plaintiff dismissed his case with prejudice. This matter is closed.

It is not anticipated that any other material liabilities will arise from the contingent liabilities other than those provided for (see Note 3.26 and Note 31 of the 2016 annual report).

3.32. Composition and functioning of the Executive Committee

As of 1 July 2017, the composition of the Executive Committee is as follows:

- Jean-Christophe Tellier, CEO and Chair of the Executive Committee
- Emmanuel Caeymaex, Immunology Patient Value Unit Head
- Iris Löw-Friedrich, Chief Medical Officer
- Pascale Richetta, Bone Disorders Patient Value Unit Head
- Anna Richo, General Counsel
- Bharat Tewarie, Chief Marketing Officer
- Detlef Thielgen, Chief Financial Officer
- Charl van Zyl, Head of Patient Value Operations
- Jeff Wren, Neurology Patient Value Unit Head

Fabrice Enderlin, Chief Talent Officer, and Ismail Kola, New Medicines Patient Value Unit Head and Chief Scientific Officer, will retire and leave UCB with effect as at 31 December 2017.

Alexander Moscho will join UCB's Executive Committee on 1 October 2017 to take on the newly created role of Head of Corporate Strategy & Business Development.

3.33. Events after the reporting period

There are no major events after the reporting period.

4. Statutory auditor's report on review of the condensed consolidated interim financial information for the period ended 30 June 2017

Introduction

We have reviewed the condensed consolidated financial information of UCB SA and its subsidiaries (the 'Group') as of 30 June 2017, 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, 26 July 2017

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 2017, 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

Established brands

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

FDA / U.S. Food and Drug Administration

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

Financial one-off items

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

KU

Kremers Urban Pharmaceuticals, Inc., previously the Group's U.S. specialty generics subsidiary that was sold to Lannett Company, Inc. in November 2015.

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, also known as focal seizures

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

20 October 2017	Interim report
22 February 2018	2017 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 2017, the same accounting policies and accounting estimates have been used as in the 31 December 2016 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 2016, 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.

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 € 4.2 billion in 2016. 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

Corporate Communications

France Nivelle

Global Communications, UCB

T +32.2.559.91.78

france.nivelle@ucb.com

Isabelle Ghellynck,

Investor Relations, UCB

T+32.2.559.95.88

isabelle.ghellynck@ucb.com

Laurent Schots

Media Relations, UCB

T+32.2.559.92.64

laurent.schots@ucb.com

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