Hanneke, living with osteoporosis

2019 half-year financial report

Brussels, 25 July 2019

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

Contents

1. Business performance review[1]

1.1. Key highlights

- In the first six months of 2019, **revenue** reached € 2 323 million up by 2% (+4% at constant exchange rates (CER)). Net sales went up to € 2 219 million by 3% (+5% CER). Net sales before "designated hedging reclassified to net sales" were up by 9% (+5% CER). Adjusted for divestitures in 2018, mainly "Innere Medizin" (Germany) and Q1 2019, the iron supplement Niferex® and before hedging growth was +11% (+7% CER). This growth was driven by the continued positive performance of the core products, accounting for 90% of net sales before hedging. Royalty income and fees were € 33 million, other revenue € 71 million.
- **Recurring EBITDA** at € 724 million (- 9%; - 1% CER) was driven by higher marketing and selling – due to the Cimzia® launches and higher research and development expenses due to the pipeline progress.
- **Profit** decreased to € 437 million from € 574 million (- 24%; - 14% CER), of which € 411 million is attributable to UCB shareholders and € 26 million to non-controlling interests.
- **Core earnings per share** reached € 2.42 from € 3.09 in the first half of 2018.

For the six months ended 30 June[1]	Actual		Variance	
€ million	**2019**	2018	Actual rates	CER
Revenue	**2 323**	**2 269**	**2%**	**4%**
Net sales	2 219	2 146	3%	5%
Royalty income and fees	33	56	- 41%	- 47%
Other revenue	71	67	6%	4%
Gross profit	**1 725**	1 696	2%	4%
Marketing and selling expenses	- 502	- 442	14%	10%
Research and development expenses	- 568	- 500	13%	12%
General and administrative expenses	- 96	- 88	8%	7%
Other operating income / expenses (-)	12	- 9	N/A	N/A
Recurring EBIT (rEBIT)	**571**	**657**	**- 13%**	**- 3%**
Non-recurring income/expenses (-)	27	19	47%	49%
EBIT (operating profit)	**598**	**676**	**- 11%**	**- 1%**
Net financial expenses (-)	- 53	- 46	17%	17%
Share of net profit of associates	- 1	- 1	4%	4%
Profit before income taxes	**544**	**629**	**- 13%**	**- 3%**
Income tax expense (-)	- 108	- 56	94%	95%
Profit from continuing operations	**436**	**573**	**- 24%**	**- 14%**
Profit/loss (-) from discontinued operations	1	1	0%	- 10%
Profit	**437**	**574**	**- 24%**	**- 14%**
Attributable to UCB shareholders	411	551	- 25%	- 15%
Attributable to non-controlling interests	26	23	15%	7%
Recurring EBITDA	**724**	**794**	**- 9%**	**- 1%**
Capital expenditure (including intangible assets)	194	265	- 27%	
Net financial debt[2]	387	237	63%	
Operating cash flow from continuing operations	353	492	- 28%	
Weighted average number of shares - non-diluted (million)	187	188	- 1%	
EPS (€ per weighted average number of shares - non diluted)	**2.20**	2.93	- 25%	- 25%
Core EPS (€ per weighted average number of shares - non diluted)	**2.42**	**3.09**	**- 22%**	**- 12%**

[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 2018.

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 2018. 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 ongoing 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 were several key events that have affected or will affect UCB financially:

Important agreements / initiatives

- The UCB real estate 'Creative Campus Monheim' in Monheim (Germany) was divested to the city of Monheim. The actual transfer of the site took place on 1 February 2019. The Creative Campus Monheim is the site for 10 companies in the life sciences sector, including UCB. UCB has now leased its respective space long-term. The city of Monheim plans to further develop and expand the campus.
- February 2019 - UCB and the Epilepsy Society, the leading epilepsy medical charity in the UK, announced a pioneering UK Genomics R&D collaboration. The five-year € 2.5 million R&D collaboration seeks to advance the current disease understanding and aims to progress treatment options by harnessing cutting edge science and data analysis to address a significant unmet need for patients living with epilepsy who do not respond to currently available medicines.
- February 2019 - UCB expanded its global satellite research site strategy by signing a new three-year research and development collaboration agreement with King's College London, UK. This collaboration with King's also builds upon the recent successful execution of three satellite research sites in the U.S. resulting from acquisitions of Beryllium (Boston and Seattle) and Element Genomics (Durham, NC) which will boost UCB's capabilities in genomics, protein engineering and structural biology.
- March 2019 – UCB divested its Niferex® (iron supplement) franchise in China. Niferex® generated net sales of € 11 million in H1 2018. Financial terms were not disclosed.
- July 2019 – Consortium project grant agreement signed: SeizeIT - a pan-European consortium under UCB's leadership - is currently developing a discrete, personalized epileptic seizure detection device, that paves the way for the continuous collection of real-world data with application for UCB's epilepsy clinical trial programs. A clinical trial-ready device is scheduled for incorporation in UCB's epilepsy studies from 2020 onwards. UCB is committed to transform Epilepsy treatment by leveraging the convergence of science and technology. The SeizeIT consortium secured a grant of € 2.75 million from EIT Health; a public-private partnership in health, which is supported by the European Institute for Innovation & Technology (EIT), a body of the European Union.

[1] From 1 January 2019 up to the publication of this report.

Regulatory update and pipeline progress

Neurology

- In January 2019, **Vimpat® (*lacosamide*)** was approved in Japan for the treatment of partial onset seizures in children 4 years of age and older. In addition, two new formulations were approved, IV (intravenous) and dry syrup.
  In June, the Vimpat® development program for the adjunctive treatment of primary generalized tonic-clonic seizures (PGTCS) in study participants 4 years of age and older achieved statistically significant positive results for both its primary (time to second seizure) and secondary efficacy (seizure freedom) endpoints. The novel primary endpoint "time-to-second-seizure" reduced placebo-exposure of patients substantially. Submissions of this new indication are planned in the first half 2020 to multiple regulatory agencies.
- In May, **Nayzilam® (*midazolam*)** nasal spray was approved in the U.S. to treat intermittent, stereotypic episodes of frequent seizure activity in people living with epilepsy. UCB expects to make the treatment available to patients in the coming months. UCB acquired the rights to midazolam nasal spray from Proximagen in June 2018.
- In March, UCB started an international (U.S., EU, Japan and China) Phase 3 study with ***padsevonil*** in drug-resistant focal epilepsy patients. First headline results are expected in H2 2021 and will complement those from the ongoing Phase 2b, expected in H1 2020. Padsevonil is an innovative drug purposely designed with a novel dual mechanism of action to address the needs of uncontrolled patients.
- In March, UCB started as planned a Phase 2, proof-of concept, study with its novel, subcutaneous FcRn (neonatal Fc receptor) monoclonal antibody, ***rozanolixizumab***, in patients with chronic inflammatory demyelinating polyneuropathy (CIDP). First headline results are expected in H1 2021.
  In June, UCB started as scheduled the confirmatory study (Phase 3) with *rozanolixizumab* in patients with myasthenia gravis. First headline results are expected in H1 2021.

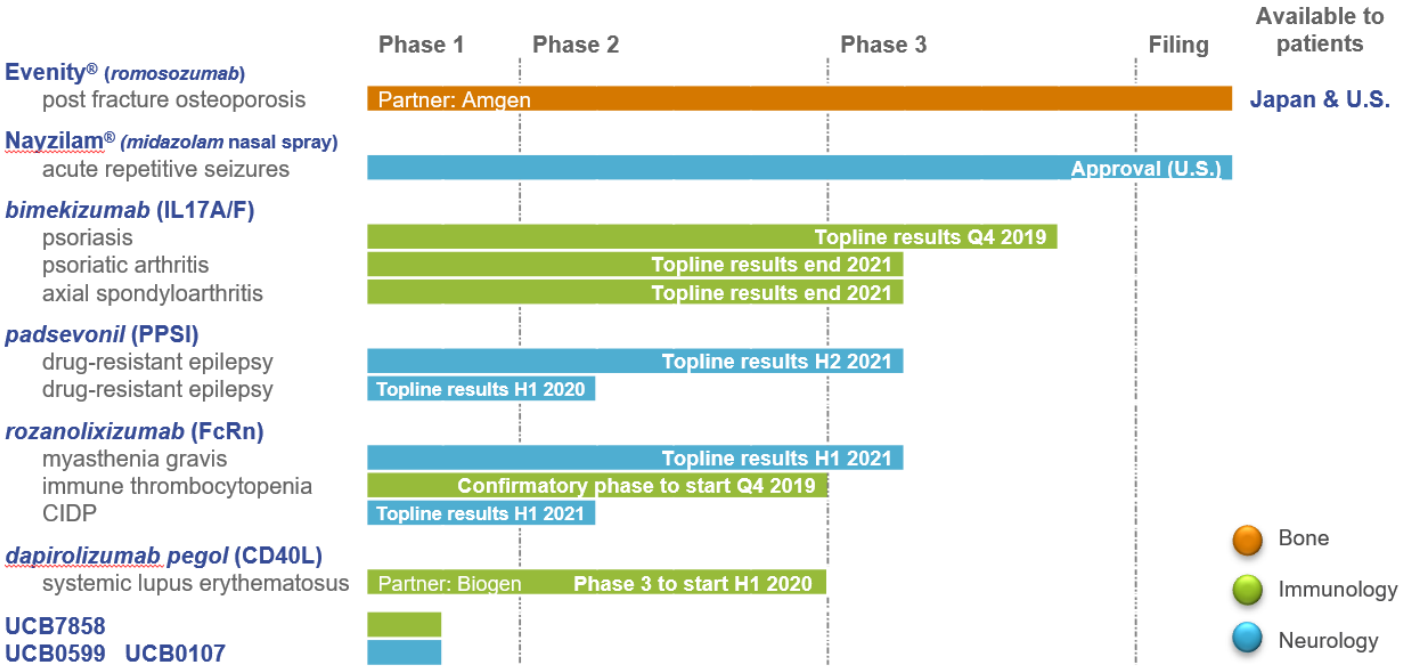
Immunology

- In March, UCB announced the approval of **Cimzia® (*certolizumab pegol*)** in the U.S. to include a new indication for the treatment of adults with active non-radiographic axial spondyloarthritis (nr-axSpA) with objective signs of inflammation.
  In July, Cimzia® was approved in China in combination with *methotrexate* for the treatment of moderate to severe, active rheumatoid arthritis in adult patients.
- In March and April, the Phase 3 programs with ***bimekizumab*** in psoriatic arthritis and axial spondyloarthritis were initiated, slightly earlier than planned. First headline results are expected at the end of 2021. The Phase 3 program in psoriasis is ongoing with first headline results expected in Q4 2019.
- In June, UCB and its partner Biogen initiated preparations for a Phase 3 program with ***dapirolizumab pegol*** in patients with active systemic lupus erythematosus despite standard-of-care treatment. The program is expected to start in H1 2020. This decision is based on the promising results of the Phase 2b clinical trial, of which interim results were presented at EULAR in June 2019.
- The Phase 1 project **UCB0159** was terminated.

Bone

- Early January 2019, UCB and Amgen announced the approval of **Evenity® (*romosozumab*)** in Japan. Evenity® is approved to reduce the risk of fractures and increase bone mineral density in men and post-menopausal women with osteoporosis at high risk of fracture.
  In April and in the U.S., Evenity® was approved for the treatment of osteoporosis in post-menopausal women at high risk for fracture.
  In May, Evenity® was approved in South Korea and in June in Canada and Australia.
  In June, the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency adopted a negative opinion for *romosozumab*. The companies will seek the re-examination of the CHMP opinion.

All other clinical development programs are continuing as planned.



1.3. Net sales by product

Total net sales in the first six months of 2019 increased to € 2 219 million, 3% higher than last year or +5% at constant exchange rates (CER). Net sales before "designated hedging reclassified to net sales" were up by 9% (+5% CER). Adjusted for divestitures in 2018, mainly "Innere Medizin" (Germany), and Q1 2019, the iron supplement Niferex® and before hedging growth was +11% (+7% CER).

This was driven by the continued strong growth of the core products, Cimzia®, Vimpat®, Keppra®, Briviact® and Neupro®, to combined net sales of € 2 036 million (+13%; +8% CER) representing 90% of UCB's total net sales before hedging.

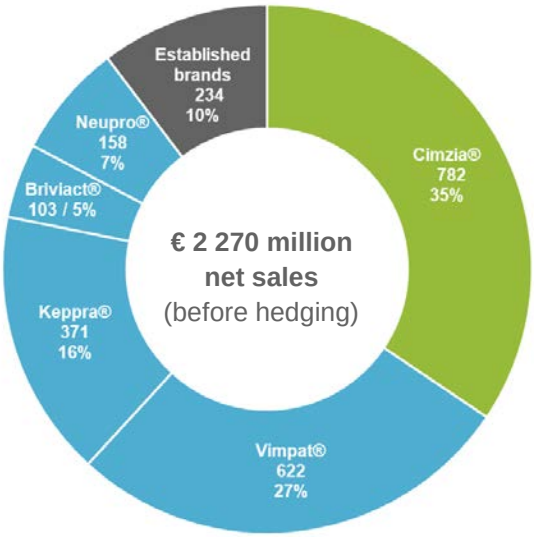
For the six months ended 30 June	Actual		Variance	
€ million	2019	2018	Actual rates	CER
Core products	**2 036**	**1 801**	**13%**	**8%**
Immunology / Cimzia®	782	679	15%	10%
Neurology				
Vimpat®	622	522	19%	13%
Keppra®	371	392	- 5%	- 8%
Neupro®	158	148	7%	4%
Briviact®	103	60	73%	64%
Established brands	**234**	**280**	**- 17%**	**- 17%**
Zyrtec®	50	58	- 13%	- 12%
Xyzal®	60	51	18%	14%
Other products	124	171	- 28%	- 27%
Net sales before hedging	**2 270**	**2 081**	**9%**	**5%**
Designated hedges reclassified to net sales	- 51	65	> - 100%	
Total net sales	**2 219**	**2 146**	**3%**	**5%**

Core products

- **Cimzia® (*certolizumab pegol*)**, for people living with inflammatory TNF mediated diseases, net sales went up to € 782 million (+15%; +10% CER), driven by continued, sustainable growth in all regions. Growth is also driven by new patient populations like women in child bearing age and people living with psoriasis.
- **Vimpat® (*lacosamide*)** with net sales of € 622 million, (+19%; +13% 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 € 371 million (- 5%; - 8% CER). The evolution reflects the established brand and the maturity of the product. In Europe, Keppra® net sales were affected by a local, one-time rebate adjustment.
- **Briviact® (*brivaracetam*)** available for people living with epilepsy, reached net sales of € 103 million, a plus of 73% (+64% CER). This is driven by significant growth in all regions Briviact® is available to patients. 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, increased net sales to € 158 million (+7%; +4% CER), mainly in the U.S. and in international markets.

Established brands

- **Zyrtec®** (***cetirizine***, including Zyrtec®-D / Cirrus®) for people living with allergy, had net sales of € 50 million (- 13%; - 12% CER) due to generic competition.
- **Xyzal® (*levocetirizine*)**, also for allergy, increased net sales to € 60 million (+18% actual; +14% CER), driven by stronger than usual demand in Japan.
- **Other products**: Net sales for other established brands decreased to € 124 million (- 28%; - 27% CER). This was mainly driven by the divestiture of products. Adjusted for the divestitures, the business was flat, reflecting the maturity of the portfolio and generic competition.
- **Designated and unallocated hedges reclassified to net sales** were negative with € 51 million (positive € 65 million in first half 2018) 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

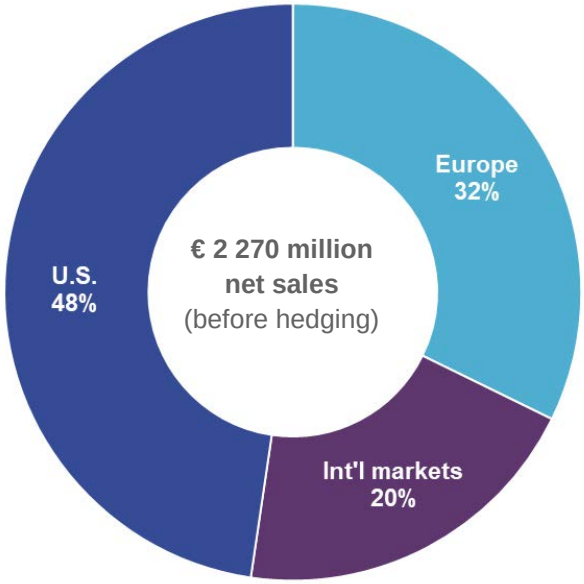
For the six months ended 30 June	Actual		Variance actual rates		Variance CER	
€ million	2019	2018	€ million	%	€ million	%
Net sales – U.S.	**1 181**	**992**	**189**	**19%**	**111**	**11%**
Cimzia®	480	416	64	15%	32	8%
Vimpat®	472	387	85	22%	53	14%
Keppra® (incl. Keppra® XR)	103	99	4	4%	- 3	- 3%
Briviact®	81	46	35	76%	30	65%
Neupro®	46	41	5	13%	2	5%
Established brands	- 1	3	- 3	> - 100%	- 3	> - 100%
Net sales – Europe	**645**	**671**	**- 27**	**- 4%**	**- 26**	**- 4%**
Cimzia®	208	192	16	8%	16	8%
Vimpat®	111	100	11	11%	11	11%
Keppra®	84	113	- 29	- 26%	- 29	- 26%
Neupro®	83	85	- 2	- 3%	- 2	- 3%
Briviact®	19	13	7	55%	7	55%
Established brands	140	168	- 28	- 16%	- 27	- 16%
Zyrtec® (including Cirrus®)	30	35	- 5	- 14%	- 5	- 14%
Other products	110	134	- 24	- 18%	- 24	- 18%
Net sales – International markets	**444**	**418**	**25**	**6%**	**20**	**5%**
Keppra®	184	180	4	2%	2	1%
Cimzia®	94	71	22	31%	23	32%
Vimpat®	39	35	3	10%	2	6%
Neupro®	29	22	8	36%	7	31%
Briviact®	3	1	2	> 100%	2	> 100%
Established brands	95	109	- 14	- 13%	- 15	- 14%
Xyzal®	42	34	8	23%	24	69%
Zyrtec® (including Cirrus®)	21	23	- 2	- 11%	- 2	- 9%
Other products	32	52	- 20	- 39%	- 36	- 71%
Net sales before hedging	**2 270**	**2 081**	**189**	**9%**	**105**	**5%**
Designated hedges reclassified to net sales	- 51	65	- 116	> - 100%		
Total net sales	**2 219**	**2 146**	**72**	**3%**	**105**	**5%**

- **U.S. net sales** reached € 1 181 million (+19%; +11% CER). Key driver was the sustainable growth of the core products now representing all of UCB's net sales in the U.S. This was driven by the double-digit growth of most of the key products. Net sales of the established brands were € - 1 million after € 3 million due to historic divestitures.

- **Net sales in Europe** reached € 645 million (- 4%; - 4% CER), due to stable evolution of the core products reaching combined net sales of € 505 million – a plus of 1% and representing 78% of UCB's net sales in Europe. The allergy product Zyrtec® reached € 30 million (- 14%; - 14% CER) and other products contributed € 110 million (- 18%; - 18% CER). Adjusted for the divestitures, net sales in Europe were stable.

- **International markets net sales** amounted to € 444 million (+6%; +5% CER). The core products reached combined net sales of € 349 million (+13%) representing 79% of UCB's net sales in this region. This was compensated by impacts from generic competition and divestitures within the established brands portfolio. Adjusted by divestitures, the growth was 11%. With € 188 million, Japan represents the largest market and showed a growth of 22% (+15% CER) where Keppra® reported net sales of € 83 million (+11%; +5% CER), Cimzia® went up to € 23 million (+36%; +29% CER), Neupro® reached € 21 million (+42%; +35% CER) and Vimpat® increased to € 19 million (+55%; 46% CER). Net sales in China were € 68 million (- 19%; - 20% CER), due to divestitures.

- **Designated and unallocated hedges reclassified to net sales** were negative with € 51 million (positive € 65 million in first half 2018) 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	2019	2018	Actual rates	CER
Biotechnology IP	17	39	- 56%	- 61%
Zyrtec® U.S.	6	8	- 23%	- 28%
Toviaz®	9	8	8%	1%
Other	1	1	6%	0%
Royalty income and fees	**33**	**56**	**- 41%**	**- 47%**

In the first six months 2019, **royalty income and fees** decreased from € 56 million to € 33 million.

The **biotechnology IP** income is continuously impacted by patent expirations, however benefitted from a one-time improvement in 2018.

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 more or less stable.

1.6. Other revenue

For the six months ended 30 June	Actual		Variance	
€ million	2019	2018	Actual rates	CER
Contract manufacturing sales	54	43	26%	25%
Partnerships in Japan	6	4	42%	42%
Product profit sharing	2	10	- 82%	- 83%
Other	9	10	- 6%	- 8%
Other revenue	**71**	**67**	**6%**	**4%**

Other revenue reached € 71 million from € 67 million.

Contract manufacturing sales amounted to € 54 million up from € 43 million.

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

The **product profit sharing** agreements reached revenue of € 2 million, down from € 10 million reflecting the end of the lifecycle of these established brands.

"**Other**" revenue remained stable at € 9 million and include milestone and other payments from R&D partners.

1.7. Gross profit

For the six months ended 30 June	Actual		Variance	
€ million	2019	2018	Actual rates	CER
Revenue	**2 323**	**2 269**	**2%**	**4%**
Net sales	2 219	2 146	3%	5%
Royalty income and fees	33	56	- 41%	- 47%
Other revenue	71	67	6%	4%
Cost of sales	**- 598**	**- 573**	**4%**	**2%**
Cost of sales products and services	- 397	- 394	1%	0%
Royalty expenses	- 127	- 118	8%	1%
Amortization of intangible assets linked to sales	- 74	- 61	20%	17%
Gross profit	**1 725**	**1 696**	**2%**	**4%**

In the first six months 2019, gross profit reached € 1 725 million – in line with the revenue evolution and reflecting a stable gross margin, reaching 74 %.

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 € 397 million.
- **Royalty expenses** went up to € 127 million from € 118 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 acquisitions (in-process research and development, manufacturing know-how, royalty streams, trade names, etc.). The amortization expenses of the intangible assets for which products have already been launched increased to € 74 million due to the launch of Cimzia® in psoriasis during the year 2018.

1.8. Recurring EBIT and recurring EBITDA

For the six months ended 30 June	Actual		Variance	
€ million	2019	2018	Actual rates	CER
Revenue	**2 323**	**2 269**	**2%**	**4%**
Net sales	2 219	2 146	3%	5%
Royalty income and fees	33	56	- 41%	- 47%
Other revenue	71	67	6%	4%
Gross profit	**1 725**	**1 696**	**2%**	**4%**
Marketing and selling expenses	- 502	- 442	14%	10%
Research and development expenses	- 568	- 500	13%	12%
General and administrative expenses	- 96	- 88	8%	7%
Other operating income / expenses (-)	12	- 9	N/A	N/A
Total operating expenses	**- 1 154**	**- 1 039**	**11%**	**8%**
Recurring EBIT (rEBIT)	**571**	**657**	**- 13%**	**- 3%**
Add: Amortization of intangible assets	92	79	16%	13%
Add: Depreciation charges	61	58	5%	3%
Recurring EBITDA (REBITDA)	**724**	**794**	**- 9%**	**- 1%**

Operating expenses, encompassing marketing and selling expenses, research and development expenses, general and administrative expenses and other operating income/expenses, reached € 1 154 million reflecting higher marketing and selling as well as higher research and development expenses. Hence, total operating expenses in relation to revenue (operating expense ratio) went up to 50% after 46%, driven by:

- 14% higher **marketing and selling expenses** of € 502 million, focused on Cimzia®, here especially the launches in psoriasis in the U.S. and Europe and preparations for the launch in non-radiographic axial spondyloarthritis in the U.S in 2019, as well as Vimpat®, Briviact® and Evenity®;
- 13% higher **research and development expenses** of € 568 million, resulting in a R&D ratio of 24% in the first six months of 2019 after 22%; and reflecting higher investments in UCB's late stage, progressing pipeline. In the first six months of 2019, UCB started four new Phase 3 trials;
- 8% higher **general and administrative expenses** of € 96 million;
- **other operating income** of € 12 million, due to investment grants, the divestiture of the campus in Monheim (Germany), and the release of VAT provisions – offset by an expense of € 10 million for the collaboration with Amgen mainly in connection of the commercialization of Evenity®.

Hence, **recurring EBIT** went down to € 571 million, compared to € 657 million for the first six months 2018.

- total **amortization of intangible assets** (product related and other) amounted to € 92 million, an increase of 16% mainly driven by the Cimzia® launch in psoriasis;
- **depreciation charges** increased to € 61 million.

Recurring EBITDA reached € 724 million after € 794 million (- 9%; - 1% CER), driven by continued net sales growth and compensated by higher operating expenses, reflecting the investments into the future of UCB, namely into product launches and product development. The recurring EBITDA ratio for the first six months of 2019 (in % of revenue) reached 31%, from 35% in 2018.

1.9. Net profit

For the six months ended 30 June	Actual		Variance	
€ million	2019	2018	Actual rates	CER
Recurring EBIT	571	657	- 13%	- 3%
Impairment charges	- 2	0	N/A	N/A
Restructuring expenses	- 8	- 4	96%	95%
Gain on disposals	42	0	N/A	N/A
Other non-recurring income / expenses (-)	- 5	23	> - 100%	> - 100%
Total non-recurring income / expenses (-)	27	19	47%	49%
EBIT (operating profit)	598	676	- 11%	- 1%
Net financial expenses (-)	- 53	- 46	17%	17%
Result from associates	- 1	- 1	4%	4%
Profit before income taxes	544	629	- 13%	- 3%
Income tax expense (-)	- 108	- 56	94%	95%
Profit from continuing operations	436	573	- 24%	- 14%
Profit / loss (-) from discontinued operations	1	1	0%	- 10%
Profit	**437**	**574**	**- 24%**	**- 14%**
Attributable to UCB shareholders	411	551	- 25%	- 15%
Attributable to non-controlling interests	26	23	15%	7%
Profit attributable to UCB shareholders	**411**	**551**	**- 25%**	**- 15%**

Total non-recurring income/expenses (-) amounted to € 27 million pre-tax income (after € 19 million in 2018) including restructuring expenses offset with income resulting from gain on the divestiture of products.

Net financial expenses went up to € 53 million from € 46 million in 2018.

Income tax expenses were € 108 million compared to € 56 million in June 2018. The average effective tax rate was 20% compared to 9% in the same period of last year. The low tax rate in 2018 was driven by phasing of expenses and the U.S. tax reform.

Profit from discontinued operations was constant at € 1 million.

The **profit of the Group** amounted to € 437 million (after € 574 million) of which € 411 million is attributable to UCB shareholders and € 26 million to non-controlling interests. For the first six months of 2018, profit was € 574 million and of which € 551 million were attributable to UCB shareholders and € 23 million to non-controlling interests.

1.10. Core EPS

For the six months ended 30 June	Actual		Variance	
€ million	2019	2018	Actual rates	CER
Profit	437	574	- 24%	- 14%
Attributable to UCB shareholders	411	551	- 25%	- 15%
Attributable to non-controlling interests	26	23	15%	7%
Profit attributable to UCB shareholders	411	551	- 25%	- 15%
Total non-recurring income (-) / expenses	- 27	- 19	47%	49%
Income tax on non-recurring expenses (-) / credit	5	0	N/A	N/A
Profit (-) / loss from discontinued operations	- 1	- 1	0%	- 10%
Amortization of intangibles linked to sales	74	61	20%	17%
Income tax on amortization of intangibles linked to sales	- 8	- 11	- 26%	- 28%
Core profit attributable to UCB shareholders	453	581	- 22%	- 12%
Weighted average number of shares (million)	187	188	- 1%	
Core EPS attributable to UCB shareholders	**2.42**	**3.09**	**- 22%**	**- 12%**

The **profit attributable to UCB shareholders**, adjusted for the after-tax impact of non-recurring items, the after-tax contribution from discontinued operations and the net amortization of intangibles linked to sales, amounted to a **core profit attributable to the UCB shareholders** of € 453 million, leading to **core earnings per share** (EPS) of € 2.42 compared to € 3.09 in 2018 per non-dilutive weighted average number of shares of 187 million.

1.11. Balance sheet

The **intangible assets** increased by € 60 million from € 870 million at 31 December 2018 to € 930 million at 30 June 2019. This includes additional milestones after the approval of Nayzilam® (*midazolam*) by the FDA in the U.S., software and eligible software development costs, partially offset with the ongoing amortization of the intangible assets.

Goodwill at € 4 993 million, up € 23 million, stemming from a stronger U.S. dollar and British pound compared to December 2018.

Other non-current assets increased by € 50 million, driven by:

- an increase in deferred tax assets related to further recognition of deferred tax assets on R&D and inventory,
- an increase in property, plant and equipment due to right-of-use assets mainly relating to the leaseback of the building in Monheim (Germany) and the renewal of the fleet in the U.S. and acquisitions of plant and equipment offset with the ongoing depreciation of the property, plant and equipment.

The **current assets** decreased from € 2 950 million as of 31 December 2018 to € 2 820 million as of 30 June 2019 and relates to lower cash, partially offset with a higher need of working capital.

UCB's **shareholders' equity**, at € 6 456 million, an increase of € 201 million between 31 December 2018 and 30 June 2019. The important changes stem from the net profit after non-controlling interests (€ 411 million), the U.S. dollar, Swiss franc and British pound currency translation (€ 28 million), the cash-flow hedges (€ 27 million) offset with the dividend payments (€ - 228 million) and the acquisition of own shares (€ - 93 million).

The **non-current liabilities** amount € 1 678 million, lower by € 343 million due to transfer of bonds and bank borrowings to current liabilities.

The **current liabilities** amount to € 2 383 million, up € 145 million, mainly due to increase of short-term bonds.

The **net debt** increased by € 150 million from € 237 million as of end December 2018 to € 387 million as per end June 2019, and mainly relates to the underlying net profitability, offset by the dividend payment on the 2018 results, the acquisition of own shares, and investments following UCB's strategy. The net debt to recurring EBITDA ratio for 2019 reached 0.29 after 0.17 per end 2018.

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 € 351 million of which € 353 million from continuing operations compared to € 492 million in 2018 and stemming from underlying net profitability.
- **Cash flow from investing activities** showed an outflow of € 129 million (continuing operations) compared to an outflow of € 283 million in 2018 after investing in Nayzilam® (*midazolam*) acquired from Proximagen, offset with the sale of non-core assets and the Monheim site (Germany).
- **Cash flow from financing activities** has an outflow of € 477 million, which includes the dividend paid to UCB shareholders (€ 228 million), the acquisition of treasury shares (€ 77 million), the net repayment of short-term borrowings (€ 109 million) and the repayment of lease liabilities (€ 23 million).

1.13. Outlook 2019 confirmed

UCB confirms its financial outlook for 2019: The company expects the continued growth of its core products driving company growth. UCB also advances its development pipeline to offer potential new solutions for patients and will complement existing pipeline assets with external opportunities.

- 2019 revenue is expected in the range of € 4.6 – 4.7 billion;
- recurring EBITDA in the range of 27 – 29% of revenue, reflecting higher R&D investments.
- Core earnings per share are therefore expected in the range of € 4.40 – 4.80 based on an average of 188 million shares outstanding.

The figures for the outlook 2019 as mentioned above were calculated on the same basis as the actual figures for 2018.

2. Condensed consolidated financial statements

2.1. Condensed consolidated income statement

For the six months ended 30 June € million	Note	2019 Reviewed	2018 Reviewed
CONTINUING OPERATIONS			
Net sales	3.6	2 219	2 146
Royalty income and fees		33	56
Other revenue		71	67
Revenue	3.8	**2 323**	**2 269**
Cost of sales		- 598	- 573
Gross profit		**1 725**	**1 696**
Marketing and selling expenses		- 502	- 442
Research and development expenses		- 568	- 500
General and administrative expenses		- 96	- 88
Other operating income / expenses (-)	3.11	12	- 9
Operating profit before impairment, restructuring and other income and expenses		**571**	**657**
Impairment of non-financial assets	3.12	- 2	0
Restructuring expenses	3.13	- 8	- 4
Other income / expenses (-)	3.14	37	23
Operating profit		598	676
Financial income	3.15	8	8
Financial expenses	3.15	- 61	- 54
Net financial expenses (-)	3.15	- 53	- 46
Share of net profits / loss (-) of associates		- 1	- 1
Profit before income taxes		544	629
Income tax expense	3.16	- 108	- 56
Profit from continuing operations		**436**	**573**
DISCONTINUED OPERATIONS			
Profit / loss (-) from discontinued operations	3.10	**1**	**1**
PROFIT		**437**	**574**
Attributable to equity holders of UCB S.A.		411	551
Attributable to non-controlling interests		26	23
BASIC EARNINGS PER SHARE (€)[1]			
From continuing operations		2.20	2.93
From discontinued operations		0	0
Total basic earnings per share		**2.20**	**2.93**
DILUTED EARNINGS PER SHARE (€)[2]			
From continuing operations		2.20	2.93
From discontinued operations		0	0
Total diluted earnings per share		**2.20**	**2.93**

1 The weighted average number of shares in issue during the interim period, for the purposes of the basic earnings per share calculation, is 187 160 706 (2018: 188 189 602).

2 The weighted average number of shares during the interim period, for the purposes of the diluted earnings per share calculation is 187 160 706 (2018: 188 189 602).

2.2. Condensed consolidated statement of comprehensive income

For the six months ended 30 June € million	2019 Reviewed	2018 Reviewed
Profit for the period	**437**	**574**
Items to be reclassified to profit or loss in subsequent periods		
Net gain / loss (-) on financial assets at FVOCI	5	- 32
Exchange differences on translation of foreign operations	28	13
Effective portion of gains / losses (-) on cash flow hedges	37	- 128
Income tax relating to the components of other comprehensive income to be reclassified to profit or loss in subsequent periods	- 10	34
Items not to be reclassified to profit or loss in subsequent periods		
Re-measurement of defined benefit obligation	- 7	- 1
Income tax relating to the components of other comprehensive income not to be reclassified to profit or loss in subsequent periods	1	0
Other comprehensive income / loss (-) for the period, net of tax	54	- 114
Attributable to UCB S.A. shareholders	465	438
Attributable to non-controlling interests	26	22
Total comprehensive income for the period, net of tax	**491**	**460**

2.3. Condensed consolidated statement of financial position

€ million	Note	30 June 2019 Reviewed	31 Dec. 2018 Audited
ASSET			
Non-current assets			
Intangible assets	3.17	930	870
Goodwill	3.18	4 993	4 970
Property, plant and equipment	3.19	828	805
Deferred income tax assets		790	760
Financial and other assets (incl. derivative financial instruments)	3.20	156	159
Total non-current assets		**7 697**	**7 564**
Current assets			
Inventories	3.21	706	647
Trade and other receivables		940	835
Income tax receivables		50	81
Financial and other assets (incl. derivative financial instruments)	3.20	121	105
Cash and cash equivalents		1 001	1 262
Assets of disposal group classified as held for sale		2	20
Total current assets		**2 820**	**2 950**
Total assets		**10 517**	**10 514**
EQUITY AND LIABILITIES			
Equity			
Capital and reserves attributable to UCB shareholders	3.22	6 484	6 310
Non-controlling interests		- 28	- 55
Total equity		**6 456**	**6 255**
Non-current liabilities			
Borrowings	3.23	101	198
Bonds	3.24	901	1 152
Other financial liabilities (incl. derivative financial instruments)	3.25	15	32
Deferred income tax liabilities		62	39
Employee benefits		434	419
Provisions	3.26	136	155
Trade and other liabilities		29	26
Total non-current liabilities		**1 678**	**2 021**
Current liabilities			
Borrowings	3.23	60	74
Bonds	3.24	326	75
Other financial liabilities (incl. derivative financial instruments)	3.25	101	133
Provisions	3.26	42	51
Trade and other liabilities		1 713	1 786
Income tax payables		141	119
Liabilities of disposal group classified as held for sale		0	0
Total current liabilities		**2 383**	**2 238**
Total liabilities		**4 061**	**4 259**
Total equity and liabilities		**10 517**	**10 514**

2.4. Condensed consolidated statement of cash flows

For the six months ended 30 June € million	Note	2019 Reviewed	2018 Reviewed
Profit for the year attributable to UCB shareholders		**411**	**551**
Non-controlling interests		26	23
Adjustment for profit (-) / loss from associates		1	1
Adjustment for non-cash transactions	3.27	92	56
Adjustment for items to disclose separately under operating cash flow	3.27	108	56
Adjustment for items to disclose under investing and financing cash flows	3.27	- 21	21
Change in working capital	3.27	- 239	- 125
Interest received		13	14
Cash flow generated from operations		**391**	**597**
Tax paid during the period		- 40	- 107
Net cash flow used in (-) / generated by operating activities:		**351**	**490**
From continuing operations		353	492
From discontinued operations		- 2	- 2
Net cash flow generated by operating activities		**351**	**490**
Acquisition of intangible assets	3.17	- 147	- 216
Acquisition of property, plant and equipment	3.19	- 47	- 49
Acquisition of subsidiaries, net of cash acquired		0	- 12
Acquisition of other investments		- 9	- 10
Sub-total acquisitions		**- 203**	**- 287**
Proceeds from sale of intangible assets		0	3
Proceeds from sale of property, plant and equipment		25	1
Proceeds from sale of other activities, net of cash disposed		42	0
Proceeds from sale of other investments		7	0
Sub-total disposals		**74**	**4**
Net cash flow used in (-) / generated by investing activities:		**- 129**	**- 283**
From continuing operations		- 129	- 283
From discontinued operations		0	0
Net cash flow used in (-) / generated by investing activities		**- 129**	**- 283**
Proceeds from borrowings	3.23	0	8
Repayments of borrowings (-)	3.23	- 109	- 19
Payment of lease liabilities	3.23	- 23	- 19
Acquisition (-) of treasury shares		- 77	- 51
Dividend paid to UCB shareholders, net of dividend paid on own shares	3.30	- 228	- 222
Interest paid		- 40	- 42
Net cash flow used in (-) / generated by financing activities:		**- 477**	**- 345**
From continuing operations		- 477	- 345
From discontinued operations		0	0
Net cash flow used in (-) / generated by financing activities		**- 477**	**- 345**
Net increase / decrease (-) in cash and cash equivalents		**- 255**	**- 138**
From continuing operations		- 253	- 136
From discontinued operations		- 2	- 2
Net cash and cash equivalents at the beginning of the period		**1 237**	**1 022**
Effect of exchange rate fluctuations		10	- 5
Net cash and cash equivalents at the end of the period		**992**	**879**

2.5. Condensed consolidated statement of changes in equity

	ATTRIBUTED TO EQUITY HOLDERS OF UCB SA									
€ million	Share capital and share premium	Treasury shares	Retained earnings	Other reserves	Cumulative translation adjustments	Financial assets at FVOCI	Cash flow hedges	Total	Non-controlling interests	Total stockholders' equity
Balance at 1 January 2019	**2 614**	**- 342**	**4 394**	**- 146**	**- 154**	**- 5**	**- 51**	**6 310**	**- 55**	**6 255**
Profit for the period	-	-	411	-	-	-	-	411	26	437
Other comprehensive income / loss (-)	-	-	-	- 6	28	5	27	54	-	54
Total comprehensive income	**-**	**-**	**411**	**- 6**	**28**	**5**	**27**	**465**	**26**	**491**
Dividends	-	-	- 228	-	-	-	-	- 228	-	- 228
Share-based payments	-	-	31	-	-	-	-	31	-	31
Transfer between reserves	-	51	-51	-	-	-	-	-	-	-
Treasury shares	-	- 93	-	-	-	-	-	- 93	-	- 93
Balance at 30 June 2019 (reviewed)	**2 614**	**- 384**	**4 557**	**- 153**	**- 126**	**-**	**- 24**	**6 484**	**- 28**	**6 456**
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	-	-	-	-	-	-	-
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**

3. Notes

3.1. General information

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

This condensed consolidated interim financial information of the Company as at and for the six months ended 30 June 2019 (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 2019. 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 2018 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 2018, which were 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 2018.

New and amended standards adopted by the Group

A number of amendments and annual improvements to standards are mandatory for the first time for the financial year beginning 1 January 2019. However, the Group does not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments and improvements to the standards. Note that the Group early adopted IFRS 16 Leases and the IFRIC 23 interpretation on the recognition and measurement of liabilities for uncertain tax positions as from 1 January 2018.

Impact of standards issued but not yet applied by the Group

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

3.4. Estimates

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

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2018.

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 2018.

The Financial Risk Management Committee, responsible for reviewing the results of UCB risk assessment, has also identified and assessed the Brexit-related risks that apply to the Group's business and concluded that UK's Brexit decision would not have a major impact on the Group's operations. In order to avoid delays in supply chain, the inventory level will be slightly increased for UK operations. Other business critical Brexit-related risks have been mitigated.

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 2019 and 31 December 2018 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 2019				
Financial assets				
Financial assets at FVOCI				
Quoted equity securities	88	0	0	88
Quoted debt securities	0	0	0	0
Derivative financial assets				
Forward foreign exchange contracts – cash flow hedges	0	6	0	6
Forward exchange contracts – fair value through the profit and loss	0	5	0	5
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	34	0	34
Other financial assets excluding derivatives				
Warrants	0	0	0	0

€ million	Level 1	Level 2	Level 3	Total
31 December 2018				
Financial assets				
Financial assets at FVOCI				
Quoted equity securities	69	0	0	69
Quoted debt securities	0	0	0	0
Derivative financial assets				
Forward foreign exchange contracts – cash flow hedges	0	4	0	4
Forward exchange contracts – fair value through the profit and loss	0	7	0	7
Interest rate derivatives – cash flow hedges	0	1	0	1
Interest rate derivatives – fair value through profit and loss	0	37	0	37
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 2019				
Financial liabilities				
Derivative financial liabilities				
Forward foreign exchange contracts – cash flow hedges	0	70	0	70
Forward exchange contracts – fair value through profit and loss	0	4	0	4
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	2	0	2
Other financial liabilities excluding derivatives				
Warrants to the shareholders of Edev Sarl	0	0	40	40

€ million	Level 1	Level 2	Level 3	Total
31 December 2018				
Financial liabilities				
Derivative financial liabilities				
Forward foreign exchange contracts – cash flow hedges	0	97	0	97
Forward exchange contracts – fair value through the profit and loss	0	10	0	10
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	55	55

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 2018 (see Note 4.5 of the 2018 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 2018. 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 0%. The change in fair value since December 2018, recognized in profit and loss, amounts to € 2 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 2019	**55**	**55**
Cash purchase of additional warrants	0	0
Cash settlement of warrants	- 17	- 17
Effect of changes in fair value recognized in profit and loss	2	2
Effect of movements in exchange rates	0	0
30 June 2019	**40**	**40**

Exchange rates

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

	Closing rate		Average rate	
	30 June 2019	31 Dec. 2018	30 June 2019	30 June 2018
USD	1.136	1.145	1.130	1.210
JPY	122.540	125.620	124.303	131.563
GBP	0.895	0.898	0.873	0.880
CHF	1.110	1.126	1.129	1.170

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	2019 Reviewed	2018 Reviewed
Cimzia®	782	679
Vimpat®	622	522
Keppra® (incl. Keppra® XR)	371	392
Neupro®	158	148
Briviact®	103	60
Xyzal®	60	51
Zyrtec® (incl. Zyrtec-D®/Cirrus®)	50	58
Other products	124	171
Designated hedges reclassified to net sales	- 51	65
Total net sales	**2 219**	**2 146**

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	2019 Reviewed	2018 Reviewed
U.S.	1 181	992
Japan	188	154
Europe – other (excl. Belgium)	169	169
Germany	158	163
Spain	91	90
France (incl. French territories)	85	82
Italy	78	78
China	68	85
U.K. and Ireland	42	70
Belgium	22	19
Other countries	188	179
Designated hedges reclassified to net sales	- 51	65
Total net sales	**2 219**	**2 146**

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

For the six months ended 30 June € million	2019 Reviewed	2018 Audited[1]
Belgium	313	296
Switzerland	287	295
U.K. and Ireland	66	68
U.S.	57	54
Japan	28	30
China	23	24
Other countries	54	38
Total	**828**	**805**

1 The reporting date for the comparative period is 31 December 2018.

Information about major customers

UCB has 1 customer which individually accounts for more than 16% of the total net sales at the end of June 2019.

In the U.S., sales to 3 wholesalers accounted for approximately 78% of U.S. sales (June 2018: 76%).

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	2019 Reviewed	2018 Reviewed
Revenue from contracts with customers	2 315	2 252
Revenue from agreements whereby risks and rewards are shared	8	17
Total revenue	**2 323**	**2 269**

Disaggregation of revenue from contracts with customers:

	Actual		Timing of revenue recognition			
	2019	2018	2019		2018	
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.	1 181	992	1 181	0	992	0
Cimzia®	480	416	480	0	416	0
Vimpat®	472	387	472	0	387	0
Keppra®	103	99	103	0	99	0
Briviact®	81	46	81	0	46	0
Neupro®	46	41	46	0	41	0
Established brands	- 1	3	- 1	0	3	0
Net sales – Europe	645	671	645	0	671	0
Cimzia®	208	192	208	0	192	0
Vimpat®	111	100	111	0	100	0
Keppra®	84	113	84	0	113	0
Neupro®	83	85	83	0	85	0
Briviact®	19	13	19	0	13	0
Established brands	140	168	140	0	168	0
Net sales – International markets	444	418	444	0	418	0
Keppra®	184	180	184	0	180	0
Cimzia®	94	71	94	0	71	0
Vimpat®	39	35	39	0	35	0
Neupro®	29	22	29	0	22	0
Briviact®	3	1	3	0	1	0
Established brands	95	109	95	0	109	0
Net sales before hedging	2 270	2 081	2 270	0	2 081	0
Designated hedges reclassified to net sales	- 51	65	- 51	0	65	0
Total net sales	2 219	2 146	2 219	0	2 146	**0**

Royalty income and fees	33	56	33	0	56	0
Contract manufacturing revenues	54	43	54	0	43	0
Income from licensing deals (upfront payments, development milestones, sales milestones)	7	5	0	7	0	5
Revenue resulting from services & other deliveries	2	2	1	1	0	2
Total other revenue	63	50	55	8	43	7
Total revenue from contracts with customers	**2 315**	**2 252**	**2 307**	**8**	**2 245**	**7**

3.9. Business combinations

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 August 13, 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.

UCB has finalized the purchase price allocation. The table below shows the final 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 purchase price allocation mainly relate to identification of intangible assets such as the technology platform, research knowledge, standard operating procedures, existing IP projects 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. No material acquisition related costs were recorded in the period ending 30 June 2019.

€ million	Initial opening balance sheet	Adjustments due to purchase price allocation	Adjusted opening balance sheet
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	- 1	5
Non-current assets		- 1	- 1
Current assets	- 1		- 1
Non-current liabilities			
Current liabilities	1		1
Convertible note	6		6
Goodwill	**23**	**- 1**	**22**

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 2019 relate to stock of finished products for Niferex®.

In March 2019, UCB divested its Niferex® (iron supplement) franchise in China. Part of the stock still needs to be transferred to the buyer.

No impairment losses were 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 2018 mainly relate to the Monheim site (Germany).

As per 30 June 2019 no operations were classified as discontinued operations. The profit from discontinued operations as per 30 June 2019 of € 1 million mainly relates to a partial reversal of provisions related to the divestment of Kremers Urban Pharmaceuticals, Inc. ("KU") that was sold to Lannett Company, Inc. in November 2015. 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 KU.

3.11. Other operating income / expenses (-)

Other operating income / expenses (-) amounted to € 12 million income in the interim period (2018: € 9 million expenses). The Group accounted for government grants (€ 7 million), reimbursement of development expenses (€ 3 million), reversal of provisions (€ 6 million) and an income of € 6 million resulting from the leaseback agreement of the Monheim site (Germany).

The result from the collaboration agreement with Amgen for the development and commercialization of Evenity® amounts to € 10 million expenses. The total net recharges as per June 2019 consist out of € 6 million marketing and selling expense and € 4 million development expenses.

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 2019, management reviewed the non-financial assets (including intangible assets and goodwill) for impairment on the basis of external and internal indicators, and impaired € 2 million.

3.13. Restructuring expenses

Restructuring expenses amounting to € 8 million (2018: € 4 million) were attributable to severance costs.

3.14. Other income and expense

Other income/expense (-) amount to € 37 million income in 2019 (2018: € 23 million income) and mainly relate to the gain on the divestment of Niferex® (iron supplement) franchise in China, offset by legal fees related to intellectual property.

In the first half of 2018, the income was mainly the result of the recognition in the income statement of the cumulative amount of exchange differences for legal entities liquidated in 2018.

3.15. Financial income and financial expenses

The net financial expenses for the year amounted to € 53 million expenses (2018: € 46 million expenses).

3.16. Income tax expense (-)

For the six months ended 30 June € million	2019 Reviewed	2018 Reviewed
Current income taxes	- 121	- 117
Deferred income taxes	13	61
Total income tax expense (-) / credit	**- 108**	**- 56**

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

The Group's consolidated effective tax rate in respect of continuing operations for the six months is 20% (2018: 9%).

Income tax expenses were € 108 million compared to € 56 million in June 2018, resulting in an effective tax rate excluding non-recurring items of 20%.

3.17. Intangible assets

During the period, the Group added approximately € 143 million (2018: € 182 million) of intangible assets with the most significant being additional milestone payments for the acquisition of Nayzilam® (*midazolam*) (€ 113 million) upon approval by the FDA in the U.S. Additionally, the Group capitalized € 7 million (2018: € 6 million) of software and eligible software development costs.

In the first half of the year, the Group impaired its intangible assets for € 1 million (no impairment in 2018). The impairment charges are detailed in Note 3.12.

Total disposals of intangible assets during the first six months of 2019 amount to € 1 million.

The amortization charge for the period amounted to € 92 million (2018: € 79 million).

3.18. Goodwill

Goodwill increased due to the movements in exchange rates for € 22 million, mainly related to USD and GBP.

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 property, plant and equipment totaling € 94 million (2018: € 194 million). These additions include right-of-use assets for an amount of € 34 million. These right-of-use assets are mainly relating to the leaseback of the building in Monheim (Germany) and the renewal of the fleet in the U.S. Other additions mainly relate to the new biological production unit and the revamping of a plant on the Braine site (Belgium), IT hardware and other plant and equipment.

The Group also disposed of various property, plant and equipment with a carrying amount of approximately € 9 million (2018: € 2 million).

In the first six months of the year, the Group did not recognize any impairment expenses (2018: € 0 million).

The depreciation charge for the period is stable at € 60 million.

Due to exchange rate fluctuations, the net book value of property, plant and equipment increased by € 6 million (2018: € 4 million).

There was also a transfer of assets for € 8 million from property, plant and equipment to intangibles.

3.20. Financial and other assets

Non-current financial and other assets amounted to € 156 million at 30 June 2019 compared to € 159 million as per December 2018.

The decrease in the period is mainly related to a reduction in long term receivables on Chattem Inc, in respect of the approval of Xyzal® Allergy 24 HR as an over-the-counter treatment (€ 5 million). Further investments of € 10 million were made by UCB Ventures, UCB's corporate venture fund, offset by fair value and currency translation adjustments bringing the total investment value for this fund to € 38 million.

The current financial and other assets increased mainly due to increase in clinical trial materials (€ 7 million) and vested long-term incentives held in custody for employees on a separate securities account of UCB (€ 11 million).

For the financial assets that are valued at amortized cost amounting to € 141 million as per June 2019 (€ 143 million as per December 2018), the carrying amount approximates the fair value.

3.21. Write-down of inventories

Included in cost of sales for the six months ended 30 June 2019 is € - 12 million of expense or write-down (2018: € - 7 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 2019 (2018: € 584 million), represented by 194 505 658 shares (2018: 194 505 658 shares). There is no authorized, unissued share capital.

At 30 June 2019, the share premium reserves amounted to € 2 030 million (2018: € 2 030 million).

Treasury shares

The Group acquired 1 085 000 shares (June 2018: 780 013 shares) for a total amount of € 77 million (June 2018: € 51 million) and sold 543 293 treasury shares (June 2018: 690 921 treasury shares) for a total amount of € 34 million (June 2018: € 36 million) in the first half of the year.

At 30 June 2019, the Group retained 6 138 891 treasury shares (December 2018: 5 597 184 shares). The treasury shares were 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 whereas 435 000 options on UCB shares have been sold back to the bank counterparties. At 30 June 2019, the Group did not hold any options on UCB shares (December 2018: 435 000).

Other reserves

Other reserves amounted to € - 153 million (2018: € - 146 million) and consists of the following items:

- the IFRS acquisition value surplus that arose during the Schwarz Pharma business combination for € 232 million (2018: € 232 million);
- the re-measurement value of the defined benefit obligation for € - 351 million (2018: € - 344 million) is mainly impacted by lower discount rates offset by an update of the assumptions for salary increase and turnover and higher return on plan assets;
- the purchase of the remaining 25% non-controlling interest in Schwarz Pharma Zhuhai Company Ltd. (China) for € - 11 million in 2012 (2018: € - 11 million); and
- the purchase of the remaining 30% non-controlling interest in UCB Biopharma SA (Brazil) € - 23 million in 2014 (2018: € - 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 2019 the Group's weighted average interest rate (excluding leases) was 3.50% (June 2018: 3.07%) 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 2.46% (June 2018: 2.18%) post hedging.

Since the bank borrowings are at a floating interest rate that is reset every six months, the carrying amount of the bank borrowings equates to 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 2019), UCB has access to certain committed and non-committed bilateral credit facilities.

The carrying amounts and fair values of borrowings are as follows.

For the six months ended 30 June € million	2019 Reviewed	2018 Audited[1]
Non-current		
Bank borrowings	27	135
Other long-term loans	0	0
Leases	74	63
Total non-current borrowings	101	198
Current		
Bank overdrafts	9	25
Current portion of bank borrowings	12	11
Debentures and other short-term loans	0	0
Leases	39	38
Total current borrowings	60	74
Total borrowings	**161**	**272**

1. The reporting date for comparative period is 31 December 2018.

The decrease in borrowings is mainly due to the early repayment of the loan with European Investment Bank amounting to € 100 million.

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 2019 Reviewed	31 Dec. 2018 Audited	30 June 2019 Reviewed	31 Dec. 2018 Audited
Retail bond	5.125%	2023	191	188	207	206
Institutional Eurobond	1.875%	2022	351	351	365	362
Institutional Eurobond	4.125%	2021	359	361	371	376
Retail Bond	3.750%	2020	251	252	257	260
EMTN Note[1]	3.284%	2019	20	20	20	20
EMTN Note[1]	3.292%	2019	55	55	55	55
Total bonds			**1 227**	**1 227**	**1 275**	**1 279**
Of which:						
Current			326	75	332	75
Non-current			901	1 152	943	1 204

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 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 are listed on Euronext Brussels.

Maturing in 2019

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

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 are 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 are 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 were 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 are 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 are 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 € 76 million (2018: € 110 million). The other financial liabilities also include a liability of € 40 million (2018: € 55 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 2018 to € 18 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 € 8 million as per end of December 2018 to € 7 million at the end of the interim period. The utilization of the provision is partially offset by provisions for further optimization.

Other provisions

Other provisions decreased from € 179 million as per end of December 2018 to € 153 million at the end of June 2019, and stems from utilization of provisions related to VAT and settlements.

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	2019 Reviewed	2018 Reviewed
Adjustment for non-cash transactions	92	56
Depreciation and amortization	151	139
Impairment / reversal (-) charges	1	0
Equity settled share-based payment expense	- 20	- 18
Other non-cash transactions in the income statement	- 28	- 68
Adjustment IFRS 9	5	9
Unrealized exchange gain (-) / losses	- 4	- 12
Change in provisions and employee benefits	- 19	3
Change in inventories and bad debt provisions	6	3
Adjustment for items to disclose separately under operating cash flow	108	56

Tax charge of the period from continuing operations	108	56
Adjustment for items to disclose under investing and financing cash flow	- 21	21
Gain (-) / loss on disposal of fixed assets	- 48	0
Dividend income (-) / expenses	0	0
Interest income (-) / charge	27	21
Change in working capital		
Inventories movement per consolidated balance sheet	- 59	- 35
Trade and other receivable and other assets movement per consolidated balance sheet	- 101	- 49
Trade and other payable movement per consolidated balance sheet	- 69	- 42
As it appears in the consolidated balance sheet and corrected by:	- 229	- 126
Non-cash items[1]	4	12
Change in inventories and bad debt provisions disclosed separately under operating cash flow	- 6	- 3
Change in interest receivable / payable disclosed separately under operating cash flow	0	6
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	- 8	- 14
As it appears in the consolidated cash flow statement	**- 239**	**- 125**

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 2018 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 2019 where they exercised their mandate.

€ million	2019 Reviewed
Short-term employee benefits	9
Termination benefits	0
Post-employment benefits	2
Share-based payments	0
Total key management compensation	**11**

3.29. Shareholders and shareholders structure

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

Last update: 19 July 2019 — Situation as per

	Share capital	**€ 583 516 974**		13 March 2014
	Total number of voting rights (= denominator)	**194 505 658**		
1	Financière de Tubize SA ('Tubize')			
	securities carrying voting rights (shares)	68 076 981	35.00%	19 January 2018
2	UCB SA/NV			
	securities carrying voting rights (shares)	1 939 598	1.00%	30 June 2019
	assimilated financial instruments (options)[1]	0	0.00%	6 March 2017
	assimilated financial instruments (other)[1]	0	0.00%	18 December 2015
	Total	1 939 598	1.00%	
3	UCB Fipar SA			
	securities carrying voting rights (shares)	4 199 293	2.16%	30 June 2019
	assimilated financial instruments (options)[1]	0	0.00%	4 March 2019
	assimilated financial instruments (other)[1]	0	0.00%	25 December 2015
	Total	4 199 293	2.16%	
	UCB SA/NV + UCB Fipar SA[2]	**6 138 891**	**3.16%**	
	securities carrying voting rights (shares)	6 138 891	3.16%	
	assimilated financial instruments (options)[1]	0	0.00%	
	assimilated financial instruments (other)[1]	0	0.00%	
	Free float[3] (securities carrying voting rights (shares))	**120 289 786**	**61.84%**	
4	Vanguard Health Care Fund			
	securities carrying voting rights (shares)	9 741 353	5.01%	28 October 2014
5	BlackRock, Inc.			
	securities carrying voting rights (shares)	9 226 634	4.74%	15 July 2019

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

3.30. Dividends

The Board of Directors' proposal to pay a gross dividend of € 1.21 (2018: € 1.18 per share) to the holders of the UCB shares entitled to a dividend or 192 533 655 shares has been approved on 25 April 2019. The 1 972 003 shares held by UCB SA at dividend date are not entitled to a dividend. A total dividend of € 233 million (2018: € 226 million) was distributed (net of dividend paid to UCB Fipar SA € 228 million in 2019 and in 2018, € 222 million) for the business year 2018 as approved by the UCB shareholders at their annual general meeting on 25 April 2019, and was thus reflected in the first half of 2019.

[1] Assimilated financial instruments within the meaning of article 6 of the Law of 2 May 2007 on the disclosure of large shareholdings, 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

3.31. Commitments and contingencies

Events have taken place in the first half of the year 2019, leading to an update of the contingent assets or liabilities disclosed in the 2018 annual report.

Capital and other commitments

At 30 June 2019, the Group has committed to spend € 52 million (end of 2018: € 43 million) mainly with respect to capital expenditures for a new biological production unit, facility management and IT projects.

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 2019, 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 € 525 million as per 30 June 2019.

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 USD 11 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 ongoing 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®

- **Accord and Teva German Litigation:** In the third quarter 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. A preliminary opinion issued by the German Patent Court in December 2018 was favorable with respect to the validity of the Vimpat® patent. Accord has withdrawn its appeal. Teva is continuing its action. A hearing is scheduled for 12 September 2019.
- **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. Trial is scheduled end July 2019.
- **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. The case is ongoing.

A2. Neupro®

- **Watson Delaware District Court Abbreviated New Drug Application (ANDA) 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) patent. Trial was held in June 2017. Judge Stark ruled in UCB's favor and upheld the validity of the '434 patent, but revoked the polymorph patent '414. Actavis filed an appeal. UCB cross-appealed. In June 2019, the appeals court affirmed the District Court decisions.
- **Zydus Delaware District Court ANDA 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 was stayed until August 2019.

- **Mylan Delaware District Court ANDA 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 ongoing.

A3. Xyzal®

- **Xyzal® and Xyzal Allergy 24HR® ANDA litigation:** UCB is engaged in ANDA litigation with Apotex for Xyzal® oral solution. Apotex had previously filed a petition for IPR with the USPTO of the Xyzal® patent relating to a Xyzal® children formulation. The ANDA litigation has been stayed pending resolution of the IPR. A decision from the USPTO is expected in July 2019.

B. PRODUCT LIABILITY MATTERS

- **Distilbène product liability litigation – France:** France Entities of the UCB Group have been named as defendants in a number of 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. (See Note 33 in the 2018 Annual Report).
- **Opioid Litigation**: There are 5 ongoing cases in which several states, municipalities and government agencies are asserting claims against UCB, among many other companies, relating to the promotion and sale of opioids. These actions allege a variety of claims related to opioid marketing practices, including unfair competition, consumer fraud violations, deceptive acts and practices, false claims and unjust enrichment.

  In March 2018, a lawsuit was filed in Arkansas state court by the State Attorney General of Arkansas, together with numerous local municipalities, against UCB and more than 60 manufacturers, distributors, retailers and physicians. No specific UCB product was identified. In January 2019, UCB's motion to dismiss was granted without prejudice.

  In March 2018, a purported class action was filed in Alabama federal court against UCB and more than 40 manufacturers and distributors claiming damages. The complaint identifies Lortab as UCB's opioid product. The case is currently stayed.

  Many of the more than 2 000 opioids lawsuits have been coordinated in a federal multidistrict (MDL) litigation pending in the U.S. District Court for the Northern District of Ohio with a first set of cases set for trial in September 2019. UCB has been named as a defendant in 4 cases in the federal MDL. No UCB product was identified.

  Unither, a former UCB contract manufacturer, was named in 3 cases relating to manufacturing of UCB's Tussionex® product. UCB has certain indemnity obligations to Unither under our manufacturing agreements with Unither.

C. INVESTIGATIONS

On March 2019, UCB Inc. received a Civil Investigative Demand from the U.S. Department of Justice (DOJ) and a subpoena from the Department of Health and Human Devices Office of Inspector General (OIG) both seeking documents relating to the sales and marketing practices and pricing of Cimzia® for the periods from 2011 and 2008, respectively, to date. The Company is cooperating fully with DOJ and OIG.

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. This lawsuit alleges that since 2011 the Cimzia® CIMplicity program, namely nurse educator and reimbursement services provided by a UCB vendor, violated the False Claims Act and Anti-Kickback Statute. In December 2018, the DOJ moved to dismiss the case. The Court denied the motion, as well as DOJ's motion for reconsideration. In May 2019, the whistleblower filed an amended complaint. In June, UCB filed a motion to dismiss the case on the basis that its activities did not violate the law. The case is ongoing.

E. Concluded legal matters

E1. 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 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 appealed and May 2018, the Court of Appeals for the Federal Circuit affirmed the decision. In October 2018, Accord Healthcare and Intas Pharmaceuticals filed a petition for certiorari in the U.S. Supreme Court, which was denied in November 2018. In November 2018, Mylan, Sun and Alembic, filed another petition for certiorari to the U.S. Supreme Court. In April 2019, the U.S. Supreme Court denied the petition for certiorari.
- **Additional Delaware District Court Litigation**: In 2016, UCB filed suit in the District Court of Delaware against three defendants, Hetero, Zydus and Aurobindo, who were seeking approval of a second generic version of Vimpat®. The parties stipulated that the outcome of the initial Delaware litigation shall control and terminate these second wave cases.
- **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. In 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. In February 2019, the Federal Circuit affirmed the PTAB's earlier finding that the Vimpat patent is valid. None of the appellants has timely requested a rehearing and/or a review by the U.S. Supreme Court.
- **Accord U.K. Litigation**: In July 2016, Accord Healthcare filed a legal action before the United Kingdom High Court, requesting a declaration of invalidity and revocation of European Patent (U.K.) 0 888 829, disclosing and claiming lacosamide. In November 2017, the Court ruled in UCB's favor, confirming the validity of the UK part of the European patent. Accord initially appealed the decision to UK Court of Appeal, but recently withdrew its appeal.
- **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. On 23 February 2019, the Court ruled to UCB's favor, confirming the validity of the patent. Accord initially appealed, but has now withdrawn its appeal.
- **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. Accord has withdrawn its appeal.

E2. Toviaz®

- **Mylan Inter Partes Review (IPR):** In January 2016, Mylan Pharmaceuticals filed a petition for an IPR before the USPTO, seeking to invalidate all of the Orange Book listed patents pertaining to Toviaz®. In July 2016, the PTAB instituted the review. Alembic, Torrent and Amerigan have filed joinder motions. In 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 joined the appeal. In January 2019, the Federal Circuit ruled in UCB's favor. None of the appellants timely filed an appeal.
- **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. The Court found in favor of Chugai in a decision rendered in August 2018. UCB has withdrawn its appeal. 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 2018 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 2019

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of UCB SA and its subsidiaries (the "Group") as of 30 June 2019, which comprises the condensed consolidated statement of financial position as of 30 June 2019 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, as well as the explanatory notes. The Board of directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

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

Sint-Stevens-Woluwe, 24 July 2019

The Statutory Auditor

PwC Réviseurs d'Entreprises scrl /

Bedrijfsrevisoren cvba

Represented and signed by

Romain Seffer

Registered Auditor

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 2019, 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.

Signed by Jean-Christophe Tellier (CEO) and Detlef Thielgen (CFO)

on behalf of the Board of Directors

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

20 February 2020 2019 full year financial results

Notes

These unaudited condensed consolidated interim financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union including IAS 34 – Interim Financial Reporting. In preparing this financial statement as of and for the six-month period ended 30 June 2019, the same accounting policies and accounting estimates were used as in the 31 December 2018 annual consolidated financial statements, unless indicated otherwise.

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 2018, 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 guaranteeing 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 in immunology and neurology. With approximately 7 500 people operating in 40 countries, the company generated revenue of € 4.6 billion in 2018. UCB is listed on Euronext Brussels (symbol: UCB). Follow us on Twitter: @UCB_news

Contacts

Investor Relations

Antje Witte

Investor Relations, UCB

T +32.2.559.94.14

antje.witte@ucb.com

Global Communications

France Nivelle

Global Communications, UCB

T +32.2.559.91.78

france.nivelle@ucb.com

Isabelle Ghellynck,

Investor Relations, UCB

T+32.2.559.95.88

isabelle.ghellynck@ucb.com

Laurent Schots

Media Relations, UCB

T+32.2.559.92.64

laurent.schots@ucb.com

Check out our New IR App on

Available on the App Store and Google play

Or simply scan the QR code hereunder!