2018 half-year financial report

Brussels, 26 July 2018

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

Contents

1. Business performance review[1]

1.1. Key highlights

- In the first six months of 2018, **revenue** reached € 2 269 million up by 2% (+6% at constant exchange rates (CER)). Net sales went up to € 2 146 million by 5% (+10% CER). Adjusted for the one-time other revenue in 2017, the increase of revenue was 4% (+9% CER). This growth was driven by the continued performance of the core products, accounting for 87% of net sales (before hedging). Royalty income and fees reached € 56 million. Other revenue reached € 67 million down by 50% due to the one-time other revenue of € 56 million for out-licensing of the OTC-allergy drug Xyzal® (*levoceterizine*) in 2017.
- **Recurring EBITDA** grew by 7% to € 794 million (+12% CER), driven by continued net sales growth and an improved operating expense ratio.
- **Profit** increased to € 574 million from € 451 million (+27%; +33% CER) of which € 551 million is attributable to UCB shareholders and € 23 million to non-controlling interests.
- **Core earnings per share** went up to € 3.09 from € 2.53 in the first half of 2017.

For the six months ended 30 June[1]	Actual		Variance	
€ million	**2018**	2017	Actual rates	CER
Revenue	**2 269**	**2 230**	**2%**	**6%**
Net sales	2 146	2 036	5%	10%
Royalty income and fees	56	58	-4%	6%
Other revenue	67	136	-50%	-50%
Gross profit	**1 696**	**1 666**	**2%**	**7%**
Marketing and selling expenses	-442	-464	-5%	2%
Research and development expenses	-500	-474	5%	9%
General and administrative expenses	-88	-93	-5%	-2%
Other operating income / expenses (-)	-9	-16	-48%	-42%
Recurring EBIT (REBIT)	**657**	**619**	**6%**	**11%**
Non-recurring income / expenses (-)	19	1	> 100%	> 100%
EBIT (operating profit)	**676**	**619**	**9%**	**14%**
Net financial expenses (-)	-46	- 55	-17%	-16%
Share of net profit of associates	-1	0	N/A	N/A
Profit before income taxes	**629**	**564**	**12%**	**17%**
Income tax expenses (-) / credit	-56	-114	-51%	-49%
Profit from continuing operations	**573**	**450**	**27%**	**33%**
Profit / loss (-) from discontinued operations	1	1	-44%	-62%
Profit	**574**	**451**	**27%**	**33%**
Attributable to UCB shareholders	551	431	28%	33%
Attributable to non-controlling interest	23	20	15%	29%
Recurring EBITDA	**794**	**742**	**7%**	**12%**
Capital expenditures (including intangible assets)	265	90	>100%	
Net financial debt[2]	766	525	46%	
Cash flow from continuing operating activities	492	294	67%	
Weighted average number of shares (non-diluted)	**188**	**188**	**0%**	
EPS (€ per weighted average number of shares - non diluted)	**2.93**	**2.29**	**28%**	**-11%**
Core EPS (€ per weighted average number of shares - non diluted)	**3.09**	**2.53**	**22%**	**27%**

[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 2017.

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 2017. This condensed consolidated interim financial information has been reviewed, not audited.

Scope change: As a result of the divestment of the activities Films (2004), Surface Specialties (2005), and the divestiture of Kremers Urban Pharmaceuticals Inc. (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. Key events[1]

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

Important agreements / initiatives

- February 2018 - UCB and an investor syndicate led by Novo Seeds launched **Syndesi Therapeutics** to develop novel therapeutics for cognitive disorders. Syndesi Therapeutics has exclusively licensed a first-in-class small molecule program from UCB. A series A investment totaling € 17 million will fund the clinical development of the lead compound up to early proof-of-concept in humans.
- Early 2018, **UCB and partner Vectura** decided to license out UCB4144/VR942, a dry powder inhaled biologic which successfully completed Phase 1 in 2017.
- March 2018 - **UCB acquired Element Genomics** in the U.S. to strengthen UCB's genomics and epigenomics research platform to identify novel drug targets.
- April 2018 - **UCB agreed to acquire *midazolam* nasal spray** (USL261) from Proximagen. USL261 is a nasally administered investigational midazolam formulation intended as a rescue treatment of acute repetitive seizures in patients with epilepsy. Closing occurred in June 2018.
- May 2018 - UCB has entered into an **agreement with Science 37**, Los Angeles, CA/U.S.A., a trailblazing company focused on "site-less" clinical trials. Science 37's decentralized clinical trial approach combines technologies that can fundamentally change the way clinical trials are run. With this collaboration, UCB aims to provide a better patient experience, to innovate and accelerate clinical studies in a patient-focused way and to bring new solutions to patients faster.
- May 2018 - The U.S. Court of Appeals for the Federal Circuit (CAFC) has affirmed the Delaware District Court and confirmed the **validity of U.S. patent RE38,551 related to Vimpat®** (*lacosamide*), UCB's anti-epileptic drug.

[1] From 1 January 2018 up to the publication of this report.

Regulatory update and pipeline progress

Neurology

- In January 2018, UCB filed **Vimpat®** (*lacosamide*) for pediatric patients living with partial-onset epilepsy at four years and older in Japan.
- In February, the Phase 2b study with ***padsevonil*** started for drug resistant epilepsy patients. First results are expected in H1 2020.
- In March, **UCB0107**, a humanized, immunoglobulin monoclonal antibody with a specificity for human tau, entered the clinical phase 1 program. It is currently under investigation within UCB for the potential treatment of tauopathies, a group of incurable neurodegenerative diseases that include progressive supranuclear palsy (PSP) and Alzheimer's disease (AD). Pre-clinical data show that UCB0107 has greater efficacy in a seeding model using human AD and PSP seeds when compared with other antibodies.
- In April, UCB agreed to acquire ***midazolam nasal spray*** (USL261) from Proximagen. USL261 is a nasally administered investigational midazolam formulation intended as a rescue treatment of acute repetitive seizures in patients with epilepsy. The new drug application was submitted in the U.S. in May following previous orphan drug status and fast-track designation by the FDA.
  Acute repetitive seizures, which are sometimes called serial, recurrent, cluster or crescendo seizures, can cause multiple emergency department and/or hospitalizations per year. They can also evolve into *status epilepticus*, where a seizure lasts longer than 5 minutes or when seizures occur close together and the patient does not recover in between. They can be life-threatening. UCB estimates that in the U.S. more than 150 000 people with refractory epilepsy also experience ARS.
- In May, **Briviact® (*brivaracetam*)** oral formulations were approved in the U.S. indicated as monotherapy and adjunctive therapy in the treatment of partial onset (focal) epileptic seizures in patients age four years and older.
  In June, the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency adopted a positive opinion for Briviact® to extend the therapeutic indication to include adjunctive therapy in the treatment of partial onset seizures with or without secondary generalization in patients with epilepsy from 4 years of age. The European Commission approved this in July.

Immunology

- A label update for **Cimzia® (*certolizumab pegol*)** in pregnancy and breastfeeding was approved in Europe (January 2018) and in the U.S. (March 2018), making it the first anti-TNF treatment option that could be considered for women with chronic inflammatory disease throughout the pregnancy journey.
  In March 2018, the Cimzia® pre-filled syringe received approval in the U.S. for the option to store it at room temperature for a single period of up to 7 days, within the approved shelf-life, thus helping better address patient needs.
  Also in March, UCB announced the filing of Cimzia® with the State Drug Administration (SDA, former CFDA) in China for the treatment of moderate-to-severe rheumatoid arthritis. In June, the SDA granted priority review.
  In April, the European Committee for Medicinal Products for Human Use (CHMP) recommended approval of a label extension for Cimzia®, to include a new indication in adult patients with moderate-to-severe plaque psoriasis. The European Commission endorsed this in June.
  In May, Cimzia® was approved for adults with moderate-to-severe plaque psoriasis in the U.S.
  Also in May, UCB announced positive topline results from C-AXSPAND, a Phase 3 placebo controlled study to investigate the efficacy of Cimzia® on the signs and symptoms of active axial spondyloarthritis (axSpA) in patients without x-ray evidence of ankylosing spondylitis (AS).
- During the course of the first six months of 2018, further studies with ***bimekizumab*** in moderate to severe psoriasis were initiated. Out of the ongoing three Phase 3 studies, two include an active comparator, namely *ustekinumab*, and *adalimumab.* Results are expected by the end of 2019. An additional Phase 3b study to compare *bimekizumab* directly with *secukinumab* was initiated in June. The comparative studies have been designed to demonstrate superiority over active comparators on robust endpoints.
  The Phase 3 programs for *bimekizumab* for psoriatic arthritis and ankylosing spondyloarthritis are expected to start by the end of 2018.
- In July, a full evaluation of early-stage clinical studies of ***seletalisib*** in Sjörgen's syndrome and activated PI3K Delta Syndrome (APDS) showed positive results and no new safety signal was observed.

However, in light of its other upcoming R&D investments and as part of its regular portfolio prioritization, UCB has decided to deprioritize further internal development of *seletalisib*.

- Already in December 2017, ***rozanolixizumab*** (UCB7665) reached "proof of concept" (POC) in patients with immune thrombocytopenia (ITP) based on interim data from an ongoing Phase 2a study, using two initial dose regimens of subcutaneous *rozanolixizumab* (five weekly doses of 4 mg/kg and three weekly doses of 7 mg/kg). Recruitment for higher doses is ongoing with further results expected during H2 2018. In April 2018, U.S. FDA granted orphan drug designation for ITP.
  A Phase 2a POC study in myasthenia gravis (MG) is ongoing with results expected in Q3 2018.
  Preparations for clinical studies with patients with chronic inflammatory demyelinating polyneuropathy (CIDP) are ongoing.

Bone

- In July, UCB and Amgen announced the resubmission of the Biologics License Application to the U.S. Food and Drug Administration (FDA) for **Evenity™ (*romosozumab*)**, an investigational monoclonal antibody for the treatment of osteoporosis in postmenopausal women at high risk for fracture. Evenity™ increases bone formation and reduces bone resorption simultaneously to increase bone mineral density (BMD), and reduce the risk of fracture.

All other clinical development programs are continuing as planned.

1.3. Net sales by product

Total net sales in the first six months of 2018 increased to € 2 146 million, 5% higher than last year or +10% at constant exchange rates (CER).

This was driven by the continued strong growth of the core products, Cimzia®, Vimpat®, Keppra®, Briviact® and Neupro®, to combined net sales of € 1 801 million (+3%; +12% CER) representing 87% of UCB's total net sales before hedging.

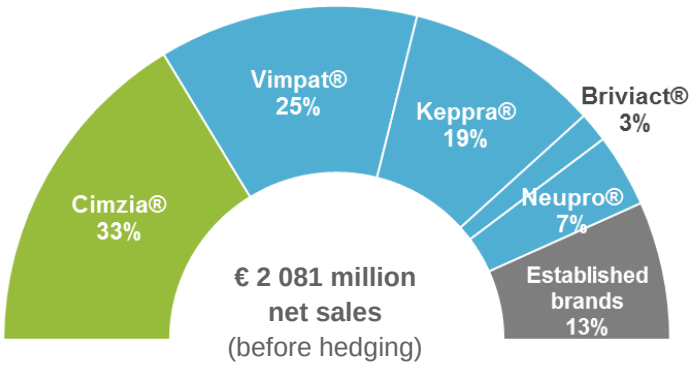
For the six months ended 30 June	Actual		Variance	
€ million	2018	2017	Actual rates	CER
Core products	**1 801**	**1 741**	**3%**	**12%**
Immunology / Cimzia®	679	663	2%	11%
Neurology				
Vimpat®	522	477	10%	20%
Keppra® (including Keppra® XR + E Keppra®)	392	412	-5%	2%
Neupro®	148	154	-4%	0%
Briviact®	60	36	67%	83%
Established brands	**280**	**302**	**-7%**	**-3%**
Zyrtec® (including Zyrtec-D® / Cirrus®)	58	61	-6%	-3%
Xyzal®	51	54	-6%	0%
Other products	171	186	-8%	-5%
Net sales before hedging	**2 081**	**2 043**	**2%**	**10%**
Designated hedges reclassified to net sales	65	-8	> -100%	
Total net sales	**2 146**	**2 036**	**5%**	**10%**

Core products

- **Cimzia®** (*certolizumab pegol*), for people living with inflammatory TNF mediated diseases, net sales went up to € 679 million, (+2%; +11% CER), driven by continued, sustainable growth in all regions. During the first quarter of 2018, Cimzia® was approved in pregnancy and breastfeeding in the EU and the U.S. In May and June, Cimzia® was launched for adults with moderate-to-severe plaque psoriasis in the U.S. and the EU respectively.
- **Vimpat®** (*lacosamide*) with net sales of € 522 million, (+10%; +20% CER) is reaching more and more people living with epilepsy, reflected in strong growth in all regions. Treatment options available to patients cover mono- and adjunctive therapy as well as for pediatric use.
- **Keppra®** (*levetiracetam*), available for patients living with epilepsy, reported net sales of € 392 million (-5%; +2% CER). The evolution reflects the established brand and the maturity of the product.
- **Briviact®** (*brivaracetam*) available for people living with epilepsy since 2016, reached net sales of € 60 million, a plus of 67% (+83% CER). This is driven by doubling US$ net sales in the U.S. In May and July, Briviact® was approved in the U.S. and the EU respectively for young patients from 4 years of age. Briviact® has a different mode of action from Vimpat® and differentiates from Keppra®.
- **Neupro®** (*rotigotine*), the patch for Parkinson's disease and restless legs syndrome, had stable net sales of € 148 million (-4%; 0% CER).

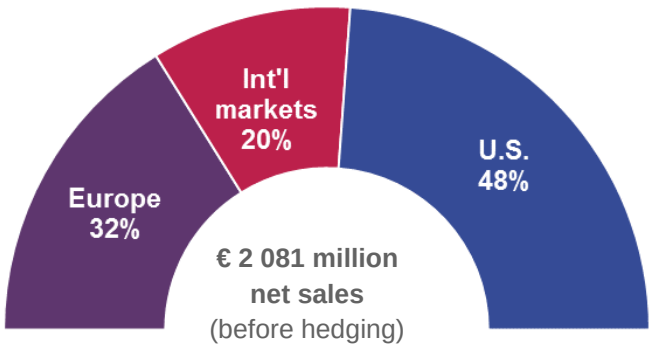
Established brands

- **Zyrtec®** (*cetirizine*, including Zyrtec®-D / Cirrus®) for people living with allergy, had net sales of € 58 million (-6%; -3% CER) due to generic competition.
- **Xyzal®** (*levocetirizine*), also for allergy, had stable net sales at constant exchange rates of € 51 million (-6% actual; 0% CER)).
- **Other products**: Net sales for other established brands decreased to € 171 million (-8%; -5% CER). This was mainly driven by the divestiture of products. Adjusted for the divestitures, the business had stable net sales.
- **Designated and unallocated hedges reclassified to net sales** were positive with € 65 million (negative € 8 million in first half 2017) reflecting UCB's realized transactional hedging activities which have to be recognized in the "net sales" line according to IFRS. These are mainly related to the U.S. Dollar, the Japanese Yen, the British Pound and the Swiss Franc.



1.4. Net sales by geographical area

For the six months ended 30 June	Actual		Variance actual rates		Variance CER	
€ million	2018	2017	€ million	%	€ million	%
Net sales – U.S.	**992**	**983**	**9**	**1%**	**126**	**13%**
Cimzia®	416	420	- 5	-1%	45	11%
Vimpat®	387	368	19	5%	66	18%
Keppra® (incl. Keppra® XR)	99	109	- 10	-9%	2	2%
Neupro®	41	50	- 9	-18%	- 4	-8%
Briviact®	46	25	21	86%	27	>100%
Established brands	3	12	- 9	-75%	- 8	-72%
Net sales – Europe	**671**	**629**	**42**	**7%**	**46**	**7%**
Cimzia®	192	176	16	9%	18	10%
Keppra®	113	119	- 6	-5%	- 5	-4%
Vimpat®	100	82	17	21%	17	21%
Neupro®	85	80	5	6%	5	6%
Briviact®	13	11	2	19%	2	20%
Established brands	168	160	8	5%	9	6%
Zyrtec® (including Cirrus®)	35	31	3	10%	3	10%
Other products	134	128	6	4%	6	5%
Net sales – International markets	**418**	**432**	**- 14**	**-3%**	**23**	**5%**
Keppra®	180	184	- 4	-2%	9	5%
Cimzia®	71	66	5	8%	13	19%
Vimpat®	35	26	9	34%	12	47%
Neupro®	22	23	- 1	-6%	0	2%
Briviact®	1	1	1	> 100%	1	> 100%
Established brands	109	132	- 23	-17%	- 12	-9%
Zyrtec® (including Cirrus®)	23	30	- 7	-23%	- 5	-16%
Xyzal®	34	37	- 3	-8%	0	0%
Other products	52	64	- 12	-19%	- 7	-10%
Net sales before hedging	**2 081**	**2 043**	**38**	**2%**	**196**	**10%**
Designated hedges reclassified to net sales	**65**	**- 8**	**73**	**> -100%**		
Total net sales	**2 146**	**2 036**	**110**	**5%**	**198**	**10%**



- **U.S. net sales** reached € 992 million (+1%; +13% CER). Key driver was the sustainable growth of the core products which reached combined net sales of € 989 million (+2%, +14% CER), representing almost all of UCB's net sales in the U.S. This was driven by the double-digit growth at constant rates of Cimzia® and Vimpat®. Net sales of the established brands were € 3 million after € 12 million due to divestitures.
- **Net sales in Europe** reached € 671 million (+7%; +7% CER), driven by the continued growth of the core products reaching combined net sales to € 503 million – a plus of 8% and representing 75% of UCB's net sales in Europe. The allergy product Zyrtec® (including Cirrus®) reached € 35 million (+10%; +10% CER) and other products contributed € 134 million (+4%; +5% CER).
- **International markets net sales** amounted to € 418 million (-3%, +5% CER). The core products reached combined net sales of € 309 million (+3%) representing 74% of UCB's net sales in this region. This was compensated by impacts from generic competition within the established brands portfolio. Japan represents with €154 million the largest market (-13%; -6% CER). Keppra® reported net sales of € 74 million (-20%; -13% CER), Cimzia® was € 17 million (-8%; 0% CER), Neupro® € 15 million (-16%; -10% CER) and Vimpat® doubling to € 12 million (+98%; >100% CER). Net sales in China reached € 85 million (+8%; +12% CER).
- **Designated and unallocated hedges reclassified to net sales** were positive with € 65 million (negative € 8 million in first half 2017) reflecting UCB's realized transactional hedging activities which have to be recognized in the "net sales" line according to IFRS. These are mainly related to the U.S. Dollar, the Japanese Yen, the British Pound and the Swiss Franc.

1.5. Royalty income and fees

For the six months ended 30 June	Actual		Variance	
€ million	**2018**	2017	Actual rates	CER
Biotechnology IP	39	32	24%	36%
Zyrtec® U.S.	8	17	-57%	-50%
Toviaz®	8	8	-1%	11%
Other	1	1	-6%	1%
Royalty income and fees	**56**	**58**	**-4%**	**6%**

In the first six months 2018, **royalty income and fees** decreased from € 58 million to € 56 million.

The **biotechnology IP** income is unchanged impacted by patent expirations, however showed an improvement *ad interim*.

Royalties collected for **Zyrtec® in the U.S.** decreased reflecting a lower level of royalties due to maturity of the product.

The franchise royalties paid by Pfizer for the overactive bladder treatment **Toviaz®** (*fesoterodine*) remained stable.

1.6. Other revenue

For the six months ended 30 June	Actual		Variance	
€ million	2018	2017	Actual rates	CER
Contract manufacturing sales	43	47	-9%	-7%
Product profit sharing	10	12	-22%	-21%
Partnerships in Japan	4	6	-33%	-33%
Xyzal® in U.S.	0	56	-100%	-100%
Other	10	15	-32%	-26%
Other revenue	**67**	**136**	**-50%**	**-50%**

Other revenue reached € 67 million from € 136 million. The first six months 2017 benefitted from a one-time other revenue of € 56 million for out-licensing of the OTC allergy drug Xyzal® in the U.S. Adjusted for the-time other revenue in 2017, the increase of total revenue was 4% (+9% CER).

Contract manufacturing sales amounted to € 43 million. Contract manufacturing related to the 2016 divested established brands is for the majority no longer included.

The **product profit sharing** agreements for Dafiro® / Provas® (2016) and Xyzal® reached revenue of € 10 million.

Partnering activities in Japan (Otsuka focusing for E Keppra®, Daiichi Sankyo for Vimpat® and Astellas® for Cimzia®) reached a total of € 4 million after € 6 million.

"**Other**" revenue reached € 10 million and include milestone and other payments from our R&D partners.

1.7. Gross profit

For the six months ended 30 June	Actual		Variance	
€ million	2018	2017	Actual rates	CER
Revenue	**2 269**	**2 230**	**2%**	**6%**
Net sales	2 146	2 036	5%	10%
Royalty income and fees	56	58	-4%	-3%
Other revenue	67	136	-50%	-50%
Cost of sales	**-573**	**-564**	**1%**	**4%**
Cost of sales products and services	-394	-393	0%	1%
Royalty expenses	-118	-110	7%	18%
Amortization of intangible assets linked to sales	-61	-61	1%	5%
Gross profit	**1 696**	**1 666**	**2%**	**7%**

In the first six months 2018, **gross profit** reached € 1 696 million reflecting a stable gross margin of 75%. Reaching this level was possible thanks to the net sales growth and improved product mix in general but also driven by the divestitures in 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** increased slightly to € 394 million.
- **Royalty expenses** went up to € 118 million from € 110 million due to the growth of marketed core products, mainly Cimzia® and Vimpat®.
- **Amortization of intangible assets linked to sales**: Under IFRS 3, UCB has reflected on its balance sheet a significant amount of intangible assets relating to the Celltech and Schwarz Pharma. 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	2018	2017	Actual rates	CER
Revenue	**2 269**	**2 230**	**2%**	**6%**
Net sales	2 146	2 036	5%	10%
Royalty income and fees	56	58	-4%	6%
Other revenue	67	136	-50%	-50%
Gross profit	**1 696**	**1 666**	**2%**	**7%**
Marketing and selling expenses	-442	-464	-5%	2%
Research and development expenses	-500	-474	5%	9%
General and administrative expenses	-88	-93	-5%	-2%
Other operating income / expenses (-)	-9	-16	-48%	-42%
Total operating expenses	**-1 039**	**-1 047**	**-1%**	**4%**
Recurring EBIT (REBIT)	**657**	**619**	**6%**	**11%**
Amortization of intangible assets	79	78	2%	6%
Depreciation charges	58	45	29%	36%
Recurring EBITDA (REBITDA)	**794**	**742**	**7%**	**12%**

Operating expenses, encompassing marketing and selling expenses, research and development expenses, general and administrative expenses and other operating income/expenses, reached € 1 039 million reflecting an improved operating expense ratio: Total operating expenses in relation to revenue (operating expense ratio) improved to 46% after 47%.

- Lower **marketing and selling expenses** of € 442 million. Reflecting the continued growth of the core products.
- Higher **research and development expenses** of € 500 million, resulting in a R&D ratio of 22% in the first six months 2018 after 21%.
- Slightly lower **general and administrative expenses** of € 88 million;
- **Other operating expenses** of € 9 million, mainly due to the collaboration with Amgen in preparation of the commercialization of Evenity™, reflecting the net amount to be carried by UCB.

Recurring EBIT increased to € 657 million, compared to € 619 million for the first six months 2017.

- Total **amortization of intangible assets** (product related and other) amounted to € 79 million;
- **Depreciation charges** increased to € 58 million due to the impact of IFRS 16 on lease accounting.

Recurring EBITDA reached € 794 million after € 742 million (+7%; +12% CER) driven by continued net sales growth and an improved operating expense ratio. The recurring EBITDA ratio for the first six months of 2018 (in % of revenue) reached 35%, from 33% in 2017.

1.9. Net profit

For the six months ended 30 June	Actual		Variance	
€ million	2018	2017	Actual rates	CER
Recurring EBIT	**657**	**619**	**6%**	**11%**
Impairment charges	0	4	-100%	-100%
Restructuring expenses	-4	-7	-41%	-39%
Gain on disposals	0	0	N/A	N/A
Other non-recurring income / expenses (-)	23	3	> 100%	> 100%
Total non-recurring income / expenses (-)	**19**	**1**	**> 100%**	**> 100%**
EBIT (operating profit)	**676**	**619**	**9%**	**14%**
Net financial expenses (-)	-46	-55	-17%	-16%
Result from associates	-1	0	N/A	N/A
Profit before income taxes	**629**	**564**	**12%**	**17%**
Income tax expense (-) / credit	-56	-114	-51%	-49%
Profit from continuing operations	**573**	**450**	**27%**	**33%**
Profit / loss (-) from discontinued operations	1	1	-44%	-62%
Profit	**574**	**451**	**27%**	**33%**
Attributable to UCB shareholders	551	431	28%	33%
Attributable to non-controlling interests	23	20	15%	29%
Profit attributable to UCB shareholders	**551**	**431**	**28%**	**33%**

Total non-recurring income / expenses (-) amounted to € 19 million pre-tax income (after € 1 million 2017) including restructuring expenses offset with income resulting from the cumulative amount of exchange differences for liquidated foreign legal entities in 2018.

Net financial expenses went down to € 46 million from € 55 million in 2017.

Income tax expenses were € 56 million compared to € 114 million in June 2017. The average effective tax rate on recurring activities was 9% compared to 20% in the same period of last year. This low tax rate was driven by phasing of expenses and a late windfall of the U.S. tax reform.

Profit / loss from discontinued operations, was € 1 million after a gain of € 1 million in 2017.

The **profit of the Group** amounted to € 574 million (after € 451 million) of which € 551 million is attributable to the UCB shareholders and € 23 million to non-controlling interests. For the first six months of 2017, profit was € 451 million and of which € 431 million were attributable to UCB shareholders and € 20 million to non-controlling interests.

1.10. Core EPS

For the six months ended 30 June	Actual		Variance	
€ million	2018	2017	Actual rates	CER
Profit	**574**	**451**	**27%**	**33%**
Attributable to UCB shareholders	551	431	28%	33%
Attributable to non-controlling interests	23	20	15%	29%
Profit attributable to UCB shareholders	**551**	**431**	**28%**	**33%**
Total non-recurring income (-) / expenses	-19	-1	> 100%	> 100%
Income tax on non-recurring expenses (-) / credit	0	-1	-59%	-59%
Financial one-off income (-) / expenses	0	0	N/A	N/A
Income tax on financial one-off income / expenses (-)	0	0	N/A	N/A
Profit (-) / loss from discontinued operations	-1	-1	-44%	-62%
Amortization of intangibles linked to sales	61	61	1%	5%
Income tax on amortization of intangibles linked to sales	-11	-12	-6%	-5%
Core profit attributable to UCB shareholders	**581**	**477**	**22%**	**27%**
Weighted average number of shares (million)	188	188	0%	
Core EPS attributable to UCB shareholders	**3.09**	**2.53**	**22%**	**27%**

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 € 581 million, leading to **core earnings per share** (EPS) of € 3.09 compared to € 2.53 in 2017 per non-dilutive weighted average number of shares of 188 million.

1.11. Balance sheet

The **intangible assets** increased by € 110 million from € 817 million at 31 December 2017 to € 927 million at 30 June 2018. This includes the ongoing amortization of the intangible assets, partially offset by additions from Proximagen acquisition, Dermira milestone, software and capitalized eligible development costs.

Goodwill at € 4 930, up € 92 million, stemming from the Element Genomics acquisition, a stronger U.S. dollar and British pound compared to December 2017.

Other non-current assets increased by € 188 million, driven by an increase in deferred tax assets, after tax reforms in the U.K. and Belgium, and higher property, plant and equipment following right of use asset recognition following the implementation of IFRS 16.

The **current asset** decreased from € 2 677 million as of 31 December 2017 to € 2 566 million as of 30 June 2018 and relates to lower derivative financial assets and cash positions, partially offset with a slightly higher need of working capital.

UCB's **shareholders' equity**, at € 5 942 million, an increase of € 206 million between 31 December 2017 and 30 June 2018. The important changes stem from the net profit after non-controlling interests (€ 551 million), the U.S. dollar and British pound currency translation (€ 14 million), offset with the cash-flow hedges (€ -94 million), the dividend payments (€ -222 million) and the acquisition of own shares (€ -63 million).

The **non-current liabilities** amount € 2 150 million, lower by € 82 million due to transfer of bank borrowings to current liabilities.

The **current liabilities** amount to € 2 104 million, up € 155 million, due to increase of derivative financial liabilities and current portion of bank borrowings.

The **net debt** increased by € 241 million from € 525 million as of end December 2017 to € 766 million as per end June 2018, and mainly relates to the underlying net profitability, offset by the dividend payment on the 2017 results, the acquisition of own shares, the lease liabilities recognized on 1 January 2018 and investments following our strategy. The net debt to recurring EBITDA ratio for 2018 reached 0.51 after 0.38 per end 2017.

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 € 490 million of which € 492 million from continuing operations compared to € 294 million in 2017 and stemming from underlying net profitability.
- **Cash flow from investing activities** showed an outflow of € 283 million in 2018 (continuing operations) compared to an outflow of € 109 million in 2017. It is related to upgrade / maintenance of plants, strategic investments, capitalized eligible development costs and venture funds.
- **Cash flow from financing activities** has an outflow of € 345 million, which includes the dividend paid to UCB shareholders (€ 222 million), the acquisition of treasury shares (€ 51 million), the net repayment of short term borrowings (€ 11 million) and the repayment of lease liabilities (€ 19 million).

1.13. Outlook 2018 confirmed

For 2018, UCB expects the continued growth of its core products driving company growth. UCB will also advance its development pipeline to offer potential new solutions for patients and complement existing pipeline assets with external opportunities.

2018 revenue is expected to reach approximately of € 4.5 – 4.6 billion; recurring EBITDA, in the range of € 1.3 – 1.4 billion. Core earnings per share are therefore expected in the range of € 4.30 – 4.70 based on an average of 188 million shares outstanding.

The figures for the outlook 2018 as mentioned above were calculated on the same basis as the actual figures for 2017.

2. Condensed consolidated financial statements

2.1. Condensed consolidated income statement

For the six months ended 30 June € million	Note	2018 Reviewed	2017 Reviewed
CONTINUING OPERATIONS			
Net sales	3.6	2 146	2 036
Royalty income and fees		56	58
Other revenue		67	136
Revenue	3.8	**2 269**	**2 230**
Cost of sales		-573	-564
Gross profit		**1 696**	**1 666**
Marketing and selling expenses		-442	-464
Research and development expenses		-500	-474
General and administrative expenses		-88	-93
Other operating income / expenses (-)	3.11	-9	-16
Operating profit before impairment, restructuring and other income and expenses		**657**	**619**
Impairment of non-financial assets	3.12	0	4
Restructuring expenses	3.13	-4	-7
Other income / expenses (-)	3.14	23	3
Operating profit		**676**	**619**
Financial income	3.15	8	12
Financial expenses	3.15	-54	-67
Net financial expenses (-)	3.15	-46	-55
Share of net profits of associates		-1	0
Profit before income taxes		**629**	**564**
Income tax expense	3.16	-56	-114
Profit from continuing operations		**573**	**450**
DISCONTINUED OPERATIONS			
Profit / loss (-) from discontinued operations	3.10	**1**	**1**
PROFIT		**574**	**451**
Attributable to equity holders of UCB S.A.		551	431
Attributable to non-controlling interests		23	20
BASIC EARNINGS PER SHARE (€)[1]			
From continuing operations		2.93	2.29
From discontinued operations		0	0
Total basic earnings per share		2.93	2.29
DILUTED EARNINGS PER SHARE (€)[2]			
From continuing operations		2.93	2.29
From discontinued operations		0	0
Total diluted earnings per share		2.93	2.29

1 The weighted average number of shares in issue during the interim period, for the purposes of the basic earnings per share calculation, is 188 189 602 (2017: 188 252 891).

2 The weighted average number of shares during the interim period, for the purposes of the diluted earnings per share calculation is 188 189 602 (2017: 188 252 891).

2.2. Condensed consolidated statement of comprehensive income

For the six months ended 30 June € million	2018 Reviewed	2017 Reviewed
Profit for the period	**574**	**451**
Items to be reclassified to profit or loss in subsequent periods		
Net gain / loss (-) on financial assets at FVOCI[1]	-32	-7
Exchange differences on translation of foreign operations	13	-198
Effective portion of gains / losses (-) on cash flow hedges	-128	126
Income tax relating to the components of other comprehensive income to be reclassified to profit or loss in subsequent periods	34	-42
Items not to be reclassified to profit or loss in subsequent periods		
Re-measurement of defined benefit obligation	-1	14
Income tax relating to the components of other comprehensive income not to be reclassified to profit or loss in subsequent periods	0	-2
Other comprehensive income / loss (-) for the period, net of tax	-114	-109
Total comprehensive income for the period, net of tax	**460**	**342**
Attributable to UCB S.A. shareholders	438	315
Attributable to non-controlling interests	22	27
Total comprehensive income for the period, net of tax	**460**	**342**

[1] FVOCI: Fair value through other comprehensive income

2.3. Condensed consolidated statement of financial position

€ million	Note	30 June 2018 Reviewed	31 Dec. 2017 Audited
ASSET			
Non-current assets			
Intangible assets	3.17	927	817
Goodwill	3.18	4 930	4 838
Property, plant and equipment	3.19	795	673
Deferred income tax assets		814	715
Financial and other assets (incl. derivative financial instruments)	3.20	164	197
Total non-current assets		**7 630**	**7 240**
Current assets			
Inventories	3.21	632	597
Trade and other receivables		861	809
Income tax receivables		19	12
Financial and other assets (incl. derivative financial instruments)		133	194
Cash and cash equivalents		895	1 049
Assets of disposal group classified as held for sale		26	16
Total current assets		**2 566**	**2 677**
Total assets		**10 196**	**9 917**
EQUITY AND LIABILITIES			
Equity			
Capital and reserves attributable to UCB shareholders	3.22	5 997	5 813
Non-controlling interests		-55	-77
Total equity		**5 942**	**5 736**
Non-current liabilities			
Borrowings	3.23	219	303
Bonds	3.24	1 230	1 231
Other financial liabilities (incl. derivative financial instruments)	3.25	65	57
Deferred income tax liabilities		33	53
Employee benefits		446	441
Provisions	3.26	123	121
Trade and other liabilities		34	26
Total non-current liabilities		**2 150**	**2 232**
Current liabilities			
Borrowings	3.23	219	39
Bonds	3.24	0	0
Other financial liabilities (incl. derivative financial instruments)	3.25	95	53
Provisions	3.26	39	37
Trade and other liabilities		1 657	1 724
Income tax payables		94	96
Liabilities of disposal group classified as held for sale		0	0
Total current liabilities		**2 104**	**1 949**
Total liabilities		**4 254**	**4 181**
Total equity and liabilities		**10 196**	**9 917**

2.4. Condensed consolidated statement of cash flows

For the six months ended 30 June € million	Note	2018 Reviewed	2017 Reviewed
Profit attributable to UCB shareholders		**551**	**431**
Non-controlling interests		23	20
Adjustment for profit (-) / loss from associates		1	0
Adjustment for non-cash transactions	3.27	56	90
Adjustment for items to disclose separately under operating cash flow	3.27	56	114
Adjustment for items to disclose under investing and financing cash flows	3.27	21	16
Change in working capital	3.27	-125	-225
Interest received		14	9
Cash flow generated from operations		**597**	**455**
Tax paid during the period		-107	-130
Net cash flow used in (-) / generated by operating activities		**490**	**325**
From continuing operations		492	294
From discontinued operations		-2	31
Net cash flow generated from operating activities		**490**	**325**
Acquisition of intangible assets		-216	-44
Acquisition of property, plant and equipment		-49	-46
Acquisition of subsidiaries, net of cash acquired		-12	-7
Acquisition of other investments		-10	-14
Sub-total acquisitions		**-287**	**-111**
Proceeds from sale of intangible assets		3	0
Proceeds from sale of property, plant and equipment		1	1
Proceeds from sale of business unit, net of cash disposed		0	0
Proceeds from sale of other investments		0	1
Dividends received		0	0
Sub-total disposals		**4**	**2**
Net cash flow used in (-) / generated by investing activities		**-283**	**-109**
From continuing operations		-283	-109
From discontinued operations		0	0
Net cash flow used in (-) / generated by investing activities		**-283**	**-109**
Proceeds from borrowings		8	9
Repayment of borrowings (-)		-19	-26
Payment of lease liabilities		-19	0
Acquisition of treasury shares		-51	-105
Dividend paid to UCB shareholders, net of dividend paid on own shares		-222	-217
Interest paid		-42	-35
Net cash flow used in (-) / generated by financing activities		**-345**	**-374**
From continuing operations		-345	-374
From discontinued operations		0	0
Net cash flow used in (-) / generated by financing activities		**-345**	**-374**
Net increase / decrease (-) in cash and cash equivalents		**-138**	**-158**
From continuing operations		-136	-189
From discontinued operations		-2	31
Net cash and cash equivalents at the beginning of the period		**1 022**	**756**
Effect of exchange rate fluctuations		-5	-22
Net cash and cash equivalents at the end of the period		**879**	**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	Financial assets at FVOCI[1]	Cash flow hedges	Total	Non-controlling interests	Total stockholders' equity
Balance at 1 January 2018	**2 614**		**-357**	**3 811**	**-156**	**-220**	**30**	**90**	**5 813**	**-77**	**5 736**
Profit for the period				551					551	23	574
Other comprehensive income / loss (-)					-1	14	-32	-94	-113	-1	-114
Total comprehensive income				**551**	**-1**	**14**	**-32**	**-94**	**438**	**22**	**460**
Dividends				-222					-222		-222
Share-based payments				31					31		31
Transfer between reserves			47	-47					0		0
Treasury shares			-63						-63		-63
Balance at 30 June 2018 (reviewed)	**2 614**		**-373**	**4 124**	**-156**	**-206**	**-2**	**-4**	**5 997**	**-55**	**5 942**
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**

[1] FVOCI: Fair value through other comprehensive income

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 3 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 2018 (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 25 July 2018. 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 2017 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 2017, 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 2017 except for the adoption of new and amended standards (see following paragraphs.

New and amended standards adopted by the Group

The Group has decided to early adopt **IFRS 16 Leases** (issued in January 2016) as from 1 January 2018.

In accordance with the transition provisions in IFRS 16 the new rules for lease accounting have been adopted retrospectively with the cumulative effect of initially applying the new standard recognized on 1 January 2018 (i.e. limited retrospective application). Comparative information has not been restated for IFRS 16.

In adopting IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- for contracts entered into before 1 January 2018, the Group has not reassessed whether the contract is, or contains, a lease. The Group does not apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.
- for contracts for which a provision for onerous leases was set up applying IAS 37 before the date of initial application, the Group adjusted the right-of-use asset at the date of initial application by the amount of this provision instead of performing an impairment review.

Following the adoption of IFRS 16 Leases, the Group has changed its accounting policy for leases. The new policy is described below. The adoption of IFRS 16 resulted in changes in accounting policies but did not impact the opening equity as per 1 January 2018. For the detailed impact on the opening balance sheet as per 1 January 2018 see below.

The Group has adopted **IFRS 9 Financial instruments** as from 1 January 2018. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies but did not result in adjustments to the amounts recognized in the financial statements as per 31 December 2017. The new accounting policies are set out below. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. As there was no impact on the amounts recognized in the financial statements as per 31 December 2017, the opening equity as per 1 January 2018 was not impacted by the adoption of IFRS 9.

A number of amendments, annual improvements to standards and a new interpretation are mandatory for the first time for the financial year beginning 1 January 2018. However, the Group does not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments, improvements to the standards and new interpretation.

Changes in accounting policies due to the adoption of IFRS 16 Leases and IFRS 9 Financial instruments

Following the adoption of IFRS 16 Leases and IFRS 9 Financial instruments, the accounting policies for leases and financial instruments have been revised as follows:

Leases:

The Group leases various properties, equipment and cars and the rental contracts are typically made for a fixed, short or long term period. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate.

There are no leases for which it is expected that the Group would need to pay a residual value guarantee or a certain amount to exercise a purchase option whereby it is reasonable certain that the Group will exercise this option or any penalties for terminating the lease in case the lease term reflects that the Group will exercise this option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs (except for the leases already existing at transition date), and
- restoration costs.

Right-of-use assets are presented as part of property, plant and equipment and lease liabilities as part of borrowings in the statement of financial position. All lease payments that are due within 12 months are classified as current liabilities. All lease payments that are due at least 12 months after the balance sheet date are classified as non-current liabilities.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise mainly IT-equipment (laptops, tablets, mobile phones, pc's) and small items of office equipment and furniture.

Some of the car leases contain variable lease payments. It concerns car lease agreements that contain a Terminal Rental Adjustment Clause (TRAC): a final settlement calculation is made at termination of the lease to determine the final rental adjustment. This final rent adjustment is a rent payment (or credit) that reflects actual usage of the vehicle while under lease. This final amount is not known at lease commencement. The rental adjustment amount is not a specified amount but depends upon known factors such as monthly depreciation and initial acquisition cost, and several unknown factors at lease commencement, such as mileage, condition of the vehicle, wear and tear, damage, geography of operation, disposal channel, and other factors. Together, these factors generally represent "use" of the vehicle. Payments that vary due to use of the underlying asset and vehicle mileage specifically are variable lease payments. The final rental adjustment is recognized as expense or, in case of a credit, as a reduction of expenses when realized.

Extension options are included in a number of property and car leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The extension options held are exercisable only by the Group and not by the respective Lessor.

There are no material lease agreements whereby the Group is lessor.

Financial instruments:

A. Investments

A1. CLASSIFICATION

The Group classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value through profit or loss (FVPL), those to be measured subsequently at fair value through other comprehensive income (FVOCI), those to be measured at amortized cost. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Investments are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (OCI). For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI (FVOCI).

A2. MEASUREMENT

At initial recognition, the Group measures a financial asset at its fair value plus, in case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

The Group currently does not have any investments in debt instruments.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as financial income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Changes in the fair value of financial assets at FVPL are recognized in financial income / expenses in the income statement.

The fair value of listed investments is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques.

B. Derivative financial instruments and hedging activities

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The Group does not engage in speculative transactions.

Derivative financial instruments are initially recorded at fair value and attributable transaction costs are recognized in the income statement when incurred. Derivative financial instruments are subsequently remeasured at their fair value.

The Group includes the credit and the nonperformance risks into its valuation techniques leading to non-material impact on derivative valuation resulting from credit or debit margin adjustments made on counterparts with who financial market transactions are contracted.

The method of recognizing the resulting gains or losses depends on whether the derivative financial instrument is designated as a hedging instrument and if so, the nature of the item being hedged. The Group designates derivative financial instruments as either cash flow hedges, fair value hedges or net investment hedges.

The Group documents at inception of the transaction the economic relationship between the hedging instrument and the hedged item, as well as its risk management objectives and strategy for undertaking the hedging transaction. The Group updates this assessment when required for example when the hedge ratio is rebalanced or when the analysis of sources of hedge ineffectiveness is updated.

The full fair value of a hedging derivative financial instrument is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Derivative financial instruments embedded in financial liabilities are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative financial instrument are not closely related, a separate instrument with the same terms as the embedded derivative financial instrument would meet the definition of a derivative financial instrument, and the combined instrument is not measured at fair value through profit or loss.

B1. CASH FLOW HEDGES

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within "Financial income/Financial expenses".

When option contracts are used to hedge a firm commitment or forecast transaction, the group designates only the intrinsic value of the options as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognized in other comprehensive income. The changes in the time value of the options that relate to the hedged item ('aligned time value') are also recognized within OCI. These will be moved to the income statement (financial income / expenses) when the hedged transaction affects the P&L (in case of transaction related hedges) or over the period of the hedge (in case of time-period related hedges).

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognized in OCI. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognized in the income statement (financial income / expenses).

Gains or losses relating to the effective portion of the change in intrinsic value of the options or relating to the effective portion of the change in the spot component of the forward contracts accumulated in other comprehensive income are reclassified to profit or loss in the periods when the hedged item affects profit or loss on the same line of the income statement where the designated hedged item affects profit or loss. However if the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of a non-financial asset or a non-financial liability, then, at the time the asset or liability is recognized, the associated gains or losses on the derivative financial instrument that had previously been recognized in other comprehensive income are included in the initial measurement of the asset or liability.

When hedging with forwards and financial instruments with foreign currency basis spreads, the Group decides on a hedging-relationship-by-hedging-relationship basis to account for the changes in the currency basis spread by applying either the same accounting as for the time value of options or by recognizing these changes in value in the income statement (financial income / expenses).

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss in other comprehensive income at that time remains in other comprehensive income until the forecast transaction occurs, resulting in the recognition of a non-financial asset or liability. When the forecast transaction is no longer expected to occur, the cumulative gain or loss that were reported in other comprehensive income are immediately reclassified to the income statement (financial income / expenses).

B2. FAIR VALUE HEDGES

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in the income statement under “Financial income/Financial expenses”, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

B3. NET INVESTMENT HEDGES

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in the cumulative translation adjustments reserve; the gain or loss relating to the ineffective portion is recognized immediately in the income statement within “Financial income/Financial expenses ”. Gains and losses accumulated in equity are recycled to the income statement when the foreign operation is partially disposed of or sold.

B4. DERIVATIVE FINANCIAL INSTRUMENTS THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING

Certain derivative financial instruments do not qualify for hedge accounting. Changes in the fair value of any derivative financial instruments that do not qualify for hedge accounting are recognized immediately in the income statement within “Financial income/ Financial expenses”.

Trade receivables:

Trade receivables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest rate method, less provision for expected credit losses.

For determining the expected credit losses, the Group applies the simplified approach permitted by IFRS 9, which requires lifetime losses to be recognized from initial recognition of the receivables. The Group identified 2 categories of trade receivables: receivables on private customers and receivables on public sector customers. For each of these categories, the Group makes use of a provision matrix in order to determine lifetime expected credit losses.

In case there is an indication or evidence of impairment for a specific receivable, this receivable will be impaired for the amount of lifetime expected credit losses.

For all receivables that are covered by a credit insurance or by a factoring agreement without recourse, the lifetime expected credit losses will be calculated taking into account this cover.

Impact of the changes in accounting policies due to the adoption of IFRS 16 Leases and IFRS 9 Financial instruments

IFRS 16 Leases

On adoption of IFRS 16 (1 January 2018), the Group recognized lease liabilities amounting to € 120 million in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the group’s incremental borrowing rate as of 1 January 2018.

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by an initial estimate of restoration costs amounting to € 9 million. The provision for restoration costs is recognized as a separate liability.

Right-of-use assets were created for an amount of € 129 million on 1 January 2018 and relate to:

- Properties € 90 million
- Cars € 35 million
- Plant equipment & machinery € 3 million
- Office equipment € 1 million

Lease liabilities increased by € 120 million as per 1 January 2018 and a provision for restoration costs was set up for an amount of € 9 million. The net impact on retained earnings on 1 January 2018 was nil.

For the six months ending 30 June 2018, depreciation charges on right-of-use assets were recognized for an amount of € 20 million. Interest expenses (included in financial expenses) were recognized for an amount of € 1 million. Total cost for leases under the old guidance would have been € 2 million lower.

Total right-of-use assets as per 30 June amount to € 112 million, total lease liabilities for leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases amount to € 107 million. The provision for restoration costs set up as per 1 January 2018 following the adoption of IFRS 16 amounts to € 9 million as per 30 June 2018.

IFRS 9 Financial instruments

As a result of the adoption of IFRS 9 Financial instruments, there is no impact on the opening equity as per 1 January 2018 (date of initial application of IFRS 9) because of the following:

A. Classification and measurement

On 1 January 2018 the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories:

- All available-for-sale investments have been reclassified as financial assets to be measured at fair value through OCI (FVOCI) with no impact on opening equity as per 1 January 2018.
- The Group elected to present in OCI changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of € 83 million were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gains of € 30 million were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on 1 January 2018. Financial expenses for the six months to June 2018 were € 30 million lower as impairment losses on equity investments measured at FVOCI are not reported in the income statement as from 1 January 2018.
- Trade and other receivables, cash and cash equivalents and other financial assets categorized as loans and receivables have been reclassified as financial assets to be measured at amortized cost with no impact on opening equity as per 1 January 2018.
- Borrowings and bonds: As per 1 January 2018 no borrowings or bonds were outstanding that are valued at amortized cost and for which the recognition of gains or losses from refinancing is deferred over the remaining life by adjusting the effective interest rate on the basis that terms and conditions of the facility remained largely unchanged. Therefore no retrospective adjustment was required in relation to this change in IFRS 9. No borrowings or bonds were refinanced during the first six months of 2018.

B. Derivatives and hedging activities

- New hedge designations as from 1 January 2018: All hedging relationships that were outstanding as per 31 December 2017 under IAS 39 also qualified as hedging relationships under IFRS 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and the existing hedging relationships are therefore treated as continuing hedges. Prior to 1 January 2018, the Group recognized changes in the time value of options immediately in the income statement (financial income/expenses) in case only the intrinsic value of options is designated as hedging instrument. As from 1 January 2018 these changes will be recognized in OCI and subsequently recognized in the income statement (financial income/expenses) when the hedged transaction affects the income statement. During the six months ending 30 June 2018, the Group has not made use of options for hedging activities.

- Impact from the adoption of IFRS 9 on prior periods: As no options were outstanding as per 31 December 2017 that were part of a hedging relationship, no retrospective adjustments were necessary as of 1 January 2018 due to the adoption of the new valuation rules for hedging under IFRS 9. Therefore there is no impact on the equity as per 1 January 2018 from the adoption of IFRS 9.

C. Impairment of financial assets

The Group identified 1 category of financial assets that are subject to IFRS 9's new expected credit loss model: trade and other receivables. The Group has revised its impairment methodology under IFRS 9 for trade and other receivables. However this change in impairment methodology did not impact the Group's equity as per 1 January 2018 compared to 31 December 2017.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, no impairment loss was identified. No contract assets were recognized as per 31 December 2017.

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. On that basis, the loss allowance as per 1 January 2018 was determined based on provision matrices making a distinction between receivables on private customers and receivables on public sector customers. The provision matrices reflect relevant forward-looking information and take into account a probability of settlement close to zero when the receivable is overdue for a period of time ranging from 180 to 365 days. Total loss allowance after taking into account credit insurance cover and additional loss allowances for identified specific cases with indication or evidence for impairment amounts to € 8 million as per 1 January 2018 which is in line with the loss allowance as per 31 December 2017. Therefore the opening equity as per 1 January 2018 was not impacted by the adoption of the expected credit risk model under IFRS 9. The loss allowances increased by a further € 3 million to € 11 million during the six months to 30 June 2018. The increase would not have been different under the incurred loss model of IAS 39.

Other financial assets at amortized cost include other receivables. Applying the expected credit risk model did not result in the recognition of a loss allowance on 1 January 2018. No loss allowance was accounted for in the six months ending 30 June 2018.

Impact of standards issued but not yet applied by the Group

There are no standards, amendments to standards or interpretations 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 2017. Due to the changes in accounting policies resulting from the application of IFRS 16, following critical accounting estimates and assumptions relating to leases are made starting as from the date of initial application of IFRS 16 (1 January 2018) :

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment. During the first six months of 2018, no lease terms were revised to reflect the effect of exercising extension options.

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 2017. The structure of the Financial Risk Management Committee (FRMC) has changed in April 2018. The CFO Patient Value Operations and Corporate Strategy & Development joined the FRMC at this date, replacing the Head of Global Business Impact & Services.

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.

The following tables present the Groups financial assets and liabilities that are measured at fair value at 30 June 2018 and 31 December 2017 and are grouped in accordance with the fair value hierarchy.

Financial assets measured at fair value

€ million	Level 1	Level 2	Level 3	Total
30 June 2018				
Financial assets at FVOCI				
Quoted equity securities	68	0	0	68
Quoted debt securities	0	0	0	0
Derivative financial assets				
Forward foreign exchange contracts – cash flow hedges	0	36	0	36
Forward exchange contracts – fair value through the profit and loss	0	20	0	20
Interest rate derivatives – cash flow hedges	0	1	0	1
Interest rate derivatives – fair value through profit and loss	0	42	0	42
Other financial assets excluding derivatives				
Warrants	0	0	0	0

€ million	Level 1	Level 2	Level 3	Total
31 December 2017				
Available-for-sale assets				
Quoted equity securities	83	0	0	83
Quoted debt securities	0	0	0	0
Derivative financial assets				
Forward foreign exchange contracts – cash flow hedges	0	112	0	112
Forward exchange contracts – fair value through the profit and loss	0	19	0	19
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	45	0	45
Other financial assets excluding derivatives				
Warrants	0	0	0	0

Financial liabilities measured at fair value

€ million	Level 1	Level 2	Level 3	Total
30 June 2018				
Derivative financial liabilities				
Forward foreign exchange contracts – cash flow hedges	0	67	0	67
Forward exchange contracts – fair value through the profit and loss	0	25	0	25
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	3	0	3
Other financial liabilities excluding derivatives				
Warrants to the shareholders of Edev Sarl	0	0	65	65

€ million	Level 1	Level 2	Level 3	Total
31 December 2017				
Derivative financial liabilities				
Forward foreign exchange contracts – cash flow hedges	0	9	0	9
Forward exchange contracts – fair value through the profit and loss	0	20	0	20
Interest rate derivatives – cash flow hedges	0	1	0	1
Interest rate derivatives – fair value through profit and loss	0	4	0	4
Other financial liabilities excluding derivatives				
Warrants	0	0	76	76

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 2017 (see Note 4.5 of the 2017 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 2017. 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 2017, recognized in profit and loss, amounts to € 3 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 2018	**76**	**76**
Cash purchase of additional warrants	0	0
Cash settlement of warrants	-16	-16
Effect of changes in fair value recognized in profit and loss	3	3
Effect of movements in exchange rates	2	2
30 June 2018	**65**	**65**

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 2018**	31 Dec. 2017	**30 June 2018**	30 June 2017
USD	1.168	1.202	1.210	1.082
JPY	129.360	135.360	131.563	121.624
GBP	0.885	0.889	0.880	0.86
CHF	1.158	1.170	1.170	1.076

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	**2018 Reviewed**	2017 Reviewed
Cimzia®	679	663
Vimpat®	522	477
Keppra® (incl. Keppra® XR)	392	412
Neupro®	148	154
Briviact®	60	36
Zyrtec® (incl. Zyrtec-D®/Cirrus®)	58	61
Xyzal®	51	54
Other products	171	186
Designated hedges reclassified to net sales	65	-8
Total net sales	**2 146**	**2 036**

Geographic information

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

For the six months ended 30 June € million	2018 Reviewed	2017 Reviewed
U.S.	992	983
Europe – other (excl. Belgium)	169	160
Germany	163	151
Japan	154	177
Spain	90	86
China	85	72
France (incl. French territories)	82	77
Italy	78	79
U.K. and Ireland	70	64
Belgium	19	18
Other countries	179	177
Designated hedges reclassified to net sales	65	-8
Total net sales	**2 146**	**2 036**

The table below illustrates the property, plant and equipment in each geographic market in which the assets are located; The increase in property, plant and equipment is mainly related due to the recognition of right of use assets following the adoption of IFRS 16 (€ 112 million as per 30 June 2018).

For the six months ended 30 June € million	2018 Reviewed	2017 Audited[1]
Switzerland	296	298
Belgium	282	260
U.K. and Ireland	72	40
U.S.	52	32
Japan	30	23
China	24	12
Other countries	39	8
Total assets (property, plant and equipment)	**795**	**673**

1 The reporting date for the comparative period is 31 December 2017.

Information about major customers

UCB has one customer which individually accounts for more than 15% of the total net sales at the end of June 2018.

In the U.S., sales to 3 wholesalers accounted for approximately 76% of U.S. sales (June 2017: 80%).

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	2018 Reviewed	2017 Reviewed
Revenue from contracts with customers	2 252	2 212
Revenue from agreements whereby risks and rewards are shared	17	18
Total revenue	**2 269**	**2 230**

Disaggregation of revenue from contracts with customers:

	Actual		Timing of revenue recognition			
	2018	2017	**2018**		2017[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.	**992**	**983**	**992**	**0**	**983**	**0**
Cimzia®	416	420	416	0	420	0
Vimpat®	387	368	387	0	368	0
Keppra® (including Keppra® XR)	99	109	99	0	109	0
Neupro®	41	50	41	0	50	0
Briviact®	46	25	46	0	25	0
Established brands	3	12	3	0	12	0
Net sales – Europe	**671**	**629**	**671**	**0**	**629**	**0**
Cimzia®	192	176	192	0	176	0
Keppra®	113	119	113	0	119	0
Vimpat®	85	80	85	0	80	0
Neupro®	100	82	100	0	82	0
Briviact®	13	11	13	0	11	0
Established brands	168	160	168	0	160	0
Net sales – International markets	**418**	**432**	**418**	**0**	**432**	**0**
Cimzia®	180	184	180	0	184	0
Vimpat®	71	66	71	0	66	0
Keppra®	35	26	35	0	26	0
Briviact®	22	23	22	0	23	0
Neupro®	1	1	1	0	1	0
Established brands	109	132	109	0	132	0
Net sales before hedging	**2 081**	**2 043**	**2 081**	**0**	**2 043**	**0**
Designated hedges reclassified to net sales	65	-8	65	0	-8	0
Total net sales	**2 146**	**2 036**	**2146**	**0**	**2 036**	**0**
Royalty income and fees	**56**	**59**	**56**	**0**	**59**	**0**
Contract manufacturing revenues	43	47	43	0	47	0
Income from licensing deals (upfront payments, development milestones, sales milestones)	5	66	0	5	56	10
Revenue resulting from services & other deliveries	2	5	0	2	0	5
Total other revenue	**50**	**118**	**43**	**7**	**103**	**15**
Total revenue from contracts with customers	**2 252**	**2 212**	**2 245**	**7**	**2 197**	**15**

3.9. Business combination

Acquisition of Beryllium LLC

On 2 June 2017, UCB increased its 27% equity stake in Beryllium LLC to full ownership. UCB has already been successfully partnering with Beryllium LLC for several years and acquired a 27% stake in the company in 2014. UCB increased its equity stake to 100% of the issued and outstanding shares of Beryllium LLC by paying a net amount of € 7 million to Beryllium LLC's external shareholders, after € 7 million was reimbursed to UCB as consideration for the series A preferred units held by UCB in Beryllium LLC since 2014, including accrued dividends. UCB finalized the purchase price allocation (see table below). Final goodwill represents expected synergies with UCB's super network and core antibody and small molecule discovery approach, as well as skilled workforce. Goodwill is not expected to be tax deductible. Adjustments due to the purchase price allocation mainly relate to identification of intangible assets such as the micro RNA targeting platform, customers contracts, research knowledge and standard operating procedures as well as to the identification of deferred tax assets as part of the tax losses carried forward by Beryllium LLC that are assessed as being recoverable in future years. The fair value of acquired receivables is estimated at € 1 million. All contractual cash flows are expected to be collected. No contingent liabilities have been identified. Acquisition related costs for an amount of € 1 million have been recorded under Other Expenses in 2017. No material additional acquisition related costs have been recorded in 2018. No major gain or loss was recognized as a result of the re-measuring to fair value of the equity interest in Beryllium LLC held by UCB before the business combination.

€ million	Initial opening balance sheet	Adjustments due to purchase price allocation	Adjusted opening balance sheet
Total acquisition value	**7**	**0**	**7**
Cash consideration paid (net)	7		7
Contingent consideration	0		0
Settlement of receivable on Beryllium LLC at recorded amount	**4**		**4**
Fair value of previously held investment	**4**		**4**
Recognized amounts of identifiable assets acquired and liabilities assumed	**- 2**	**- 4**	**- 6**
Non-current assets	- 2	- 5	- 7
Current assets	- 2		- 2
Non-current liabilities	2	- 1	1
Current liabilities	0	2	2
Goodwill	**13**	**- 4**	**9**

Acquisition of Element Genomics Inc.

On 30 March 2018, UCB acquired Element Genomics Inc. Element Genomics Inc. is a small-size biotech spin-off from Duke University with cutting-edge expertise in the area of functional genomics. The Company that was originally incorporated on 13 August 2015, is driven by a team of 12 scientists based in downtown Durham, North Carolina, in the US. Element's proven technologies and expertise will enhance UCB's own research capabilities thereby bringing more value to UCB's early pipeline. At the core of the Element Genomics platform is a suite of methods to improve the understanding of genome structure and function. This includes 'CRISPR editing technologies' which can be used to analyze how mutations affect key pathways and disease as well as investigate and modulate regulatory elements, chromatin structure, and epigenetics to determine effects on gene expression and disease.

UCB acquired 100% of the issued and outstanding shares of Element Genomics Inc. for a total consideration of € 24 million of which € 10 million is contingent on future milestones. The fair value of the contingent consideration is estimated at € 9 million. The estimate takes into account the assumed likelihood and timing of achieving the arrangement's milestones. No changes were necessary to this estimate since acquisition date. The liability is presented within non-current 'Trade and other liabilities'. Upon acquisition, an amount of € 6 million was paid by UCB to the holders of a convertible note. As this reimbursement was triggered by a change-in-control clause as foreseen in the terms of the convertible note agreement when the notes were issued by Element Genomics Inc. in 2016, this payment is not considered as being part of the consideration transferred to the sellers in exchange for control of Element in accordance with the provisions in IFRS 3 Business combinations.

Given the recent date of the acquisition, UCB still needs to finalize the purchase price allocation but the table below shows the initial amounts for the net assets acquired and goodwill. The goodwill is attributable to expected synergies with UCB's biotech research activities as well as skilled workforce. Goodwill is not expected to be tax deductible. Adjustments due to the initial purchase price allocation mainly relate to identification of intangible assets such as the technology platform, research knowledge and standard operating procedures as well as deferred tax assets resulting from tax losses carried forward by Element. No material receivables were acquired as part of the business combination. No contingent liabilities have been identified yet. Acquisition related costs for an amount of € 1 million have been recorded under Other Expenses in the period ending 30 June 2018. The amounts of revenue and profit or loss of Element Genomics Inc. included in the consolidated income statement for the reporting period since acquisition are not material. The amounts of revenue and profit or loss for Element Genomics Inc. assuming the acquisition date would have been 1 January 2018 are also not material.

€ million	Initial opening balance sheet	Adjustments due to initial purchase price allocation	Adjusted opening balance sheet (not final yet)
Total acquisition value	**17**	**0**	**17**
Cash consideration paid	13		13
Amount paid to holders of convertible note	- 6		- 6
Closing indemnity hold back amount	1		1
Contingent consideration	9		9
Recognized amounts of identifiable assets acquired and liabilities assumed	**6**	**0**	**6**
Non-current assets			
Current assets	- 1		- 1
Non-current liabilities			
Current liabilities	1		1
Convertible note	6		6
Goodwill	**23**	**0**	**23**

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 2018 relate to the Monheim site in Germany (€ 16 million) as well as to the assets and liabilities of UCB Innere Medizin GmbH & Co. KG (net assets of € 10 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 still ongoing. There are some delaying factors but UCB expects that these can be favorably resolved.

UCB Innere Medizin GmbH & Co. KG is a subsidiary of the Group located in Germany of which the activities mainly relate to the commercialization of local established brands. In the first half of 2018 the criteria of IFRS 5 for classification as held for sale were met.

No impairment losses have 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 2017 relate to Monheim site (Germany).

As per 30 June 2018 no operations have been classified as discontinued operations. The profit from discontinued operations as per 30 June 2018 of € 1 million relates to a partial reversal of provisions related to the legacy films activities offset by some additional costs relating to the divestment of Kremers Urban Pharmaceuticals, Inc. that was sold to Lannett Company, Inc. in November 2015. 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.

€ million	**30 Jun 2018 Reviewed**	31 Dec 2017 Audited
Intangible assets	4	0
Property, plant and equipment	17	16
Other	1	0
Inventories	3	0
Trade and other receivables	7	0
Cash	7	0
Assets classified as held for sale	**39**	**16**
Other	4	0
Trade and other liabilities	9	0
Liabilities associated with assets classified as held for sale	**13**	**0**
Net assets classified as held for sale	**26**	**16**

3.11. Other operating income / expenses (-)

Other operating income / expenses (-) amounted to € 9 million expenses in the interim period (2017: € 16 million expenses) and mainly include government grants (€ 6 million), additional provisions (€ -6 million) as well as the result of the collaboration agreement with Amgen for the development and commercialization of Evenity™ for a net amount of € 7 million (expenses). As from 2017 onwards, all recharges of development and commercialization expenses to / from Amgen are classified as other operating income / expenses. The total net recharges as per June 2018 consist out of € 5 million marketing and selling income and € 12 million development expenses.

In 2017, the other operating expense was mainly related to the collaboration agreement with Amgen offset by government grants income.

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 2018, management reviewed the non-financial assets (including intangible assets and goodwill) for impairment on the basis of external and internal indicators, and concluded that no impairments were required.

3.13. Restructuring expenses

Restructuring expenses amounting to € 4 million (2017: € 7 million) were attributable to severance costs.

3.14. Other income and expense

Other income/expense (-) amount to € 23 million income in 2018 (2017: € 3 million income) and mainly relate to the recognition in the income statement of the cumulative amount of exchange differences for legal entities liquidated in 2018. These exchange differences were previously carried forward in other comprehensive income. This income is offset by legal fees related to intellectual property.

In the first half of 2017, the income was mainly the result of the partial reversal of the Distelbène provision in France.

3.15. Financial income and financial expenses

The net financial expenses for the period amounted to € 46 million expenses (2017: € 55 million expenses).

3.16. Income tax expense (-)

For the six months ended 30 June € million	**2018 Reviewed**	2017 Reviewed
Current income taxes	-117	-85
Deferred income taxes	61	-29
Total income tax expense (-) / credit	**-56**	**-114**

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 8.9% (2017: 20.2%).

Income tax expenses were € 56 million compared to € 114 million in June 2017. The Group's effective tax rate excluding non-recurring items was 9.2% compared to 20.2% in the same period last year, driven by the phasing of expenses and one-time items.

3.17. Intangible assets

During the period, the Group added approximately € 182 million (2017: € 27 million) of intangible assets with the most significant being intranasal *midazolam* acquired from Proximagen for € 129 million and the final Dermira milestone for € 33 million. Additionally, the Group capitalized € 6 million (2017: € 18 million) of software and eligible software development costs.

In the first half of the year, there was no impairment of intangible assets (2017: € 2 million).

Total disposals of intangible assets during the first six months of 2018 amount to € 3 million. € 4 million has been transferred to assets held for sale (see Note 3.10).

The amortization charge for the period amounted to € 79 million (2017: € 78 million).

3.18. Goodwill

Goodwill increased due to the movements in exchange rates for € 69 million. Additional goodwill for an amount of € 23 million was recognized following the acquisition of Element Genomics Inc in March 2018.

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 € 59 million (2017: € 47 million) of new equipment related mainly to the increase in capacity of the Bulle facility (Switzerland), and IT hardware and other plant and equipment recognized in assets under construction. Including right-of-use asset balances for leased assets (€ 135 million) due to the adoption of IFRS 16, the property, plant and equipment additions amount to € 194 million.

The Group also disposed of various property, plant and equipment with a carrying amount of approximately € 2 million (2017: € 1 million).

In the first six months of the year, the Group did not recognize any impairment expenses (2017: € 0 million).

The depreciation charge for the period amounted to € 59 million (2017: € 37 million). This includes the depreciation on the right-of-use assets.

Due to exchange rate fluctuations, the net book value of property, plant and equipment increased by € 4 million (2017: € -11 million).

There was also a transfer of assets for € 10 million from property, plant and equipment to intangibles.

3.20. Financial and other assets

Non-current financial and other assets amounted to € 164 million at 30 June 2018 compared to € 197 million as per December 2017.

The decrease is mainly related to a fair value decrease in the Group's equity investments of € 32 million, of which the most significant element is the € 28 million decrease in the value of UCB's holding in Dermira Inc. Further investments of € 10 million were made by UCB Ventures, UCB's corporate venture fund, to bring the total investment value for this fund to € 25 million.

The other main movements in the period relate to the depreciation on the Lonza pre-financing asset (€ 5 million) and the decrease in the long term receivable on Chattem Inc, in respect of the approval of Xyzal® Allergy 24 HR as an over-the-counter treatment (€ 4 million).

3.21. Write-down of inventories

Included in cost of sales for the six months ended 30 June 2018 is € - 7 million of expense or write-down (2017: € 4 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 2018 (2017: € 584 million), represented by 194 505 658 shares (2017: 194 505 658 shares). There is no authorized, unissued share capital.

At 30 June 2018, the share premium reserves amounted to € 2 030 million (2017: € 2 030 million).

Treasury shares

The Group acquired 780 013 shares (June 2017:1 700 000 shares) for a total amount of € 51 million (June 2017: € 113 million) and sold 690 921 treasury shares (June 2017: 1 108 693 treasury shares) for a total amount of € 36 million (June 2017: € 58 million) in the first half of the year.

At 30 June 2018, the Group retained 6 383 769 treasury shares (June 2017: 6 419 669 shares). 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. At 30 June 2018, the Group retained 435 000 options on UCB shares (June 2017: 435 000).

Other reserves

Other reserves amounted to € -156 million (2017: € -155 million) and consists of the following items:

- the IFRS acquisition value surplus that arose during the Schwarz Pharma business combination for (2017: € 232 million);
- the re-measurement value of the defined benefit obligation for € -354 million (2017: € -353 million) is mainly impacted by slightly higher discount rates and an update of the mortality tables offset by negative experience adjustments;
- the purchase of the remaining 25% non-controlling interest in Schwarz Pharma Zhuhai Company Ltd. for € -11 million in 2012 (2017: € -11 million); and
- the purchase of the remaining 30% non-controlling interest in UCB Biopharma SA (Brazil) € -23 million in 2014 (2017: € -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. Upon sale or liquidation of these entities, these cumulative translation adjustments are transferred to the income statement.

3.23. Borrowings

On 30 June 2018 the Group's weighted average interest rate (excluding leases) was 3.07% (June 2017: 3.01%) 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 2.18% (June 2017: 2.31%) post hedging.

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

Further to the outstanding debt, capital market instruments and the syndicated revolving credit facility (undrawn per 30 June 2018), UCB has access to certain bilateral credit facilities as well as the Belgian commercial paper market.

Following the adoption of IFRS 16, the leases carrying amount captures all liabilities resulting from such agreements, including the ones associated with right of use assets.

The carrying amounts of borrowings are as follows:

For the six months ended 30 June € million	2018 Reviewed	2017 Audited[1]
Non-current		
Bank borrowings	143	300
Other long-term loans	0	0
Leases	76	3
Total non-current borrowings	**219**	**303**
Current		
Bank overdrafts	24	26
Current portion of bank borrowings	160	11
Debentures and other short-term loans	0	0
Leases	35	2
Total current borrowings	**219**	**39**
Total borrowings	**438**	**342**

1. The reporting date for comparative period is 31 December 2017.

3.24. Bonds

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

			Carrying amount		Fair value	
€ million	Coupon rate	Maturity date	30 June 2018 Reviewed	31 Dec. 2017 Audited	30 June 2018 Reviewed	31 Dec. 2017 Audited
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	253	254	265	268
Institutional Eurobond	4.125%	2021	364	365	383	387
Institutional Eurobond	1.875%	2022	350	349	364	362
Retail bond	5.125%	2023	188	188	209	209
Total bonds			**1 230**	**1 231**	**1 296**	**1 301**
Current			1 230	1 231	1 296	1 301
Non-current			0	0	0	0

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

EMTN notes

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.

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.

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.

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 € 95 million (2017: € 34 million). The other financial liabilities also include a liability of € 65 million (2017: € 76 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 € 19 million as per end of December 2017 to € 17 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 € 18 million as per end of December 2017 to € 8 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 increased from € 121 million as per end of December 2017 to € 137 million at the end of June 2018. The increase relates mainly to a provision in respect of the recoverability of non-income tax receivables as well as to the set-up of a provision for restoration costs for leased buildings due to the adoption of IFRS 16 (see Note 3.3). An assessment is performed with respect to all 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	2018 Reviewed	2017 Reviewed
Adjustment for non-cash transactions	**56**	**90**
Depreciation and amortization	139	115
Impairment / reversal (-) charges	0	-4
Equity settled share based payment expense	- 18	-20
Other non-cash transactions in the income statement	- 68	-32
Adjustment IFRS 9	9	-5
Unrealized exchange gain (-) / loss	- 12	51
Change in provisions and employee benefits	3	-15
Change in inventories and bad debt provisions	3	0
Adjustment for items to disclose separately under operating cash flow	**56**	**114**
Tax charge of the period from continuing operations	56	114
Adjustment for items to disclose under investing and financing cash flow	**21**	**16**
Gain (-) / loss on disposal of fixed assets	0	0
Dividend income (-) / expenses	0	0
Interest income (-) / expenses	21	16
Change in working capital		
Inventories movement per consolidated balance sheet	- 35	-33
Trade and other receivable and other assets movement per consolidated balance sheet	- 49	84
Trade and other payable movement per consolidated balance sheet	- 42	-293
As it appears in the consolidated balance sheet and corrected by:	**- 126**	**-242**
Non-cash items[1]	12	-16
Change in inventories and bad debt provisions disclosed separately under operating cash flow	- 3	0
Change in interest receivable / payable disclosed separately under operating cash flow	6	8
Change in dividend receivable disclosed separately under investing cash flow	0	0
Change in dividend payable disclosed separately under financing cash flow	0	0
Currency translation adjustments	- 14	25
As it appears in the consolidated cash flow statement	**-125**	**-225**

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 2017 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 2018 where they exercised their mandate.

€ million	2018 Reviewed
Short-term employee benefits	7
Termination benefits	0
Post-employment benefits	2
Share-based payments	0
Total key management compensation	**9**

3.29. Shareholders and shareholders structure

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

Last update: 24 July 2018 — Situation as per

	Share capital **Total number of voting rights** (= denominator)	**€ 583 516 974** **194 505 658**		13 March 2014
1	Financière de Tubize SA ('Tubize')			
	securities carrying voting rights (shares)	68 076 981	35.00%	19 January 2018
2	UCB SA/NV			
	securities carrying voting rights (shares)	2 798 638	1.44%	30 June 2018
	assimilated financial instruments (options)[1]	0	0.00%	6 March 2017
	assimilated financial instruments (other)[1]	0	0.00%	18 December 2015
	Total	2 798 638	1.44%	
3	UCB Fipar SA			
	securities carrying voting rights (shares)	3 585 131	1.84%	30 June 2018
	assimilated financial instruments (options)[1]	435 000	0.22%	3 June 2015
	assimilated financial instruments (other)[1]	0	0.00%	25 December 2015
	Total	4 020 131	2.07%	
	UCB SA/NV + UCB Fipar SA[2]	**6 818 769**	**3.51%**	
	securities carrying voting rights (shares)	6 383 769	3.28%	
	assimilated financial instruments (options)[1]	435 000	0.22%	
	assimilated financial instruments (other)[1]	0	0.00%	
	Free float[3] (securities carrying voting rights (shares))	**120 134 000**	**61.67%**	
4	Vanguard Health Care Fund			
	securities carrying voting rights (shares)	9 741 353	5.01%	28 October 2014
5	BlackRock, Inc.			19 July 2018
	securities carrying voting rights (shares)	9 090 707	4.67%	

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: i.e., securities, options, futures, swaps, interest term agreements and other derivatives concerning existing securities carrying voting rights that grant their holder the right to acquire such securities carrying voting rights pursuant to an agreement that is binding under the applicable law and only on the holders' own initiative

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

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

3.30. Dividends

The Board of Directors' proposal to pay a gross dividend of € 1.18 (2017: € 1.15 per share) to the holders of the UCB shares entitled to a dividend or 191 647 728 shares has been approved on 26 April 2018. The 2 857 930 shares held by UCB SA at dividend date are not entitled to a dividend. A total dividend of € 226 million (2017: € 220 million) was distributed (net of dividend paid to UCB Fipar SA € 222 million in 2018 and in 2017, € 217 million) for the business year 2017 as approved by the UCB shareholders at their annual general meeting on 26 April 2018, and was thus reflected in the first half of 2018.

3.31. Commitments and contingencies

Events have taken place in the first half of the year 2018, leading to an update of the contingent assets or liabilities disclosed in the 2017 annual report (p. 169-171).

Capital and other commitments

At 30 June 2018, the Group has committed to spend € 46 million (end of 2017: € 63 million) mainly with respect to capital expenditures for the biological plant in Bulle (Switzerland), installation of new manufacturing lines and processes (Belgium), the renovation works at UCB headquarters and revamping of the plant in 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 2018, the Group has commitments payable within the coming half year of approximately € 4 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 € 538 million as per 30 June 2018.

As part of UCB's innovation strategy, UCB has established a corporate venture fund, UCB Ventures. Within this framework UCB has remaining investment commitments mainly to venture capital funds of $ 19 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.

A. Intellectual property matters (selected matters)

A1. 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 and on 23 May 2018, the Court of Appeals for the Federal Circuit affirmed the decision. Some defendants have filed Petitions for Rehearing *En Banc*.
- **Additional Delaware District Court Litigation**: In 2016, UCB filed suit in the District Court of Delaware against three defendants, Hetero, Zydus and Aurobindo (C.A. Nos. 16-451-LPS, 16-452-LPS, and 16-903-LPS), who were seeking approval of a second generic version of Vimpat® ("Second Wave ANDA Cases"). The recent Federal Circuit's affirmance of the validity of the '551 patent is expected to resolve these actions.

- ***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. Appeal is on-going.
- **Accord U.K. Litigation**: July, 2016, Accord Healthcare filed a legal action before the United Kingdom High Court, requesting a declaration of invalidity and revocation of European Patent (U.K.) 0 888 829, disclosing and claiming lacosamide. In November 2017, Judge Birrs issued his decision in UCB's favor, confirming the validity of the UK part of the European patent. Accord recently appealed the decision to UK Court of Appeal. A hearing on the appeal is scheduled for 8/9 May 2019.
- **Accord Netherlands Litigation**: On 29 June 2017, Accord filed a writ before the District Court of The Hague, seeking to invalidate the Dutch Vimpat® patent and SPC. Trial is scheduled for 5 October 2018.
- **Accord and Teva German Litigation:** In the summer of 2017, Accord Healthcare and Teva filed nullity actions in the German Patent Court, seeking to invalidate the German part of the European Vimpat® patent/SPC. The cases are consolidated and the hearing date is scheduled for 15 October 2019.
- **Accord Italian Litigation:** In October 2017, Accord filed a nullity action against the Italian part of the European Vimpat® Patent in the Court of Milano. No trial date has been scheduled.
- **Laboratorios Normon, Spanish Litigation**: In October 2017, UCB was notified by the Court of Barcelona that a nullity action against the Spanish part of the European Vimpat® Patent was filed by Laboratorios Normon, S.A. No trial date has been scheduled.
- **GL Pharma, Austria Litigation**: In November 2017, GL Pharma filed a request for a declaration of non-infringement with respect to their generic *lacosamide* product, alleging that the Vimpat® patent is unenforceable. Case is on-going.

A2. Neupro®

- **Watson Delaware District Court Litigation**: In August 2014, UCB filed suit in the District Court of Delaware against Watson Pharmaceuticals, who is seeking approval of its generic version of Neupro® . Watson filed a paragraph IV certification challenging, among other things, the validity of certain patents pertaining to Neupro®, principally the 6,884,434 ('434). Trial was held in June 2017. Judge Stark ruled in UCB's favor and upheld the validity of the '434 patent. Actavis has filed an appeal.
- **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.

A3. Toviaz®

Mylan *Inter Partes* Review (IPR): In January 2016, Mylan Pharmaceuticals filed a petition for an IPR before the U.S. Patent and Trademark Office (USPTO), seeking to invalidate all of the Orange Book listed patents pertaining to Toviaz®. In July 2016, the Patent Trial and Appeal Board (PTAB) instituted the review. Alembic, Torrent and Amerigan have filed joinder motions. On 19 July 2017, the PTAB upheld the validity of all of the Orange Book listed patents. Mylan has appealed the PTAB ruling at the Federal Circuit together with the ruling of the District Court of Delaware in UCB's favor; Amerigan has joined the appeal. Appeal is on-going.

A4. Adair Patent Litigation – Chugai

On 14 December 2016, Chugai Pharmaceuticals filed a legal action in the United Kingdom Patents Court, seeking a declaration that the sale of their product Actemra® does not infringe UCB's U.S. patent 7,556,771. Trial was held in March 2018. Currently awaiting a decision.

B. Product liability matters

- **Distilbène product liability litigation – France:** France Entities of the UCB Group have been named as defendants in several product liability cases in France. The claimants in these actions claim that their mothers took Distilbène, a former product of the UCB Group, during their pregnancy, and that as a result of this they suffered bodily injuries. The Group has product liability insurance in place but as this insurance cover will not be sufficient, the Group has accounted for a provision.
- **Opioid Litigation:** In March 2018, the U.S. entity was named, along with multiple defendants, in two lawsuits involving the promotion and sale of opioids. Those cases are American Resource Insurance Co., Inc. v. Purdue Pharma, LP, et al., in the U.S. District Court for the Southern District of Alabama, and State of Arkansas, et. al. v. Purdue Pharma, L.P. in the Circuit Court of Crittenden County, Arkansas. The cases are on-going.

C. 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.

D. Other matters

Cimzia® CIMplicity® Lawsuit: In March 2018, UCB, Inc. was served with a lawsuit alleging that since 2011, Cimzia® CIMplicity® program, namely the nurse educator services and reimbursement services, violated federal and state false claims act and anti-kickback statutes. The case is on-going.

E. Concluded legal matters

- ***Ex Parte* Reexamination:** In March 2016, Argentum Pharmaceuticals filed an ex parte reexamination request before the Patent Trial and Appeal Board (PTAB), seeking to invalidate the Vimpat® '551 patent. On 16 June 2016, the USPTO granted the request for the reexamination. On 23 February 2018, the USPTO confirmed the patentability of the Vimpat® '551 patent.
- **Divested Business Litigation:** Desmopressin In October 2008, Apotex Inc. filed suit against UCB, Lonza Braine S.A. and S&D Chemicals (Canada) Ltd., in the Ontario Superior Court in Toronto, Ontario, Canada, alleging breach of contract and seeking damages for alleged failure to supply Apotex with the drug, desmopressin. UCB divested this drug as a part of its Bioproducts Business to Lonza in 2006. Lonza has cross-claimed against UCB and S&D Chemicals, UCB has cross-claimed against Lonza and S&D Chemicals, and S&D Chemicals has cross-claimed against UCB and Lonza. During Q1 2018 a pre-trial was prepared. In the meantime the parties have reached an amicable settlement with no payments due by UCB.

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 33 of the 2017 annual report).

3.32. 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 2018

Introduction

We have reviewed the condensed consolidated financial information of UCB SA and its subsidiaries (the 'Group') as of 30 June 2018, 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, 25 July 2018

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 2018, 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

FVOCI: Fair value through other comprehensive income

Financial assets at FVPL: financial assets to be measured subsequently at fair value through profit or loss

Financial assets at FVOCI: financial assets to be measured subsequently at fair value through other comprehensive income

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

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

PGTCS: Primary generalized tonic-clonic seizures

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.

TRAC: Terminal Rental Adjustment Clause

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

28 February 2019 2018 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 2018, the same accounting policies and accounting estimates have been used as in the 31 December 2017 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 2017, 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 € 4.5 billion in 2017. UCB is listed on Euronext Brussels (symbol: UCB). Follow us on Twitter: @UCB_news

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