2011 half-year financial report

Key highlights

- **Revenue** in the first six months of 2011 increased by 2% to € 1 679 million. Net sales amounted to € 1 501 million or 5% higher than the previous interim period because of the solid performance of the core products Cimzia®, Vimpat® and Neupro® as well as Keppra® in the EU and Japan partially offset by the generic competition to the mature product portfolio.
- **Royalty income and fees** decreased by 10% driven by lower Toviaz® and other royalty income.
- **Other revenue** decreased by 22% due to lower sales milestones and profit sharing.
- **Recurring EBITDA** reached € 443 million compared to € 398 million as at 30 June 2010, increasing 11%, mainly reflecting the revenue increase.
- **Net profit** increased from € 148 million in the first half of 2010 to € 199 million in the first half of 2011, reflecting a strong operational result, lower net financial expenses and income tax expenses.
- **Core EPS** achieved € 1.44 from € 1.17 in the first half of 2010.

For the six months ended 30 June[1]	Actual		Variance	
€ million	2011	2010	Actual rates	Cst rates
Revenue	**1 679**	**1 644**	**2%**	**3%**
Net sales	1 501	1 431	5%	6%
Royalty income and fees	96	107	-10%	-10%
Other revenue	82	106	-22%	-21%
Gross profit	**1 158**	**1 098**	**5%**	**7%**
Marketing and selling expenses	-405	-405	0%	1%
Research and development expenses	-337	-320	6%	7%
General and administrative expenses	-91	-98	-7%	-6%
Other operating income/expenses (-)	-6	-7	-27%	-21%
Recurring EBIT (REBIT)	**319**	**268**	**19%**	**22%**
Non recurring income/expenses (-)	-14	4	n.s.	n.s.
EBIT (operating profit)	**305**	**272**	**12%**	**15%**
Net financial expenses (-)	-63	-83	-24%	-22%
Profit before income taxes	**242**	**189**	**28%**	**31%**
Income tax expenses (-)	-44	-42	6%	7%
Profit from continuing operations	**198**	**147**	**34%**	**37%**
Profit from discontinuing operations	1	1	n.s.	n.s.
Net profit (after non-controlling interests)	**199**	**148**	**34%**	**36%**
Recurring EBITDA	**443**	**398**	**11%**	**13%**
Adjusted net profit [2]	**203**	**151**	**34%**	**36%**
Core net profit	**258**	**211**	**23%**	**24%**
Capital expenditures (including intangible assets)	58	22	163%	n.s.
Net financial debt[1]	1 418	1 525	-7%	n.s.
Cash flow from operating activities	78	139	-44%	n.s.
Weighted average number of shares - non-diluted	**179.5**	**180.1**		
EPS (€ per weighted average number of shares – non diluted)	**1.10**	**0.82**	**n.s.**	**n.s.**
Core EPS (€ per weighted average number of shares – non diluted)	**1.44**	**1.17**	**23%**	**25%**

[1] Except for the net financial debt, where 2010 relates to the situation as published in the audited consolidated financial statements as at 31 December 2010.

[2] Adjusted for after-tax impact of non-recurring, one-off items and after-tax contribution from discontinued operations.

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2011 key events

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

Important agreements / initiatives

- **Strategic alliance in neurology with Synosia / Biotie Therapies:** In January 2011, Biotie Therapies acquired Synosia, thereby creating a leading central nervous system development company. UCB holds 9.5% of the shares of Biotie Therapies and has a license for exclusive, worldwide rights to the development compound SYN-115 and rights to a second compound, SYN-118, for non-orphan indications. The phase 2b program for SYN-115 for the treatment of **Parkinson's disease (PD)** started in April 2011 with headline results expected in the first half of 2013. Results from the Phase 2a study of SYN-118 in PD reported by Biotie Therapies in May 2011 did not show a significant improvement in measures of PD motor function when compared to placebo. Biotie Therapies is considering development options for this compound and plans to announce further plans later in the year.
- **UCB optimises its manufacturing network:** In March 2011, the acquisition of UCB's manufacturing businesses in Germany and Italy by Aesica was completed. This new partnership is part of UCB's strategy to optimise its manufacturing network while securing the long-term supply of our products and a long-term future for the sites' employees.
- **Research Alliance with Harvard University and K.U. Leuven:** In June 2011, UCB and Harvard University officially launched their innovative Research Alliance**.** The Alliance creates a unique drug discovery bridge between industry and academia. Both parties will learn from each other through the collaboration and a two-way exchange of ideas. UCB will bring its expertise in antibody generation and medicinal chemistry into the alliance and will provide up to US$6 million over two years to fund specific innovative research projects led by Harvard scientists. The collaboration focuses on central nervous system (CNS) and immunology, two key research domains for UCB.

  In April 2011, UCB and the Katholieke Universiteit Leuven (K.U. Leuven) signed a collaborative research agreement in the field of immunology. Within this framework, researchers from both organisations will work together closely for several years in an attempt to develop therapies for patients with serious immunological disorders

Regulatory update and pipeline progress

Central Nervous System (CNS)

- The new Phase 3 study evaluating ***brivaracetam*** as adjunctive therapy in the treatment of partial onset seizures in adults with epilepsy is ongoing with headline results expected in the first half of 2013.
- In March 2011, the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) informed UCB that **Xyrem®** (*sodium oxybate*) will not be recommended as a treatment for **fibromyalgia** syndrome in adults.
- For the epilepsy medicine **Vimpat®** (*lacosamide*), the U.S.-monotherapy (Phase 3) development programme in **partial-onset seizures** is on track, with first results expected in the second quarter 2013. A Phase 3 clinical program is also ongoing as planned across Europe to evaluate the efficacy and safety of Vimpat® as monotherapy in adult patients. Headline results are expected in the fourth quarter 2014.

  First results from Vimpat® Phase 2 clinical trial programme for adjunctive therapy in **primary generalised tonic-clonic seizures (PGTCS)** are expected in the fourth quarter 2011.
- In line with the requirements of the FDA, UCB is developing a room temperature stable patch formulation of **Neupro®** *(rotigotine)* for the treatment of **Parkinson's disease (PD)** and **restless legs syndrome (RLS)**. UCB aims to make the patch available to U.S. patients during 2012, subject to regulatory approval.

  In Japan, UCB's partner, Ostuka Pharmaceutical reported in June 2011 positive Phase 3 results for Neupro® in advanced Parkinson's disease. The results showed the efficacy and safety and were presented at the Movement Disorders Society 15th International Congress of Parkinson's Disease and Movement Disorders in June 2011. The

Phase 3 clinical trial was conducted in Japan as a double-blind, double dummy controlled study between *rotigotine* transdermal patch, *ropinirole* oral tablets and placebo. It involved 420 patients with advanced stage Parkinson's disease, and assessed the drug's remedial effect on tremors, posture and stiffness using the UPDRS Part III total score. Filing with the Japanese authorities is expected by the first quarter 2012. In 2002, Otsuka acquired the exclusive development and marketing rights to Neupro® for the Japanese market.

Immunology

- Two Phase 3 clinical studies on **Cimzia®** for the treatment of **rheumatoid arthritis (RA)** in Japan were completed positively ahead of plan, both trials met their primary endpoints. Submission of an application for regulatory approval to the Japanese authorities is under preparation in collaboration with UCB's partner, Otsuka Pharmaceutical. The filing with the Japanese authorities is expected by March 2012.

  In May 2011, UCB announced its plan to launch the first industry sponsored anti-TNF head-to-head study that will assess the relative efficacy of Cimzia® and Humira® (*adalimumab*) for certain pre-determined parameters in the treatment of moderate to severe rheumatoid arthritis (RA). The study will include a 12 week response-based therapeutic decision and assess the impact of an early response and decision on long-term (104 weeks) clinical and patient outcomes. This trial is scheduled to start in during the fourth quarter 2011.

  The Phase 3 trials for Cimzia® in **psoriatic arthritis** and **ankylosing spondylitis** are on track with headline results expected at end of 2011. A Phase 3 trial in **juvenile rheumatoid arthritis** is under discussion with U.S. and EU regulators to finalise the study design.

- Recruitment for the Phase 3 trials (EMBODY™ 1 and EMBODY™ 2) for ***epratuzumab*** in patients with moderate to severe **systemic lupus erythematosus (SLE)** is ongoing as planned. Approximately 780 patients randomised in each study are to be recruited. First results are expected in the first half of 2014.

- **CDP7851** ("*sclerostin* antibody" also known as AMG 785), a novel therapy for bone loss disorders had positive top-line results from the Phase 2 clinical study comparing CDP7851 to placebo in post-menopausal women with low bone mineral density for the treatment of **post-menopausal osteoporosis** (PMO). The Phase 3 programme will start upon completion of consultations with the regulatory authorities in the U.S. and EU.

  Two Phase 2 studies in **fracture healing** (in tibia fracture and in hip fracture healing) are ongoing with first headline results expected in 2012. Amgen and UCB are collaborating for the development of CDP7851/AMG785 for the treatment of bone-related conditions, including PMO and fracture healing.

- A Phase 2b programme for ***olokizumab* (*anti-IL 6*)** being developed for the treatment of moderate to severe **rheumatoid arthritis (RA)** is currently recruiting. Headline results are expected in the third quarter of 2012.

2011 half-year management report

The financial information included in this management report should be read in conjunction with the condensed consolidated interim financial statements and the consolidated financial statements as at 31 December 2010. These condensed consolidated interim financial statements have been reviewed, not audited.

Scope change: As a result of the divestment of the remaining non-Pharma activities (i.e. Surface Specialties) in February 2005, UCB reports the results from those activities as a part of profit from discontinued operations.

Recurring and non-recurring: Transactions and decisions of a one-time nature that affect UCB's results are shown separately, ("non-recurring" items). Besides EBIT (earnings before interest and taxes or operating profit), a line for "recurring EBIT" (REBIT or recurring operating profit), reflecting the 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.

Adjusted net profit: Transactions and decisions of a one-time nature that are impacting UCB's results for both periods under review are highlighted separately ("non-recurring items" and "one-off items"). For like-for-like comparison purposes, a line with "adjusted net profit", reflecting the ongoing after-tax profitability of the biopharmaceutical activities, is included. Adjusted net profit is equal to the line "profit" reported in the consolidated financial statements, adjusted for discontinued operations and the after-tax impact of non-recurring items and one-off items.

Core EPS: The adjusted net profit, as defined above, adding back the after tax amortisation of intangible assets linked to sales, per non-diluted share.

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

1. Net sales by product

€ million	Actual June YTD		Variance %	
	2011	2010	Actual rates	Cst rates
Core products	**285**	**177**	**61%**	**67%**
Cimzia®	143	83	72%	79%
Vimpat®	97	55	76%	83%
Neupro®	45	39	17%	17%
Mature products	**1 216**	**1 254**	**-3%**	**-3%**
Keppra® (includ. Keppra® XR)	507	460	10%	11%
Zyrtec® (includ. Zyrtec-D®/Cirrus®)	166	150	11%	6%
Xyzal®	68	63	7%	2%
Omeprazole	37	31	19%	26%
venlafaxine XR	36	97	-63%	-61%
Nootropil®	36	32	13%	14%
Metadate™ CD	34	29	16%	23%
Tussionex™	24	45	-45%	-42%
Other products	308	347	-12%	-11%
Total net sales	**1 501**	**1 431**	**5%**	**6%**

Net sales amount to € 1 501 million or 5% higher than last year.

Core products

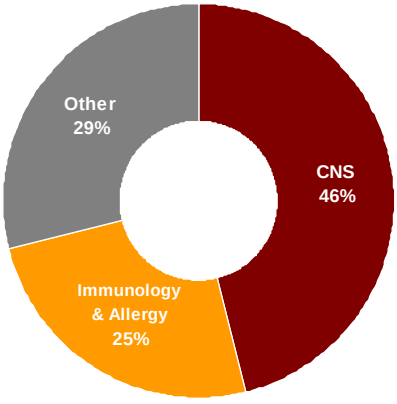
- **Cimzia®** *(certolizumab pegol)*, available in the U.S. (May 2009), in Europe (October 2009) and in Australia (December 2010) for patients suffering from moderately to severely rheumatoid arthritis (RA) and available in the U.S. (April 2008) and Switzerland for Crohn's disease (CD) reached net sales of € 143 million, an increase of € 60 million or 72% compared to last year.

- **Vimpat®** (*lacosamide*), for epilepsy, available in Europe (September 2008), in the U.S. (June 2009) and in Asia (mid 2010) as an add-on therapy for the treatment of partial-onset seizures reached net sales of € 97 million, an increase of 76% compared to last year.
- **Neupro®** (*rotigotine*), for Parkinson's disease and restless legs syndrome (RLS), showed net sales increasing from € 39 million in 2010 to € 45 million in 2011 mostly in European countries.

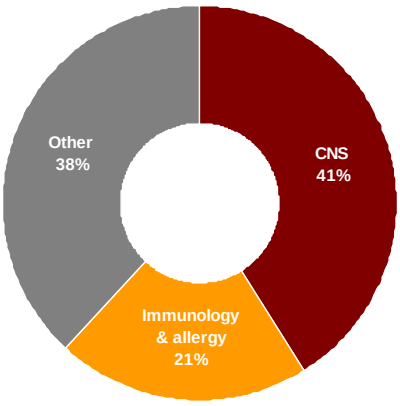
Mature products

- **Keppra®** (*levetiracetam*), for epilepsy, reached net sales of € 507 million (of which € 41 million for Keppra® XR) which is 10% higher than last year. Due to further post-patent expiry erosion in North America (-13%) which was more than compensated by extended market leadership in Europe, benefiting from a delay in generic erosion (+20%) and an increase of 25% in "Rest of World" due to the launch of E Keppra® in Japan (September 2010).
- **Zyrtec®** (*cetirizine*, including Zyrtec®-D/Cirrus®), for allergy, had increased net sales of 11% to € 166 million mainly due to the increase of Japanese sales by 15% through a strong allergic season.
- **Xyzal®** (*levocetirizine),* for allergy, reached net sales of € 68 million, an increase of 7% compared to 2010, mainly due to a strong pollen season in Japan. Xyzal® U.S. sales are not consolidated. UCB's part of the profit-sharing agreement with sanofi-aventis in the U.S. is reported under the line "other revenue".
- ***omeprazole*,** a generic product for hyperacidity disease, reached net sales of € 37 million compared to € 31 million last year.
- ***venlafaxine XR,*** to treat major depressive and social anxiety disorders, reported net sales of € 36 million in the U.S., a decrease of 63% due to the entrance of generic competition (August 2010). UCB holds exclusive rights from Osmotica to market and sell *venlafaxine hydrochloride XR* in the U.S.
- **Nootropil®** (*piracetam*), for cognitive disorders, saw an increase in net sales of 13% from € 32 million to € 36 million.
- **Metadate™ CD** (*methylphenidate HCl*), for attention deficit and hyperactivity disorder, reached net sales of € 34 million, an increase of 16%.
- **Tussionex™** (*hydrocodone polistirex and chlorpheniramine polistirex*), the anti-tussive, made net sales of € 24 million, a decline of 45% compared to last year impacted by further generic competition. Net sales include the generic drug launched by UCB's generic arm in the U.S.
- **Other products**: net sales for other products decreased by 12% from € 347 million to € 308 million, due to product divestments in 2010 and U.S. products facing generic competition.

Net sales - HY 2011 – € 1 501 million



Net sales - HY 2010 – € 1 431 million



2. Net sales by region

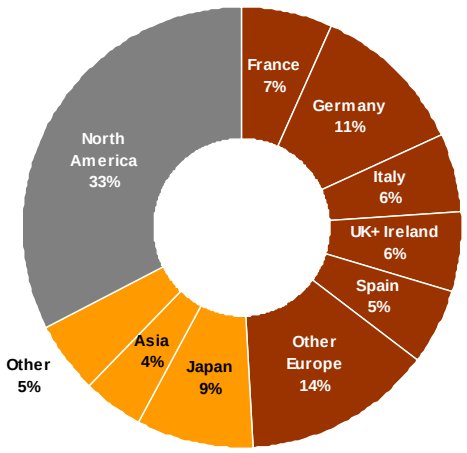
€ million	Actual June YTD		2011 / 2010 variance			
			At actual rates		At constant rates	
	2011	2010	€ million	%	€ million	%
Net sales North America	**482**	**531**	**-50**	**-9%**	**-22**	**-4%**
Core products						
Cimzia®	107	72	34	47%	40	56%
Vimpat®	69	40	29	73%	33	83%
Other products						
Keppra® (including Keppra® XR)	127	146	-18	-13%	-11	-8%
venlafaxine XR	35	96	-61	-63%	-59	-61%
Tussionex™	24	45	-20	-45%	-19	-42%
Other	119	132	-14	-10%	-7	-5%
Net sales Europe [1]	**736**	**661**	**75**	**11%**	**70**	**11%**
Core products						
Cimzia®	34	11	24	227%	23	223%
Vimpat®	27	15	12	79%	12	78%
Neupro®	45	38	6	16%	6	16%
Other products						
Keppra®	333	277	56	20%	55	20%
Xyzal®	42	53	-11	-21%	-12	-22%
Zyrtec® (including Cirrus®)	39	36	3	10%	2	7%
Nootropil®	20	19	1	4%	1	3%
Other	195	211	-16	-8%	-17	-8%
Net sales Rest of World	**275**	**243**	**32**	**13%**	**24**	**10%**
Core products						
Cimzia®	2	0	2	n.s.	2	n.s.
Vimpat®	1	0	1	n.s.	1	n.s.
Neupro®	1	0	1	n.s.	1	n.s.
Other products						
Zyrtec® (including Cirrus®)	124	108	16	15%	10	9%
Keppra®	47	37	9	25%	9	24%
Xyzal®	26	9	16	176%	14	153%
Nootropil®	16	13	3	26%	4	31%
Other	59	76	-16	-22%	-16	-21%
Unallocated	**8**	**- 4**	**12**	**n.s.**	**12**	**n.s.**
Total net sales	**1 501**	**1 431**	**70**	**5%**	**84**	**6%**

[1] The net sales of Russia and Turkey previously reported in Europe were re-classified to Rest of World in 2010

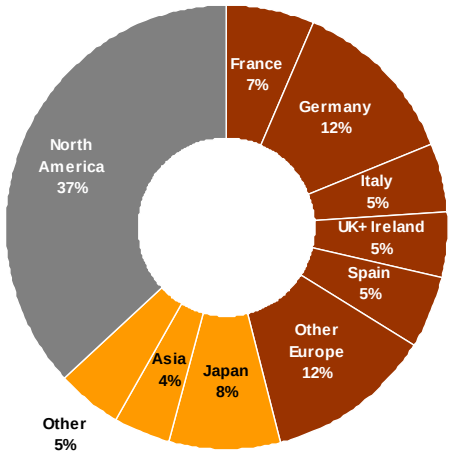
- **North America** net sales reported by UCB reached € 482 million in the first six months of 2011, a decrease by 9% from the year before. At constant currency rates, the decline would have been 4%. Cimzia®, approved since April 2008 in Crohn's disease (CD) and approved since May 2009 for rheumatoid arthritis (RA), reached net sales of € 107 million, compared to € 72 million last year. The antiepileptic drug Vimpat®, available as an add-on therapy for the treatment of partial-onset seizures, was launched in May 2009 and achieved net sales of € 69 million in the first half of 2011, up € 29 million. The Keppra® franchise, after loss of exclusivity late 2008 and partially offset by the launch of Keppra® XR, declined to € 127 million in the first half year 2011, down by 13% year-over-year. *Venlafaxine XR*, decreased by € 61 million to € 35 million. Tussionex™ net sales represented € 24 million, a decrease of 45% compared to last year due to further generic competition since October 2010. The net sales of the other products in this region reached € 119 million, down 10%.

- **Europe** net sales totalled € 736 million in 2011, an increase of 11% compared to 2010. Cimzia® net sales tripled, from € 11 million to € 34 million due to launches in 2010 throughout Europe. Further national launches during 2010 of the anti-epileptic drug Vimpat® contributed € 27 million to net sales, compared to € 15 million in the first half of 2010. Neupro® net sales of € 45 million are up by 16% compared to the previous year for the treatment of Parkinson's disease and restless-legs-syndrome. Keppra® net sales represented € 333 million, an increase of 20% compared to the same period of last year, benefiting from a delay in generic erosion. The allergy drug Xyzal® decreased 21% due to the entrance of generic competition in Europe, while the net sales of Zyrtec® slightly increased to a level of € 39 million. Nootropil® remained stable and accounted for € 20 million of Europe net sales. All other products contributed € 195 million to European net sales, a reduction of 8% versus the previous year**.**
- **"Rest of World"** net sales amounted to € 275 million in 2011, an increase of 13%, mainly related to a strong allergy season and E Keppra® in Japan. Zyrtec® and Xyzal® contributed € 150 million, of which € 121 million in Japan. Market leading Keppra® net sales grew 25 % year-over-year mainly due to E Keppra®. All core products Cimzia®, Vimpat® and Neupro® are available in the "Rest of World".

Net sales - HY 2011 - € 1 501 million



Net sales - HY 2010 - € 1 431 million



3. Royalty income and fees

€ million	Actual June YTD		Variance %	
	2011	2010	Actual rates	Cst rates
Biotechnology IP	54	50	7%	5%
Toviaz®	17	22	-24%	-24%
Zyrtec® U.S.	14	9	54%	63%
Other	11	26	-53%	-54%
Royalty income and fees	**96**	**107**	**-10%**	**-10%**

Royalty income and fees for the first half of 2011 amounted to € 96 million, down by € 11 million or 10% compared to the same period last year. Biotechnology intellectual property (IP) royalties reached € 54 million or an increase of 7%, although the net variation in royalties decreased with 9% (See royalty expenses reported as part of cost of sales). The royalties paid by Pfizer for the overactive bladder treatment Toviaz® (*fesoterodine*) decreased by 24% to € 17 million. Zyrtec® U.S. royalty income received on the over-the-counter sales amounted to € 14 million in June 2011 compared to € 9 million in the same period last year. The other royalty income decreased by € 15 million mainly in the U.S. market, due to the divestment of smaller products in 2010 and generic competition.

4. Other revenue

€ million	Actual June YTD		Variance %	
	2011	2010	Actual rates	Cst rates
Contract manufacturing sales	43	48	-11%	-10%
Provas™ and other profit sharing	19	15	29%	29%
Otsuka	6	8	-31%	-31%
Xyzal® U.S. profit sharing	3	17	-84%	-83%
Equasym® sales milestones	0	9	n.s.	n.s.
Other	11	9	-27%	-25%
Other revenue	**82**	**106**	**-22%**	**-21%**

Other revenue for the first half of 2011 amounted to € 82 million, down 22%. Contract manufacturing sales decreased to € 43 million, 11% lower compared to the same period last year. Contract manufacturing sales is for a major part related to the agreements with GSK announced in 2009. The profit-sharing agreement with Novartis on the cardiovascular drug Provas™, Jalra® and Icandra® in Germany represents € 19 million, up by 29%. The 2011 Otsuka-related other revenue pertains to the reimbursement of R&D expenses recognised as part of the agreements entered into by Otsuka and UCB in June 2008 for E Keppra® and Cimzia® in Japan. Profit-sharing with sanofi-aventis on Xyzal® in the U.S. generated € 3 million, down 84% due to generic entry in December 2010 and changed contractual terms. Since 1 March 2010, sanofi-aventis U.S. assumes all of the commercialisation responsibility for Xyzal®. UCB continues to receive a percentage of Xyzal® profits, however at a lower rate than before. UCB did not receive sales milestones related to Equasym® in the first half of 2011, the agreement with Shire was announced in February 2009.

5. Gross profit

€ million	Actual June YTD		Variance %	
	2011	2010	Actual rates	Cst rates
Revenue	**1 679**	**1 644**	**2%**	**3%**
Net sales	1 501	1 431	5%	6%
Royalty income	96	107	-10%	-10%
Other revenue	82	106	-22%	-21%
Cost of sales	**-521**	**-546**	**-5%**	**-4%**
Cost of sales products and services	-372	-375	-1%	-1%
Royalty expenses	-70	-85	-18%	-16%
Amortisation of intangible assets linked to sales	-79	-86	-8%	-9%
Gross profit	**1 158**	**1 098**	**5%**	**7%**
of which				
Products and services	1 211	1 163	4%	5%
Net royalty income	26	22	18%	12%
Amortisation of intangible assets linked to sales	-79	-86	-8%	-9%

Gross profit of € 1 158 million is 5% higher than in first half 2010 following the increase of net sales and lower cost of sales.

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

- **Cost of sales for products and services**: the cost of sales for products and services decreased by € 3 million from € 375 million in 2010 to € 372 million in 2011. This reduction is a combined result of improved industrial efficiencies on yield and discards, consolidation of external partners and improvements in the biotech production.
- **Royalty expenses**: royalties paid-out decreased from € 85 million in 2010 to € 70 million in 2011, mainly due to increasing royalties relating to Cimzia® and Vimpat® more than compensated by lower expenses due to the generic competition of *venlafaxine hydrochloride XR* of which UCB holds exclusive rights from Osmotica to market and sell in the U.S.

€ million	Actual June YTD		Variance %	
	2011	2010	Actual rates	Cst rates
Biotechnology IP	-21	-14	49%	49%
Other	-49	-71	-31%	-29%
Royalty expenses	**-70**	**-85**	**-18%**	**-16%**

- **Amortisation of intangible assets linked to sales**: under IFRS 3 (*Business Combinations*), UCB has reflected on its balance sheet a significant amount of intangible assets relating to the Celltech and Schwarz Pharma acquisitions (in-process Research and Development, manufacturing know-how, royalty streams, trade-names, etc.). The amortisation expenses of the intangible assets for which products have already been launched amounted € 79 million in half-year 2011, compared to € 86 million in half-year 2010, is € 7 million lower compared to the same period of 2010 due to the impairment of Toviaz® in December 2010.

6. Recurring EBIT and recurring EBITDA

€ million	Actual June YTD		Variance %	
	2011	2010	Actual rates	Cst rates
Revenue	**1 679**	**1 644**	**2%**	**3%**
Net sales	1 501	1 431	5%	6%
Royalty income and fees	96	107	-10%	-10%
Other revenue	82	106	-22%	-21%
Gross profit	**1 158**	**1 098**	**5%**	**7%**
Marketing and selling expenses	-405	-405	0%	1%
Research and development expenses	-337	-320	6%	7%
General and administrative expenses	-91	-98	-7%	-6%
Other operating income/expenses (-)	-6	-7	-27%	-28%
Total operating expenses	**-839**	**-830**	**1%**	**2%**
Recurring EBIT (REBIT)	**319**	**268**	**19%**	**22%**
Add: Amortisation of intangible assets	91	94	-3%	-4%
Add: Depreciation charges	33	37	-9%	-11%
Recurring EBITDA (REBITDA)	**443**	**398**	**11%**	**13%**

Operating expenses, encompassing marketing and selling expenses, research and development expenses, general and administrative expenses and other operating income/expenses, reached € 839 million in first half 2011 compared to € 830 million in the interim period last year, € 9 million higher, reflecting:

- € 17 million higher research and development expenses due to ongoing life cycle development for Cimzia®, Vimpat®, Neupro®, E Keppra® and certain other projects that are on fast track
- € 7 million lower general and administrative expenses,
- € 1 million lower other operating income/expenses (-) mainly as a reclassification of amortisation related to non-production intangibles.

Recurring EBIT is up by 19% to € 319 million due to the higher net sales and lower cost of goods sold.

Recurring EBITDA is up by 11% to € 443 million or an increase of € 45 million compared to 2010, reflecting the increase in revenue and gross profit.

7. Net profit, adjusted net profit and core earnings

€ million	Actual YTD June		Variance %	
	2011	2010	Actual rates	Cst rates
Recurring EBIT	**319**	**268**	**19%**	**22%**
Impairment charges	-6	-5	20%	20%
Restructuring expenses	-3	-19	-86%	-86%
Other non recurring income/expenses (-)	-5	28	-120%	-119%
Total non recurring income/expenses (-)	-14	4	n.a.	n.a.
EBIT (operating profit)	**305**	**272**	**12%**	**15%**
Net financial expenses	-63	-83	-24%	-22%
Profit before income taxes	**242**	**189**	**28%**	**31%**
Income tax expenses	-44	-42	6%	7%
Profit from continuing operations	**198**	**147**	**34%**	**37%**
Add: Profit from discontinued operations	1	1	n.s.	n.s.
Net profit	**199**	**148**	**34%**	**37%**
Less: After-tax non-recurring items and financial one-offs	5	4	21%	15%
Less: Profit from discontinued operations	-1	-1	n.s.	n.s.
Adjusted net profit (after non-controlling interests)	**203**	**151**	**34%**	**36%**
Add: After-tax amortisation of intangibles assets linked to sales	55	59	-8%	-9%
Core net profit	**258**	**211**	**23%**	**24%**
Weighted average number of shares (non-diluted) in million	179.5	180.1		
Core EPS (€)	**1.44**	**1.17**	**23%**	**25%**

- **Total non-recurring income/expenses (-)** amounted to € 14 million pre-tax expense, including € 4 million impairment of SYN-118, € 3 million severance costs and € 5 million other non-recurring expenses mainly related to additional amortization and depreciation.

  The 30 June 2010 non-recurring income/expenses (-) include € 5 million impairment of Mylotarg®, € 19 million restructuring expenses mainly related to the restructuring of the Primary Care Products business in Japan and Turkey compensated by an income of € 28 million related to the divestment of small businesses.

- **Net financial expenses** were € 63 million compared to € 83 million in 2010, a decrease of € 20 million due to lower interest rates, and the termination of hedge-accounting on interest rate derivatives in 2010. The first half of 2010 also included an expense of € 7 million one-off revocation of the cash-settlement option related to the convertible bond.

- The average **tax** rate on recurring activities is 21% in the first half of 2011 compared to 22% in the same period of last year.

- **Net profit** after minority interest for the first half year reached € 199 million, i.e. € 51 million higher than prior year.

- Adjusting for the after-tax impact of non-recurring items and financial one-offs and for the after-tax contribution from discontinued operations, **adjusted net profit** reached € 203 million, which is 34% above the € 151 million of adjusted net profit for half-year 2010.

- **Core EPS** (earnings per share), which reflect the after tax effect of non-recurring items, financial one-offs, and the amortisation of intangibles increased from € 1.17 in June 2010 to € 1.44 as per end June 2011, based on 179.5 million weighted average number of shares in June 2011 (June 2010: 180.1 million).

8. Balance sheet (see balance sheet section hereafter)

- **Intangible assets:** further to the ongoing amortisation of the intangible assets related to the acquisition of Celltech in 2004 and Schwarz Pharma in 2006 (€ 72 million), the impact of the weaker U.S. dollar and British pound, intangible assets decreased by € 125 million from € 1 641 million at 31 December 2010 to € 1 516 million at 30 June 2011.

- **Goodwill**: a € 200 million decrease in goodwill between 31 December 2010 and 30 June 2011 reflects the impact of the decreasing U.S. dollar and British pound.
- **Other non-current assets**: other non-current assets decreased by € 21 million, from € 879 million to € 858 million, mainly driven by the decrease in the derivative financial instruments, offset by the increase in the WILEX and Biotie Therapies investment measured at fair value.
- **Current assets**: the decrease from € 1 731 million as of 31 December 2010 to € 1 616 million as of 30 June 2011 reflects an increase in the trade receivables, lower cash and the completion of the assets-held-for sale related to Aesica.
- **Shareholders' equity**: UCB's shareholders' equity, at € 4 753 million, increased by € 161 million between 31 December 2010 and 30 June 2011. Equity increased by the amount of net profit after non-controlling interest (€ 199 million), the perpetual bond (€ 295 million) and the fair value adjustments related to the derivative financial instruments and the available for sale financial assets (€ 15 million) recognised in equity, share based payments (€ 7 million), and decreased by the cumulative translation adjustments due to the weaker U.S. dollar and British pound (€ 128 million), the dividend to the shareholders of the perpetual bond (€ 7 million) and by € 177 million as the result of dividends declared on the 2010 results.
- **Non-current liabilities**: the decrease in non-current liabilities from € 2 524 million to € 2 473 million stems from a lower derivative financial instruments and use of provisions.
- **Current liabilities**: the decrease in current liabilities from € 1 853 million to € 1 282 million is mainly related to the repayment of the revolving credit facility and lower trade and other liabilities.
- **Net debt**: the net debt of € 1 418 million, a decrease of € 107 million compared to € 1 525 million as per end December 2010, mainly due to the increase of the underlying net profitability and the perpetual bond which compensated the dividend payment on the 2010 results, the acquisition of own shares and the repayment of the revolving credit facility.

9. Cash flow statement (see cash flow section hereafter)

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

- The decrease in **cash flow from operating activities** from € 139 million in the first half of 2010 to € 78 million in the same period of 2011 is resulting from an increase in underlying net profitability, offset by higher trade receivables, further payments related to previous years' announced restructuring and other provisions, a decrease of the trade and other payables, this was impacted by one-time items.
- The decrease in **cash flow from investing activities** from € 17 million in the first six months of 2010 to € 50 million in the corresponding period of 2011 is showing the higher spending in tangible and intangible assets in the first half of 2011.
- The decrease in the **cash flow from financing activities** to € -184 million is deriving from the payment of the dividend relating to the 2010 results amounted to € 176 million out of the € 180 million declared, the purchase of treasury shares, the repayment of short-term debt, partially compensated by the issuing of a hybrid bond.

10. Risks

In accordance with Article 13 § 5 of the Belgian Royal Decree of 14 November 2007, UCB states that the fundamental risks confronting the Company are materially unchanged from those described on the pages 97 – 100 of the 2010 Annual Report. On a regular basis, the Board of Directors and the Chief Operating Decision Makers, being the Executive Committee, evaluate the business risks that confront UCB.

11. Outlook 2011: Outlook adjusted

UCB's financial results in 2011 are expected to be driven by the continued growth of Cimzia®, Vimpat® and Neupro® as well as by the effects of the patent expiries for Keppra®. Based on the half year financial report and the company's expectations for the remainder of the financial year 2011, revenue 2011 is anticipated at approximately € 3.1 billion. Recurring EBITDA and core EPS are expected at the upper end of the range € 650 - 680 million and € 1.60 -1.70 respectively.

Condensed consolidated income statement

For the six months ended 30 June € million	Note	2011 Reviewed	2010 Reviewed
Continuing operations			
Net sales	3	1 501	1 431
Royalty income		96	107
Other revenue		82	106
Revenue		**1 679**	**1 644**
Cost of sales		-521	-546
Gross profit		**1 158**	**1 098**
Marketing and selling expenses		-405	-405
Research and development expenses		-337	-320
General and administrative expenses		-91	-98
Other operating income/expenses (-)	6	-6	-7
Operating profit before impairment, restructuring and other income and expenses		**319**	**268**
Impairment of non-financial assets	7	-6	-5
Restructuring expenses	8	-3	-19
Other income/expenses (-)	9	-5	28
Operating profit		**305**	**272**
Financial income	*	42	54
Financing costs	*	-105	-137
Profit before income taxes		**242**	**189**
Income tax expense	10	-44	-42
Profit for the period from continuing operations		**198**	**147**
Discontinued operations			
Profit for the period from discontinued operations	11	1	1
Profit for the period		**199**	**148**
Attributable to:			
Equity holders of UCB S.A.		199	150
Non-controlling interests		0	-2
Earnings per share for profit attributable to the equity holders of the Company during the period			
• **basic**	**	**1.10**	**0.82**
• **diluted**	***	**1.04**	**0.81**

* The net foreign exchange loss was re-classed from Financial income to Financing costs in the June 2010 Condensed consolidated income statement

** The weighted average number of shares in issue during the interim period, for the purposes of the basic earnings per share calculation, is 179 507 737 (2010: 180 101 429).

*** The weighted average number of shares during the interim period, for the purposes of the diluted earnings per share calculation, is 197 037 749 (2010: 197 142 174).

Condensed consolidated statement of comprehensive income

For the six months ended 30 June € million	Note	**2011** **Reviewed**	2010 Reviewed
Profit for the period		**199**	**148**
Other comprehensive income			
Net gain/loss (-) on available for sale financial assets	12	2	6
Income tax		0	0
		2	6
Exchange differences on translation of foreign operations		-128	303
Effective portion of gains/losses (-) on cash flow hedges	12	13	-55
Income tax		0	0
		13	-55
Net gain/loss (-) on hedge of net investment in foreign operation	12	0	0
Income tax		0	0
		0	0
Other comprehensive income/loss (-) for the period, net of tax		**-113**	**254**
Total comprehensive income for the period, net of tax		**86**	**402**
Attributable to:			
Equity holders of UCB S.A.		86	402
Non-controlling interests		-1	0
Total comprehensive income for the period, net of tax		85	402

Condensed consolidated statement of financial position

€ million	Note	30 June 2011 Reviewed	31 December 2010 Audited
ASSETS			
Non-current assets			
Intangible assets	13	1 516	1 641
Goodwill		4 518	4 718
Property, plant and equipment	14	500	505
Deferred income tax assets		198	217
Employee benefits		22	18
Investments in associates		0	16
Financial and other assets (including derivative financial instruments)	15	138	123
Total non-current assets		**6 892**	**7 238**
Current assets			
Inventories	16	436	434
Trade and other receivables		766	705
Income tax receivables		4	9
Financial and other assets (including derivative financial instruments)		69	61
Cash and cash equivalents		341	494
		1 616	**1 703**
Assets of disposal group classified as held for sale	17	0	28
Total current assets		**1 616**	**1 731**
Total assets		**8 508**	**8 969**
EQUITY AND LIABILITIES			
Equity			
Capital and reserves attributable to UCB shareholders	18, 19	4 752	4 590
Non-controlling interests		1	2
Total equity		**4 753**	**4 592**
Non-current liabilities			
Borrowings	20	43	32
Bonds	21	1 683	1 683
Other financial liabilities (including derivative financial instruments)		31	43
Deferred income tax liabilities		298	316
Employee benefits		108	105
Provisions	22	199	218
Trade and other liabilities		111	127
Total non-current liabilities		**2 473**	**2 524**
Current liabilities			
Borrowings	20	37	308
Other financial liabilities (including derivative financial instruments)		47	79
Provisions	22	57	92
Trade and other liabilities		1 015	1 172
Income tax payables		126	198
		1 282	**1 849**
Liabilities of disposal group classified as held for sale		**0**	4
Total current liabilities		**1 282**	**1 853**
Total liabilities		**3 755**	**4 377**
Total equity and liabilities		**8 508**	**8 969**

Condensed consolidated statement of cash flows

For the six months ended 30 June € million	2011 Reviewed	2010 Reviewed
Profit attributable to equity holders of UCB S.A.	**199**	**150**
Non-controlling interest	-1	-2
Depreciation of property, plant and equipment	30	33
Amortisation of intangible assets	97	94
Impairment of non-financial assets	6	5
Loss/gain (-) on disposals of property, plant and equipment	0	0
Loss/gain (-) on disposals other than property, plant and equipment	0	-24
Equity settled share-based payment expense	1	-1
Profit from discontinued operations	-1	-1
Profit from disposed operations, other than discontinued operations	0	0
Net interest income (-)/expense	65	84
Net non-cash financing costs	115	-179
Financial instruments – change in fair value	-38	36
Dividend income	0	0
Income tax expense	44	42
Cash flows from operating activities before changes in working capital, provisions and employee benefits	**517**	**237**
Decrease/increase (-) in inventories	-11	14
Decrease/increase (-) in trade and other receivables and other assets	-75	134
Increase/decrease (-) in trade and other payables	-154	-78
Net movement in provisions and employee benefits	-42	-47
Net cash generated from operating activities	**235**	**260**
Interest received	20	13
Interest paid	-61	-63
Income taxes paid	-116	-71
CASH FLOWS FROM OPERATING ACTIVITIES	**78**	**139**
Acquisition of intangible assets	-23	-9
Acquisition of property, plant and equipment	-36	-13
Acquisition of subsidiaries, net of cash acquired	-3	0
Acquisition of other investments	0	-5
Proceeds from sale of intangible assets	2	0
Proceeds from sale of property, plant and equipment	2	2
Proceeds from sale of businesses, net of cash disposed	8	0
Proceeds from sale of other investments	0	8
Dividends received	0	0
CASH FLOWS FROM INVESTING ACTIVITIES	**-50**	**-17**
Proceeds from borrowings	307	1 130
Repayment of borrowings	-566	-682
Payment of finance lease liabilities	-1	-1
Proceeds from issuance of perpetual subordinated bonds	295	0
Purchase of treasury shares	-42	0
Dividend paid to UCB shareholders net of dividend paid on own shares	-176	-172
CASH FLOWS FROM FINANCING ACTIVITIES	**-184**	**275**
CASH FLOWS FROM DISCONTINUED OPERATIONS	**0**	**0**
NET INCREASE/DECREASE (-) IN CASH AND CASH EQUIVALENTS	**-156**	**397**
Cash and cash equivalents less bank overdrafts at 1 January	478	466
Effect of exchange rate fluctuations	0	7
CASH AND CASH EQUIVALENTS LESS BANK OVERDRAFTS AT 30 JUNE	**322**	**870**

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2011

€ million	Attributed to equity holders of UCB S.A.											
	Share capital and share premium	Hybrid Capital	Treasury shares	Retained earnings	Other reserves	Cumulative translation adjustments	Available for sale financial assets	Cash flow hedges	Net investment hedge	Total	Non-controlling interests	Total stockholders' equity
Balance at 1 January 2011	**2 151**		**-125**	**2 568**	**280**	**-342**	**1**	**2**	**55**	**4 590**	**2**	**4 592**
Profit for the period				199						199		199
Other comprehensive income/loss (-)						-128	2	13		-113	-1	-114
Total comprehensive income				199		-128	2			86	-1	85
Dividends				-177						-177		-177
Share-based payments				7						7		7
Transfer between reserves												
Treasury shares			-42							-42		-42
Issuance of perpetual subordinated bonds		295								295		295
Dividend to shareholders of perpetual subordinated bonds				-7						-7		-7
Balance at 30 June 2011 (reviewed)	**2 151**	**295**	**-167**	**2 590**	**280**	**-470**	**3**	**15**	**55**	**4 752**	**1**	**4 753**

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2010

€ million	Attributed to equity holders of UCB S.A.										
	Share capital and share premium	Treasury shares	Retained earnings	Other reserves	Cumulative translation adjustments	Available for sale financial assets	Cash flow hedges	Net investment hedge	Total	Non-controlling interests	Total stockholders' equity
Balance at 1 January 2010	**2 151**	**-125**	**2 630**	**232**	**-523**	**0**	**-5**	**55**	**4 415**	**2**	**4 417**
Profit for the period			150						150	-2	148
Other comprehensive income/loss (-)					303	6	-55		254		254
Total comprehensive income			150		303	6	55		404	-2	402
Dividends			-173						-173		-173
Share-based payments			7						7		7
Transfer between reserves		7	-7						0		0
Treasury shares		-7							-7		-7
Equity component linked to Convertible Bond				49					49		49
Balance at 30 June 2010 (reviewed)	**2 151**	**-125**	**2 607**	**281**	**-220**	**6**	**-60**	**55**	**4 695**	**0**	**4 695**

Notes to the condensed consolidated interim financial statements

1. General information

UCB S.A, the parent company, (hereafter "UCB" or "the Company") is a limited liability company incorporated and domiciled in Belgium. These condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2011 (hereafter "the interim period") comprise the Company and its subsidiaries (together referred to as "the Group").

UCB S.A. is listed on Euronext Brussels. The Group is a global biopharmaceutical company focusing on severe diseases in two therapeutic areas – CNS and Immunology. UCB also has a selective presence in primary care.

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on 28 July 2011.

These condensed consolidated interim financial statements have been reviewed, not audited.

The consolidated financial statements of the Group as at and for the year ended 31 December 2010 are available upon request from the Company's registered office at 60, Allée de la Recherche, B-1070 Brussels, Belgium, or at www.ucb.com/investors/calendar/2010 .

2. Summary of significant accounting policies

2.1. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 (Interim Financial Reporting) as adopted by the European Union.

These interim consolidated financial statements do 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 2010.

The preparation of the condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of revenue and expenses during the reporting period. If in the future such estimates and assumptions, which are based on management's best estimates and judgement, deviate from the actual circumstances, the original estimates and assumptions will be modified and the effects of the revisions will be reflected in the period in which the circumstances change.

The consolidated financial statements are presented in euro and all values are rounded to the nearest million except when otherwise indicated.

2.2. Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2010.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2011, but are not currently relevant for the Group (as they did not have any impact on the financial position or performance of the Group):

- **IAS 24** (Amendment), *Related Party Transactions*.
- **IAS 32** (Amendment), *Financial instruments: Presentation – Classification of rights issues*.
- 2010 Annual Improvements to IFRSs.
- **IFRIC 14**, (Amendment), *Prepayments of a Minimum Funding Requirement*.
- **IFRIC 19**, *extinguishing financial liabilities with Equity instruments*

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective in 2011.

2.3. Exchange rates

The following important exchange rates were used in preparing these condensed consolidated interim financial statements:

Equivalent of € 1	Closing rate		Average rate	
	2011	2010	**2011**	2010
USD	1.451	1.337	1.402	1.324
JPY	116.900	108.460	114.871	120.919
GBP	0.903	0.857	0.868	0.869
CHF	1.222	1.248	1.270	1.435

The closing rates represent spot rates as at 30 June 2011 and 31 December 2010, while the average rates represent averages over the first six months of the year.

3. Segment reporting

The Group's activities are in one segment, Biopharmaceuticals. There are no other significant classes of business, either singularly or in aggregate. The Chief Operating Decision Makers, being the Executive Committee, review the operating results and operating plans, and make resource allocation decisions on a company-wide basis, therefore UCB operates as one segment. Enterprise-wide disclosures about product sales, geographic areas and revenues from major customers are presented below:

3.1. Product sales information

Net sales consist of the following:

For the six months ended 30 June € million	**2011** **Reviewed**	2010 Reviewed
Keppra® (includ. Keppra® XR)	507	460
Zyrtec® (includ. Zyrtec-D®/Cirrus®)	166	150
Cimzia®	143	83
Vimpat®	97	55
Xyzal®	68	63
Neupro®	45	39
venlafaxine XR	36	97
omeprazole	37	31
Nootropil®	36	32
Metadate™ CD	34	29
Tussionex™	24	45
Other products	308	347
Total net sales	**1 501**	**1 431**

3.2. 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	**2011** **Reviewed**	2010 Reviewed
North America	482	531
Germany	173	179
France	99	92
Italy	89	72
Spain	82	75
UK and Ireland	85	66
Belgium	21	22
Rest of world	470	394
Total Net Sales	**1 501**	**1 431**

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

	Property, plant and equipment	
For the six months ended 30 June € million	**2011** **Reviewed**	2010 Audited[1]
Belgium	204	198
North America	91	98
U.K. and Ireland	86	91
Germany	24	24
France	2	2
Italy	0	0
Spain	2	2
Rest of world	91	90
Total	**500**	**505**

3.3. Information about major customers

UCB has one customer which individually account for more than 10% of total net sales at the end of June 2011 (2010: one large customer).

In the U.S., sales to three wholesalers accounted for approximately 83% of US sales (2010: 82%).

4. Seasonality of operations

The Group's revenue in the Biopharmaceutical segment is somewhat seasonal. The revenue derived from the Allergy franchise fluctuates as a result of the severity of the different pollinic seasons in the various geographic areas where it operates.

However, on a consolidated basis, the different effects show no systematic or easily predictable seasonal pattern.

[1] The reporting date for the comparative period is 31 December 2010

5. Group organisation and significant events/transactions

During the interim period, no significant changes were made to the composition of the Group, except for the following:

- During the course of 2010, UCB held an investment in Synosia Therapeutics Holdings AG (hereafter referred to as 'Synosia') which was recognised as an investment in an associate. During 2011, Synosia was acquired by Biotie Therapies and therefore the Group relinquished its investment in Synosia in exchange for a shareholding in Biotie Therapies. This new investment has been classified as an available for sale financial asset (refer to Note 15 for more details) since the Group does not have significant influence over Biotie Therapies.
- There were no business combinations during the period. In March 2011, the acquisition of UCB's manufacturing businesses in Germany and Italy by Aesica was completed. Notes 8 and 11 provide further information on discontinued operations and restructuring activities.
- On 8 March 2011, UCB S.A. completed the placement of € 300 million perpetual subordinated bonds (the "bonds"). The perpetual subordinated bonds were issued at 99.499% and offer investors a coupon of 7.75% per annum during the first five years. The bonds are un-dated however UCB will have a right to redeem the bonds on the 5th anniversary of their issue, in 2016 and each quarter thereafter. Refer to Note 18.2 for further details.

6. Other operating income and expenses

Other operating income/expenses (-) amounted to € 6 million expenses in the interim period (2010: € 7 million expenses) mainly as a reclassification of amortisation related to non-production intangibles.

7. 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 recognised. Impairment losses recognised in previous interim periods for certain financial assets are not reversed.

In the first half of 2011, management reviewed the non-financial assets (including intangible assets and goodwill) for impairment on the basis of external and internal indicators, and concluded that impairment charges of € 6 million of which € 4 million related to SYN-118 should be recognised in the interim period (2010: € 5 million mainly on the Mylotarg® intangible).

8. Restructuring expenses

Restructuring expenses amounting to € 3 million (2010: € 19 million) were attributable to severance costs. The June 2010 expenses were related to the restructuring of the primary care products in Japan and Turkey.

9. Other income and expense

Other income/expenses (-) amounted to € 5 million expense in 2011 (2010: € 28 million income) and is mainly the result of additional amortization and depreciation. The income in 2010 was mainly related to the disposal of small businesses other than discontinued operations.

10. Income tax expense

The income tax expense for the six months ended 30 June 2011 is accrued using the tax rate that would be applicable to expected total annual earnings, being an estimated average annual effective income tax rate applied to the pre-tax income at 30 June.

For the six months ended 30 June € million	**2011** **Reviewed**	2010 Reviewed
Current income taxes	-41	-91
Deferred income taxes	-3	49
Total income tax expense	**-44**	**-42**

The Group's consolidated effective tax rate in respect of continuing operations for the six months is 18.3% (2010: 22.2%).

The Group's effective tax rate excluding the tax impact on the one-off impairment of non-financial assets, restructuring expenses and capital gains amounts to 20.6% (2010: 22.0%).

11. Discontinued operations

The profit from discontinued operations of € 1 million (20010: € 1 million) arose due to the partial reversal of provisions related to the legacy chemicals activities of the Group.

12. Components of other comprehensive income

For the six months ended 30 June € million	**2011** **Reviewed**	2010 Reviewed
Available for sale financial assets:		
Gain/loss (-) arising during the year	2	6
Less: Reclassification adjustment for gain/loss (-) included in the income statement	0	0
	2	6
Cash flow hedges:		
Gain/loss (-) arising during the year	13	-60
Less: Reclassification adjustment for gain/loss (-) included in the income statement	0	-5
	13	-55
Net investment hedge:		
Gain/loss (-) arising during the year	0	0
Less: Reclassification adjustment for gain/loss (-) included in the income statement	0	0
	0	0

13. Intangible assets

During the period, the Group spent approximately € 6 million (2010: € 3 million) acquiring intangible assets through in-licencing deals. Additionally, the Group capitalised € 17 million (2010: € 6 million) of software development costs.

In the first half of the year, the Group recognised total impairment charges of € 6 million (2010: € 5 million) on its intangible assets. The impairment charges are detailed in Note 7 and have been presented in the income statement under the caption 'impairment of non-financial assets'.

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

The amortisation charge for the period amounted to € 97 million (2010: € 94 million).

14. Property, plant and equipment

During the period, the Group spent approximately € 36 million (2010: € 13 million) in acquiring new property, plant and equipment, including capital expenditure on the construction of a biological plant in Belgium.

The Group also disposed of various property, plant and equipment with a carrying amount of approximately € 2 million (2010: € 2 million).

After the review of the property, plant and equipment for an indication of impairment, € 0 million (2010: € 0 million) of impairment charges was assessed for the period.

The depreciation charge for the period amounted to € 30 million (2010: € 33 million).

During the six months ended 30 June 2011, no borrowing costs were capitalised since there were no qualifying assets included in 'assets under construction' during the interim period.

15. Financial and other assets

Non-current financial and other assets amounted to € 138 million at 30 June 2011 (2010: € 123 million).

On 12 October 2010, UCB SA announced a strategic partnership with Synosia Therapeutics Holding AG (hereafter referred to as 'Synosia') wherein UCB acquired a license for exclusive, worldwide rights to SYN-115, for the treatment of Parkinson's disease, and an option to rights to, SYN-118, for non-orphan indications. Under the agreement, UCB made an equity investment totalling US$ 20 million in Synosia.

On 11 January 2011, Biotie Therapies (hereafter referred to as 'Biotie') announced the acquisition of Synosia. Biotie is a specialised drug development company focused on central nervous system and inflammatory diseases based in Turku, Finland. Its shares are listed on NASDAQ OMX Helsinki Ltda. As a result of the acquisition, UCB relinquished its investment in Synosia in exchange for an equity position of 9.5% in Biotie, previously 20% of Synosia. The total investment in Biotie amounts to € 20 million at the end of the period.

On 10 June 2010, UCB has strengthened its early pipeline alliance with WILEX AG. The total investment in WILEX amounts to € 14 million (2010: € 14 million) or 15.38% of the total shareholding.

The investments in WILEX and Biotie are financial assets that have been classified as available for sale and measured at fair value upon initial recognition. An increase in fair value related to the investment in Synosia, amounting to € 2 million at 30 June 2011, is recognised in other comprehensive income (refer to note 12).

The overall increase is mainly attributable to the re-classification of the previously mentioned investment in Synosia from an investment in an associate to financial and other assets.

16. Write-down of inventories

Included in cost of sales for the six months ended 30 June 2011 is an amount of € 8 million (2010: € 28 million) in respect of allowances recognised to reduce the carrying amount of inventories to their net realisable value.

17. Non-current assets held for sale

There are no non-current assets held for sale as per 30 June 2011 (2010: € 28 million and was mainly the result of the disposal of small businesses other than discontinued operations).

18. Capital and reserves

18.1. Share capital and share premium

The issued share capital of the Company amounted to € 550 million at 30 June 2011 (2010: € 550 million), represented by 183 365 052 shares (2010: 183 365 052 shares).

The Company's shares have no par value. At 30 June 2011, 72 410 764 shares (2010: 72 422 921) were registered and 110 954 288 (2010: 110 942 131) were bearer/dematerialised shares. The holders of UCB shares are entitled to receive dividends as declared and are also entitled to one vote per share at the Shareholders' meeting of the Company. There is no authorised, unissued share capital.

18.2. Hybrid capital

On 8 March 2011, UCB S.A. completed the placement of € 300 million perpetual subordinated bonds (the "bonds"). The perpetual subordinated bonds, which qualify as 'Equity' instruments for the Group under IAS32: Financial Instruments Presentation, were issued at 99.499% and offer investors a coupon of 7.75% per annum during the first five years. The bonds are un-dated however UCB will have a right to redeem the bonds on the 5th anniversary of their issue, in 2016 and each quarter thereafter. The bonds are listed on the Luxembourg Stock Exchange.

Accordingly, interest is not presented as interest expenses in the income statement but accounted for corresponding to the accounting for dividends to the shareholders, that is within the Statement of Changes in Equity. Any transaction costs are deducted from the Hybrid capital, taking tax effects into account.

Hybrid capital amounted to € 295 million as per end June 2011. The € 7 million dividend to shareholders of the perpetual subordinated bonds are accounted for in the retained earning.

18.3. Treasury shares

The Group acquired 1 114 259 shares (2010: 233 740 shares) of UCB S.A. for a total amount of € 37 million (2010: € 7 million) and issued 25 280 treasury shares (2010: 236 839 treasury shares) for a total amount of € 1 million (2010: € 7 million) in the first half of the year. The Group retained 4 254 529 treasury shares at 30 June 2011 (2010: 3 165 952 shares). The treasury shares have been acquired in order to honour the exercise of stock options and share awards granted to the Board of Directors and certain categories of employees.

In the first half of 2011, UCB S.A. purchase 800 000 options for a total premium of € 6 million.

18.4. Other reserves

Other reserves amounted to € 280 million (2010: € 281 million) and consists of the following items:

- the IFRS acquisition value surplus that arose during the Schwarz Pharma business combination for € 232 million and;
- the equity component linked to the convertible bond for € 48 million (2010: € 49 million) as a result of UCB's decision to revoke the cash settlement option linked to the convertible bond.

18.5. Cumulative translation adjustments

The cumulative translation adjustments reserve represents the cumulative currency translation differences arising upon consolidation of Group companies that use functional currencies other than the euro.

19. Dividends

The Board of Directors' proposal of a gross dividend of € 0.98 per share (2010: € 0.96 per share) or € 180 million (2010: € 176 million) for the business year 2010 was approved by the UCB shareholders at their annual general meeting on 28 April 2011, and was thus reflected in the first half of 2011.

20. Borrowings

On 1 December 2010, UCB S.A. announced an amendment of its credit facility which has resulted in the credit facility being reduced from € 1.5 billion to € 1 billion. The credit facility has been extended to 2015 vs 2012. The amended facility expires on the 14 December 2015.

During the first half of 2011, UCB fully paid back the revolving credit facility, therefore the total amount drawn down was € 0 million as per end June 2011 (2010: € 299 million). On 30 June 2011, the Group's weighted average interest rate was 5.39% (2010: 4.71%) 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 weighed average interest rate for the Group at 4.35% (2010: 4.29%) post hedging.

During the current interim period, UCB did not conclude any significant new loan arrangements or renegotiate any of the existing loan arrangements.

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

€ million	2011 Reviewed	2010 Audited[2]
Balance at 1 January	**340**	**589**
Bank overdrafts	17	20
Bank loans	302	545
Finance lease	21	24
Loans drawn	**307**	**3 034**
Repayments	**-565**	**-3 286**
Bank Loans	-564	-3 283
Finance lease	-1	-3
Net change in bank overdrafts	**3**	**-3**
Foreign currency impacts	**-5**	**6**
Net investment hedge	**0**	**0**
As at reporting date	**80**	**340**
Bank overdraft	20	17
Bank loans	40	302
Finance lease	20	21

21. Bonds

During the current interim period, UCB did not issue any new bonds except for the issuance of the perpetual bond which has been accounted for as an equity instrument (refer to Note 18.2 for further details). The carrying amounts of the bonds are as follows:

€ million	Coupon rate	Maturity date	2011 Reviewed	2010 Audited[3]
Non-current				
Convertible bond	4.50%	2015	438	432
Retail bond	5.75%	2014	750	756
Institutional Eurobond	5.75%	2016	495	495
Total non-current bonds			**1 683**	**1 683**

21.1. Convertible bond

The convertible bond recognised in the Statement of financial position is calculated as follows:

€ million	2011 Reviewed	2010 Audited[3]
Balance at 1 January	**432**	**421**
Effective interest expense	16	33
Nominal interest accrued for/not yet due	-4	-4
Nominal interest accrual of previous period, paid in current period	4	4
Interest paid	-11	-23
Unamortised transaction cost upon initial recognition	0	0
Amortisation charge for the period	1	1
As at reporting date	**438**	**432**

[2] The reporting date for the comparative period is 31 December 2010
[3] The reporting date for the comparative period is 31 December 2010

21.2. Retail bond

The carrying amount of the retail bond for the six months ended 30 June 2011 amounted to € 750 million (31 December 2010: € 756 million). The Group designates derivative financial instruments under fair value hedges to the retail bond. The decrease in the carrying amount of the retail bond is fully attributable to the decrease in fair value of the hedged portion of the retail bond, and is almost fully offset by a change in fair value of the corresponding derivative financial instruments.

21.3. Institutional Eurobond

The carrying amount of the institutional Eurobond bond for the six months ended 30 June 2011 amounted to € 495 million (31 December 2010: € 495 million). The Group designates derivative financial instruments under fair value hedges to the institutional Eurobond.

22. Provisions

22.1. Environmental provisions

The environmental provisions decreased by € 1 million (2010: € 1 million) during the current interim period, due to the release of certain environmental provisions related to the divestiture of the Surface Specialties business. This relates to the divested sites on which UCB has retained full responsibility in accordance with the contractual terms agreed upon with Cytec Industries Inc. In the first half of 2011, a part of the provision related to the Surface Specialties business was reversed.

22.2. Restructuring provisions

The restructuring provisions decreased by € 20 million (2010: € 46 million) during the current interim period, including the further payments related to the SHAPE programme announced in August 2008, the organisational changes in Belgium announced in November 2009, the exit from the primary care sector in the U.S. announced in January 2010, the restructuring of the primary care products business in Japan, and severance costs related to 2011 (see Note 8).

22.3. Other provisions

The other provisions decreased by € 33 million (2010: 20 million) during the current interim period and relate mainly to tax risks, product liability and litigation claims. Provisions for tax risks are recorded if UCB considers that the tax authorities might challenge a tax position taken by the Group or a subsidiary. Provisions for litigation comprise mainly provisions for litigations where UCB or a subsidiary is or might be a defendant against claims of previous employees. Product liability provisions relate to the risks related to the normal course of business and for which the Group might be liable by selling these kinds of drugs. An assessment is performed with respect to the above-mentioned risks together with the Group legal advisers and experts in the different domains.

23. Related parties

There were no changes with respect to the related parties identified and disclosed in the 2010 Annual Report.

Key management compensation as disclosed below comprises compensation recognised in the income statement for members of the Board of Directors and the Executive Committee, for the six months ended 30 June 2011 where they exercised their mandate.

€ million	2011 Reviewed
Short-term employee benefits	3
Termination benefits	0
Post-employment benefits	1
Share-based payments	2
Total key management compensation	**6**

24. Litigation settlements

- On 8 February 2011 UCB and PDL BioPharma, Inc. a U.S. biotech company specialised in humanised antibodies, announced that they have entered into a definitive settlement agreement that resolves all legal disputes between them, including those relating to UCB's pegylated humanised antibody fragment Cimzia®, and PDL's patents known as the Queen et al. patents. Under the settlement agreement, PDL provided UCB a covenant not to sue UCB for any royalties regarding UCB's Cimzia® product under the Queen patent portfolio in return for a lump sum payment of US$ 10 million and the mutual resolution of other disputes between the two companies, including two pending patent interferences before the United States Patent and Trademark Office and a patent opposition in the European Patent Office. No additional payments will be owed by UCB to PDL under the Queen patents in respect of Cimzia® sales for any indication and the sale of a product in development that may or may not be approved within the term of the Queen patents. The amounts were provided for in 2010.
- On 9 June 2011, UCB has reached an agreement with the U.S. Department of Justice (DOJ) to resolve an investigation into past marketing and promotional activities of Keppra® in the U.S. The issues that were the subject of this investigation occurred more than six years ago, and UCB has cooperated fully with the United States since learning of the investigation in 2008. Under the agreement, UCB U.S. pled guilty to a misdemeanor violation and agreed to pay US$ 8.6 million under the Federal Food, Drug and Cosmetic Act. UCB also entered into a separate civil settlement agreement and will pay US$ 25.8 million plus modest interest to the United States and State Medicaid programs to resolve allegations relating to the False Claims Act. UCB also agreed to enter into a five-year Corporate Integrity Agreement with the Office of Inspector General of the U.S. Department of Health and Human Services. The Corporate Integrity Agreement requires UCB U.S. to implement additional education and training initiatives for U.S. and some Global employees, a disclosure program, monitoring and auditing procedures as well as to satisfy other obligations related to the marketing, promotion and sale of our products in the U.S. The amounts were provided for in 2010.

25. Commitments and contingencies

25.1. Contingent assets and liabilities

No significant events have taken place in the first half of the year, hence there have been no material changes in the contingent assets or liabilities disclosed in the 2010 Annual Report (p. 129).

The Group continues to be actively involved in litigations, claims and investigations, including, but not limited to product liability and patent challenges. 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.

25.2. Capital commitments

At 30 June 2011, the Group has committed to spend approximately € 358 million principally with respect to capital expenditure on the construction of a biological pilot plant in Braine, Belgium and a biological plant in Bulle, Switzerland.

The Group has entered into several in-licensing agreements with different counterparties. At 30 June 2011, the Group had commitments payable within the coming half year of approximately € 30 million with respect to intangible assets. These payments are usually due upon achievement of specified milestone events for products under development and in-licensed from third parties.

25.3. Guarantees

During the six months ended 30 June 2011, the company did not grant any new guarantees. Additionally, the Group was able to reduce the guarantees by € 6 million, principally in respect of manufacturing capacity arrangements with € 4 million.

26. Events after the reporting period

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

27. Fair value hierarchy

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

- Level 1 – Quoted market prices
- Level 2 – Valuation techniques (market observable)
- Level 3 – Valuation techniques (non market observable)

The following table presents the Groups financial assets and liabilities that are measured at fair value at 30 June 2011.

Financial assets measured at fair value

€ million - 30 June 2011	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale assets				
Quoted equity securities	34	0	0	34
Quoted debt securities	4	0	0	4
Derivative financial assets				
Forward foreign exchange contracts – cash flow hedges	0	17	0	17
Forward exchange contracts – fair value through the profit and loss	0	55	0	55
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	6	0	6

Financial liabilities measured at fair value

€ million - 30 June 2011	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial liabilities				
Forward foreign exchange contracts – cash flow hedges	0	3	0	3
Forward exchange contracts – fair value through the profit and loss	0	35	0	35
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	32	0	32
Derivative linked to convertible bond	0	0	0	0

The following table presents the Groups financial assets and liabilities that are measured at fair value at 31 December 2010.

Financial assets measured at fair value

€ million - 31 December 2010	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale assets				
Quoted equity securities	15	0	0	15
Quoted debt securities	3	0	0	3
Derivative financial assets				
Forward foreign exchange contracts – cash flow hedges	0	9	0	9
Forward exchange contracts – fair value through the profit and loss	0	54	0	54
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	13	0	13

Financial liabilities measured at fair value

€ million - 31 December 2010	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial liabilities				
Forward foreign exchange contracts – cash flow hedges	0	9	0	9
Forward exchange contracts – fair value through the profit and loss	0	60	0	60
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	44	0	44
Derivative linked to convertible bond	0	0	0	0

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.

There were no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

In 2011 there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

Statutory auditor's report on the review of the condensed consolidated interim financial information for the period ended 30 June 2011

We have reviewed the accompanying consolidated statement of financial position of UCB S.A. and its subsidiaries, as of 30 June 2011 and the related consolidated income statement, comprehensive income, changes in equity and cash flows for the six month period then ended, as well as the condensed 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.

We conducted our review in accordance with the recommendation of the Belgian Institute of Company Auditors related to the performance of reviews. Accordingly, it involved principally analysis, comparison and discussion of the condensed consolidated interim financial information and, accordingly, was less extensive in scope than an audit of that information.

Our review did not reveal any matters requiring correction of the condensed consolidated interim financial information for it to have been prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union.

Brussels, 28 July 2011

The statutory auditor

PricewaterhouseCoopers Bedrijfsrevisoren / Réviseurs d'Entreprises

Represented by

Bernard Gabriëls

Bedrijfsrevisor / Réviseur d'Entreprises

Responsibility statement

We hereby confirm that, to the best of our knowledge, the condensed consolidated financial statements for the six-month period ended 30 June 2011, 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 statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year.

On behalf of the Board of Directors

Roch DOLIVEUX,

Chairman of Executive Committee & CEO

Detlef THIELGEN,

Executive Vice President & CFO