

Highlights 2006

Leading Products

Global net sales increased by 7% to € 2,188 million, or 11% on a like-for-like basis, with strong growth in most markets, including North America, which now accounts for 46% of sales.

Net sales rose by 12% in the US and by 5% in Europe.

Emerging markets such as Mexico and South East Asia also made significant contributions, growing by 24%.

Keppra® reinforced its position as the leading treatment for epilepsy in the US and Europe with a 36% rise in global sales to €761 million (almost \$1 billion):

This small-molecule therapy, which has a unique mechanism, grew by 35% in the US, where it is the market leader for the treatment of epilepsy with a 26% share in value. In Europe, it has also taken the number one spot following a 34% rise in net sales, increasing its share to 25% in value. Approvals were granted during the year for an intravenous formulation (US and Europe), as well as a new indication as an add-on therapy for Juvenile Myoclonic Epilepsy for patients aged 12 years and over (EU and US) and as a monotherapy (EU) for partial onset seizures in patients, 16 years and older. We also filed Keppra® in the US for the add-on treatment of primary generalised tonic-clonic seizures, which is already approved in Europe, plus made progress in developing an extended release once-daily formulation - Keppra® XR. In Asia, Keppra® was approved in China and Korea and is in its final stage of development in Japan.

Net sales of Xyzal® increased by 13%, consolidating UCB's global leadership in allergy and providing further fuel for growth:

Xyzal® grew by 9% in Europe, lifting its market share to 13% in the main European markets, and was filed for regulatory approval in the US, where it will be co-promoted with sanofi-aventis. Despite significant generic and over-the-counter pressure, Zyrtec® increased its in-market sales by 15% in the US. Eleven years after launch, it managed to extend its market share to 45% in value.

UCB's other products for severe diseases also produced strong performances, underlining UCB's ability to extract superior value from niche markets:

For example, net sales of Metadate™ CD/Equasym™ XL, our therapy for attention deficit disorder, rose by 35%, while our first sales of Xyrem®, which is indicated for the treatment of cataplexy in patients with narcolepsy, showed promising returns.

Innovative R&D

Eleven large and small molecules progressed successfully through clinical development, including Cimzia™, our first biologic, which was filed in the US and Europe for the treatment of Crohn's disease.

Preparations for the launch of Cimzia™ – the only PEGylated anti-TNF of its kind – gathered pace:

In addition to submitting Cimzia™ for regulatory approval for the treatment of Crohn's disease in the US and Europe, we established a global sales and marketing team to support its launch. A convenient subcutaneous liquid formulation of this large molecule was also developed. Cimzia™ progressed very well in its Phase II programme for psoriasis and successfully completed Phase III trials for rheumatoid arthritis.

Two new molecules entered our development pipeline, bringing the total number in development up to eleven:

Five of these are large antibody-based molecules, while the other six are small chemically-derived molecules, including our successors to Keppra®. Together these eleven molecules address thirteen different types of severe disease, from rheumatoid arthritis and osteoporosis to multiple sclerosis and non-small cell lung cancer.

In addition, UCB has eleven other new molecules in late research and pre-clinical development.

The quality of both our pipeline continued to attract world-class players such as Biogen IDEC and Amgen.

During the year, we teamed up with Biogen IDEC – the world leader in multiple sclerosis (MS) – to develop CDP323, our small molecule initially targeted at MS. We are also collaborating with Amgen to develop a novel molecule that helps to re-build bones affected by bone disorders, as opposed to just arresting degeneration in bone disease. Overall, UCB has partnerships with over 30 institutions across the entire value chain, from chemistry and antibody research and development, to production and marketing.

We are now embarking on a unique project, A2Hit™, that will combine UCB's leadership in antibodies with its proven expertise in chemistry to pioneer a new generation of small molecules.

This has the potential to enable millions more individuals with severe diseases to enjoy more convenient, cost-effective and efficacious treatments.

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Organisational Advances

We sharpened our focus on severe diseases and divested non-core businesses, among other organisational advances.

Intensifying our focus on severe diseases:

During 2006, we established three autonomous, therapeutically-focused divisions: Central Nervous System (CNS), Inflammation and Primary Care, including Allergy. We also sold our peptide contract manufacturing division (Bioproducts) and our Delsym™ over-the-counter anti-cough product.

Quality and efficiency continued to advance towards world-class standards, thanks to initiatives such as PRIDE:

Technical innovations in our manufacturing processes, reduced our cost of goods and helped us meet a steep rise in demand for Keppra® without any interruption in supply. We also improved key clinical development indicators, including recruitment times for clinical studies.

To foster the creativity and entrepreneurial spirit of our employees, we introduced new performance management tools and employee development programmes:

We also continued to attract top-quality talent from around the world, including employees from major pharmaceutical companies and leading biotech firms.

Leaping Forward

Schwarz Pharma will help us make even greater progress.

With the acquisition of Schwarz Pharma, which will continue to operate as a separate entity until UCB completes the steps required by German law, UCB will gain a number of important advantages:

Together, the companies will have sales of more than €3 billion and invest over €800 million in R&D – equivalent to 25% of their combined sales:

Synergies could generate an additional €300 million within the next three years.

The combined pipeline creates one of the world's largest neurology franchises:

Schwarz Pharma has two late-stage neurological therapies that complement UCB's late-stage pipeline. These include a novel transdermal patch for Parkinson's disease (Neupro®), the first once-a-day, non-ergolinic dopamine agonist. This unique molecule has also recently successfully completed Phase III trials for restless legs syndrome. Schwarz Pharma also has *lacosamide*, providing a new mode of action for addressing epilepsy (30% of patients are not served optimally by existing therapies), as well as diabetic neuropathic pain.

Collectively, the two companies will have a stronger presence in key regions, including the US:

When combined, US sales as a proportion of total combined sales will be over 40%. The acquisition will also enhance the companies' presence and primary care productivity in Europe as well as provide significant scale in key emerging markets such as Eastern Europe and China.

Together we will be well-equipped to meet the challenges of the future, with an enhanced risk profile:

Our unique skills in development and our global operations, combined with our pragmatism and our "get things done" attitude, will guide us on our road to success.

At the end of 2006, UCB had acquired more than 86% of Schwarz Pharma's outstanding shares.