



# Annual Report 2003

Industry for a better life



# Summary

UCB Group in brief	cover
Mission and Strategy	1
Statement by the Chairmen	2
Directors, Senior management, Auditors	4
Corporate Governance	5
<b>Report of the Board of Directors</b>	<b>9</b>
General Situation	9
UCB Pharma	12
Surface Specialties	22
Non-sectorial activities	32
Results of UCB SA and Proposed Distribution	32
Human Resources	33
Social and cultural commitment	37
Environment	38
<b>UCB Group - Consolidated Accounts at 31<sup>st</sup> December, 2003</b>	<b>41</b>
Consolidated Balance Sheet	42
Consolidated Profit and Loss Account	44
Annex	46
Notes on the Consolidated Balance Sheet	55
Financial Data	58
Consolidated table of financing	59
<b>UCB SA - Annual Accounts at 31<sup>st</sup> December, 2003</b>	<b>60</b>
UCB Shares	64
Shareholders' diary	65



# The UCB Group in brief

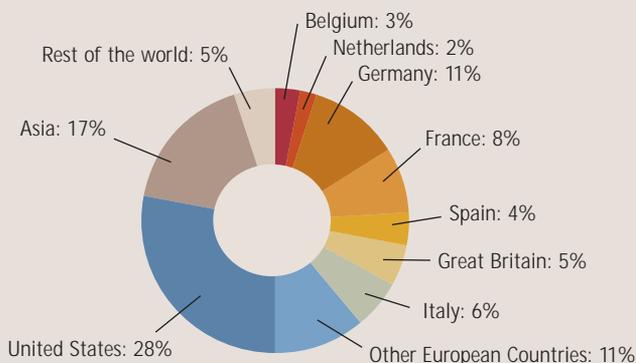
In € and \$million (*)	1999	2000	2001	2002	2003		At constant exchange rates	
	€	€	€	€	€	\$	%	%
<b>Group turnover (1)</b>	<b>1 842</b>	<b>2 204</b>	<b>2 475</b>	<b>2 514</b>	<b>2 966</b>	<b>3 740</b>	<b>+18%</b>	<b>+29%</b>
R&D expenditure	173	182	218	262	270	341	+3%	
Operating profit before depreciation (EBITDA) (2)	544	620	756	833	838	1 057		
Depreciation (3)	-235	-243	-290	-330	-351	-443		
Operating profit (EBIT) (4)	309	377	466	503	487	614	-3%	+18%
Net financial charges (5)	-9	-7	-4	-9	-4	-5		
Profit before tax :								
<b>ORDINARY</b>	<b>300</b>	<b>370</b>	<b>462</b>	<b>494</b>	<b>483</b>	<b>609</b>	<b>-2%</b>	<b>+16%</b>
EXCEPTIONAL	-1	6	-6	-27	-4	-5		
Total	299	376	456	467	479	604	+3%	+22%
Taxation	-79	-107	-136	-136	-139	-175		
Share in profits/losses of apportioned companies	-	-	-2	1	-	-		
<b>Profit after tax :</b>	<b>220</b>	<b>269</b>	<b>318</b>	<b>332</b>	<b>340</b>	<b>429</b>	<b>+2%</b>	<b>+22%</b>
- Depreciation ordinary (6)	89	99	111	118	136	171		
exceptional (7)	1	2	3	9	-5	-6		
- Write-back of depreciation on R&D costs	-14	-17	-29	-39	-57	-72		
- Residual value of assets sold	4	1	4	9	102	129		
- Differences in provisions	8	73	41	-26	-26	-33		
Cash flow (8)	308	427	448	403	490	618		
Value added (9)	846	1 003	1 164	1 225	1 318	1 662		
<b>Profit distributed</b>	<b>73</b>	<b>93</b>	<b>111</b>	<b>117</b>	<b>120</b>	<b>151</b>		
Consolidated profit after tax per share	1.50	1.84	2.19	2.28	2.32	2.93		
Gross dividend per share	0.50	0.64	0.76	0.80	0.82	1.03		
Total of assets/liabilities	1 807	2 303	2 564	2 621	3 091	3 898		
Own funds (10)	1 042	1 206	1 391	1 565	1 784	2 250		
Capital expenditure during the year (11)	106	177	194	164	654	825		
<b>R.O.C.E (12)</b>	<b>24%</b>	<b>24%</b>	<b>25%</b>	<b>24%</b>	<b>21%</b>			
<b>Personnel employed at 31st December</b>	<b>9 214</b>	<b>9 910</b>	<b>10 013</b>	<b>10 326</b>	<b>11 559</b>			

Exchange rate used on 31.12.2003: 1 euro = 1.261 US dollars

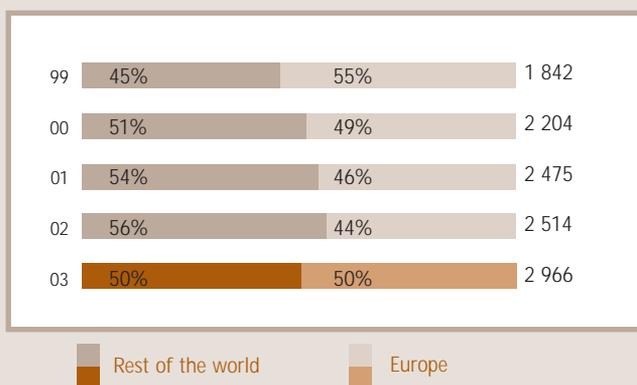
- (1) The turnover is that published in the official presentation of the profit and loss account. The turnover does not include the royalties which are shown in the consolidated profit and loss account under "other operating income".
- (2) EBITDA : Earnings Before Interest and Taxes, Depreciation and Amortization
- (3) Ordinary Depreciation and Depreciation on R&D costs.
- (4) EBIT : Earnings Before Interest and Taxes.
- (5) Net financial charges include income from non-consolidated shareholdings.
- (6) and (7) These amounts do not include depreciation on R&D costs.
- (8) Cash flow includes the total profits after taxation, including depreciation (not including depreciation on R&D costs), variations upwards or downwards in provisions for risks and charges, together with capital grants.
- (9) The value added is made up of depreciation (not including depreciation on R&D costs), employment costs, net financial charges and ordinary profit before taxation. Employment costs include the remuneration of Group personnel, social charges and pensions.
- (10) The main items included in own funds are the capital of UCB S.A., the share premium account, revaluation surpluses, consolidated reserves and minority interests.
- (11) The capital expenditure during the year 2003 includes the acquisition of the Resins, Additives and Adhesives activities of Solutia for an amount of € 514 million.
- (12) Return on Capital Employed: this is the ratio between the ordinary profits (before taxation and financial charges) and capital employed (average over the two years of the total of the assets, after deduction of financial resources provided free of charge in the ordinary course of business, such as commercial debts and invoices to be received).

Profit/(loss) by Sector (in € million)	2002			2003			Variation	
	Ordinary	Except.	Total	Ordinary	Except.	Total	Ordinary	Total
Pharma	440	1	441	402	29	431	-9%	-2%
Surface Specialties	34	-18	16	66	-33	33	+94%	+106%
Non sectorial	20	-10	10	15	0	15		
	494	-27	467	483	-4	479	-2%	+3%
Taxation			-136			-139		
Share in the profits/losses of apportioned companies			1			0		
<b>Total profit after taxation</b>			<b>332</b>			<b>340</b>		<b>+2%</b>

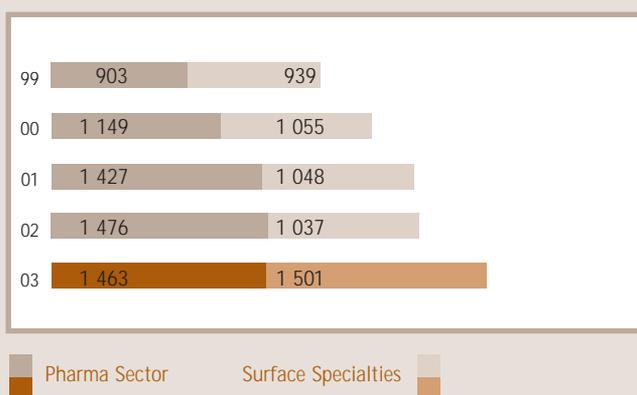
## Geographical distribution of consolidated turnover



## Evolution of consolidated turnover (In € million)



## Consolidated turnover by Sector (In € million)



## Share of consolidated turnover by Sector

Sector	2002	2003
Pharma	59%	49%
Surface Specialties	41%	51%
	<b>100%</b>	<b>100%</b>

# Prospects

## Group

- Increasing innovation, doing it faster and better.
- Becoming a world leader in our various fields and our customers' partner of choice, through the quality and innovation in our products and services.
- Continuing our global growth; getting the best quality from our high-quality staff and from the advantage of being a company on a "human" scale.
- Continuing to contribute to improving various people's quality of life.

## Pharma

- Becoming "the" expert in epilepsy, neurology, allergy ....
- Speeding up the transition of products in the pipeline from preclinical studies to clinical trials, particularly for central nervous system and respiratory disease drugs.
- Acquiring new products to increase our medium- and long-term growth prospects.

## Surface Specialties

- Becoming the market leader in specialist fields.
- Pursuing the development of leading-edge technologies that are environmentally friendly.
- Finding opportunities for synergy through integration of Surface Specialties.

# Mission and Strategy

UCB focuses on products with a high added value, in markets where it aims to be amongst the world leaders.



Americas	
People employed:	1,742
Industrial sites:	5
Sales subsidiaries:	7
Turnover:	€ 940 million

Europe	
People employed:	8,060
Industrial sites:	17
Sales subsidiaries:	58
Turnover:	€ 1,469 million

Asia - Pacific	
People employed:	1,711
Industrial sites:	10
Sales subsidiaries:	25
Turnover:	€ 519 million

UCB aims to be a pharmaceutical and specialty chemical company which operates on a global scale. It is committed to pharmaceuticals (UCB Pharma), as well as to technically innovative products for surface applications (Surface Specialties).

While UCB's first objective is to satisfy the needs of its **customers** and its target population, it also seeks to improve the environment and the welfare of mankind. Towards its **personnel**, UCB is developing a policy of training and internal movement, which will enable each person to develop his respective talents and to adapt skills to UCB's international dimension. For its **shareholders**, UCB seeks to offer an optimal return to those who have put their confidence in its shares. UCB's strategy of innovation and globalisation is to specialize in

products with a high added value, which result from its own research in markets where it aims to be a world leader.

The development of its markets and products have dictated changes in the structure. In addition to the parent company, UCB SA, the UCB Group currently comprises some one hundred and twenty subsidiaries and affiliated companies, based mainly in Europe, but also located in the fast-growing markets of the Americas and Asia.

The names of the main subsidiaries are given in the list of consolidated companies on pages 46 and 47. Contact addresses on the main continents are given on page 67. UCB's vast network of agents and licensees extends sales coverage to virtually every country in the world.

# Statement by the Chairmen

## Strategic consolidation and sustained growth

For the tenth consecutive year, UCB showed results increasing in line with its desire for growth and strategic consolidation. The turnover and net profit amounted to € 2,966 million and € 340 million, an increase of 18% and 2%, respectively. Fifty per cent of the Group's turnover being generated outside Europe, the persistent weakness of exchange rates, and of the dollar in particular, have therefore had a negative impact on the results. Excluding exchange rate differences, the growth in the net profit was 22%, reflecting the Group's strong development dynamics.

Two main elements stood out in 2003 as the strengths of our strategic vision: the remarkable success of the new drugs *Keppra* and *Xyzal* from UCB Pharma and the now global dimension of Surface Specialties since the acquisition, in February 2003, of Solutia Inc.'s "Resins, Additives and Adhesives" activities.

- UCB Pharma confirmed in 2003 its role as a world player of the first rank in the therapeutic fields of

"neurology/central nervous system" and "allergy/ respiratory". In the first area, *Keppra* asserted itself as a world leader in the treatment of epilepsy, whilst retaining significant potential in therapeutic developments. In the second area, the new antiallergic, *Xyzal*, confirmed its remarkable therapeutic profile and tripled its sales throughout Europe; whilst *Zyrtec*, UCB Pharma's star product in the United States, continued its progress on the American market.

In order to enhance the value of *UCB Pharma's* assets, we have strengthened the managerial structure by hiring a new Director-General, with broad experience in the pharmaceutical industry. Also Vice-President of UCB's Executive Committee, he leads a management team, which had already seen its skills being gradually reinforced by the arrival of professionals in marketing, production and financial control.

- **Surface Specialties**, the new Sector resulting from the merging, at the end of 2002, of the Group's Chemical and Film activities, has significantly strengthened itself through the acquisition of Solutia Inc.'s "Resins, Additives and Adhesives" activities. This operation, the biggest ever undertaken by UCB,

Georges Jacobs,

Chairman of  
the Executive Committee.



Mark Eyskens,

Chairman of  
the Board of Directors



was completed in February 2003. The new entity, leader within its markets, can now offer a complete range of products, the global supply of which can be adapted to the particular requirements of each customer, anywhere in the world. Surface Specialties' use of environmentally-friendly, state-of-the-art technologies represents a significant asset, to which the market is more and more sensitive.

## Prospects

We wish to pursue the long-term growth and profitability of UCB Pharma, our flagship sector. To this end, our R&D, which remains focused on its two preferred areas, neurology and allergy, has molecules at different stages of clinical development. We are intensifying our strategy of external growth in those specialist markets, where therapeutic needs are not being met.

We intend to position Surface Specialties as a worldwide centre of excellence, at the forefront of technology, mainly in industrial coating applications. This high-performance unit will benefit from the synergies, which are being put in place.

UCB is now organizing itself into two distinct operating entities: Pharma and Surface Specialties. This should lead to an increased level of accountability and focused attention to the respective businesses. Furthermore, this will give each entity more flexibility to better seize opportunities for its external development including partnerships and alliances.

UCB is more proactive than ever. Its human dimension in this respect represents a significant asset. Its dynamic growth on a global scale represents the fruit of a spirit of enterprise and of confidence in the ability of its teams to take up challenges. UCB contributes to an improvement in the quality of life of large numbers of people, something of which we are particularly proud.

Strengthened by such prospects and relying on the scientific and commercial potential of the UCB teams, we approach the future with optimism and serenity.



Georges Jacobs



Mark Eyskens

# Directors | Senior management | Auditors

## Board of Directors

Mark Eyskens	Chairman
Baron Daniel Janssen	Deputy Chairman
H.R.H. Prince Lorenz of Belgium	Director
Alan Blinken	Director
Baron Karel Boone	Director
Baron Jacobs	Director
Eric Janssen	Director
Guy Keutgen	Director
Countess Diego du Monceau de Bergendal	Director
Mrs Jean van Rijckevorsel	Director
Jean-Louis Vanherweghem	Director

## Honorary Directors

Baron Jaumotte	Honorary Chairman of the Board of Directors
Willy De Clercq	Honorary Chairman of the Board of Directors
Paul Etienne Maes	Honorary Chairman of the Executive Committee
Francis Cattoir	Honorary Director
Count Didisheim	Honorary Director
Mrs André Janssen	Honorary Director
Alain Jubert	Honorary Director
Baron de Neve de Roden	Honorary Director
Baron Velge	Honorary Director

## Auditors (College of "Commissaires")

Daniel Goossens	Auditor
Emmanuèle Attout	Auditor

## Executive Committee

Georges Jacobs	Chairman
Roch Doliveux	Deputy Chairman
Ben Van Assche	

## Central Services

Vincent Damien	Chief Information Officer
Jean-Pierre Pradier	Director Corporate Human Resources
Jettie Van Caenegem	Director Legal Affairs and Intellectual Property
Marc Wiers	Adviser to the Executive Committee

## Pharma Sector

Roch Doliveux	Director-General
Thomas Beck	Director Global R&D
François Meurgey	Director Global Marketing
Gerd Johnscher	Director Medical & Regulatory Affairs
Simon Looman	Director Europe
Anthony Tebutt	Director USA and Canada
Bruno Strigini	Director International (Asia Pacific, Latin America, South Africa)
Michel Lurquin	Director Technical Operations
André Khairallah	Director, Controller
André Jordens	Director UCB-Bioproducts

## Surface Specialties

Ben Van Assche	Director-General
Monika Riese-Martin	Director Global Strategy & Global Technical Operations
Frank Aranzana	Director Global Business Unit Films & Adhesives
Steven A. Zollmann	Director Global Business Unit Coating Resins & Additives
Jan Vandendriessche	Director Global R&D
François Thys	Director Global Purchasing
Larry Golen	Director Americas
Frank Coenen	Director Asia/Pacific



Mark Eyskens

Baron Daniel Janssen

Baron Jacobs

H.R.H. Prince Lorenz of Belgium

Alan Blinken

Eric Janssen

# Corporate Governance

The aim of Corporate Governance is to optimize the organization of the administration and management of quoted companies. UCB presents below information on the way its Board of Directors and Executive Committee operate, together with their relationship to the shareholders.

## Composition of the Board

The Directors representing Financière d'Obourg and Financière de Tubize, who are the permanent stable shareholders of UCB, are Baron Daniel Janssen (also Deputy Chairman of the Board), Eric Janssen, Countess Diego du Monceau de Bergendal and Mrs Jean van Rijckevorsel.

Baron Jacobs, Director, is entrusted with the day-to-day management and in this capacity chairs the Executive Committee, which forms the management of the company. Baron Jacobs is the only Executive Director. Since October 2003, Mr Roch Doliveux, Vice-President of the Executive Committee and Director-General of the Pharma Sector, has been present at meetings of the Board. His nomination as "Executive" Director will be put forward at the next General Meeting of the company.

The other Directors are considered independent, in the context of the law. They are Mark Eyskens (Chairman of the Board), Minister of State and former Prime Minister, H.R.H. the Prince Lorenz of Belgium, Alan Blinken, former Ambassador of the United States in Belgium, Baron Karel Boone, Chairman of Lotus Bakeries, Guy Keutgen, Professor at the Catholic University of Louvain and Honorary Director-Secretary General of the

Fédération des Entreprises de Belgique, and Professor Jean-Louis Vanherweghem, Chairman of the Board of Directors of the University of Brussels. They comply with the legal criteria set out in article 524 of the Companies Code and to those fixed by the Board of Directors as follows:

- an independent Director should have been non executive in the Group for at least three years ;
- he should have no business or other relationship with the Group, which could compromise the independence of his judgment.

In regard to this last criterion, the fact of being, to a significant extent, a customer, a supplier or a shareholder of the Group is taken into account by the Board in its scrutiny of each case. It will be proposed to the Shareholders Meeting of 2003 to recognize them as independent Directors in the context of the law.

The appointments of the Directors are subject to renewal on the following dates: Mark Eyskens (2004), Baron Daniel Janssen (2006), H.R.H. the Prince Lorenz (2004), Alan Blinken (2006), Baron Karel Boone (2006), Baron Jacobs (2005), Eric Janssen (2005), Guy Keutgen (2005), Countess Diego du Monceau de Bergendal (2005), Mrs Jean van Rijckevorsel (2005)



Countess Diego  
du Monceau de Bergendal

Baron Karel Boone

Mrs  
Jean van Rijckevorsel

Jean-Louis  
Vanherweghem

Guy Keutgen

Roch Doliveux\*

\* His nomination will be proposed at  
the General Meeting of 8<sup>th</sup> June 2004

# Corporate Governance

and Jean-Louis Vanherweghem (2005). The appointment of a Director is for a period of three years and is renewable.

There are no special regulations, statutory or otherwise, for covering the nomination of Directors and the renewal of their appointment, other than the age limit which is, in principle, 70 years, and which the members of the Board of Directors have imposed on themselves. In application of this rule, the appointments as Directors of the Chairman of the Board, Mr Mark Eyskens, and of Mr Eric Janssen would have expired at the end of the Shareholders Meeting of 2003. Exceptionally, the Board then recommended not to modify the actual composition of the Board and resolved to defer the age limit of these two Directors by two years, which will take effect as from the conclusion of the Ordinary General Meeting of 2005. In accordance with this resolution, it will be recommended to the General Meeting of 2004 to renew for a period of one year the term of office of Director, Mr Mark Eyskens, which falls due. It will be also recommended to the General Meeting to renew for a period of three years the term of office of the Director, H.R.H. Prince Lorenz, which falls due and to confirm the independent nature of the terms of office of Mr Mark Eyskens and of H.R.H. Prince Lorenz, as defined in article 524 of the Companies Code.

There are no specific regulations on the exercise of the function of Director. The fees of the Directors are decided by the General Meeting of Shareholders and were fixed at the Shareholders Meeting of 1999 at € 31,000 per year; the Shareholders Meeting of 2001 fixed that of the Chairman and Deputy Chairman at € 62,000 per year. The fees of the Directors are fixed and do not include a variable element nor stock options.

## Proceedings of the Board of Directors

The Board of Directors meets 6 to 8 times a year and decisions are taken in the majority of cases unanimously. In the case of a vote, the Articles of Association provide that decisions should be taken by simple majority, the Chairman having a casting vote in the case of a tie.

The powers which the Board of Directors reserves to itself cover mainly the following matters, on which the Board, moreover, receives all the necessary information: the defining of strategic objectives and the putting in

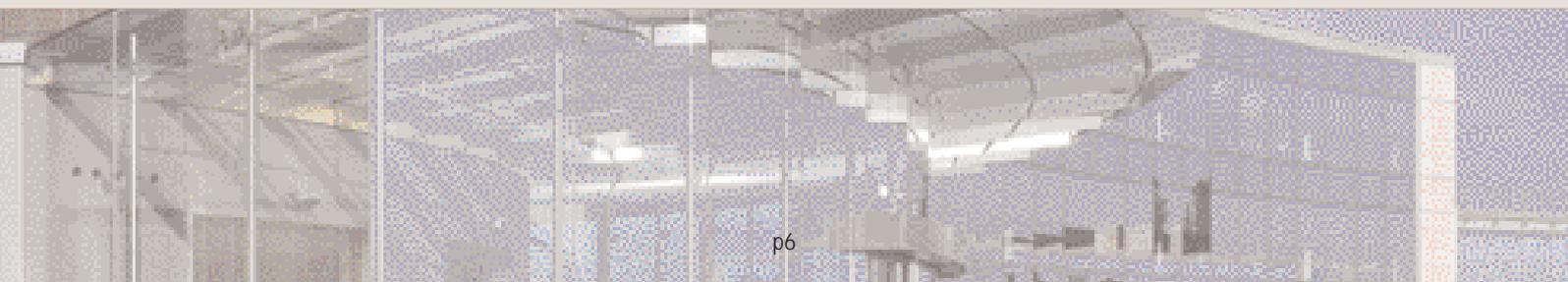
place of structures needed to achieve these objectives; the supervision and control of management, i.e. of the Executive Committee, whose members it appoints; the approval of the balance sheets and profit and loss accounts of the UCB Group and of UCB S.A., together with the investment programmes; appointments to management posts in the Group and their remuneration; the appointment of external people to represent UCB in certain subsidiaries or in major external bodies; long term financial operations, together with mergers, acquisitions and disinvestments; charitable donations and major affiliations to outside bodies. The Board is kept informed of the developments in the activities of the subsidiaries by the Chairman of the Executive Committee.

One important responsibility of the Board is to propose the distribution of the annual profit. Without prejudice to the final decision of the Shareholders Meeting, the line currently being followed by the Board is to propose that approximately 35% of the consolidated profits should be distributed by way of dividend.

At the request of the Chairman of the Executive Committee, the Board can also be asked to arbitrate in the case of a divergence of view between the majority of the members of the Executive Committee and its Chairman.

The Board has created within it a *Pay Review and Nominations Committee* which determines the overall pay and any other benefits granted to the members of the Executive Committee, as well as the criteria for issuing options in the share option schemes decided on by the Board, and which approves any change in the system of pay granted to management positions within the Group. Otherwise since 2003 the Committee has had responsibility:

- to examine the candidates proposed for the approval of the Board of Directors for appointment as members of the Board of Directors of UCB S.A., members of the Executive Committee and directors of the functional departments of the Group reporting to the Chairman of the Executive Committee. For nominations as members of the Board of Directors, the Committee will be advised in advance by the Board of the criteria for selection.
- to make recommendations to the Board of Directors of UCB S.A. as to the remuneration (structure and form of remuneration) of the members of the Board of Directors, the members of the Executive Committee and



the directors of the functional departments of the Group reporting to the Chairman of the Executive Committee.

- to examine annually the performance evaluations of the members of the Executive Committee and the directors of the functional departments of the Group reporting to the Chairman of the Executive Committee.

The Pay Review and Nominations Committee is chaired by the Deputy Chairman of the Board; its other members are the Chairman of the Executive Committee, Countess Diego du Monceau de Bergendal and Baron Karel Boone. It meets twice a year and hears the Chairman of the Executive Committee and the Director of Group Human Resources, who also provides secretarial services to its meetings. The Committee reports to the Board on its activities.

The Board has also set up an *Audit Committee* from amongst its own members, to which it has entrusted the internal audit of the Group

- In terms of financial and accounting information, the Audit Committee audits the quality and the reliability of the annual and half-yearly consolidated accounts and those of UCB S.A. submitted to the Board of Directors. It ensures that the documents faithfully reflect the progress of the business, that they are drawn up in accordance with legal regulations and meet the requirements of the Banking, Financial and Insurance Commission or of any other authority to which the company might be subject as a listed company.
- As part of its auditing and internal financial control, it checks up on the auditing methods and controls implemented at Group level. It checks that the resources and procedures in force as well as the data collection and data control systems are adequate and enable full and reliable information to be generated
- As part of its auditing and external financial control, together with the authorized representatives it examines the scope and extent of the audit that is conducted as well as the method for completing it throughout the Group. The Audit Committee examines the results of this external audit as well as the Auditors' reports to the Shareholders. The Audit Committee ensures that the terms of office of the Auditors are completely independent and notably that neither the Auditors, nor the firms to which they may be associated, perform activities for the UCB Group other than these external auditing activities.

- As part of its assessment of risks, it examines the areas in which risks could significantly affect the Group's financial situation and its reputation. These areas of risk notably include: exchange rate risks, legal procedures and significant litigation cases, questioning public liability due to "products", environmental problems. The Committee checks that the procedures in place make it possible to identify these risks, to assess their possible impact and to verify that preventive or contingency measures acceptably limit the consequences.

- Whenever new regulations, legislation or directives are planned, which could have any tangible effects on the accounts of the UCB Group, on its financial situation or on its short- or long-term results, the Committee is informed of the implementation and the impacts of these, as well as the application measures approved by the management. Where applicable, it submits to the Board of Directors recommendations relating to these matters.

The definition and the tasks of the Audit Committee may develop depending on circumstances. It is currently made up of Eric Janssen as Chairman, Mark Eyskens and Guy Keutgen. It meets four times a year before the meetings of the Board of Directors, at which the half-year results and the provisional and definitive annual results are approved. It hears the Adviser to the Executive Committee, the Group Chief Accountant and the Auditors. The Committee reports to the Board of Directors on its activities. Secretarial services are provided by the Secretary of the Board.

Periodically, the Board of Directors undertakes to evaluate its overall contribution to the long-term success of the company, by clarifying its strategic mission and by aiming to optimize its function and that of the committees that it has created.

In 2003, the conclusions of this evaluation, approved unanimously by the Board, resulted from discussions conducted by the Vice-President of the Board of Directors, Baron Daniel Janssen, and the CEO, Baron Jacobs, with each Director individually, about the role of the Board of Directors, its priorities, its composition, the quality of its information, the frequency/duration of its meetings, and those of the Pay Review and Nominations Committee and of the Audit Committee and the Board's relations with the President of the Executive Committee.

# Corporate Governance

This initiative notably led to the close involvement of the Board of Directors in the revision/definition of the Group's long-term strategy put forward by the President of the Executive Committee, the development and the implementation of which the Board regularly monitors.

## The Executive Committee

Its members are appointed by the Board of Directors. It currently includes the Chairman, Georges Jacobs, who is a Director, a Deputy Chairman, Roch Doliveux, Director-General of the Pharma Sector since October 2003, and Ben Van Assche, Director-General of the Surface Specialities Sector. In principle meetings take place every fortnight.

The Executive Committee forms the top management of UCB. It directs the Group in the widest sense and supervises the proper functioning of the day-to-day management of the two Sectors and of the subsidiaries of which they are composed.

Each Sector has a decentralized organization into profit centres, by types of market or activity. The Executive Committee is responsible for putting in place the control and co-ordination of the strategic lines of the Group, with the assistance of the Central Services in the financial, administrative, legal, human resources and investment fields. This light management structure gives the UCB Group mobility, flexibility and rapidity in decision making, which enables it to seize opportunities.

The fixed part of the gross remuneration of the members of the Executive Committee amounted to € 1.5 million in 2003. The variable part, which was essentially linked to the movement in the profits of the Group, amounted to € 2.3 million in the same year.

In 2003, 40,000 purchase options on UCB S.A. shares were granted to members of the Executive Committee. These options are exercisable from the 15th February, 2007, to the 31st May, 2013 (except in the periods from the 1st January to the 15th February and the month of July each year) at the price of € 26.58, the average price for May, 2003. The total number of options on UCB shares granted to members of the Executive Committee and not yet exercised on the 31st December, 2003, amounted to 184,000.

The members of the Executive Committee benefit, like a significant part of the personnel of the Group, from a pension plan, which complements the statutory pensions, aiming to reduce as far as possible the difference between their resources before and after taking statutory retirement. This complementary pension is financed by personal contributions from the participants, by a collective contribution made by UCB to these pension funds and by the income generated by them.

## External Audit

The Auditors (College of "Commissaires") of the UCB Group and of UCB S.A. are made up of Mr Daniel Goossens and of Mrs Emmanuèle Attout. They have been nominated for three years by the General Meeting, which sets their emoluments in accordance with the law, and their terms of office are renewable. The term of office of Mrs Emmanuèle Attout, nominated for the first time in 2003, will expire in 2006. The last renewal of the term of office of Mr Goossens took place in 2001. The Board will recommend to the General Meeting for 2004 that the term of office of Mr Daniel Goossens, Auditor, be renewed. Neither the Auditors, nor the firms with which they may be associated perform any business for the UCB Group other than that of external auditing.

## Relations with the principal shareholders

The principal shareholder of UCB S.A. is Financière d'Obourg S.A., which holds a little more than 40% of the capital of the Company.

By a decision of a Shareholders Meeting of UCB, defensive warrants were issued in 2003 outside the rights of preference and were entirely subscribed for by Financière d'Obourg S.A. An ad hoc committee was set up by the same Shareholders Meeting, which also appointed its members. It is responsible for deciding, in predefined circumstances, the time to implement this defensive mechanism and also to approve any transfer of these warrants. The holders of the warrants have entered into an agreement with UCB S.A., ensuring their respect for the conditions of issuing and exercising these warrants. The warrants and the agreements have duration of five years.



# Report of the Board of Directors

Ladies and Gentlemen,

In accordance with the legal and statutory requirements, we have pleasure in presenting to you our report on the activities of the UCB Group during the previous year and the consolidated accounts at the end of 2003. We also submit for your approval the annual accounts of UCB S.A. for the year ended 31st December 2003.

## General situation

The consolidated **turnover** of the UCB Group increased from € 2,514 million in 2002 to € 2,966 million in 2003, being an increase of 18 %. This sharp increase is attributed essentially to the sales generated by acquisitions concluded during the year, of which the Resins, Additives and Adhesives activities of Solutia Inc. accounted for € 540 million.

The ordinary **profits** of the Group before tax amounted in 2003 to € 483 million, compared with € 494 million for the previous year, being a decrease of 2 %. After taking account of the exceptional results and of taxation, the total profits of the Group rose

to € 340 million, compared with € 332 million in 2002, being a growth of 2 %. At constant exchange rates, the increase in net profits rose to 22 %.

The **workforce** of the Group throughout the world was 11,559, compared with 10,326 the previous year, that is 1,233 more. This increase essentially represents those people who joined the Group as a result of the acquisition of Solutia's Resins, Adhesives & Additives activities in February 2003 (+1,715); on the other hand, the sale of Taminco involved a decrease of 520 people. The cost of wages, salaries and social charges followed the trend in the workforce. It reached € 692 million, compared with € 604 million during the previous year, which represents 23% of the Group's turnover. Further information about this can be found in the "Human Resources" section of this report.

UCB devoted more than € 44 million in 2003 to the protection of the **environment**, an increase of € 9 million, that is 26%, compared with the previous year. Its achievements are commented upon in the section devoted to the environment.

The Group's expenditure on **Research and Development** rose to € 270 million compared with € 262 million in 2002, that is an increase of 3 %. An outline of the R&D objectives is commented upon in the pages dealing with each Sector.

The growth of the UCB Group in the United States has required development of its infrastructure. This new building, at the Atlanta (Georgia) Site, was opened in the spring of 2003.



# Report of the Board of Directors

**Investments** increased from € 164 million to € 654 million (including € 88 million for the Pharma Sector and € 560 million for Surface Specialties). The largest investment is represented by the activities acquired from Solutia, accounting for a sum of € 514 million in 2003.

In terms of the **financial structure**, long-term financing has been strengthened by the arrangement of a long-term bank loan for € 250 million, negotiated as part of the financing of the acquisition of the Solutia specialities, the overall amount for which amounted to \$ 510 million. This loan is to be repaid in equal installments over 5 years. The remaining balance of the financing of this acquisition was taken from the Group's liquid assets.

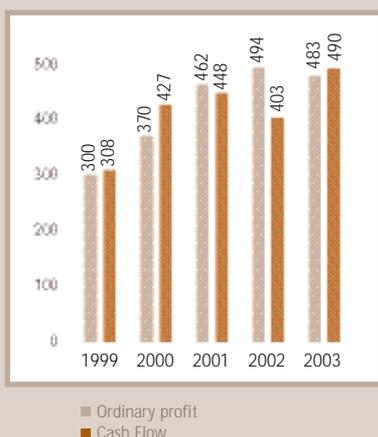
In the meantime, these have been completely restored, mainly due to the proceeds of the sale of the methylamine business. UCB has thus at its disposal extensive resources for its future development.

**UCB S.A.**, which is the Group's parent company, holds shareholdings directly or indirectly in the subsidiaries. It also develops its own industrial activities. Its net profits, after tax and the transfer to exempt reserves, amounted to € 294 million in 2003. After taking account of the profit brought forward from the previous year of € 122 million, the balance available for distribution amounts to € 416 million. The Board of Directors proposes at the end of this report to distribute a gross dividend of € 120 million.

As regards the use of the authorised capital reserved for the personnel of the Group performing directorial or senior management functions, the Board of Directors approved an option plan on shares within the framework of the Belgian legislation of 1999. In 1999, a first issue of 147,000 subscription rights on UCB shares was reserved for some 270 members of staff. A second issue took place in 2000, covering around 480 people and 237,500 subscription rights.

Since 2001, it has been decided to no longer make use of the authorized capital to issue subscription rights to the personnel, but to issue purchase options on existing shares to be purchased by the company or by one of its subsidiaries. In 2001, this issue related to 346,800 share options, reserved for 490 members of staff. In 2002 and 2003, 450,000 options were issued to the personnel of the UCB Group performing directional and senior management functions; these last two issues each covering approximately 560 people. The company has decided not to make use

Cash flow and Ordinary profit (in € million)



Value added by sector (in € million)



itself of the authorisation granted to it in 2001 and 2003 by the General Meeting of shareholders to purchase its own shares to cover the share purchase option plans set up for the personnel of the UCB Group performing directorial or senior management functions. It is UCB Fipar, an indirect subsidiary of UCB S.A., which has by agreement taken over all the obligations of UCB in this matter.

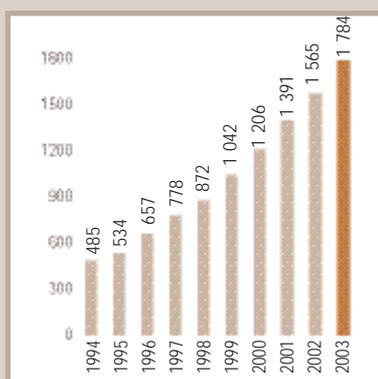
## Group investments

(In € million)	2002		2003	
Pharma	100	61%	88	13%
Surface Specialties	58	36%	560	86%
Non-sectorial	6	3%	6	1%
<b>TOTAL</b>	<b>164</b>	<b>100%</b>	<b>654</b>	<b>100%</b>

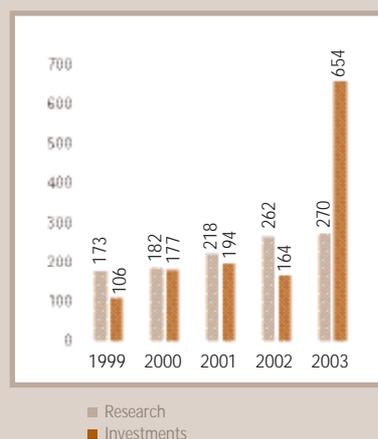
## Group research expenditure

(In € million)	2002	% of total expenditure	% of turnover	2003	% of total expenditure	% of turnover
Pharma	213	81%	14%	210	78%	14%
Surface Specialties	49	19%	5%	60	22%	4%
<b>TOTAL</b>	<b>262</b>	<b>100%</b>		<b>270</b>	<b>100%</b>	

## Own funds (in € million)



## Investments and Research costs (in € million)



# Pharma



Keppra, becoming a world leader in the treatment of epilepsy.

The new antiallergic Xyzal has tripled its sales in Europe.

In the United States, sales of Zyrtec have reached \$1.3 billion, a 20% increase.

## Key figures

In million	2001	2002	2003		At constant exchange rates	
	€	€	€	\$		
<b>Consolidated turnover</b>	<b>1 427</b>	<b>1 476</b>	<b>1 463</b>	<b>1 845</b>	-1%	+9%
among which						
Europe	41%	40%	40%			
America	35%	39%	40%			
Asia/Pacific	23%	19%	19%			
Rest of the world	1%	2%	1%			
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>			
Operating profit before depreciation (EBITDA)	614	681	631	796		
Depreciation	-200	-236	-234	-295		
Operating profit (EBIT)	414	445	397	501	-11%	+11%
Net financial charges	-11	-5	5	6		
Profits before taxation						
<b>Ordinary</b>	<b>403</b>	<b>440</b>	<b>402</b>	<b>507</b>	<b>-9%</b>	<b>+10%</b>
Exceptional	8	1	29	37		
<b>Total</b>	<b>411</b>	<b>441</b>	<b>431</b>	<b>544</b>	<b>-2%</b>	<b>+16%</b>
Cash flow	353	293	275	347		
Value added						
Remuneration	351	394	411	518		
Depreciation (1)	47	51	44	55		
Financial charges	11	5	-5	-6		
Ordinary profit before taxation	403	440	402	507		
<b>Total</b>	<b>812</b>	<b>890</b>	<b>852</b>	<b>1 074</b>		
Turnover per employee (2)	0,24	0,23	0,22			
Value added per employee (3)	0,14	0,14	0,13			
Capital expenditure during the year	75	100	88	111		
R&D expenditure	168	213	210	265	-1%	
ROCE	53%	49%	41%			
Personnel employed at 31st December	6 047	6 544	6 650			

(1) Not including depreciation on R&D costs

(2) Consolidated turnover/Average numbers employed in the Sector

(3) Value added/Average numbers employed in the Sector

### Personnel of UCB Pharma

	2002	2003
<b>Total</b>	<b>6 544</b>	<b>6 650</b>
<i>of which: R&amp;D</i>		
Research	396	400
Development	635	620
<b>Total R&amp;D</b>	<b>1 031</b>	<b>1 020</b>
<i>of which: sales representatives</i>		
Europe	1 532	1 560
USA	665	703
Asia + Japan	763	723
<b>Total</b>	<b>2 960</b>	<b>2 986</b>

### Turnover by activity

	2002	2003
Neurology	25%	31%
Allergy	49%	46%
Others	26%	23%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## Performance in specialist markets on a global scale.

In 2003, UCB Pharma achieved excellent performances in its two areas of business. This is reflected in the dynamic growth and profitability of the Group, where the Pharma Sector contributes 83% of the ordinary profit.

Neurology, which represents one third of the turnover, is the main growth engine in the Sector. On the other hand UCB Pharma's antihistamines confirm their leadership.

The consolidated turnover of the Pharma Sector amounted to € 1,463 million compared with € 1,476 million in 2002. While the volume of the sales increased in most markets, the decrease in turnover is essentially due to the weakness of the dollar. At a constant exchange rate, turnover showed a 9% increase. Similarly, the ordinary profit, which went from € 440 million in 2002 to € 402 million in 2003, increased by 10%, at constant exchange rate. This is all the more remarkable in that the record figure in 2002 included € 23 million from compensation arising from Alza, for the breach of contract for *Ditropan XL* in the USA.



exceeded the 350,000 "patient-years" threshold (cumulative treatment of patients during one year).

- In the United States, where two third of *Keppra* turnover is generated and with an increase of 53%, *Keppra* assumed the leading position for epilepsy prescriptions amongst new antiepileptics. The oral solution, approved in July 2003 by the FDA, is very promising.
- In Europe, sales increased to € 100 million in 2003 compared with € 66 million the year before. In 2003 *Keppra* was launched in two major markets: Spain and France. It now covers the whole European territory. Registration of the oral solution is expected in 2004.
- In Asia/Pacific, sales of *Keppra* are taking off with approvals in Indonesia, in the Philippines and in Taiwan, and launches in Australia and Malaysia. Clinical development of *Keppra* in Japan has now been completed.

## Neurology/central nervous system

### *Keppra*, the antiepileptic growth engine

*Keppra*, now available in 46 countries, owes its success mainly to its remarkable efficacy, broad spectrum of action, ease of use and safety. Its specific mechanism of action and particular effect on certain receptors in the brain ensure it a unique place amongst the new antiepileptics. *Keppra* has been the subject of major lectures in the largest international conferences including those for the American Academy of Neurology, the American Epilepsy Society and the International Epilepsy Congress. Numerous studies demonstrating its efficacy have been the subject of publications in several specialist international medical journals such as *Epilepsy Research in the USA*.

Worldwide sales of *Keppra* increased by 55% in 2003 excluding variations in exchange rates. Expressed in euros, the turnover reached 314 million compared with 231 million in 2002, a growth of 36%. Its use



*Keppra* has already enabled thousands of patients with epilepsy in the United States and Europe to lead completely normal lives.



## Main products

To make life easier for patients suffering from epilepsy, UCB Pharma has introduced a liquid form of *Keppra*, now available on the American market. It is particularly appreciated by elderly people - many of whom have to take several medications - as doses of the solution are easily taken orally.



Antiallergic drug *Xyzal* was the subject of scientific studies in Europe in 2003, and these produced very favourable comparative data.

The Pharma Sector's brief is the research, production and marketing of prescription medicines covering the fields of neurology/central nervous system and allergy/respiratory, plus products acquired or licensed in. The major pharmaceutical specialties include :

#### *distributed in the world:*

- *Keppra* (levetiracetam), a new antiepileptic, which significantly reduces the frequency of seizures;
- *Xyzal* (levocetirizine) and *Zyrtec* (cetirizine), antiallergics prescribed for seasonal allergic rhinitis, perennial allergic rhinitis and chronic idiopathic urticaria;
- *Nootropil* (piracetam), a cerebral function regulator and the first in the class of "nootropic" agents;
- *Atarax* (hydroxyzine), a non-benzodiazepinic tranquilliser which has given its name to the class of "ataraxics";
- Somatostatin-UCB for the treatment of bleeding oesophagus ulcers;

## Excellent performance of other drugs

In neurology, **Nootropil** contributes € 115 million to the turnover of UCB Pharma. **Frova**, for the treatment of migraines, acquired through a licence agreement, reached \$ 38 million on the American market. Note that, at the end of March 2004, the firm Elan informed UCB of its intention to end this licensing agreement; its breach will not influence the results of 2004.

**Atarax**, a tranquilliser coming from UCB's own research 50 years ago, continues its development with a 5% increase in turnover, to € 43 million.

## Allergy/respiratory

### *Xyzal is taking off in Europe, Zyrtec continues its growth in the USA.*

UCB Pharma confirms its worldwide leadership in the field of allergy. In Europe, **Xyzal** has experienced a remarkable penetration in the countries where it has been launched, tripling its sales in 2003, which rose to € 41 million. This success is due to the intrinsic qualities of the drug, the specifics of which, highlighted by comparative clinical studies, reflect a therapeutic profile superior to that of its main competitors.

- It is the only antihistamine whose efficacy has been proven in a long-term six month clinical trial (XPRT study).
- Its rapid onset and longer duration of action are demonstrated in the treatment of rhinitis when compared with competing products.
- Its strong affinity to the histamine receptor allows a reduced dosage to be taken.

**Zyrtec**, the UCB flagship product in the recent years, remains the most

*distributed in the United States:*

- Lortab (hydrocodone-paracetamol), an analgesic which reduces most types of pain;
- Frova (frovatriptan succinate), for the treatment of headache;
- Theo 24 (theophylline anhydrous), for the treatment of asthma.

*distributed in Japan:*

- BUP-4 (propiverine hydrochloride), for the treatment of urinary incontinence;
- Stogar (lafutidine), for the treatment of gastric ulcers;
- Cinalong (cilnidipine), for the treatment of high blood pressure.

UCB is also present in biotechnology, through UCB-Bioproducts. Its objectives are to make available to the scientific community peptides by extraction or synthesis, to improve the technology of peptide synthesis and to synthesise new peptides or biologically active "peptidomimetics".

## Interview

### UCB Pharma's vision and strengths

Roch Doliveux, Director-General of the Pharma Sector, joined the Group in October 2003.



#### What are the objectives of your strategic decisions?

*We will pursue a strategy of growth, while maintaining a high level of profitability. Through innovation, UCB is focused on becoming a leader in the treatment of severe medical conditions in specialist therapeutic areas. This vision has already come to fruition in the field of allergy, and is in the process of becoming reality in the area of epilepsy.*

*UCB is a vibrant company, with numerous strengths, which are not yet broadly recognized. We are one of the few global mid-size pharmaceutical companies. Our products are leaders in their markets (or are in the process of becoming leaders). Our research, which is focused on a dynamic interaction between our traditional strengths in medicinal chemistry and cutting edge pharmacology, is one of the most productive in the industry for our size. Finally, our Executive Committee has both short-term and long-term visions, bearing witness to a genuine concern for the well-being of patients and to high ethical standards.*

*The management team of UCB Pharma is dedicated to implementing our strategies and striving to achieve our vision. We are focusing our efforts on the expanded promotion of Keppra and rapid development of Keppra's new indications and of its successors, as well as on the successful conversion of Zyrtec to Xyzal/efletirizine the latter new molecules providing the best possible support for the more severe allergy patients suffering from persistent rhinitis and/or rhinitis associated with asthma.*

*Lastly, our initiative fosters more innovation and acquisition of new products and companies targeted at physician specialists. By focusing on specialist markets and the patients with serious medical conditions who need new treatment options, UCB is able to effectively compete with companies of all sizes.*

#### What are your reasons for joining the UCB Group?

*In the pharmaceutical industry, the key factor to success is to provide new solutions for patients who are suffering. Beyond its track record of innovation, UCB possesses a human dimension, which guarantees the commitment of each person, and their performance and flexibility. In addition, UCB has both the financial and human resources, as well as the backing of its shareholders, to fully succeed in the implementation of its strategy.*

*distributed in the United States:*

- Lortab (hydrocodone-paracetamol), an analgesic which reduces most types of pain;
- Frova (frovatriptan succinate), for the treatment of headache;
- Theo 24 (theophylline anhydrous), for the treatment of asthma.

*distributed in Japan:*

- BUP-4 (propiverine hydrochloride), for the treatment of urinary incontinence;
- Stogar (lafutidine), for the treatment of gastric ulcers;
- Cinalong (cilnidipine), for the treatment of high blood pressure.

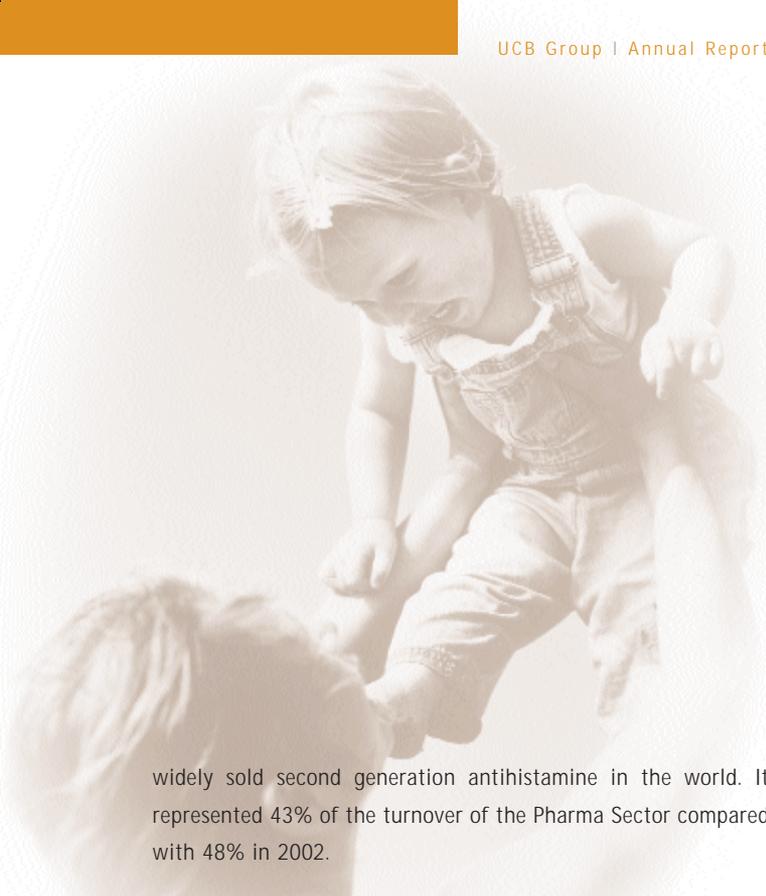
UCB is also present in biotechnology, through UCB-Bioproducts. Its objectives are to make available to the scientific community peptides by extraction or synthesis, to improve the technology of peptide synthesis and to synthesise new peptides or biologically active "peptidomimetics".



Sales for all forms of Zyrtec have increased in the United States, particularly for paediatric use.



Switzerland is the first country to have approved antiallergic drug Xyzal (in drops) for children from two years old. Other launches of that formulation are expected in Europe during 2004.



widely sold second generation antihistamine in the world. It represented 43% of the turnover of the Pharma Sector compared with 48% in 2002.

- In the United States, *Zyrtec* showed a remarkable growth of 20% in its sales in 2003 expressed in dollars, at a time when the prescribed antihistamine market declined by nearly 30%. This performance is explained by the constantly demonstrated efficiency of the treatment, the availability of numerous galenical forms of the product and its safety in use, which makes it the only antiallergic drug approved for use in children from the age of 6 months. The quality of the partnership between UCB and Pfizer brought the level of sales on the market to \$ 1,338 million compared with \$ 1,115 million a year previously. Of these sales, UCB accounted for € 262 million.
- In Japan, in spite of lively competition, *Zyrtec* has maintained its market share at 15.5%.
- In Europe, the scheduled term of the patent coincides with a downturn in sales that have gone over to generic products. Nonetheless, the excellent performance of *Xyzal* has resulted in a slow-down in the erosion of the allergy franchise from -14% over the first six months of 2003 to -4% over the second six months.

## Other products

### Contribution to the performance of UCB throughout the world

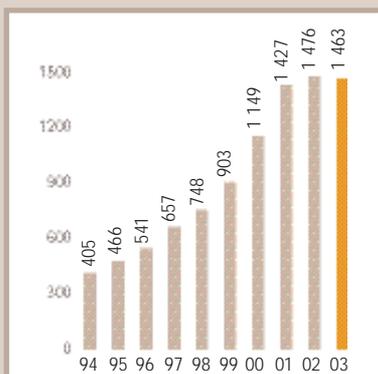
Other drugs have contributed to the commercial development of UCB Pharma.

In the United States, sales of **Lortab**, an analgesic sold by UCB Pharma, Inc., amounted to € 28 million in spite of the heightened competition from generic products.

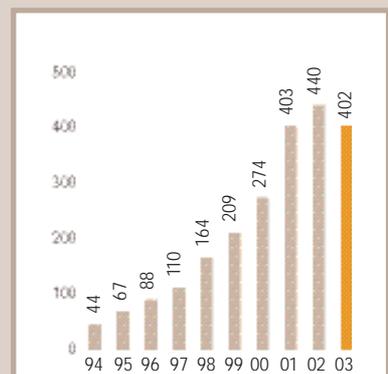


The antiallergic *Xyzal* has had considerable success in most European countries. It not only treats the symptoms of allergy but also improves the patient's quality of life and well-being, through its speed of action and long-lasting effect. A study has shown that it contributes to decreased absenteeism from work.

### Consolidated turnover (in € million)



### Ordinary profits before taxation (in € million)



# Testimony

UCB products on the Japanese market have experienced an upturn in their sales volumes. The turnover expressed in euros, however, is stable when allowing for the negative impact of the persistent weakness of the yen compared with the euro. Amongst the main drugs, **BUP-4** a medicine against urinary incontinence achieved a sales figure of € 28 million, **Stogar**, an anti-gastric ulcer drug, generated € 15 million of turnover and **Cinalong**, for the treatment of hypertension, contributed € 10 million to turnover.

## Peptides

### UCB-Bioproducts continues its development initiatives

The business of UCB-Bioproducts covers the production and the sale of certain peptides as active ingredients in the composition of new drugs such as *Angiomax*, a new cardiovascular drug of "The Medicine Company".

UCB has entered into new agreements with several biotechnology companies to guarantee production of their new peptide drugs. The sales of UCB are highly dependent on the registration of these new drugs by its partners and stagnated in 2003 at a level of € 39 million.

As the core of its sales are concentrated on the American market, the effect of the dollar dominated commercial dynamics. Nevertheless, a large number of new therapeutic peptides are under development and UCB-Bioproducts perceives numerous opportunities within the biopharmaceutical industry.

The development laboratories and a new pilot plant built on the site of UCB in North Augusta (USA) have been operational since the beginning of 2003.



Susan Axelrod and her daughter Lauren

## Epilepsy ?

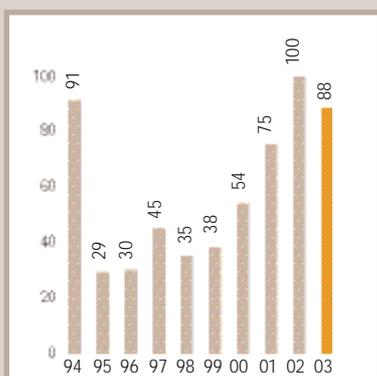
*"My daughter, Lauren, started having seizures when she was only 7 months old. Despite the fact that Lauren is a true fighter, we went through years of feeling extremely frustrated and totally helpless as her seizures were never able to be controlled. Over the past 23 years, we saw 10 different physicians and made countless trips to hospitals and emergency rooms. Lauren tried 20 different drugs as well as the ketogenic diet and vagal nerve stimulator, yet nothing seemed to work. The nature of epilepsy is that you feel you have no control.*

*Then, in 2000, Lauren was prescribed the latest antiepileptic drug approved by the FDA and she has not had a clinical seizure since! The growth and developmental progress she has achieved in almost four years of seizure freedom is phenomenal. Lauren can now plan her life with confidence.*

*We thank the scientists who restored our hope and transformed our lives."*

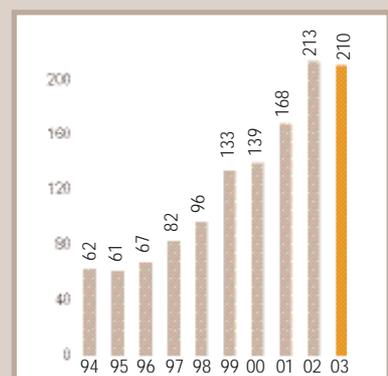
## Investments

(in € million)



## Research and Development expenditure

(in € million)



## Prospects

### Research & Development

A thousand scientists, engineers, physicians and technicians, located in Braine-l'Alleud (Belgium), Boston and Atlanta (USA) and Tokyo (Japan), bring together their expertise in order to accelerate the discovery, development and marketing of new drugs. Their efforts have enabled significant therapeutic advances to be made in neurology as well as in allergy and respiratory diseases. In addition, the manufacturing facilities of Braine-l'Alleud (Belgium), where new UCB drugs like *Keppra* and *Xyza* are being produced, have obtained the renewal of approval by the US Food and Drug Administration (FDA). Furthermore, a new *Keppra* production facility has been completed in Bulle (Switzerland) and has been approved by the European authorities (EMA).

### Neurology

The excellent results of *Keppra* in the treatment of epilepsy are now widely recognized in the scientific and medical communities. Its efficacy, particularly its high rate of seizure freedom, safety and ease of use have been confirmed in a large scale post-approval (Phase IV) study

completed in the USA and by the interim results of a similar study conducted in Europe. Furthermore, additional applications of *Keppra* in the field of epilepsy are being pursued. The results of the paediatric program will be submitted to regulatory authorities in 2004, those of studies in monotherapy in 2005 and generalized epileptic seizures in 2006. In Japan, the regulatory submission for approval in epilepsy is planned for 2005. A new oral solution formulation has been launched in the USA and will be available on the EU market in 2004. An intravenous solution for use in hospital emergency situations is under development and should be submitted for approval in 2005.

In collaboration with UCB, several clinical researchers have taken the initiative to explore the use of *Keppra* in various indications other than epilepsy, such as movement disorders, neuropathic pain and some psychiatric conditions. More than a dozen controlled studies are ongoing in these indications with results expected in 2004-2005.

Some important progress has been made in research conducted on *Keppra* confirming that its mechanism of action is unique and distinct



Early in 2004, UCB Pharma acquired a medication from Dynavax (California) that gets to grips with the very causes of allergy, particularly allergy to peanuts and certain herbaceous plants.

## Turnover of the main medicines

(in € million)	2001		2002		2003	
ZYRTEC/XYZAL/CIRRUS	756	53%	724	49%	670	46%
KEPPRA	122	9%	231	16%	314	21%
NOOTROPIL	136	10%	129	9%	115	8%
PEPTIDES	39	3%	49	3%	39	3%
ATARAX	41	3%	41	3%	43	3%
LORTAB	45	3%	42	3%	28	2%
BUP-4	28	2%	28	2%	28	2%
FROVA	-	-	7	-	21	1%
STOGAR	16	1%	17	1%	15	1%
SOMATOSTATINE	14	1%	14	1%	15	1%
OTHERS	230	16%	194	13%	175	12%
<b>TOTAL</b>	<b>1 427</b>	<b>100%</b>	<b>1 476</b>	<b>100%</b>	<b>1 463</b>	<b>100%</b>

from all of the antiepileptics currently available on the market. The sustained R&D efforts devoted to a large family of compounds related to *Keppra* are yielding several drug candidates with a variety of potential therapeutic applications. These support UCB's objective of a long term presence in the field of neurology. Two compounds have already reached the stage of clinical development. The pharmacological profile of **ucb 34714**, currently in Phase II, seems to orient the product towards the treatment of epilepsy, pain and certain movement disorders. **Ucb 44212** on the other hand has the profile of a particularly promising drug for the treatment of all forms of epilepsy and is currently in Phase I.

## Allergy

**Xyzal**, a potent and well tolerated antiallergic drug, has demonstrated, for the first time that long term administration of an antihistamine is effective and safe in the treatment of a newly defined allergic condition known as "persistent rhinitis". Persistent rhinitis is characterized by severe and long lasting allergic symptoms and by a strong tendency to evolve towards allergic asthma. The results of this six-month study have been submitted to the European regulatory authorities for approval of *Xyzal* in this new indication. A major clinical study designed to demonstrate the effectiveness of the treatment over several months with *Xyzal* in the prevention of asthma amongst young children (EPAAC study), is progressing well. The recruitment of patients has now been completed and the results will be completed in 2006. A further achievement with *Xyzal* is the development of a liquid oral formulation that is already approved in Switzerland and is in the process of registration in the rest of Europe.

## Testimony



Zeger and Servaas Boels.

### Put your handkerchiefs away!

*"When I first saw my sons sneezing and wiping their noses all the time, with their eyes streaming, I thought they had flu. But as it didn't go away, we had tested and it was discovered that they were suffering from allergy to pollen, dust, etc."* explained the mother of Servaas (13) and Zeger (11). *"This obviously restricted their activities. In fact, it is thanks to allergy research that they can now breathe properly at last."*

*"They were recently prescribed a new antihistamine. Ever since then, Zeger has no longer had any breathing problems, or watering, burning eyes. Servaas can now go to the scouts and remain in good shape." "I can sleep on a dusty floor, have fun in the woods or play football on the grass, without constantly needing to keep a handkerchief at the ready," he says. "I can also play table tennis without having problems breathing, and that means I get a better score,"* explains the provincial champion.

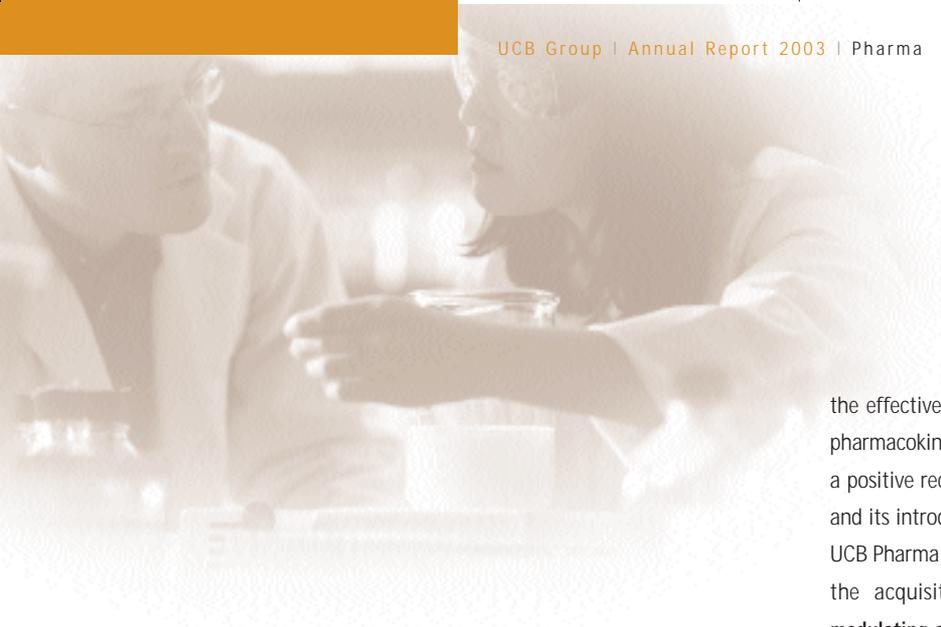
### World-wide turnover for Keppra

(in € million)	2002	2003	Difference	
			in €	in local currency
USA	164	209		+ 53%
EUROPE	66	100	+ 52%	
REST OF THE WORLD	1	5		
<b>TOTAL</b>	<b>231</b>	<b>314</b>	<b>+ 36%</b>	<b>+ 55%</b>

### Global allergy turnover in the market (\*)

(in € million)	2002	2003	Difference	
			in €	in local currency
USA	1 184	1 183		+20%
EUROPE	315	279	-11%	
JAPAN	141	136		+7%
REST OF THE WORLD	58	54	-6%	
<b>TOTAL</b>	<b>1 698</b>	<b>1 652</b>	<b>-3%</b>	

(\*) Including Zyrtec, Xyzal, Cirrus and Zyrtec-D sold by UCB and its licensees



**Efletirizine** is another novel antihistamine with demonstrated strong potency and excellent safety profile. This product has successfully completed its Phase III clinical development. In addition to its twice a day form, a specific formulation for once-daily intake is being developed.

It is now generally accepted that allergic rhinitis and allergic asthma are two aspects of the same disease, which affect the upper or lower airways respectively. In this context, UCB is developing **ucb 35440** as a novel approach to allergic asthma. This compound expresses in one single molecule both antihistamine and antileukotriene activities, thereby inhibiting the deleterious effects of histamine and leukotrienes, two major mediators in allergic asthma. The compound is currently in Phase II of clinical development.

## Acquisitions and licenses

UCB Pharma has during 2003 expanded its efforts to widen its range of products through acquisitions and licenses not only in its two major areas of expertise but also, with a long term perspective, in other specialist therapeutic areas. In this context, UCB Pharma signed a licensing agreement with Watson Pharmaceuticals for commercialization in Europe of Watson's novel **oxybutynin transdermal patch** for the treatment of urinary incontinence. This galenic innovation brings together

the effectiveness of a reference molecule and the optimization of its pharmacokinetics, which reduces side effects. The product has received a positive recommendation from the European registration authorities and its introduction on the European market is expected in 2004.

UCB Pharma recently strengthened its portfolio of antiallergic drugs by the acquisition from Dynavax Technologies Corp. of **immuno-modulating compounds** for the treatment of severe allergic conditions. In an early Phase II study, one compound has demonstrated beneficial effects on patients with ragweed allergy and further Phase II studies are in the progress. This very innovative product has the potential to revolutionize the treatment by immuno-therapy by making it more effective, safer and easier to administer. Similar compounds for the treatment of grass pollen and peanut allergies are in pre-clinical development.



Making a new medicinal product available takes a long time. One of the challenges facing the UCB research teams is to speed up this research and development process. Here we see a leading-edge technology for studying the effect of antiepileptic compounds on the electrical activity of nerve cells in vitro.



UCB Pharma's management team. From left to right: François Meurgey, Director Global Marketing, Anthony Tebbutt, Director USA and Canada, Michel Lurquin, Director Technical Operations, Roch Doliveux, Director-General of the Pharma Sector, André Khairallah, Director, Controller, Jean-Pierre Pradier, Director Corporate Human Resources, Simon Looman, Director Europe, Thomas Beck, Director Global R&D, Bruno Strigini, Director International, and Gerd Johnscher, Director Medical & Regulatory Affairs.

# Pipeline

## Discovering and developing medicinal products

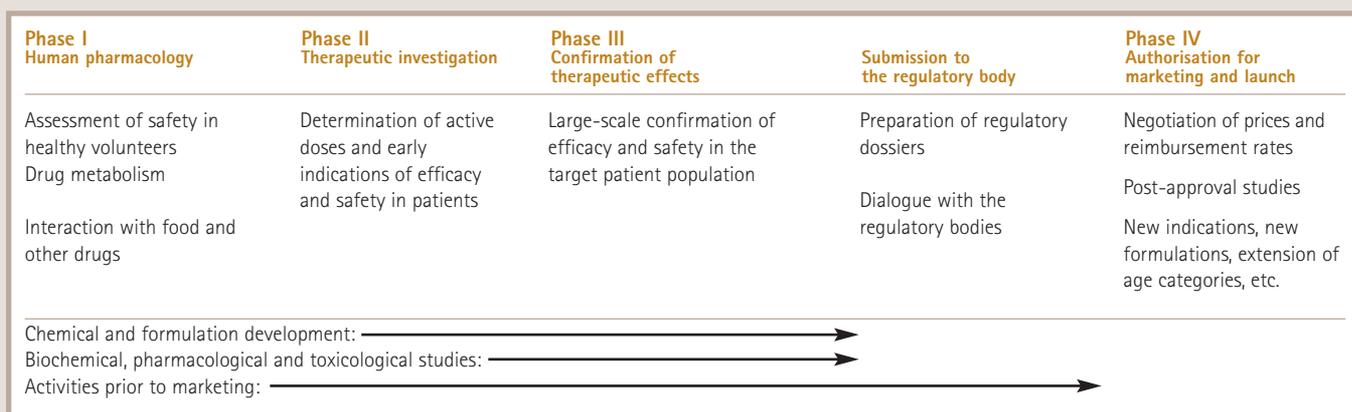
The processes of discovering and developing medicinal products are, complex and costly activities. There is a series of steps, punctuated by monitoring and decision-making points.

The aim of the drug discovery process is to design and synthesise novel compounds with potential advantages to patients, in specific treatment fields (neurology, allergies, respiratory diseases, etc.). The process includes the identification of new therapeutic targets (enzymes, membrane receptors, ion channels, genes, etc.) based on an in-depth understanding of the diseases and of the corresponding unsatisfied medical needs. In order to identify new compounds, UCB Pharma draws on its extensive knowledge, accumulated over

decades, that relate to the pharmacological activity of a number of "families" of chemicals. In addition, chemists and biologists use the very latest technologies – such as genomics and proteomics, computer-aided drug design, combinatorial chemistry and high-throughput screening – to speed up the discovery of new therapeutic targets and potential drug candidates, known as "lead compounds".

Once the drug discovery process has identified an appropriate drug candidate, a multidisciplinary project team is set up with the task of turning the compound into a medicinal product that can be marketed as rapidly as possible. This process, called drug development, is highly regulated, and managing it is made easier by using techniques for project and portfolio management.

## Drug development



Phase I	Phase II	Phase III	Submission/Approval	Phase IV
<b>NEUROLOGY-CENTRAL NERVOUS SYSTEM</b>				
<b>ucb 44212:</b> - epilepsy, pain	<b>Keppra™ (1):</b> - levodopa induced dyskinesia - once daily tablet  - fast dissolving tablet  <b>ucb 34714:</b> - ucb 34714: epilepsy, pain, tremor	<b>Keppra™ (1):</b> - intravenous solution - anxiety, social phobia - epilepsy, children, 1 month => 6 years (planned) - epilepsy, children, 6 => 12 years - epilepsy Japan - epilepsy, monotherapy - epilepsy, myoclonic seizures - epilepsy, tonic-clonic seizures - post-herpetic neuralgia	<b>Keppra™:</b> - oral solution EU - oral solution US (launched)	<b>Nootropil™:</b> - mild cognitive impairment
<b>ALLERGY-RESPIRATORY</b>				
<b>Efletirizine:</b> - once daily tablet	<b>ucb 35440:</b> - allergic asthma <b>Dynavax:</b> allergy, immunomodulation	<b>Xyzal™:</b> - allergic asthma (planned) - asthma prevention, children (EPAAC) <b>Efletirizine:</b> allergic rhinitis, urticaria, bid (completed)	<b>Xyzal™:</b> - oral solution EU - persistent rhinitis EU <b>Zyrtec™:</b> - chewable tablet (US, approved)	<b>Xyzal™:</b> - anti-inflammatory properties  - competitive differentiation
<b>OTHER</b>				
			<b>Oxybutynin (2):</b> - overactive bladder EU	

(1) Individual clinical investigators have taken the initiative to explore the potential benefit of *Keppra* in some epileptic syndromes as well as in several neurological and psychiatric indications (migraine, chronic headache, fibromyalgia, movement disorders, anxiety etc.)

(2) Oxybutynin transdermal patch has been licensed from Watson Pharmaceuticals Inc. for the European market.

# Surface

# Specialties



Surface Specialties positions itself as a world leader in environmentally-friendly resins for the coatings and graphic arts industry.

The anticipated synergies are starting to happen as the plan to integrate the acquired activities is implemented.

The Films activity is regaining profitability with prospects of sustained growth.

## Key figures

In million euros	2001	2002	2003		At constant exchange rates	
	€	€	€	\$		
<b>Consolidated turnover</b>	<b>1 048</b>	<b>1 037</b>	<b>1 501</b>	<b>1 893</b>	<b>+45%</b>	<b>+58%</b>
among which Films	396	394	362	456		
among which Europe	53%	53%	<b>59%</b>			
America	29%	27%	<b>23%</b>			
Asia/Pacific	17%	19%	<b>17%</b>			
Rest of the world	1%	1%	<b>1%</b>			
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>			
Operating profit before depreciation (EBITDA)	149	148	<b>203</b>	<b>256</b>		
Depreciation	-87	-91	<b>-112</b>	<b>-141</b>		
Operating profit (EBIT)	62	57	<b>91</b>	<b>115</b>	<b>+60%</b>	<b>+75%</b>
Net financial charges	-13	-23	<b>-25</b>	<b>-31</b>		
Profits before taxation :						
<b>Ordinary</b>	<b>49</b>	<b>34</b>	<b>66</b>	<b>84</b>	<b>+94%</b>	<b>+118%</b>
among which Films	9	-13	3	4		
Exceptional	-13	-18	<b>-33</b>	<b>-42</b>		
among which Films	-6	-12	-11	-14		
<b>Total</b>	<b>36</b>	<b>16</b>	<b>33</b>	<b>42</b>	<b>+106%</b>	<b>+154%</b>
Cash flow	71	91	<b>206</b>	<b>256</b>		
Value added						
Remuneration	202	208	<b>279</b>	<b>352</b>		
Depreciation (1)	62	64	<b>89</b>	<b>112</b>		
Financial charges	13	23	<b>25</b>	<b>32</b>		
Ordinary profit before taxation	49	34	<b>66</b>	<b>83</b>		
<b>Total</b>	<b>326</b>	<b>329</b>	<b>459</b>	<b>579</b>		
Turnover per employee (2)	0,28	0,29	<b>0,30</b>			
Value added per employee (3)	0,09	0,09	<b>0,09</b>			
Capital expenditure during the year	113	58	<b>560</b>	<b>706</b>		
R&D expenditure	50	49	<b>60</b>	<b>76</b>		
ROCE	8%	6%	<b>9%</b>			
Personnel employed at 31st December	3 687	3 505	<b>4 605</b>			

### Turnover by region and by product

In € millions	2002	2003
<b>Europe &amp; Africa</b>		
Coating Resins & Additives	206	<b>598</b>
Films & Adhesives	250	<b>210</b>
<b>Total</b>	<b>456</b>	<b>808</b>
<b>United States</b>		
Coating Resins & Additives	148	<b>227</b>
Films & Adhesives	112	<b>108</b>
<b>Total</b>	<b>260</b>	<b>335</b>
<b>Asia / Pacific</b>		
Coating Resins & Additives	83	<b>123</b>
Films & Adhesives	60	<b>71</b>
<b>Total</b>	<b>143</b>	<b>194</b>
<b>Total worldwide</b>	<b>859</b>	<b>1 337</b>

(1) Not including depreciation on R&D costs (2) Consolidated turnover/Average numbers employed in the Sector (3) Value added/Average numbers employed in the Sector

### The emergence of a world-wide industrial actor.

As part of its strategy, UCB completed in 2003 the acquisition of the "Resins, Additives and Adhesives" activities from Solutia, Inc. and of the resins for graphic arts from Air Products Inc. These acquisitions strengthen the product range offered by Surface Specialties and give it the resources to act as a leading international player in the manufacture of innovative high value products for coatings in the broader sense of the term i.e. including inks, varnishes, adhesives, wrappings and other surface finishes. Its consolidated turnover in euros experienced in one year an increase of 45% thereby reaching €1,501 million. Its Director-General is confident about the new positioning of Surface Specialties in its key markets.



to the market with pressure-sensitive adhesives, which are integrated with them.

Surface Specialties is therefore in a position to offer more comprehensive solutions to a worldwide customer base.

## A new scale

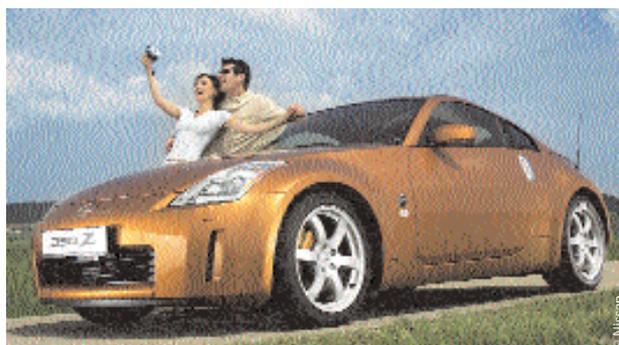
### Concentration on strong market segments

Surface Specialties is involved in the development, manufacture and marketing of a specific range of resins, additives, films and adhesives mainly for industrial uses. Its largest markets include the automotive, graphic arts, construction, industrial products, packaging and labelling sectors. In these markets, which were showing the start of a recovery at the end of 2003, Surface Specialties is able to take advantage of two major trends: the increasing shift from traditional coatings in favour of ecological coating systems and the growing demand for attractive and functional packaging and labels.

The recent acquisition of the "Resins, Additives and Adhesives" activities tangibly improved the position of Surface Specialties in eco-friendly resins for the coatings industry. Surface Specialties can now offer a comprehensive range of technologies to help its customers formulate coating systems that fulfil both performance requirements - durability, resistance to impact and scratches, as well as aesthetics - and environmental needs. Furthermore, the Film activities are now benefiting from a combined approach

### Key figures significantly increasing

Total turnover at the end of 2003 increased by 45% to € 1,501 million. This significant increase is mainly the effect of the acquisitions in the resins, additives and adhesives areas, but also due to the continued strength of the former Chemicals activities. Following its strategy of realigning its businesses, UCB sold its Taminco division (methylamines and their derivatives), in October 2003. The turnover of this activity amounts to a value of € 134 million in the accounts. Surface Specialties turnover was nega-



The acquisitions made by Surface Specialties in 2003 considerably increase its market share in the automotive sector. The wide range of resins have applications throughout a vehicle: from the bodywork and the interior to the engine, chassis, tyres and wheel rims, etc.

## Main products

Surface Specialties is focused on the manufacture of technically innovative products and solutions for surface applications, where it is amongst the world leaders. These specialties are regrouped as follows:

Activities	Technologies	Applications	Trademarks
The Surface itself	BOPP film (Bi-oriented polypropylene) by bubble extrusion	Packaging, labels and graphics, overwrapping, security products,	Propafilm, PropaFresh, Propafoil, Propaream, Rayoart, Rayoweb, Rayoface, Rayofoil, Guardian
	Cellulose film (derived from wood pulp & biodegradable)	Packaging, battery membranes, overwrapping, tapes, industrial applications	Cellophane, CelloTherm, StarTwist, OptiTwist, NatureFlex
Bonding of Surfaces	Pressure sensitive adhesives	Signage, labels, tapes, transdermal patches	Gelva, Ucecryl, Ucefix, Solucryl
	Phenolic and Novolak resins	Abrasives, tires, electronics	Phenodur, Alnovol, Alpex
	Melamine resins	Rubber, paper, wood processing	Resimene, Madurit,
	Unsaturated Polyester resins	Industrial applications, marine, sanitary, swimming pools	Viapal

tively impacted by the weakness of the dollar, resulting in a € 134 million reduction.

These actions have been translated into a significant growth in ordinary profit, which progressed from € 34 million to € 66 million. The increase has been offset by high depreciation of goodwill resulting from the acquisitions, the erosion of profit margins attributable to the increase in the cost of energy and in the prices of raw materials, as well as to the evolution of the exchange rates.

## Resins for paints, varnishes and inks, industrial resins and additives

### Worldwide leadership

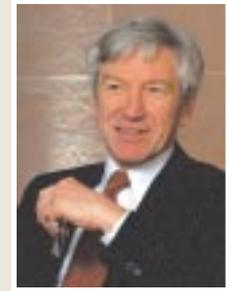
These activities include resins and additives for industrial coatings and graphic arts, as well as technical resins serving a wide range of other target markets, including textiles, wood finishing, tire composites, electronics and paper upgrading.

Turnover of these activities increased from € 434 million in 2002 to € 940 million in 2003. This growth was realized to a large extent through the acquisition of Solutia's entities for an amount of € 506 million, mainly its liquid resins. It should once again be noted, that the exchange rates for currencies had a negative impact on the consolidated figures in Euros.

Being now one of the world leaders in resins for the coating industry, Surface Specialties meets the demand for high performance end products, thanks to its comprehensive range of products. Three quarters of the resins sold are used in eco-friendly technologies.

# Interview

**Ben Van Assche highlights the new dimension of Surface Specialties.**



Ben Van Assche, Director-General of Surface Specialties, is also a member of UCB's Executive Committee.

### What are the broad outlines of your vision for the company?

*"Above all, to focus Surface Specialties on market segments that generate growth and profit and where we have a leadership position. To this end, I would draw very special attention to the optimal use of state-of-the-art technologies and to the value offered to our clients thanks to our comprehensive range of products and services, our know-how and our creative potential, in the field of coatings, inks, varnishes and other technical applications of resins and films. »*

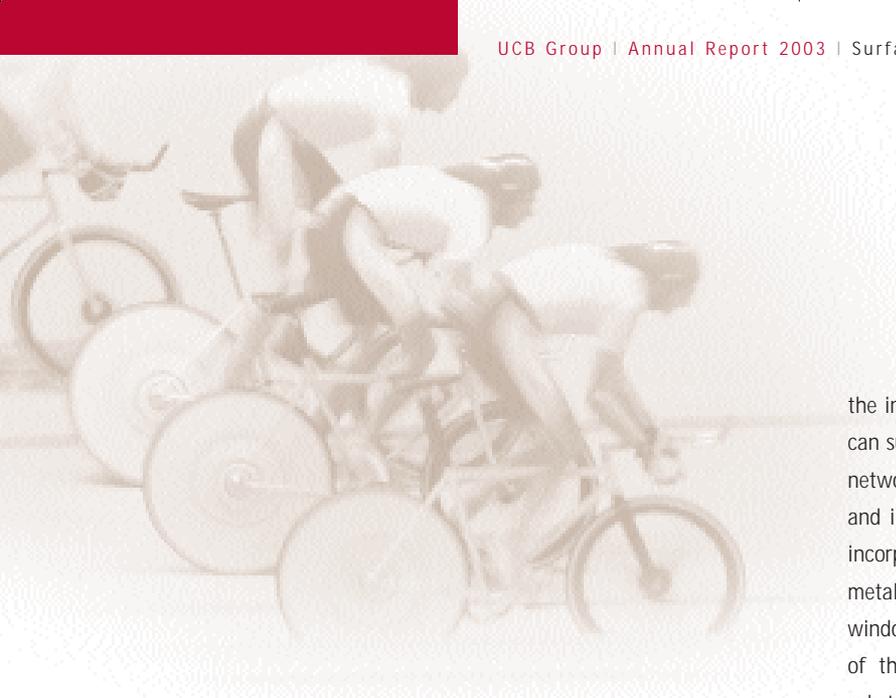
### What are the prospects for growth arising out of your strategy?

*"Surface Specialties perfectly addresses the main trends experienced within our target markets: the development of environmentally friendly technologies superseding traditional coating techniques, the requirements of durability and aesthetics for all types of coatings and inks, as well as the growing demand for both attractive and functional packaging and labels. Finally, our continued expansion in North America and in the Asia/Pacific region will also contribute to the growth of Surface Specialties. »*

### The acquisition of the "Resins, Additives and Adhesives" activities: a success?

*"Definitely, the addition of ecological technologies complementing those of UCB is by itself already a major achievement. In terms of organisational structure, the integration of the different entities is progressing remarkably well and the industrial complementarities now represent undeniable added value for our clients. Our product range is flexible, unique, comprehensive and worldwide. Surface Specialties is now positioned as a leader in its markets. "*

Activities	Technologies	Applications	Trademarks
Coating of Surfaces	Radiation curable resins (Polyester, urethane, epoxy acrylates)	Industrial metal & wood coatings including parquet: Safety glass interlayer	Radcure, Uvekol, Viatkin, Ebecryl Raylok
	Polyester Powder resins	Industrial and heavy duty metal applications, appliance, white goods, architecture, wood	Crylcoat, Synthacryl, Uvecoat, Additol
	Liquid vehicle resins for stoving and air dry	Automotive and industrial (cans, coil, ...) architectural applications (stains and varnishes, capital goods, coil, wood, etc.)	Resydrol, Beckopox, Ucecoat DW Viacryl, Daotan, Vialkyd, Macrynal
	Additives	Formulations of coatings	Modaflow and Additol
	Crosslinkers (Co Curing Resins)	Automotive, wood, plastic, industrial metal (cans, coil, ...)	Resimene, Maprenal, Phenodur
	Polyurethanes resins	Textiles coating	Breathe, Ucecoat
Printing of Surfaces	Radcure resins	Printing inks and varnishes	Ebecryl, Uvecure, Vialflex, Viajet, Viascreen, Viaset
	Additives		Additol, Modaflow
	Water-based resins and emulsions		Vancryl



### State-of-the-art products

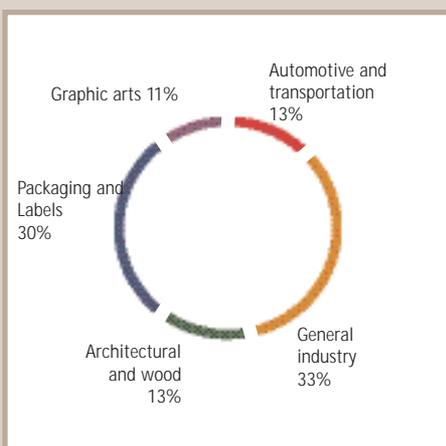
- **Radcure** resins are used in the manufacture of inks and varnishes for the graphic arts and industrial coatings sectors. To further reinforce its product offering, Surface Specialties has extended its range of aqueous emulsions through the acquisition of the graphic arts resins of Air Products. In the field of industrial coatings, **Raylok** resins are mainly used to protect wood. For example, half of the European market for office furniture is using coatings with Surface Specialties products. **Uvekol** resins are used in the manufacture of safety glass, where they also provide sound proofing properties. The turnover for these **Radcure** products increased by 2% to € 269 million.
- In the polyester resins market intended for the formulation of powder paints, Surface Specialties is now positioned as a world leader with an unmatched portfolio of products and applications. After

the integration of Solutia's powder resins line, Surface Specialties can supply its customers in all world regions through an extensive network of production plants in Europe, in North & South America and in Asia-Pacific Countries. These **Crylcoat** polyester resins are incorporated in the composition of powder paints, used mainly on metal substrates in products such as domestic electrical appliances, window frames, car bodywork or bicycle frames. The increasing use of this technology and the development of new products for substrates such as wood and plastic continue to drive growth in this product line. The turnover of this activity increased from € 144 million to € 201 million. This represents a 60% growth in volume. The narrow profit margins remain a concern. Therefore, efforts to improve profitability are a focus for this business.

- With products such as **Resydrol**, **Beckopox**, **Resimene**, **Macrynal**, **Daotan** and **Additol** (not an exhaustive list) Surface Specialties offers a wide range of liquid vehicle resins, additives and crosslinkers based on acrylic, alkyd, epoxide and amine technology.

These resins are used in the manufacture of liquid coatings for automotive and transportation (bus, lorries, rail, aerospace), in industrial coatings and speciality architectural applications, like stains and varnishes. They are used on a variety of substrates such as wood, plastic and particularly metal. The strength of Surface Specialties in this business resides in the performance of its technology and the wide range of products it offers.

### Turnover by end-use market



Surface Specialties makes everyday life more pleasant. *Propafilm* packaging of DVDs and CDs is of high quality and looks attractive.

*Radcure* resins are used in the protective layer of the disc itself.



## Synergies

Building on its global leadership position in water based alkyds and its positions in water-dispersion resins for automotive primer and base coat systems, Surface Specialties works in collaboration with customers to solve environmental challenges with coating products, that provide equivalent or better performances than traditional coating systems. Growth in this area is driven by the increased use of these ecological coatings systems, and the expected growth of demand for automotive and industrial coatings in Asia.

At the end 2003, this range of products, 80% of which are sold in Europe, accounted for € 345 million of the consolidated turnover of Surface Specialties. Now at the beginning of 2004 the markets are confirming the recovery that started during the last quarter of 2003.

The acquisition of Solutia has enabled UCB to extend its expertise in the treatment of surfaces.

Surface Specialties is developing all the time. The integration of the Resins, Additives and Adhesives activities of Solutia Inc., with the former Chemical and Films activities, is going smoothly. Synergies that were starting to happen in 2003 will materialize even more in the coming years.

This operation has produced a first-rate business, operating worldwide in the field of surface-treatment resins and additives. UCB has thus strengthened its position in its target markets, complementing its product range by establishing a greater presence in allied technologies aimed at new markets, such as automotive.

Surface Specialties can now offer clients a more comprehensive range of the products they need. With this enhanced portfolio, Surface Specialties is looking forward confidently to the future.



Surface Specialties provides a comprehensive solution for coating metal cans for food products and drinks. Inside: resins with a unique combination of characteristics including heat stability, flexibility and "barrier" properties, protect both the contents and the metal container. Outside: other resins are used for their aesthetic qualities.

The list of countries using *Guardian* polymeric substrate for production of their banknotes grew to 24 countries in 2003: Zambia and Vietnam each put two new denominations into circulation. Romania, which had already converted all its banknotes to the *Guardian* substrate in recent years, completed its range with its latest high denomination of 1,000,000-lei note.





## Films and Adhesives

### Regaining profitability

The Film activities have regained profitability, with ordinary profit before taxation reaching € 3 million. This is due to a re-alignment of its business across strong products and a well targeted customer base, as well as to a reduction in costs.

The Film and Adhesives lines include the manufacture of BOPP (bi-oriented polypropylene) films, cellulose films (*Cellophane*), and pressure sensitive adhesives.

The turnover from this business decreased from € 425 million to € 422 million of which € 60 million was for adhesives.

- The turnover from the **BOPP films** went from € 221 million to € 213 million. Although volume increased, the turnover decreased mainly due to the negative impact of the trend in the dollar exchange rate. The market for OPP films nevertheless continues to progress thanks to the growing demand for transparent labels and for food packaging. These films are superior substitutes for paper and aluminium foil in a number of packaging applications.

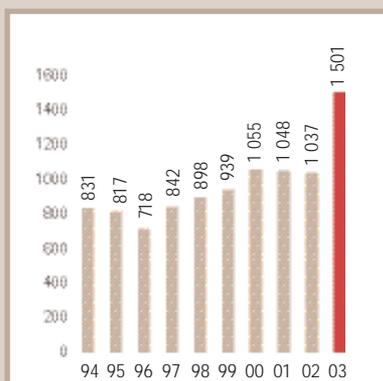
One particular application of OPP film is the polymer substrate, *Guardian*, used for the manufacture of bank notes. It provides them with excellent protection against counterfeiting, as well as durability four to five times greater than a traditional paper substrate, whilst at the same time being completely recyclable. Twenty-four countries have adopted this technology for their currency, and some, such as Australia and Romania, have done so for all denominations. Surface Specialties, through its Securrency Pty Ltd subsidiary, a joint venture with a subsidiary of the Central Bank of Australia, is the world leader in the manufacture of this substrate for bank notes.

Building on its position in OPP, thanks to its bubble extrusion technology and its research and development capability, Surface Specialties is very well positioned to take advantage of the characteristics specific to this type of film.

- Sales of **cellulose films**, *Cellophane*, have fallen from € 173 million to € 149 million, essentially due to the weakness of the dollar. Even if other technologies such as OPP continue to replace this product, there are plenty of applications for which, due to its specific characteristics, *Cellophane* will remain the preferred choice,

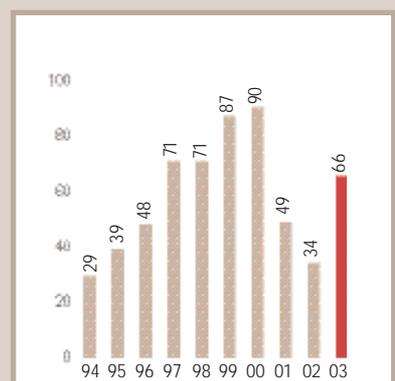
### Consolidated turnover

(in € million)



### Ordinary profits before taxation

(in € million)



# Innovation process

whether it is for "breathable" packaging for soft cheeses, membranes for batteries or packaging used for confectionery.

- The turnover of the **Adhesives**, now marketed under the brand *Gelva*, has grown from € 31 million to € 60 million, mainly due to the impact of the acquisition of Solutia in the United States. These pressure sensitive adhesives can be used on a wide range of labels, tapes and signage products. The adhesives are also used in the manufacture of medical patches.

Overall, in its Films and Adhesives business, Surface Specialties continues to pursue its objective of reducing costs, improving productivity and of exploiting the synergies generated by integrating the two activities.



The R&D management team of Surface Specialties. From left to right: James Mieure, Willibald Paar, Stefan Van Den Branden, Johann Wonner, Baudouin Michelet, Jan Vandendriessche, Peter Mills, Augustin Chen, Martin Court and Benoit De Becker.



## Creating innovative solutions to meet customers' future needs

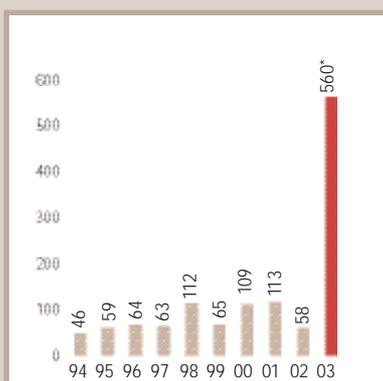
Providing a constant flow of innovations to customers is a key component of the Surface Specialties strategy.

The innovation process and the R&D portfolio are actively managed. All projects are ranked following their importance and given platinum, gold or silver status. In addition, the management of the projects follows a "stage gate" process, allowing for cross-functional participation in project evaluations.

Following the integration of recent acquisitions, Surface Specialties has organized its Research organizations around the world into global centers of expertise. The reevaluation of the portfolio and innovation process improved innovation productivity in 2003 by 35%. Surface Specialties measures innovation productivity by the value of the risk-adjusted NPV per employee working on the portfolio.

## Investments

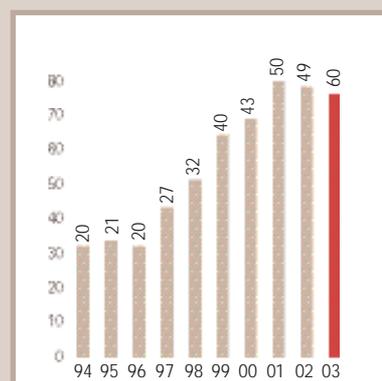
(in € million)

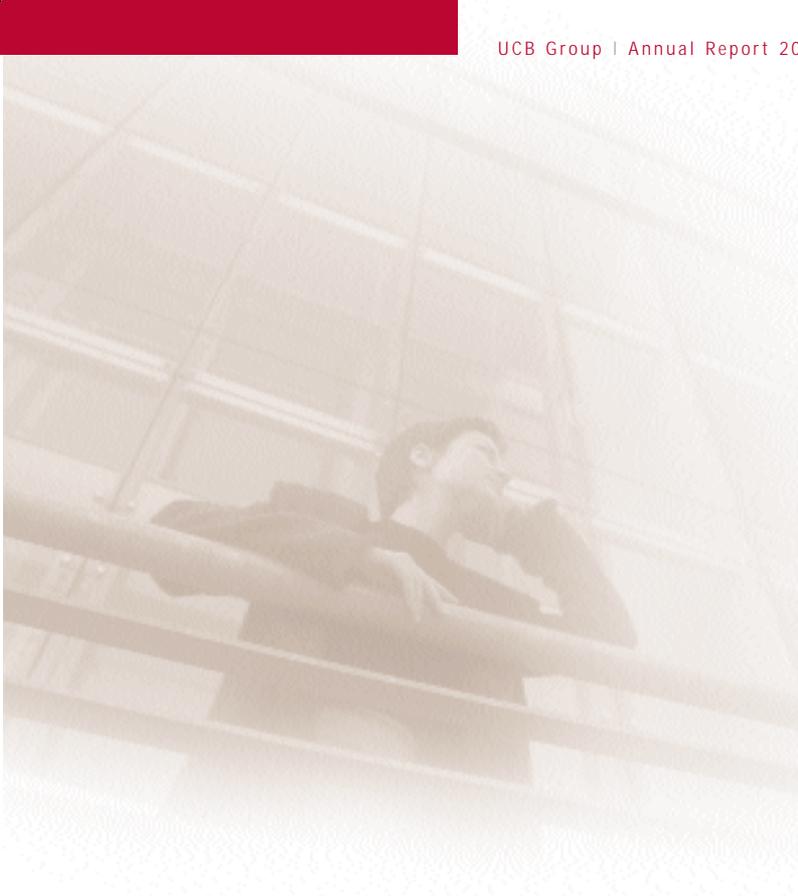


(\*) Including the acquisition of the activities of Solutia Inc. for € 514 million.

## Research & Development expenditure

(in € million)





## Prospects

### Innovation – Research & Development

With the formation of Surface Specialties, a new player is offering exciting opportunities to the market. With a global presence consisting of 22 manufacturing sites, 6 R&D centres, and 14 technical service centres, Surface Specialties is able to support customers throughout the world.

Following the integration of its recent acquisitions, Surface Specialties has transformed its research structures into centres of expertise of international stature. Research and development is an area of emphasis for Surface Specialties. The process of innovation is actively managed and currently there are about 200 projects in the portfolio. This provides a constant flow of innovation contributing to

improved performance of products made by clients and to creating more appeal for the consumer.

### Growth and investment

Recent developments in UV technology, have made it possible to cure coatings on different substrates simultaneously, particularly for the automotive market. This allows improvement in productivity for the manufacturers. In the printing inks market, new components based on *Radcure* technology have been developed and allow ink manufacturers to simplify and improve their product ranges. The combination of the aqueous based system and of *Radcure* technology also opens up new opportunities in coating applications for wood and plastic. In the packaging industry, the association of film and coating technologies has given birth to the *NatureFlex* range, a biodegradable film.

Surface Specialties will consolidate its leadership in the field of labels, overwrapping and security products.

The development of Surface Specialties is also focused on the manufacture of films with properties of flexibility and elasticity needed to fit perfectly to the shape of any objects without being damaged even in use as labels on squeezable bottles. These labels are essentially intended for a large number of applications such as food, household, personal care and cosmetic products. Another cutting edge technology is that of coated voided films, which provide the label with the properties of high opacity for applications in the field of synthetic paper and graphic arts.

Growth in Asia/Pacific and the Americas is expected to continue to contribute to Surface Specialties business opportunities. Surface



The new *NatureFlex* film, based on *Cellophane*, is biodegradable, able to breathe and resistant to acids and grease. Carrefour supermarkets have chosen it to package their organic fruit and vegetables.

The flexibility and elastic qualities of *Gelva* self-adhesive make it particularly durable and attractive. Even when subjected to pressure and moisture, as when used on shampoo bottles labels, these remain transparent and do not wrinkle.



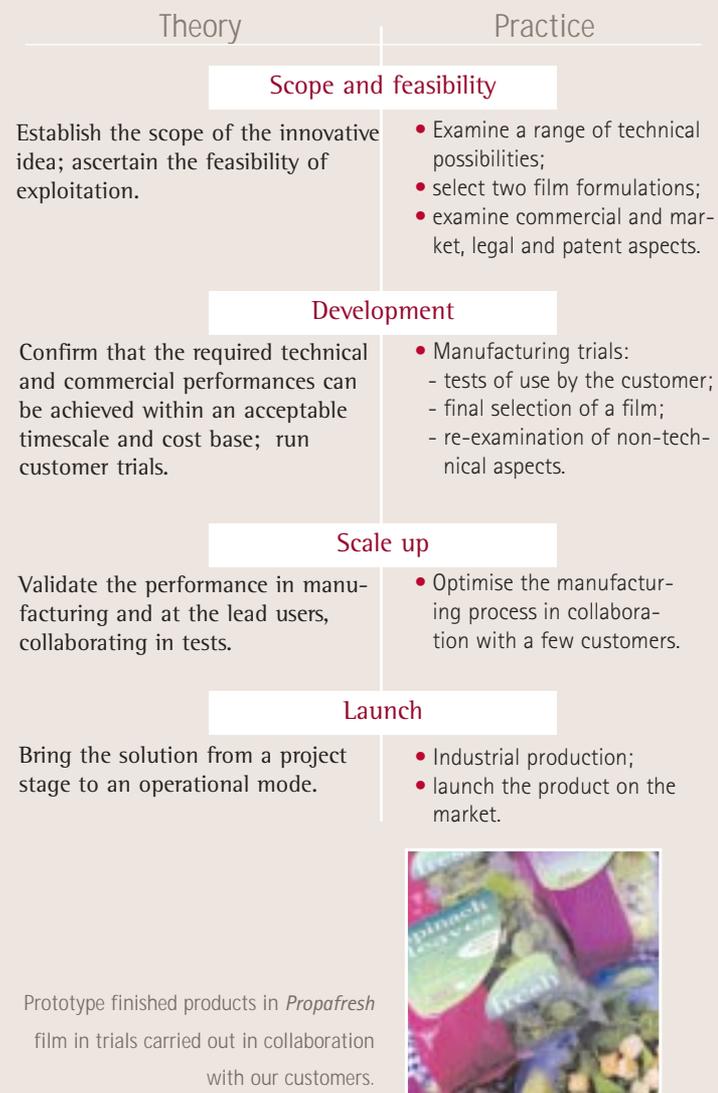
# Birth of a product

Specialties already has a significant presence in all of these regions, including several plants and a marketing and technical service infrastructure. Its growth plans will be strengthened by additional investments in these regions of the world, including planned water-borne resins manufacturing capacity in North America and other resin investments in China.

Global prospects for Surface Specialties are tied to the development of the automotive, capital goods and packaging markets (where some recovery is expected), as well as continuing technology trends that favour Surface Specialties products.

The implementation of improvements connected with the harmonious integration of the new acquisitions will also contribute to the development of Surface Specialties.

Propafresh™ film was designed in 1999, to package fresh produce, and the product was launched in 2003. The film's innovative structure prevents condensation forming inside the packs, so the food remains clearly visible.



*Crylcoat* resins for powder paints are used widely in the construction sector to protect metal frames, because of their high durability. Surface Specialties has become a world leader with this product range.

In addition to their safety and acoustic qualities, *Uvekol* resins offer many possibilities in terms of design. The new *Galleries Lafayette* store, in Paris, has used them to incorporate decorative specks of light into the glass walls.



# Non-sectorial activities

The above operating results include the financial results, which are not directly attributable to one Sector in the Group. The Group's policy is to protect itself against the transactional risk resulting from the operations in foreign currencies, the US dollar being the main currency concerned.

(in € million)	2001	2002	2003
Profits before taxation :			
ORDINARY	10	20	15
EXCEPTIONAL	-1	-10	-
<b>Total</b>	<b>9</b>	<b>10</b>	<b>15</b>

## Results of UCB S.A. and proposed distribution

The operations of UCB S.A. generated in 2003 a net profit of € 294,178,776.79, after tax and after the transfer to exempt reserves of € 6,917,029.48, compared with € 338,797,872.42 in 2002. This profit includes an exceptional profit of € 28,574,228.82.

After taking account of the profit brought forward from the previous year of € 121,988,325.76, the balance available for distribution amounts to € 416,167,102.55. The Board proposes to you the following distribution:

1. Distribution to shareholders of a gross dividend of	€ 119,665,060.00
2. Transfer to legal reserves	-
3. Transfer to distributable reserves	€ 170,000,000.00
4. Carried forward	€ 126,502,042.55
	<b>€ 416,167,102.55</b>

In accordance with the legal requirements, the balance sheet submitted for your approval has been drawn up on the basis of this distribution.

If you approve the above proposal, the net dividend will be € 0.615 per share, against the surrender of coupon No. 6, compared with € 0.60 last year. This amount takes account of a withholding of 25 %. Coupon No. 6 will be payable as from the 11th June 2004 at the branches and agencies of Fortis Bank.

As defined in article 524 of the Companies Code, the appointments as independent Directors of Mr Mark Eyskens and H.R.H. Prince Lorenz expire at the end of the Shareholders Meeting.

Being eligible, these Directors propose themselves for re-election, for one year concerning Mr Mark Eyskens (see page 6 Chapter Corporate Governance). It is also proposed that you nominate Mr Roch Doliveux as a new Director, who joined the UCB Group on the 1st October 2003 as Deputy Chairman of the Executive Committee and Director-General of the Pharma Sector. Doctor in veterinary medicine, graduate from the faculty of medicine of Créteil (France) and master in business administration (INSEAD), Roch Doliveux, has held managerial and directorial positions within large international pharmaceutical groups in the United States, Europe, Latin America and Asia.

The appointment of Mr Daniel Goossens, Auditor, expires at the end of the Shareholders Meeting. By proposal of the Board of Directors and upon presentation of the Company's Works Councils, deliberating by double majority as required by law, the re-election for a term of three years of Mr Goossens, a member of the Institute of "Reviseurs d'entreprises" is submitted for your vote.

Finally, the Board would like to warmly thank all of its staff throughout the world for its dynamism and its involvement in the collective effort to ensure the Group's growth, within a demanding economic and competitive context. Its thanks also go to the staff of Taminco, which having come a long way within the UCB Group, left it in October 2003.

Brussels, 25th March, 2004.  
THE BOARD OF DIRECTORS

# Human Resources

One of the missions of the Human Resources department is to create the conditions enabling the staff of UCB to give of their best, to unleash their creativity and to continuously enhance their knowledge within a changing environment, in order to guarantee the company's growth and its future.

## Two Sectors undergoing deep change

In 2003, full attention was given to adapting quickly to the major changes, which marked the two Sectors. UCB Pharma acquired a fresh, ambitious management team and changed its Director-General. Roch Doliveux succeeded Edouard Croufer, who left the Group after a 11 year contribution to its growth. Surface Specialties, for its part, saw its organisational structure undergo profound changes as a result of merging together the Chemical and Film activities, the acquisition of the Solutia specialties and the transfer of Tamenco.

The Group was therefore able to open up new approaches, in terms of skills, management process and company culture. Under the guidance of Human Resources, the appropriate structures have been implemented, enabling the new teams, that have been put together, to use their know-how best and to ensure the development of each person within the organisation.

## UCB hired 1,256 people in 2003

The Group, which is continuously researching the key skills in its specific fields recruited and hired 1,256 people during 2003, to offset voluntary resignations or redundancies due to restructuring. Resources were allocated to the priority areas for the development of the Group, i.e. pharmaceutical R&D. The profiles that were researched were in the majority of cases high level scientists with an entrepreneurial mentality. UCB is looking for colleagues and researchers, not only in Belgium, but also in countries such as France, Great Britain, Germany and the United States.

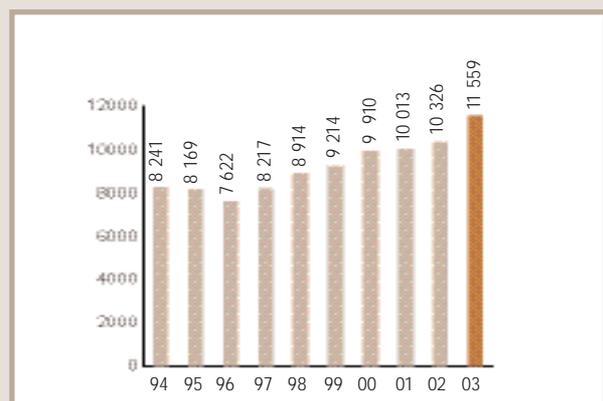
Other profiles have also been researched, amongst others those of highly qualified technicians in the "core processes" of the pharmaceuticals industry. Indeed, our factories are regularly inspected by the American Food and Drug Administration, and the requirements relating to production are extremely stringent. Many professionals and managers have therefore been recruited throughout the world, and their skills have complemented those that already existed within the company.

## The HR function: global management

The Human Resources department aims to be a real partner for the two Sectors of UCB, going well beyond its traditional administrative role. Their future requirements are continuously being evaluated, as is the impact of operational decisions on human resources. Forward thinking in this field is of vital importance. Some overall management processes in human resources have been developed to help each person to optimise their own performance; a virtual university has been created to enable continuous training.

Recruitment, re-assignment, promotion, succession planning for high potential colleagues and managers are reviewed and coordinated by the Executive Committee itself. The remuneration and the pension policies are based on two principles: *benchmarking*, which enables UCB to adapt itself to local economic conditions and *performance*, which is evaluated on the basis of systems and identical standards, according to the objectives of everyone.

## Employment evolution



In 2003, the integration of Surface Specialties continued, assisted by the Human Resources department. This was one meeting of Surface Specialties' new management team.

# Human Resources

## Deployment of Human Resources

### 1) Numbers employed worldwide

Last year saw a significant growth in the Group's staff resulting mainly from the acquisition of the chemical specialties of Solutia (+ 1,715 people), partially offset by the transfer of Taminco (- 520 people), which exceptionally affected the numbers employed in Belgium.

The international character of UCB is reflected in the figures below.

	End 2002	% of Group	end 2003	% of Group	Difference
Belgium	3 462	34%	3 136	27%	- 326
Great Britain	1 293	13%	1 197	10%	- 96
France	576	6%	674	6%	+ 98
Germany	388	4%	773	7%	+ 385
Austria	-	-	504	4%	+ 504
Italy	300	3%	491	4%	+ 191
Spain	316	3%	406	4%	+ 90
Switzerland	159	2%	180	2%	+ 21
Turkey	123	1%	122	1%	- 1
Greece	106	1%	111	1%	+ 5
Portugal	82	1%	84	1%	+ 2
Poland	81	1%	122	1%	+ 41
Rest of					
Central Europe	87	1%	94	1%	+ 7
Nordic Countries	83	1%	112	1%	+ 29
Rest of Europe	77	1%	54	-	- 23
<b>Europe</b>	<b>7 133</b>	<b>69%</b>	<b>8 060</b>	<b>70%</b>	<b>+ 927</b>

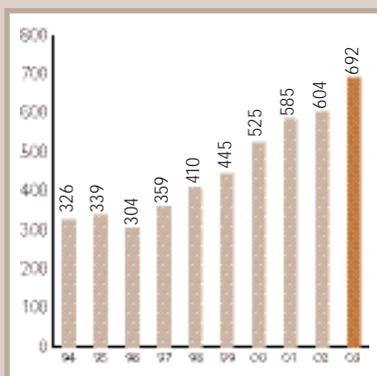
	End 2002	% of Group	end 2003	% of Group	Difference
United States + Canada <sup>1</sup>	408	14%	1 528	13%	+ 120
Mexico	90	1%	147	1%	+ 57
Latin America	37	-	67	1%	+ 30
<b>Americas</b>	<b>1 535</b>	<b>15%</b>	<b>1 742</b>	<b>15%</b>	<b>+ 207</b>
Japan	489	5%	420	4%	- 69
India	306	3%	319	3%	+ 13
China	204	2%	168	1%	- 36
Australia	158	2%	165	1%	+ 7
Malaysia	134	1%	122	1%	- 12
Philippines	99	1%	101	1%	+ 2
Korea	131	1%	139	1%	+ 8
Thailand	46	-	182	2%	+ 136
Taiwan	36	-	43	-	+ 7
Rest of Asia	10	-	52	-	+ 42
<b>Asia/Pacific</b>	<b>1 613</b>	<b>16%</b>	<b>1 711</b>	<b>15%</b>	<b>+ 98</b>
<b>South Africa</b>	<b>45</b>	<b>-</b>	<b>46</b>	<b>-</b>	<b>+ 1</b>
<b>Total Group</b>	<b>10 326</b>	<b>100%</b>	<b>11 559</b>	<b>100%</b>	<b>+ 1 233</b>

### 2) Main production sites

In the Pharma Sector, the people employed have increased slightly (+ 106 people) resulting from transfers in various directions throughout the European, American and Asian sites. Upon acquiring Solutia, Surface Specialties welcomed several new sites throughout Europe, and also in the United States and Asia.

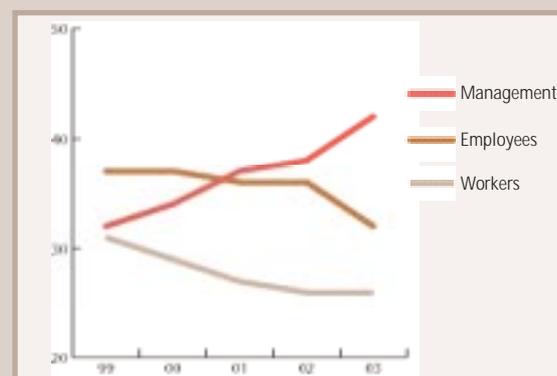
## Wages, salaries and social charges

(in € million)



## Evolution of the employment structure

(in %)





### Geographical distribution of Personnel employed in the Group by Sector

	End 2002	% of Groupe	End 2003	% of Groupe	Difference
<b>SECTEUR PHARMA</b>					
Europe	4 389		<b>4 460</b>		+ 71
Americas	1 004		<b>1 066</b>		+ 62
Asia/Pacific	1 109		<b>1 079</b>		- 30
Rest of the world	42		<b>45</b>		+ 3
<b>Total Pharma</b>	<b>6 544</b>	<b>63%</b>	<b>6 650</b>	<b>58%</b>	<b>+ 106</b>
<b>SURFACE SPECIALTIES</b>					
Europe	2 542		<b>3 375</b>		+ 833
Americas	435		<b>610</b>		+ 175
Asia/Pacific	472		<b>620</b>		+ 148
Rest of the world	56		-		-56
<b>Total Surface Specialties</b>	<b>3 505</b>	<b>34%</b>	<b>4 605</b>	<b>39%</b>	<b>+ 1 100</b>
<b>NON-SECTORIAL</b>					
<b>Total Non-Sectorial</b>	<b>277</b>	<b>3%</b>	<b>304</b>	<b>3%</b>	<b>+ 27</b>
<b>TOTAL GROUP</b>	<b>10 326</b>	<b>100%</b>	<b>11 559</b>	<b>100%</b>	<b>+ 1 233</b>

### Qualifications of the personnel

#### 1) Employment Structure

The percentage of management has continued to increase significantly within the two Sectors, notably following the strengthening of scientific and management positions.

UCB has continued its international recruitment and development programme for its two Sectors, with a particular effort in R&D, in order to meet the requirements of the Group in this field. R&D employs 1,359 people throughout the world, 1,020 of whom belong to the Pharma Sector and 339 to Surface Specialties.

#### 2) Wages, salaries and social charges

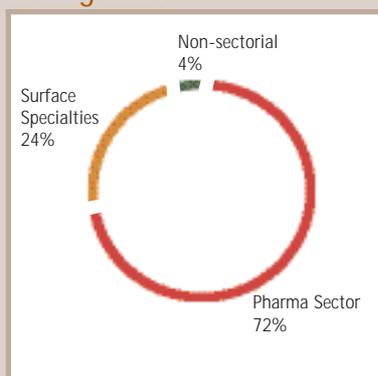
The total cost of wages, salaries and social charges increased from € 604 million to € 692 million. At constant exchange rates, it would have been greater in 2003, in view of the increase in staff.

At the Group level on a world basis, the amount spent on social charges (legal, extralegal and contractual) and taxes was significant: thus for a net income of € 100 the total average cost for UCB was approximately € 150. In Belgium on the other hand, for a net income of € 100, the total average cost for UCB exceeded € 250.

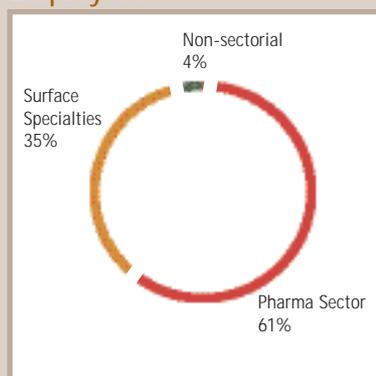
For the UCB Group as a whole, the average salary cost per person employed was € 57,228.

### Employment Structure in 2003 (in %)

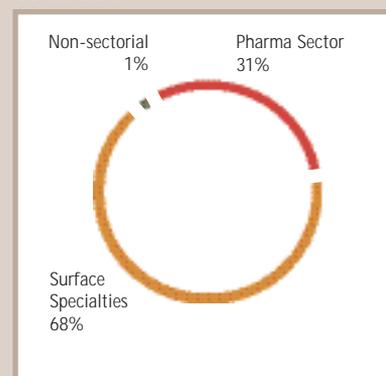
#### Management



#### Employees



#### Workers



# Human Resources

## Safety:

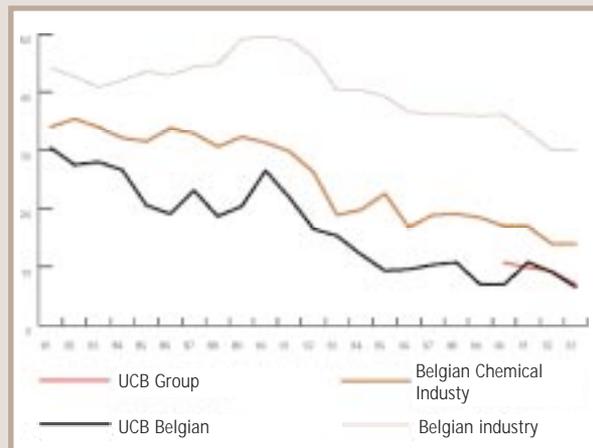
Frequency of accidents reduced by 25%

The Group has always attached the utmost importance to the safety of property and of people at all its installations. In 2003, UCB significantly improved its performance in this field. The Frequency Rate for accidents (number of accidents leading to incapacity at work per million hours of work) fell to 6.98, that is a decrease of 25%. This represents a 14% improvement for the Pharma Sector and a 40% improvement for Surface Specialties. The excellent performance of the ex-Solutia sites fits in with this improvement target.

The Frequency Rate is the main parameter used as an indicator of performance in the field of safety throughout all of the industrial and administrative sites within the Group. In this field, UCB is doing better than the industry as a whole. In Belgium, for example, the rate is 6.55 and UCB is well below the average for the chemical industry, which is 14.2.

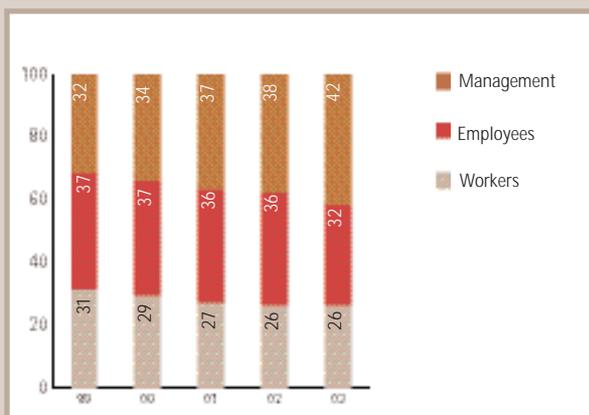
## Security

Number of accidents leading to incapacity at work per million hours of work



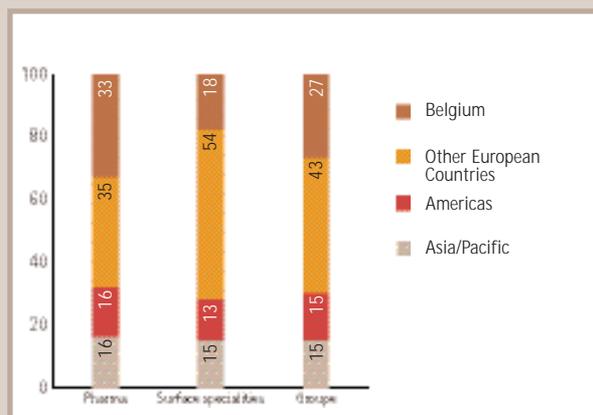
## Evolution of the employment structure

(in %)



## Geographical distribution of personnel employed

(in %)

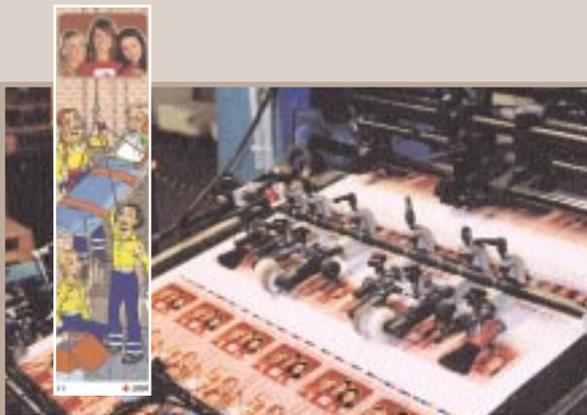


# Social and cultural commitment

## An active presence at the heart of the company

As a high-profile economic player, UCB is involved in a wide range of social and cultural projects in Belgium, but also in the rest of the world. The following are a few examples of these commitments:

- UCB participates in the financing of the **Museum of Europe** to the extent of € 50,000 annually for 5 years. This museum will open its doors in 2006 and will be located on the premises of the European Parliament. The objective of its initiators is to increase the general public's knowledge of Europe, among others, through the evolution of industrial research which is dear to UCB.
- UCB supports the **Red Cross** through the latter's annual campaign of self-adhesive stickers (from 22 April to 6 May 2004). The raw materials which are necessary to produce the stickers are supplied courtesy of UCB's Surface Specialties Sector. This is a new kind of film with *Solucryl* acrylic adhesive which has been developed specially for the graphic arts industry.
- UCB is also involved in safeguarding the architectural heritage and finances the restoration of the **Saint-Marcou chapel** which was built in 1690 at the centre of the Notre-Dame du Sablon church in Brussels. This patronage agreement which has been signed by UCB involves the sum of € 25,000.
- In Smyrna (United States), a special **UCB Team** has been set up to improve relationships between the site and its neighbours and to encourage UCB employees to participate in civil activities. For example, the UCB Team joins the WalkAmerica event which collects funds to finance research into children's health. At Christmas, site employees are also involved in the Angel Tree program which is organised by the Salvation Army.
- UCB Pharma helps the **Happy Dolphins Encounter** organization which each year offers a week's holiday in Florida for children suffering from serious diseases or disability. The children are accompanied by doctors and physiotherapists and have the opportunity to meet wild dolphins. UCB pays the global costs to support one child with epilepsy and one with allergy chosen by the non-profit organization from the Belgian population, as well as one member of staff's child with epilepsy.
- From an educational point of view, Surface Specialties for example has been a partner of the **Nelson Thomlinson School** of Wigton (United Kingdom) for 14 years: internships, factory visits, financial support for learning foreign languages, etc.
- In Bridgwater (United Kingdom), Surface Specialties encourages its employees to participate in **voluntary work** by providing the opportunity for them to carry out their voluntary duties at the fire department, as a lifeguard, school principal, etc.



UCB supports the Red Cross by providing the basic materials for making self-adhesive stickers, sold for the benefit of this humanitarian organization.



UCB is involved in the association Happy Dolphins Encounters, which makes it possible for children who are ill or disabled to meet dolphins in the wild.

# Environment



**To improve the quality of life for present and future generations.**

Such is the pride of the UCB staff, which markets products and solutions, creating value for the company and its stakeholders, whilst respecting natural resources.

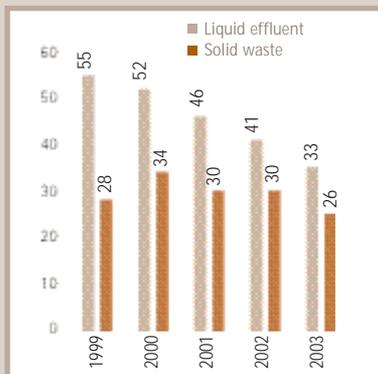
Respect for the environment and concern for safety are ever-increasing components of UCB's company culture.

These principles are integral to the on-going process of improving performance, which represents the basis for our licence to operate. These principles are codified in the standards we use to describe our procedures and to track our progress. These standards are ISO 14000 in relation to the environment and OHSAS 18000 in relation to safety. Thirteen production sites are ISO 14001 certified. Furthermore, UCB has been a member of the Responsible Care programme since 1991. This programme is closely associated with the principles of sustainable development based on the balance between economic profit and respect for people and for the environment.

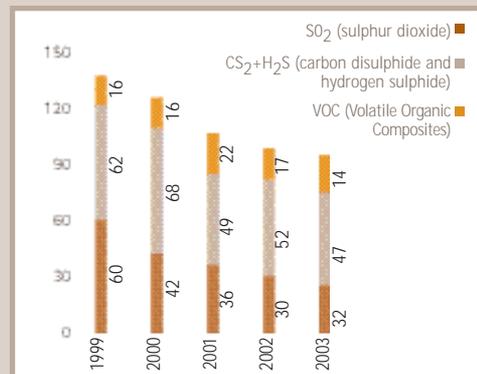
Detailed information on our Responsible Care initiatives is regularly communicated to company partners, especially during site open door days.

In 2003, eleven production sites were added to the UCB Group through acquisitions, whilst the two Tamico Sites are no longer part of the Group. This overall increase further strengthens the need for global, integrated management of "environment, health and safety at work": improved water and air quality, waste reduction, energy saving, respect for soil and

## Indices of pollution \*



## Atmospheric emissions



(\*) In order to measure the progress achieved on environmental matters, UCB has adopted indices of pollution. These indices enable measurement of pollution in all its components and to translate the results into impact on the environment. Each of the criteria is normalized to a year (1987=100, except for the VOCs 1995=100) representing its nuisance potential to the surrounding area, the choice of which is based on European norms, and on a hierarchy of values generally accepted as relevant. The utilisation of a common language thereby enables the results of all the activities of the Group to be integrated in a homogeneous manner.

landscapes, and improved personnel safety. Integrated management of this kind represents a significant investment of human and other resources.

## Improved Water and Air Quality.

Developments at the Schoonaarde (Belgium) and Química Ibérica (Spain) sites illustrate the efforts made by UCB to improve **water** quality. These sites purify waste water by means of evaporation. The distillate is recycled in the manufacturing process, thereby making it possible to reduce the quantity of fresh water used by 98% and, consequently, making the same reduction in the quantity of waste water released as effluent. In addition, an improvement in the monomer process allows 75% recycling of a reaction agent, which was previously discharged to waste water. This technique will soon be applied at the Shanghai (China) site.

**Gaseous emissions**, for their part, are being controlled more and more tightly. Depending on their composition, they are either oxidised with heat recovery – as in Drogenbos (Belgium) and Shanghai – or purified as in Schoonaarde, where a selective membrane makes it possible to separate air from solvent, resulting in 82% recovery of the latter. This highly efficient technology will be implemented at other sites.

UCB also contributes very widely to helping its customers and

downstream users meet the new statutes governing the emission of volatile organic compounds (for example, directive 1999/13/EC in Europe) by offering them solvent-free products and encouraging the use of so-called clean technologies. More than 75% of Surface Specialities resins perfectly fit into this framework. UCB is particularly well positioned within the resins and additives market to promote these environmentally friendly technologies and products.

## Waste Reduction

The manufacturing process of *Keppra* illustrates the continuous attention given by UCB to reduce **waste**. This unique process is based on the technology of multicolumn chromatography. Its application on an industrial scale makes it possible to reduce by 55% the quantity of waste produced whilst increasing the production yield and reducing the quantity of solvent that is used.

Moreover, UCB markets environmental friendly products. The *NatureFlex* film is a recent example. This *Cellophane*-based packaging is fully biodegradable.

## Soil

Since UCB started as an industrial company since 1928, several of its present sites, representing 24% of the total UCB owned land,



UCB pays particular attention to staff well-being and to integrating buildings harmoniously in their natural setting. UCB's site at Bulle (Switzerland), which includes a pharmaceutical plant and an administrative building, was constructed with the ecological objective of saving energy and providing an efficient and pleasant working environment.

# Environment

belong to this industrial heritage. For these sites as for the more recent ones UCB is actively engaged in their improvement and embellishment, in accordance with current soil legislation.

## Energy saving

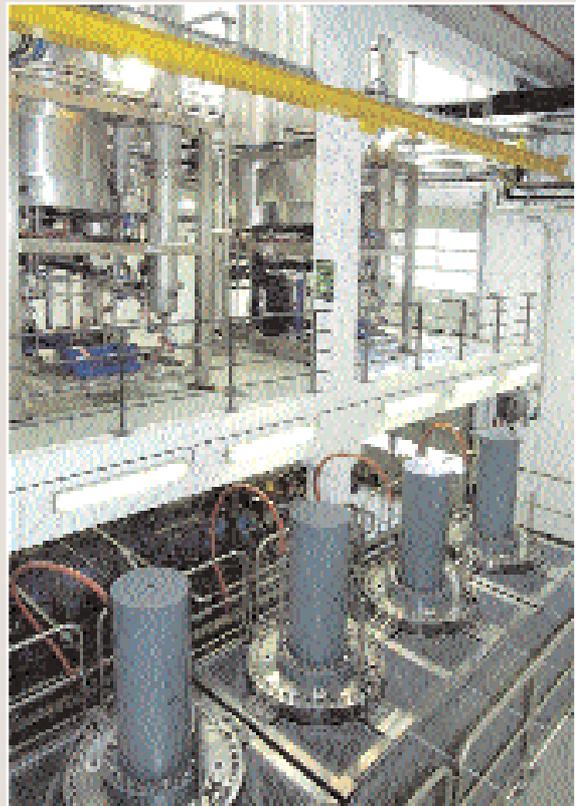
UCB continuously improves the energy efficiency of its production processes. At the same time, the Group also attaches particular importance to the design of its new buildings. In line with the UCB Center (Belgium) and the Drogenbos, Wigton (UK) and Atlanta (USA) research buildings, the new research building for the Braine (Belgium) site has been designed to optimize energy consumption.

## Investments and operating costs

The investments warranted by protection of the environment and continuous improvement of safety rose to EUR 25 million for the financial year 2003, or about 4% of the Group's industrial investment. The operating costs for environmental protection rose to EUR 19 million. This includes the operating costs of the wastewater treatment plants, the costs of treating the waste and expense of staff responsible for managing these facilities.

## Development

UCB translates the principles of Responsible Care into the design of products, into their manufacture and into monitoring their uses for the Surface Specialties business (Design for Environment) and into the design of manufacturing process of the active molecules in Pharma (Design for Responsible Care). The product portfolios anticipate market trends by promoting the progressive conversion from our solvent-based products into water-based or solvent-free products whilst providing exactly the same level of performance. The chemists and engineers who design our products likewise seek to replace raw materials which may be harmful to the environment or to health.



A second unit at the new plant for the manufacture of the antiepileptic drug *Keppra*, at Braine-l'Alleud (Belgium), started production in 2003. The plant uses multicolumn chromatography technology, greatly reducing by-products.

# Consolidated Accounts and Annual Accounts of UCB S.A. at 31st December 2003

Consolidated Balance Sheet	42
Consolidated Profit and Loss Account	44
Annex	46
Notes on the Consolidated Balance Sheet	55
Notes on the Consolidated Profit and Loss Account	56
Auditors' Report	57
Financial Data	58
Consolidated table of financing	59
UCB SA - Annual Accounts	60
UCB Shares	64
Shareholders' diary	65

# Consolidated Balance Sheet

A comparison of the consolidated balance sheets over 10 years can be found on page 58

## Assets

(After distribution)	31/12/2001 € thousand	31/12/2002 € thousand	31/12/2003 € thousand
<b>FIXED ASSETS</b>	853 820	889 291	1 301 104
I. Formation expenses (ann. VII)	638	466	343
II. Intangible assets (ann. VIII)	240 504	254 829	462 960
III. Consolidation differences (ann. XII)	22 662	27 732	94 927
IV. Tangible fixed assets (ann. XI)	580 258	589 413	726 115
A. Land and buildings	190 213	207 791	324 561
B. Plant, machinery and equipment	243 726	300 991	336 606
C. Furniture and vehicles	23 618	23 817	35 984
D. Leasing and other similar rights	5 715	5 158	3 004
E. Other tangible fixed assets	4 600	3 077	4 327
F. Assets under construction and advance payments	112 386	48 579	21 633
V. Financial fixed assets (ann. I to IV and X)	9 758	16 851	16 759
A. Apportioned companies	459	6 010	5 144
1. Investments	459	6 010	5 144
2. Amounts receivable	-	-	-
B. Other companies	9 299	10 841	11 615
1. Shares	4 007	3 942	3 157
2. Amounts receivable	5 292	6 899	8 458
<b>CURRENT ASSETS</b>	1 710 034	1 731 644	1 789 831
VI. Receivables of more than one year	80 758	71 856	45 821
A. Trade receivables	21 636	21 992	1
B. Other amounts receivable	59 122	49 864	45 820
VII. Stocks and contracts in progress	432 162	415 609	403 946
A. Stocks	432 162	415 609	403 946
1. Raw materials and consumables	98 725	91 035	105 705
2. Work in progress	80 229	85 373	70 215
3. Finished goods	191 919	181 419	182 468
4. Goods purchased for resale	60 024	57 111	44 853
5. Buildings for resale	-	-	-
6. Advance payments	1 265	671	705
B. Contracts in progress	-	-	-
VIII. Amounts receivable within one year	741 288	683 518	799 570
A. Trade receivables	448 761	416 553	508 896
B. Other amounts receivable	292 527	266 965	290 674
IX. Investments	339 054	443 136	392 519
A. Own shares	-	22 404	33 468
B. Other investments and deposits	339 054	420 732	359 051
X. Cash at bank and in hand	88 782	61 644	90 148
XI. Deferred charges and accrued income	27 990	55 881	57 827

**TOTAL ASSETS**

2 563 854

2 620 935

3 090 935

The consolidated financial statements have been drawn up in accordance with the applicable legal and regulatory requirements in Belgium and by applying the accounting principles and disclosures requirements of the Royal Decree of 30 January 2001. In accordance with this Decree, the consolidated accounts include the balance sheet, profit and loss account and the annex. In addition, the notes which follow the accounts refer to the financial situation of the Group, as shown in the balance sheet and the consolidated profit and loss account.

## Liabilities

	31/12/2001 € thousand	31/12/2002 € thousand	31/12/2003 € thousand
<b>CAPITAL AND RESERVES</b>	<b>1 382 633</b>	<b>1 555 155</b>	<b>1 772 389</b>
I. Capital	437 799	437 799	437 799
II. Share premium account	79	79	79
III. Revaluation surpluses	21 356	1 967	2 422
IV. Reserves (ann. XI)	916 779	1 132 258	1 351 333
V. Consolidation differences (ann. XII)	14 955	3 758	3 759
VI. Conversion differences	- 8 794	- 21 445	- 23 999
VII. Investment grants	459	739	996
<b>MINORITY INTERESTS</b>			
VIII. Minority interests	8 043	10 125	11 380
<b>PROVISIONS, DEFERRED TAX AND LATENT TAXATION LIABILITIES</b>	<b>244 911</b>	<b>201 558</b>	<b>250 587</b>
IX. A. Provisions for risks and charges	214 265	185 243	183 729
1. Pensions and similar obligations	22 964	26 893	48 782
2. Taxation	138	126	-
3. Major repairs and maintenance	4 062	3 099	2 839
4. Other risks and charges	187 101	155 125	132 108
B. Deferred tax and latent taxation liabilities	30 646	16 315	66 858
<b>CURRENT LIABILITIES</b>	<b>928 267</b>	<b>854 097</b>	<b>1 056 579</b>
X. Amounts payable in more than one year (ann. XIII)	203 336	126 412	312 450
A. Financial liabilities	198 604	121 684	307 785
1. Subordinated loans	-	-	-
2. Unsubordinated loans	83 256	49 032	41 347
3. Leasing and other similar obligations	899	863	1 265
4. Credit institutions	46 524	14 555	215 860
5. Other loans	67 925	57 234	49 313
B. Trade creditors	-	99	100
1. Suppliers	-	99	100
2. Bills of exchange payable	-	-	-
C. Advances received on contracts in progress	-	-	-
D. Other amounts payable	4 732	4 629	4 565
XI. Amounts payable in one year or less (ann. XIII)	677 147	681 110	697 295
A. Current portion of amounts payable after one year	4 689	54 040	52 429
B. Financial debts	158 349	127 994	98 354
1. Credit institutions	155 578	127 576	91 692
2. Other loans	2 771	418	6 662
C. Trade debts	234 467	210 345	256 222
1. Suppliers	232 617	208 462	252 916
2. Bills of exchange payable	1 850	1 883	3 306
D. Advances received on contracts in progress	913	67	62
E. Taxes, remuneration and social security	141 616	122 373	133 183
1. Taxes	67 467	60 051	57 280
2. Remuneration and social security	74 149	62 322	75 903
F. Other amounts payable	137 113	166 291	157 045
XII. Accrued charges and deferred income	47 784	46 575	46 834
<b>TOTAL LIABILITIES</b>	<b>2 563 854</b>	<b>2 620 935</b>	<b>3 090 935</b>

# Consolidated Profit & Loss Account

	31/12/2001 € thousand	31/12/2002 € thousand	31/12/2003 € thousand
I. Sales and operating income	2 903 703	2 923 320	3 327 593
A. Turnover	2 475 333	2 514 009	2 966 051
B. Changes in work in progress, finished goods and orders in process	36 832	- 15 131	- 45 479
C. Production capitalized	187 503	217 221	216 137
D. Other operating income	204 035	207 221	190 884
II. Cost of sales and operating charges	- 2 437 904	- 2 420 923	- 2 841 049
A. Materials	711 224	701 547	929 958
1. Purchases	721 551	740 947	961 786
2. Changes in stocks	- 10 327	- 39 400	- 31 828
B. Services and miscellaneous	787 840	795 951	853 061
C. Wages, salaries, social charges and pensions	585 342	604 125	692 070
D. Depreciation and reductions in value on formation costs and on tangible and intangible fixed assets	289 570	329 722	348 418
E. Reductions in value on stocks, orders in process and on commercial debts	1 072	6 035	20 238
F. Provisions for risks and charges	41 048	- 42 747	- 39 868
G. Other operating charges	21 056	25 389	34 677
I. Depreciation on consolidation differences	752	901	2 495
III. Operating profit	465 799	502 397	486 544
IV. Financial income	118 876	127 990	229 724
A. Income from financial fixed assets	2 234	-	3 328
B. Income from current assets	32 912	24 090	16 454
C. Other financial income	83 730	103 900	209 942
V. Financial charges	- 122 820	- 136 758	- 233 522
A. Interest and other debt charges	38 010	25 625	31 014
B. Depreciation on consolidation differences	-	-	-
C. Reductions in value on current assets other than those covered in II E above	170	92	75
D. Other financial charges	84 640	111 041	202 433
VI. Ordinary profit before taxation	461 855	493 629	482 746
VII. Exceptional income	112 634	109 328	114 675
A. Write-back of depreciation and of reductions in value on tangible and intangible fixed assets	29 820	38 483	68 279
B. Write-back of depreciation on consolidation differences	-	-	-
C. Write-back of reductions in value of financial fixed assets	1	1	-
D. Write-back of provisions for exceptional risks and charges	30 205	35 350	12 772
E. Surpluses on disposal of fixed assets	50 273	1 446	28 104
F. Other exceptional income	2 335	34 048	5 520
VIII. Exceptional charges	- 118 214	- 136 581	- 118 210
A. Exceptional depreciation and reductions in value on formation costs on tangible and intangible fixed assets	4 099	8 690	5 806
B. Exceptional depreciation on consolidation differences	-	-	-
C. Reductions in value of financial fixed assets	-	2 354	-
D. Provisions for exceptional risks and charges	22 611	51 821	25 778
E. Deficits on disposal of fixed assets	642	670	12 996
F. Other exceptional charges	90 862	73 046	73 630
IX. Profit for the year before taxation	456 275	466 376	479 211
X. A. Transfer from deferred tax and latent taxation liabilities	63	460	371
B. Transfer to deferred tax and latent taxation liabilities	-	-	-
XI. Taxation on profits	- 136 314	- 136 137	- 140 203
A. Taxation	- 139 957	- 136 314	- 143 986
B. Adjustment of taxes and write-back of tax provisions	3 643	177	3 783

	31/12/2001 € thousand	31/12/2002 € thousand	31/12/2003 € thousand
XII. Profit of the consolidated companies	320 024	330 699	339 379
XIII. Share in the profits (losses) of apportioned companies	- 1 543	1 114	298
A. Profits	89	1 168	323
B. Losses	- 1 632	- 54	- 25
XIV. Consolidated profit	318 481	331 813	339 677
A. Minority interests	- 471	- 413	1 535
B. Share of the Group in the profit	318 952	332 226	338 142

#### Summarised presentation of the consolidated profit and loss account

	31/12/2002 € thousand	31/12/2003 € thousand		
I. Ordinary profit			(1) The detail of depreciation on fixed assets:	
Turnover	2 514 009	2 966 051	Ordinary depreciation	- 118 077 - 136 169
Other income	409 311	361 542	Depreciation on R&D costs	- 212 546 - 214 744
Operating costs and other charges	- 2 090 300	- 2 490 136		- 330 623 - 350 913
Depreciation (1)	- 330 623	- 350 913	Depreciation amounted to € 348,418 thousand compared with	
Operating profit (2)	502 397	486 544	€ 329,722 thousand in 2002 (Item II D) plus depreciation on consolidation	
Financial income (3)	- 8 768	- 3 798	differences of €2,495 thousand against € 901 thousand in 2002 (Item II I).	
Ordinary profit before tax	493 629	482 746	(2) Operating profit or EBIT	
II. Exceptional profit	- 27 253	- 3 535	(Earnings Before Interest and Taxes)	
III. Profit before tax	466 376	479 211	(3) Detail of financial income / charges by Sector:	
Deferred taxation	460	371	Pharma Sector	- 4 515 5 220
Taxation	- 136 137	- 140 203	Surface Specialties	- 22 263 - 25 153
Share of UCB in the results of the apportioned companies	1 114	298	Non-sectorial activities	+ 18 010 + 12 807
IV. Profit after tax	331 813	339 677		- 8 768 - 7 126
Profit attributable to minority interests	- 413	1 535	Income from non-consolidated shareholdings	- - 3 328
Profit attributable to UCB	332 226	338 142		- 8 768 - 3 798

#### Main exceptional results by Sector

	31/12/2002 € thousand	31/12/2003 € thousand
Pharma		
Write-back of depreciation on R&D costs	31 209	52 622
Provisions for risks and charges	- 10 122	- 2 591
Restructuring costs	- 15 647	- 14 243
Depreciation	- 2 035	- 2 393
Start-up costs	- 2 170	- 1 240
Other	- 640	- 2 725
Total Pharma	595	29 430
Surface Specialties		
Surplus on the sales of assets	-	20 695
Write-back of reevaluation surplus and on consolidation difference	30 483	-
Write-back of depreciation on R&D costs	1 973	3 230
Provisions for risks and charges	- 12 109	- 4 581
Restructuring (of which Films in 2003 € -11 million)	- 33 318	- 44 164
Start-up costs of industrial units and stopping of products	- 2 193	-
Litigations	- 1 521	- 8 165
Other	- 1 385	- 210
Total Surface Specialties	- 18 070	- 33 195
Non-sectorial		
Surplus on the sales of assets	63	-
Write down in value	- 11 458	- 830
Other	1 617	1 060
Total non-sectorial	- 9 778	230
<b>TOTAL</b>	<b>- 27 253</b>	<b>- 3 535</b>

# Annex

## I. RULES OF CONSOLIDATION

### A. Rules which govern the methods of consolidation by total integration and explanations of divergence from these rules:

All companies, whether Belgian or foreign, in which UCB SA holds a controlling interest in law or in fact, are consolidated in accordance with the total integration method.

However, those companies where UCB SA does not hold, directly or indirectly, more than 50% of the shares, but the Group exercises a decisive influence on the appointment of the majority of directors or managers, or on the direction of management, are also consolidated by the total integration method.

### B. Rules which govern the methods of consolidation by proportional integration and explanation of divergences from these rules:

No Group company is covered by the definition of joint subsidiary.

### C. Rules which govern the methods of consolidation by apportionment and explanations of divergences from these rules:

The companies, in which the shareholding of the Group is between 20% and 50%, and subsidiaries which are in liquidation or are dormant, have been treated by the apportionment method of consolidation.

## II. EXCLUSIVE SUBSIDIARIES

*Subsidiaries consolidated by total integration and apportioned companies*

### PHARMA SECTOR

Proportion of capital held (in %)

Rodleben Pharma GmbH (Germany)	100	Vedim Pharma SA (Spain)	100
SCI du Mantois (France)	100	Vedim Pharma SNC (France)	100
UCB Farchim SA (AG Ltd.) (Switzerland)	100	Vedim Sp. Z.O.O. (Poland)	100
UCB Healthcare SNC (France)	100	Vedim Pharma GmbH (Germany)	100 *
UCB Healthcare GmbH (Germany)	100		outside Europe
UCB Pharma (Produtos Farmaceuticos) Lda. (Portugal)	100	Korea UCB Co. Ltd. (Korea)	100
UCB Pharma AE (Greece)	100	UCB (SA) (Proprietary) Ltd. (South-Africa)	100
UCB Pharma AG (Switzerland)	100	UCB Bioproducts Inc. (USA)	100
UCB Pharma AS (Turkey)	100	UCB Coprom LP (USA)	100
UCB Pharma A/S (Norway)	100	UCB India Private Ltd. (India)	100
UCB Pharma AB (Sweden)	100	UCB Japan Co. Ltd. (Japan)	100
UCB Pharma BV (Netherlands)	100	UCB Pharco Inc.(USA)	100
UCB Pharma Gesellschaft m.b.H. (Austria)	100	UCB Pharma (Thailand) Ltd. (Thailand)	100
UCB (Pharma) Ireland Ltd. (Ireland)	100	UCB Pharma Inc. (US) (USA)	100
UCB Pharma Ltd. (Great-Britain)	100	UCB Pharma Ltd. (Hong-Kong)	100
UCB Pharma OY (Finland)	100	UCB Philippines Inc. (Philippines)	100
UCB Pharma SA (Belgium)	100	UCB Phip Inc. (USA)	100
UCB Pharma SA (France)	100	UCB Research Inc. (USA)	100
UCB Pharma SA (Spain)	100	Vedim SA de CV (Mexico)	100
UCB Pharma SRO (Czech Republic)	100		
UCB Pharma SPA (Italy)	100		
UCB Pharma Sp. Z.O.O. (Poland)	100		
Vedim Pharma (Produtos Quimicos e Farmaceuticos) Lda. (Portugal)	100		

(\*) Apportioned company

**SURFACE SPECIALTIES** Proportion of capital held (in %)

Erste Viking Resins Germany 1 GmbH (Germany)	100
Ilrika Epikalipseon Hellas Epe (Greece)	100
Société Commerciale UCB SA (France)	100
Surface Specialties Austria GmbH (Austria)	100
Surface Specialties France SAS (France)	100
Surface Specialties Germany GmbH & Co. KG (Germany)	100
Surface Specialties Italy Srl (Italy)	100
Surface Specialties Kimyasl San. ve Tic. Ltd. Sti. (Turkey)	100
Surface Specialties Management Germany GmbH (Germany)	100
Surface Specialties Nordic A/S (Denmark)	100
Surface Specialties Plc. (Great-Britain)	100
Surface Specialties Iberica SL (Spain)	100
UCB (Chem) Ltd. (Great-Britain)	100
UCB Cellophane Ltd. (Great-Britain)	100
UCB Chemicals Nordic A/S (Denmark)	100
UCB Services Ltd. (Great-Britain)	100
UCB T&R Graham Ltd. (Great-Britain)	100
Vianova Resins Germany Management GmbH (Germany)	100
Viking Resins Germany Holding GmbH & Co. KG (Germany)	100
Zweite Viking Resins Germany 2 GmbH (Germany)	100
La Cellophane Española SA (Spain)	100 *
UCB Films Italia SRL (Italy)	100 *
UCB Sidac Ltd. (Great-Britain)	100 *
UCB Sidex Ltd. (Great-Britain)	100 *
	<i>outside Europe</i>
Daicel-UCB Co. Ltd. (Japan)	55
Securrency Pty. Ltd. (Australia)	50
Shanghai UCB Speciality Chemicals Co. Ltd. (China)	100
SK UCB Co. Ltd. (South-Korea)	50
Surface Specialties (Australia) Pty. Ltd. (Australia)	100
Surface Specialties (Thailand) Ltd. (Thailand)	96,27
Surface Specialties Chemicals International Trading (Shanghai) Co. Ltd. (China)	100
Surface Specialties Inc. (USA)	100
Surface Specialties Korea Co. Ltd. (South-Korea)	100
Surface Specialties Malaysia Sdn Bhd (Malaysia)	100
Surface Specialties UCB Inc. (Canada)	100
UCB Chip Inc. (USA)	100
UCB Flip Inc. (USA)	100 *

**NON-SECTORIAL ACTIVITIES** Proportion of capital held (in %)

Actias Réassurance SA (Luxembourg)	100
Cogefina SA (Switzerland)	100
Doutors Reassurance SA (Switzerland)	100
Fin-UCB SA (Belgium)	100
Gic SA (Belgium)	100
M.I.O. Schoonaarde NV (Belgium)	100
M.I.O. Zwijnaarde NV (Belgium)	100
Pabelfima BV (Netherlands)	100
Société Financière UCB SA (Luxembourg)	100
Surface Specialties Holding Germany GmbH (Germany)	100
The Viking Trading Co. Ltd (Great-Britain)	100
UCB (Investments) Ltd (Great-Britain)	100
UCB Actias SA (Belgium)	100
UCB España SA (Spain)	100
UCB Finance NV (Netherlands)	100
UCB Fipar SA (Belgium)	100
UCB France SA (France)	100
UCB GmbH (Germany)	100
UCB Hungary Ltd. (Hungary)	100
UCB Investissements SA (Switzerland)	100
UCB Services SAS (France)	100
Vedim Ltd (Great-Britain)	100
UCB Prosol NV (in liquidation) (Belgium)	100 *
	<i>outside Europe</i>
Fipar (Thailand) Ltd. (Thailand)	100
UCB Asia Pacific Sdn Bhd (Malaysia)	100
UCB Australia Pty Ltd (Australia)	100
UCB Chemfar Inc. (USA)	100
UCB de Mexico SA de CV (Mexico)	100
UCB do Brasil Lda. (Brazil)	100
UCB Inc. (USA)	100
UCB Singapore Private Ltd (Singapore)	100
UCB (Taiwan) Ltd. (Taiwan)	100
UNI Mediflex Private Ltd. (India)	100

(\*) Apportioned companies

**III. JOINT SUBSIDIARIES****IV. APPORTIONED COMPANIES****V. OTHER COMPANIES**

## VI. RULES OF VALUATION

All the assets, liabilities, rights and commitments included in the consolidated accounts have been valued in accordance with uniform rules. The rules of valuation adopted for the consolidated accounts are the same as those used by UCB SA for its annual accounts. They form an integral part of the consolidation manual sent to all Group companies. The transmission of data relating to the preparation of the consolidated balance sheet has been made in accordance with a uniform accounting plan based on the standard accounting plan laid down by Belgian legislation. If, in the financial statements of the companies included in the consolidation, certain elements on the balance sheet have not been valued in accordance with the rules adopted for the consolidated accounts, these elements have, for the purpose of consolidation, been subject to the appropriate adjustment, unless the effect would be negligible in relation to a true and fair view. Assets, liabilities and commitments of overseas subsidiaries included in the consolidation have, for the purpose of their integration in the consolidated accounts, been converted into euros either in accordance with the "monetary/non-monetary" method, or at the rate current at the end of the year, the choice of method being that required to give a true and fair view in accordance with article 20 of the Royal Decree of the 6th March, 1990. Exchange differences which result from the application of the «monetary/non-monetary» method and the closing rate method are respectively taken to the profit and loss account and to the heading «conversion differences» in capital and reserves. Income and expenditure have been converted at the average rate over the year.

### I. Formation expenses

Formation expenses, which are not taken in the profit and loss account of the year, in which they are incurred, are depreciated "prorata temporis" over a maximum period of five years.

### II. Intangible fixed assets

R&D costs have been transferred to intangible fixed assets at their purchase or cost price. In order to make the previous years comparable, R&D costs capitalised have been wholly depreciated as a charge against current profits but the difference between the actual amount of depreciation taken in the year and the gross amount capitalised have been treated as a write-back of depreciation in the exceptional profits. A straight line depreciation rate of 33 1/3 % has been applied to these costs, based on a three year life considering "prorata temporis".

The depreciation of the purchase price of patents, licences and similar items is calculated either in accordance with a prudent assessment of the economic life of such intangible asset or at a minimum rate equal to that of the assets required to handle the patent or process, or by a fixed

The rates of exchange used on the 31st December 2003, have been as follows:

Currency 1 € = x foreign currency	Closure exchange rate		Average exchange rate	
	2002	2003	2002	2003
Canadian dollar	1.656	1.629	1.479	1.582
US dollar	1.048	1.261	0.942	1.130
Pound sterling	0.651	0.707	0.629	0.692
Swiss franc	1.454	1.559	1.467	1.520
Swedish crown	9.149	9.091	9.167	9.123
Norwegian crown	7.273	8.418	7.511	7.992
Danish crown	7.429	7.446	7.433	7.432
Turkish lire (100)	17543.860	17543.860	14367.816	17006.803
Polish zloty	4.024	4.717	3.852	4.403
Czech crown	31.646	32.573	30.766	31.862
Hungarian forint	236.016	262.329	243.250	253.357
South African rand	9.009	8.389	9.915	8.507
Indian rupee	50.251	57.471	45.679	52.651
Japanese yen (100)	1.243	1.349	1.179	1.309
Hong-Kong dollar	8.177	9.794	7.344	8.797
Australian dollar	1.858	1.680	1.737	1.738
New Zealand dollar	2.000	1.924	2.039	1.945
Thai baht	45.269	49.975	40.509	46.944
Singapore dollar	1.819	2.145	1.687	1.969
South Korean won (100)	12.438	15.038	11.862	13.459
Taiwan new dollar	36.430	42.863	32.492	38.889
Mexican new peso	10.989	14.164	9.055	12.189
Brazilian real	3.716	3.667	2.627	3.465
Ringitt (\$ Malaysian)	3.984	4.794	3.581	4.293
Philippines peso	55.866	69.930	48.377	61.222
Euro	1.000	1.000	1.000	1.000
Argentine new peso	3.532	3.695	2.655	3.332
Renminbi Yuan	8.673	10.438	7.795	9.350

period of depreciation not lower than five years, equal to 20 %, per annum considering "prorata temporis". The purchase or cost price of intangible fixed assets, other than those referred to above, and which are eligible for subsidies, have been wholly depreciated in the year in which these expenses were incurred. Software acquired which is not essential for the functioning of the computer system and of a value above € 1,250 has been treated as intangible fixed assets and "prorata temporis" depreciated over five years on a straight line basis. Intangible fixed assets, whose depreciation is taken over a period of five years or less, are removed from the balance sheet along with the relevant "prorata temporis" depreciation during the fifth year following their inclusion in assets.

### III. Differences on consolidation

The positive consolidation differences included in the assets on the consolidated balance sheet have been depreciated "prorata temporis" over a 40 year period as a fair valuation of the economic life of such intangible fixed assets. The economic life has been based on the specific advantages of the acquisition, i.e. the estimated period of recovery of the premium paid. Complementary or exceptional depreciation has been taken, if the maintenance as an asset of such difference on consolidation is no longer economically justified.

### IV. Tangible fixed assets

Tangible fixed assets purchased from third parties have been included in the assets on the balance sheet at their purchase price; assets manufactured by the company itself have been valued at their cost price. The purchase or cost price has been depreciated on a straight line basis considering "prorata temporis". The depreciation has been calculated on the basis of the economic life of the assets concerned. The annual rates have been as follows:

Apartments and houses	3 %
Administrative buildings	3 %
Industrial buildings	5 %
Tools	15 %
Furniture and office machinery	15 %
Vehicles	20 %
Computer equipment and office machinery	33 1/3 %
Prototype equipment	33 1/3 %

Where economic circumstances require, depreciation can be accelerated. Software acquired essential for the functioning of the computer system has been treated as tangible fixed assets and has been depreciated in accordance with the rules in force for computer equipment, being 33 1/3 % per year.

Tangible fixed assets sold to third parties have been written off at their gross value. At the same time the depreciation already taken at the end of the previous year has been written back. Any differences between the amounts realised and the residual values have resulted

in surpluses or deficits, which have been included in the exceptional profits and losses.

In the case of significant internal transfers (by sale or contribution) of a branch of activity or of a division, the assets transferred have been written back to their historical value for all internal operations of this type, which would result in a surplus of € 1,25 million or more in the books of the transferring company. In this case, the surplus has been eliminated and the depreciation on the tangible fixed assets transferred calculated on the basis of their historical cost.

Depreciation relating to tangible fixed assets, thus transferred during the year, have been calculated pro rata temporis to their holding in the company.

Reciprocally, the rule of pro rata temporis applies to those tangible fixed assets entering into the balance sheet of the company following the acquisition during the year of a branch of activity or of a division.

### V. Financial fixed assets

Apportioned shareholdings have been valued in accordance with the proportion held in shareholders' funds of the company concerned. Shareholdings which are not included in the scope of consolidation have been valued at cost price. A specific writedown has been made whenever the valuation made each year shows a permanent loss in value.

### VI. Stocks

Bought-in items, both raw materials and supplies, have been valued at cost or market price, whichever is the lower.

The purchase price includes the value of the purchases increased by import duties or excise taxes, transport costs and taxes not recoverable and, where appropriate, unloading costs.

Write-offs are made annually on slow moving spares in order to achieve on a cumulative basis the same percentage write-offs as depreciation on the net corresponding tangible fixed assets. The annual charge may, however, not exceed 10 % of the value of the stock of these items at the end of the year.

Work in progress and finished goods have been valued at industrial cost, that is excluding general charges (other than factory overheads), depreciation and financial charges. This value has been

reduced to likely selling prices, less related sales costs, if these are lower. Merchanted goods have been valued at their cost price or at market price at the end of the year, whichever is the lower. The purchase price of major raw materials and consumable stores, including those incorporated in work in progress and finished goods, has been fixed in accordance with the LIFO method. The purchase price of other stocks has been fixed in accordance with the FIFO method. When items included in the stocks have been the subject of internal sales within the Group at market prices, their stock value has been reduced to their cost, as if the sales had been made at cost price.

#### VII. Receivables and liabilities

These are shown at their book value. Receivables have been written-down if their repayment, when due, is wholly or partly uncertain or doubtful.

#### VIII. Assets and commitments expressed in foreign currencies

Non-monetary assets and liabilities (intangible and tangible fixed assets, stocks, shareholdings), resulting from an operation in a foreign currency, have been and will continue to be entered into the accounts at their acquisition value in local currency resulting from the conversion of the amount from a foreign currency at the rate of exchange in force at the day on which the operation was done. This rule also applies to the conversion into local currency of monetary receivables and payables expressed in a foreign currency.

At the end of the year, however, the counter value in local currency of these items has been subject to revaluation on the basis of the exchange rates on the dates at which the accounts are made up; realised exchange differences on foreign currency transactions are taken to the profit and loss account, as are non-realised exchange losses, whilst non-realised exchange profits are included under accrued charges and deferred income in the balance sheet.

#### IX. Provisions for risks and charges

All the risks borne by the company have been the subject of provisions reviewed each year, in accordance with the rules of prudence, good faith and sincerity. Technical provisions for the reinsurance companies are included under this heading.

#### X. Income taxes

Accounting for income taxes is based upon the following principles:

- a current tax liability or asset is established on the estimated taxes payable or refundable, using current local tax rates;
- a deferred tax liability or asset is established on the estimated future tax effects attributable to temporary differences and carry forwards, using local tax rates that are expected to apply to the period when the liability is settled or the asset is realised;
- a reduction in the value of deferred tax asset is made where its realisation is not assured within the foreseeable future.

\*  
\*   \*

### VII. FORMATION EXPENSES (€ thousand)

Net book value at the end of the previous year	466
Changes in the year	
- New expenses incurred	-
- Depreciation	- 74
- Conversion differences	- 35
- Other	- 14
Net book value at the end of the year	343
of which - Expenses of formation or of capital increases, loan issue expenses, and other formation expenses	343
- Restructuring costs	-

## VIII. INTANGIBLE FIXED ASSETS

(€ thousand)	R&D costs	Concessions, patents, licences, etc.	Goodwill	Payments on account
a) Cost of acquisition				
At the end of the previous year	782 256	107 854	41 037	581
Changes in the year:				
- Purchases, including production capitalized	215 779	14 739	131 871	-
- Disposals and write-offs (-)	- 142 774	- 1 349	-	- 453
- Transfers from one item to another	- 4 618	4 440	-	-
- Conversion differences	7 499	- 5 518	- 19 926	- 19
- Other movements	-	46 728	108	- 106
At the end of the year	858 142	166 894	153 090	3
c) Depreciation and write-offs				
At the end of the previous year	581 649	69 917	24 848	485
Changes in the year:				
- Taken	219 729	14 815	7 137	-
- Written back as excessive (-)	- 64 014	- 18	-	-
- Cancelled following sales and disposals (-)	- 135 091	- 1 258	-	- 449
- Transfers from one item to another	- 2 959	2 781	-	-
- Conversion differences	5 589	- 2 880	- 4 497	- 12
- Other movements	-	651	- 1 230	- 24
At the end of the year	604 903	84 008	26 258	-
d) Net book value at the end of the year (a) - (c)	253 239	82 886	126 832	3

## IX. TANGIBLE FIXED ASSETS

(€ thousand)	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Leasing and other similar rights	Other tangible fixed assets	Assets under construction and advance payments
a) Cost of acquisition						
At the end of the previous year	320 984	896 357	85 139	13 342	13 861	49 848
Changes in the year:						
- Purchases, including production capitalized	50 405	79 537	13 473	453	2 394	17 435
- Disposals and write-offs (-)	- 13 422	- 106 551	- 7 420	- 15	- 61	- 330
- Transfers from one item to another	19 307	23 494	1 100	- 1895	441	- 42 270
- Conversion differences	- 20 161	- 46 124	- 5 506	- 447	- 103	668
- Other movements	85 425	52 510	13 490	- 935	-2 014	- 3713
At the end of the year	442 538	899 223	100 276	10 503	14 518	21 638
b) Surpluses						
At the end of the previous year	705	295	13	117	2	-
Changes in the year:						
- Taken	455	-	-	-	-	-
- Cancelled	- 277	- 54	-	-	-	-
- Transfers from one item to another	117	-	-	- 117	-	-
- Conversion differences	15	-	-	-	-	-
- Other movements	-	-	-	-	-	-
At the end of the year	1 015	241	13	-	2	-
c) Depreciation and write-offs						
At the end of the previous year	113 897	595 661	61 336	8 301	10 786	1 269
Changes in the year:						
- Taken	15 933	82 928	12 163	572	871	2
- Written back as excessive (-)	- 342	- 3 551	- 77	-	- 277	-
- Received from third parties	150	1 902	157	-	-	-
- Cancelled following sales and disposals (-)	- 6 697	- 76 712	- 6 239	- 13	- 57	-
- Transfers from one item to another	1 007	6 031	182	- 741	- 5 090	- 1 211
- Conversion differences	- 4 088	- 27 268	- 3 270	- 568	- 1 549	- 56
- Other movements	- 868	- 16 133	53	- 52	5 509	1
At the end of the year	118 992	562 858	64 305	7 499	10 193	5
d) Net book value at the end						
of the year (a) + (b) - (c)	324 561	336 606	35 984	3 004	4 327	21 633
of which:						
- land and buildings				1 816		
- plant, machinery and equipment				9		
- furniture and vehicles				1 179		

**X. FINANCIAL FIXED ASSETS** (€ thousand)

	Apportioned companies	Other companies
<b>1. Share capital</b>		
a) Cost of acquisition		
At the end of the previous year	6 010	3 942
Changes in the year:		
- Purchases	-	2 917
- Sales and disposals	-	- 3 702
- Transfers from one item to another	- 42	-
- Conversion differences	-	-
At the end of the year	5 968	3 157
b) Surpluses	-	-
c) Write-offs	-	-
- At the end of the previous year	-	-
- At the end of the year	-	-
d) Uncalled amounts	-	-
- At the end of the previous year	-	-
- Changes in the year	-	-
e) Movements in the capital and reserves of apportioned companies	- 824	-
- Share in the result for the financial period	298	-
- Eliminations of dividends relating to this participation	- 9 772	-
- Other movements in the capital and reserves	8 650	-
Net book value at the end of the year (a) + (b) - (c) - (d) +/- (e)	5 144	3 157
<b>2) Receivables</b>		
Net book value at the end of the previous year		6 899
Changes in the year:		
- Additions	-	671
- Repayments	-	-1 433
- Write-offs taken	-	-
- Write-offs written back	-	-
- Conversion differences	-	- 634
- Other movements	-	2 955
Net book value at the end of the year	-	8 458
Cumulative write-offs of receivables at the end of the year	-	-

**XI. CUMULATIVE RESERVES** (€ thousand)

At the end of the previous year	1 132 258
Changes in the year:	
- Share of the Group in the profit	338 142
- Other movements	-
- Dividend UCB SA. - own shares	598
- Declared dividend by UCB SA	- 119 665
At the end of the year	1 351 333

**XII. STATEMENT OF DIFFERENCES ON CONSOLIDATION AND APPORTIONMENT** (€ thousand)

	Consolidation differences positive	Consolidation differences negative	Apportionment differences positive	Apportionment differences negative
Net book value at the end of the previous year	27 733	3 759	-	-
Changes in the year:				
- Arising from an increase in the percentage held	70 469	-	-	-
- Arising from a decrease in the percentage held	- 780	-	-	-
- Depreciation	- 2 495	-	-	-
- Differences taken in profit	-	-	-	-
- Other changes	-	-	-	-
Net book value at the end of the year	94 927	3 759	-	-

### Deferred and latent taxation liabilities (€ thousand)

- Deferred taxation	4 069
- Latent taxation	62 789
	66 858

### XIII. CURRENT LIABILITIES (€ thousand)

A. Analysis of the amounts originally payable in more than one year according to their residual term of:	between		
	not more than 1 year	1 to 5 years	over 5 years
Financial liabilities	52 429	214 233	93 552
- Subordinate debentures	9	-	-
- Unsubordinated debentures	-	-	41 346
- Leasing and other similar obligations	612	1 265	-
- Credit institutions	1 210	212 968	2 892
- Other loans	50 598	-	49 314
Trade creditors	-	100	-
- Suppliers	-	100	-
Other amounts payable	-	4 565	-
Total	52 429	218 898	93 552
B. Liabilities guaranteed by debentures secured or irrevocably promised on the assets of the consolidated companies			
Financial liabilities			1 957
- Unsubordinated debentures			-
- Leasing and other similar obligations			-
- Credit institutions			1 957
- Other loans			-
Total			1 957

### XIV. PROFITS FOR THE YEAR AND PREVIOUS YEAR (€ thousand)

#### A. NET TURNOVER

Countries	GEOGRAPHICAL DISTRIBUTION OF TURNOVER							
	Pharma Sector		Surface Specialties		Non-Sectorial		UCB Group	
	2002	2003	2002	2003	2002	2003	2002	2003
Belgium	40 254	40 607	45 107	52 564	1 067	1 981	86 428	95 152
E.U.	452 489	455 674	452 042	762 313	20	63	904 551	1 218 050
Other European countries	89 596	83 322	52 260	72 635	54	3	141 910	155 960
America	575 021	588 212	282 781	351 990	117	20	857 919	940 222
Africa	16 245	20 814	11 378	16 770	-	-	27 623	37 584
Asia	298 025	271 345	169 260	222 407	-	-	467 285	493 752
Oceania	3 795	3 262	24 498	22 069	-	-	28 293	25 331
TOTAL	1 475 425	1 463 236	1 037 326	1 500 748	1 258	2 067	2 514 009	2 966 051

B. Average numbers employed and cost of personnel	Previous year	Year
1. Average number of persons employed	10 288	12 092
- Hourly paid	2 704	3 108
- Monthly paid	3 675	3 930
- Management	3 909	5 054
2. Costs of personnel (€ thousand)	604 125	692 070
3. Average number of persons in Belgium	3 456	3 316
C. Exceptional profit/loss (€ thousand)		
Detail of other exceptional profits		
- Write-back of revaluation surplus	19 389	-
- Write-back of negative consolidation difference	11 197	-
- Write-back of amounts written off	-	4 702
Detail of other exceptional charges		
- Restructuring	41 474	34 005
- Costs of start-up and closure of activities	2 984	5 926
- Commercial litigations	17 509	31 546

**XV. RIGHTS AND COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET** (€ thousand)

A. 1. Amount of personal guarantees, given or irrevocably promised by the companies included in the consolidation, as security for debts or commitments of third parties	
2. Amount of assets guarantees given or irrevocably promised by the companies included in the consolidation on their own assets, as security for debts and commitments of:	-
- companies included in the consolidation	3 101
- third parties	-
3. Goods and assets held by third parties in their own name but for the risks and benefit of the companies included in the consolidation	-
4. a) Commitments to purchase fixed assets	18 849
b) Commitments to sell fixed assets	
5. a) Rights resulting from transactions relating to :	
- rates of interest	-
- rates of exchange	-
- price of raw materials or goods for resale	-
- other similar transactions	156 611
b) Commitments resulting from transactions relating to :	
- rates of interest	-
- rates of exchange	-
- price of raw materials or goods for resale	-
- other similar transactions	627 012
B. Commitments relating to technical guarantees, in respect of sales or services already provided	-
C. Information concerning significant litigation and other major commitments not covered above	-
D. Commitments with respect to retirement and survivors' pensions in favour of their personnel or executives, at the expense of the companies included in the consolidation	-

The Group occasionally uses derivative instruments to cover risks inherent in the ordinary course of business; no derivative financial instrument is held for speculative purposes.

**XVI. RELATIONSHIPS WITH AFFILIATED ENTERPRISES AND ENTERPRISES LINKED BY PARTICIPATING INTERESTS BUT NOT INCLUDED IN THE CONSOLIDATION**

(€ thousand)

	affiliated enterprises	
	previous year	year
1. Financial fixed assets	-	-
2. Amounts receivable	20 943	16 951
- after one year	17 696	11 439
- within one year	3 247	5 512
3. Current investments	-	-
4. Amounts payable	13 072	5 105
- after one year	-	-
- within one year	13 072	5 105
7. Financial results		
- Income from current assets	1 053	758
- Debt charges	281	472

**XVII. FINANCIAL RELATIONSHIPS WITH DIRECTORS** (€ thousand)

Total amount of remuneration granted during the year to the directors for their responsibilities in the consolidating company, its subsidiaries and its affiliated companies, including the amounts in respect of retirement pensions granted in respect of the same period to former directors. **4 232**

# Notes on the Consolidated Balance Sheet

## Assets (€ thousand)

	31/12/2002	31/12/2003	Difference
I. Formation expenses	466	343	- 123
This item contains the formation expenses and other costs of the first setting up of the companies in the Group, which have been depreciated annually.			
II. Intangible fixed assets	254 829	462 960	+ 208 131
The intangible fixed assets include, at their original cost, as it appears in the books of the companies in the Group, all the working capital and industrial property rights, together with the research and development costs and goodwill.			
The net increase of € 208,131 thousand is explained as follows :			
- investments in the year		362 389	
- depreciation in the year		- 241 681	
- write-back of depreciation on R&D costs		64 032	
- conversion differences rates and miscellaneous		23 391	
III. Consolidation differences	27 732	94 927	+ 67 195
The increase is mainly due to acquisition premiums in the new companies included in the consolidation for the first time			
IV. Tangible fixed assets	589 413	726 115	+ 136 702
The tangible fixed assets include all the land, buildings, equipment and furniture, at their original cost, as it appears in the books of the companies in the Group.			
The net increase of € 136,702 thousand in the tangible fixed assets of the Group is as follows :			
- investments in the year		163 697	
- depreciation in the year		- 108 222	
- conversion differences		- 34 874	
- sales and disposals		- 38 081	
- movements in the consolidation scope and other		154 182	
V. Financial fixed assets	16 851	16 759	- 92
This item consists mainly of the shareholdings and receivables relating to the non-consolidated companies.			
VI. Receivables of more than one year	71 856	45 821	- 26 035
The decrease is basically due to receivables of Fin. UCB which have been transferred to the receivables of one year or less for an amount of € 22 million and a reduction in the receivables of Société Financière UCB.			
VII. Stocks	415 609	403 946	- 11 663
The value of stores, raw materials, consumables, work in progress and finished goods have decreased. They have increased in some subsidiaries and decreased in others.			
VIII. Receivables of one year or less	683 518	799 570	+ 116 052
The increase mainly comes from companies included for the first time in the consolidation (ex-Solutia) and from commercial receivables in the subsidiaries.			
IX. Investments	443 136	392 519	- 50 617
This item covers mainly term deposits for one month or more.			

## Liabilities (€ thousand)

	31/12/2002	31/12/2003	Difference
I. Capital	437 799	437 799	-
II. Share premium account	79	79	-
	437 878	437 878	-
III. to VI. Group reserves	1 116 538	1 333 515	+ 216 977
The increase of €216,977 thousand is explained as follows:			
- profits in the year of the Group	338 142		
- dividend declared by UCB SA	- 119 665		
- differences on exchange rates and others	- 1 500		
VII. Investment grants	739	996	+ 257
This item consists of grants received or to be received from governments by various companies in the Group and intended to be released to the profit and loss account year by year, in co-ordination with the depreciation charges on the corresponding fixed assets.			
VIII. Minority interests	10 125	11 380	+ 1 255
This item covers the share of third parties in the shareholders' funds of the consolidated companies. The increase comes mainly from Securrency Pty Ltd., Surface Specialties Thailand and Daicel UCB.			
IX. Provisions for risks and charges and deferred taxation	201 558	250 587	+ 49 029
This increase mainly results from deferred taxation of the companies included in the consolidation for the first time.			
X. Amounts payable in more than one year	126 412	312 450	+ 186 038
The increase is mainly due to the increase in credit institutions for UCB SA.			
XI. Amounts payable in one year or less	681 110	697 295	+ 16 185
The difference is mainly due to movements in opposite directions of financial and commercial amounts payable.			

## Notes on the consolidated profit and loss account (€ thousand)

	31/12/2002	31/12/2003
Ordinary profits		
- Turnover	2 514 009	2 966 051
Turnover amounted to €2,966,051 thousand, an increase of 18% compared to the previous year		
- Operating profit	502 397	486 544
Gross operating profit was equivalent to 14.6% of turnover, a decrease of 3.2% compared to 2002.		
- Financial income	- 8 768	- 3 798
This includes income from non-consolidated shareholdings of the portfolio for €3,328 thousand, as was not the case in 2002.		
- Ordinary profits before taxation	493 629	482 746
An decrease of 2.2% compared to the previous year		
Exceptional profits	- 27 253	- 3 535
The detail of these exceptional items, which also include depreciation and provisions, has been shown separately at the end of the profit and loss account. Due to the modification of depreciation to prorata temporis, the write back of the R&D depreciation is €41,975 thousand higher than in 2002		
Profits before taxation	466 376	479 211
- Deferred taxation	460	371
This item covers the deferred taxation relating to the subsidies included in the profits		
- Taxation	- 136 137	- 140 203
- Share of UCB in the profits of apportioned companies	1 114	298
This item covers the share of the profits after taxation of the apportioned companies, such share being calculated in proportion to the number of shares held by the Group in these companies.		
Profits after taxation	331 813	339 677
Share of UCB in the consolidated profits		
The share of UCB in the consolidated profit of €339,677 thousand amounted to €338,142 thousand. In 2002, there was a consolidated profit of €331,813 thousand and the share of UCB in that profit was €332,226 thousand.		

# Auditors' Report

Ladies and Gentlemen,

In accordance with the legal and regulatory requirements, we have the honour to report to you on the implementation of the audit task which you have entrusted to us.

We have audited the consolidated accounts as drawn up under the responsibility of the Board of Directors of the company for the year ended on the 31st December, 2003, in which the total balance sheet amounted to € 3,091 million, and the profit and loss account showed a consolidated profit for the year of € 338 million (share of the Group). The annual accounts of certain subsidiaries included in the consolidation have been checked by other external auditors. We have based our audit on their certificates and we have made specific additional checks in the context of the consolidation. We have also checked the consolidated management report.

## Unqualified approval of the consolidated accounts.

Our checks have been made in accordance with the norms of the «Institut des Reviseurs d'Entreprises». These professional norms demand that our audit should be organised and implemented in such a manner as to obtain a reasonable assurance that the consolidated accounts do not include any significant errors, taking account of the legal and regulatory requirements applicable in Belgium.

In accordance with these norms, we have taken account of the organisation of the consolidated group in terms of administration and accounting, together with its systems of internal control. We have obtained the explanations and information required for our audit. We have examined by sample the proofs of the amounts included in the annual accounts. We have evaluated the bases of the rules of evaluation, the rules of consolidation and any significant accounting estimates made by the company, together with the presentation of the consolidated accounts as a whole. We believe that the work done by ourselves and by those of our colleagues who have audited the accounts of the subsidiaries, provide a reasonable basis for the expression of our opinion.

In our view, based on our audit work and on the reports of our colleagues, the consolidated accounts for the year ended on the 31st December, 2003 give a true view of the assets, the financial situation and the consolidated profits, in accordance with the legal and regulatory requirements applicable in Belgium, and the information given in the annex is appropriate.

In addition, the consolidated management report contains the information required by law and is in agreement with the consolidated accounts.

Brussels, 7th April 2004  
The Auditors  
(College of «Commissaires»)

E. ATTOUT

D. GOOSSENS

# Financial Data

## CONSOLIDATED BALANCE SHEET AFTER DISTRIBUTION (in € million)

Assets	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Gross industrial assets	1 290	1 321	1 209	1 354	1 518	1 744	1 983	2 201	2 359	2 784
Depreciation	- 821	- 855	- 776	- 868	- 957	- 1112	- 1 250	- 1 357	- 1 487	- 1 500
Net industrial assets	469	466	433	486	561	632	733	844	872	1 284
Other net assets	22	22	23	17	39	40	87	91	89	63
Fixed assets	491	488	456	503	600	672	820	935	961	1 347
Stocks and contracts in progress	186	198	178	235	251	307	398	432	416	404
Receivables of one year or less	287	277	309	387	440	550	664	741	683	800
Investments	214	161	274	208	149	164	267	339	443	392
Cash at bank and in hand	43	37	46	53	55	80	109	89	62	90
Deferred charges and accrued income	22	27	30	43	24	34	45	28	56	58
Current assets	752	700	837	926	919	1 135	1 483	1 629	1 660	1 744
Total assets	1 243	1 188	1 293	1 429	1 519	1 807	2 303	2 564	2 621	3 091
Liabilities										
Capital	261	261	262	262	262	438	438	438	438	438
Share premium account	2	4	5	5	5	-	-	-	-	-
Group reserves	211	258	380	500	589	585	750	944	1 116	1 334
	474	523	647	767	856	1 023	1 188	1 382	1 554	1 772
Minority interests	9	9	9	10	15	18	17	8	10	11
Equity	483	532	656	777	871	1 041	1 205	1 390	1 564	1 783
Investment grants	2	2	1	1	1	1	1	1	1	1
Own funds	485	534	657	778	872	1 042	1 206	1 391	1 565	1 784
Deferred taxation	2	1	1	1	1	1	6	31	17	67
Provisions for risks and charges	77	78	81	85	85	95	174	214	185	184
Amounts payable in more than 1 year	222	198	168	126	118	133	199	203	126	312
Amounts payable in 1 year or less	439	353	354	398	388	463	625	614	611	624
Dividend of UCB SA	23	29	37	46	55	73	93	111	117	120
- interim dividend paid	- 5	- 5	- 5	- 5	-	-	-	-	-	-
Current liabilities	679	575	554	565	561	669	917	928	854	1 056
Total liabilities	1 243	1 188	1 293	1 429	1 519	1 807	2 303	2 564	2 621	3 091

N.B. For the purpose of comparison, the balance sheets have been recast in the form used in previous years and the headings are, therefore, in certain cases different from those shown in the official balance sheet, which follows the scheme provided for in the legal requirements concerning this matter.

SUMMARISED PRESENTATION OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT (in € million)									
	1995	1996	1997	1998	1999	2000	2001	2002	2003
I. Ordinary profit									
Turnover	1 341	1 260	1 501	1 646	1 842	2 204	2 475	2 514	2 966
Other income	129	141	183	215	296	383	428	409	362
Operating costs and other charges	- 1 201	- 1 113	- 1 320	- 1 419	- 1 594	- 1 967	- 2 147	- 2 090	- 2 490
Depreciation	- 142	- 138	- 165	- 187	- 235	- 243	- 290	- 330	- 351
Operating profit	127	150	199	255	309	377	466	503	487
Financial charges	- 22	- 10	- 13	- 13	- 9	- 7	- 4	- 9	- 4
Ordinary profit before tax	105	140	186	242	300	370	462	494	483
II. Exceptional profit	-	31	25	- 15	- 1	6	- 6	- 27	- 4
III. Profit before tax	105	171	211	227	299	376	456	467	479
Deferred taxation	-	-	-	-	-	-	-	-	-
Taxation	- 20	- 25	- 52	- 67	- 79	- 107	- 136	- 136	- 139
Results of apportioned companies	- 1	- 1	-	-	-	-	- 2	1	-
IV. Profit after tax	84	145	159	160	220	269	318	332	340
Profit attributable to minority interests	3	3	3	2	1	1	- 1	-	2
Profit attributable to UCB	81	142	156	158	219	268	319	332	338

### MATURITY OF GROUP INDEBTEDNESS (€ thousand)

External loans of more than one year taken by the Group currently amount to € 360,214 thousand, of which € 52,429 thousand fall due during the year. The table below shows, by year, the amounts becoming due.

2004	2005	2006	2007	2008	more than 5 years	total < 1 year	total > 1 year	total loans
52 429	58 042	52 705	51 428	52 059	93 551	52 429	307 785	360 214

For UCB SA a detailed table of loans is shown on page 63.

**CONSOLIDATED TABLE OF FINANCING (€ thousand)**

	31/12/2001	31/12/2002	31/12/2003
<i>Trading activities</i>			
Net profits	318 481	331 813	339 677
Net change in the apportioned companies	1 631	16 218	9 474
Depreciation (including write-offs)	264 777	327 349	307 535
Provisions for risks and charges	65 320	- 26 679	- 26 109
Surpluses or deficits on the sale of assets	- 49 631	- 776	- 15 108
Gross margin from autofinancing (trading)	600 578	647 925	615 469
Net change in the requirement for working capital	- 127 129	- 50 957	62 498
NET CHANGE IN THE CASH REQUIRED FOR TRADING (a)	473 449	596 968	677 967
<i>Investment activities</i>			
Purchase of assets and shareholdings	- 376 896	- 383 997	- 869 414
Sale of assets and shareholdings	54 915	2 465	116 792
NET CHANGE IN THE CASH REQUIRED FOR INVESTMENTS (b)	- 321 981	- 381 532	- 752 622
<i>Financing activities</i>			
Increase in capital (including issue premiums)	-	-	-
Increase in shares held by third parties	-	4 318	864
Capital surpluses received	949	1 936	1 476
Net change in loans	680	- 62 802	197 351
Net change in financial debts in one year or less	- 11 026	32 938	- 19 688
Dividends paid	- 95 325	- 112 095	- 117 825
NET CHANGE IN THE CASH REQUIRED FOR FINANCING (c)	- 104 722	- 135 705	62 178
NET CHANGE IN CASH (d) = (a) + (b) + (c)	46 746	79 731	- 12 477
Conversion differences & changes in the scope of consolidation (e)	5 130	- 2 787	- 9 636
Cash at the beginning of the year (f)	375 960	427 836	504 780
Cash at the end of the year (g) = (d) + (e) + (f)	427 836	504 780	482 667

<b>RATIOS</b> (calculated after distribution)	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>1. Depreciation of industrial assets</b>										
Industrial assets net/ Industrial assets gross	0.36	0.35	0.36	0.36	0.37	0.36	0.37	0.38	0.37	0.46
<b>2. Degree of capital investment</b>										
Fixed assets/Permanent funds	0.62	0.60	0.50	0.51	0.56	0.53	0.52	0.51	0.51	0.57
<b>3. Degree of self-financing</b>										
Own funds/Third party funds	0.71	0.93	1.19	1.38	1.55	1.56	1.32	1.50	1.83	1.69
<b>4. Degree of long term self-financing</b>										
Own funds/Permanent funds	0.62	0.66	0.72	0.79	0.81	0.82	0.76	0.76	0.83	0.76
<b>5. Liquidity</b>										
Assets readily available or realizable/ Short term borrowings	1.65	1.86	2.17	2.11	2.07	2.12	2.07	2.25	2.28	2.34
<b>6. Return on capital</b>										
Profit/loss for the year/Own funds	0.13	0.16	0.22	0.20	0.18	0.21	0.22	0.23	0.21	0.19
(*)	0.12	0.16	0.17	0.17	0.20	0.21	0.22	0.23	0.23	0.19
<b>7. Net margin</b>										
Profit/loss for the year/Turnover	0.05	0.07	0.11	0.11	0.10	0.12	0.12	0.13	0.13	0.11
(*)	0.05	0.07	0.09	0.09	0.11	0.12	0.12	0.13	0.14	0.12
<b>8. Gross profitability</b>										
Cash flow/Own funds	0.32	0.31	0.45	0.39	0.26	0.30	0.35	0.32	0.26	0.27
(*)	0.28	0.28	0.27	0.25	0.28	0.30	0.33	0.35	0.28	0.25
<b>9. Gross margin</b>										
Cash flow/Turnover	0.13	0.13	0.24	0.20	0.14	0.17	0.19	0.18	0.16	0.17
(*)	0.11	0.12	0.14	0.13	0.15	0.17	0.18	0.20	0.17	0.15
<b>10. Level of self-financing of investments</b>										
Investments during the year/Cash flow	0.89	0.56	0.34	0.36	0.67	0.34	0.41	0.43	0.41	1.33

Own funds	= include outside interests, subordinated loan(s) and investment grants
Third party funds	= all long term loans and liabilities (except those subordinated) + current and short term liabilities including unpaid dividends.
Permanent funds	= own funds (as above) + provisions for risks and losses in value + deferred taxes + all other long term loans and liabilities.
Profit/loss for the year	} After eliminating interests on subordinated loan(s)
Cash flow	

\* Figures which do not take account of exceptional profits.

# Annual Accounts of UCB SA

## Balance sheet

### Assets

	31/12/2001	31/12/2002	31/12/2003
	€	€	€
<b>FIXED ASSETS</b>	1 024 078 588.03	1 325 740 896.02	1 925 827 160.68
I. Formation expenses	-	-	-
II. Intangible fixed assets	141 460 389.08	179 187 226.62	235 349 555.25
III. Tangible fixed assets	179 288 960.76	203 078 836.29	199 940 060.46
IV. Financial fixed assets	703 329 238.19	943 474 833.11	1 490 537 544.97
<b>CURRENT ASSETS</b>	565 808 353.76	507 118 247.97	461 823 683.52
V. Receivables of more than one year	26 961 947.01	22 538 330.89	22 749 932.84
VI. Stocks and contracts in progress	168 448 202.24	194 357 362.33	152 528 933.58
VII. Receivables of one year or less	323 362 488.89	268 279 807.84	267 704 350.89
VIII. Investments	22 923 436.45	8 341.64	8 341.64
IX. Cash at bank and in hand	16 115 112.44	8 296 112.42	8 296 419.85
X. Deferred charges and accrued income	7 997 166.73	13 638 292.85	10 535 704.72
<b>TOTAL ASSETS</b>	1 589 886 941.79	1 832 859 143.99	2 387 650 844.20

### Liabilities

<b>OWN FUNDS</b>	893 160 619.48	1 115 495 135.23	1 297 186 299.42
I. Capital	437 799 000.00	437 799 000.00	437 799 000.00
II. Share premium account	79 206.00	79 206.00	79 206.00
III. Surpluses on revaluation	-	-	-
IV. Reserves	334 904 445.28	554 904 445.28	731 821 474.76
V. Profit brought forward	119 936 853.34	121 988 325.76	126 502 042.55
VI. Investment grants	441 114.86	724 158.19	984 576.11
<b>PROVISIONS AND DEFERRED TAXATION</b>	70 698 285.80	64 050 361.63	88 420 904.71
VII. Provisions for risks and charges	70 449 463.69	63 611 503.57	84 352 194.26
Deferred taxation	248 822.11	438 858.06	4 068 710.45
<b>CURRENT LIABILITIES</b>	626 028 036.51	653 313 647.13	1 002 043 640.07
VIII. Amounts payable in more than one year	216 975 619.54	288 420 507.33	477 072 356.90
IX. Amounts payable in one year or less	392 344 636.72	346 729 421.03	512 549 456.20
X. Accrued charges and deferred income	16 707 780.25	18 163 718.77	12 421 826.97
<b>TOTAL LIABILITIES</b>	1 589 886 941.79	1 832 859 143.99	2 387 650 844.20

## Profit and loss account

	31/12/2001	31/12/2002	31/12/2003
	€	€	€
I. Operating income	1 149 444 984.19	1 253 177 908.14	1 233 200 994.69
II. Operating charges	- 1 060 643 703.30	- 1 092 869 971.82	- 1 109 551 090.28
III. Operating profit	88 801 280.89	160 307 936.32	123 649 904.41
IV. Financial income	333 763 073.70	203 860 628.89	300 064 558.94
V. Financial charges	- 36 166 233.72	- 37 622 706.84	- 95 588 742.85
VI. Ordinary profit before tax	386 398 120.87	326 545 858.37	328 125 720.50
VII. Exceptional income	37 853 512.68	121 788 076.08	81 837 469.54
VIII. Exceptional charges	- 31 818 443.29	- 65 334 697.53	- 53 263 240.72
IX. Profit for the year before tax	392 433 190.26	382 999 236.92	356 699 949.32
Transfer from deferred taxation	62 520.31	459 782.72	371 133.41
Transfer to deferred taxation	-	-	- 3 561 730.52
X. Taxation for the year	- 61 415 014.57	- 44 661 147.22	- 52 413 545.94
XI. Profit for the year	331 080 696.00	338 797 872.42	301 095 806.27
XII. Transfer to tax exempt reserves	-	-	- 6 917 029.48
XIII. Profit for the year available for distribution	331 080 696.00	338 797 872.42	294 178 776.79

Distribution : see report of the Directors, p. 32

The annual accounts have been drawn up in accordance with the provisions of the Royal Decree of the 30th January 2001, covering the application of the Companies Code. The balance sheet is, therefore, presented after distribution in accordance with legal requirements. In accordance with the legislation, the report of the management and the annual accounts of UCB SA, together with the report of the Auditors, have been filed at the National Bank of Belgium. They are also available on request, addressed to: UCB SA - Corporate Communication - Allée de la Recherche, 60 - B-1070 Brussels. The notes which follow the accounts reflect the financial situation of the company, as shown on the balance sheet. The results are also commented on in the text of the management report which precedes it. The Auditors have issued an unqualified opinion on the statutory annual accounts of UCB SA.

## Annex

### SHAREHOLDINGS IN OTHER COMPANIES

Consolidated companies	Shares held			Data extracted from the latest available annual accounts				
	by			Annual accounts made up to	Currency	Own funds (in monetary unit)	Net profit or loss	
	Number	%	%					
Fin. UCB SA (Belgium)	23 609 999	99.99	0.01	31/12/2003	EUR	1 246 712 843	49 150 550	
Fipar (Thailand) Ltd (Thailand)	490	49.00		31/12/2003	THB	24 116 831	8 882 981	
GIC SA (Belgium)	4 332	99.98	0.02	31/12/2003	EUR	19 278 618	618 574	
Korea UCB C° Ltd (Korea)	72 000	100.00		31/12/2003	KRW	748 560 711	- 1 433 204 922	
MIO Zwijnaarde SA (Belgium)	1	0.08	99.92	31/12/2003	EUR	51 551	105	
MIO Schoonaarde SA (Belgium)	52 135	99.99	0.01	31/12/2003	EUR	1 227 704	51 452	
Shanghai UCB Speciality Chemicals C° Ltd (China)	12 000 000	100.00		31/12/2003	CNY	68 194 847	- 19 179 328	
SK UCB C° Ltd (Korea)	250 000	50.00		31/12/2003	KRW	7 164 601 664	1 795 964 263	
Société Financière UCB SA (Luxemburg)	32 634	99.99	0.01	31/12/2003	EUR	131 458 980	3 264 394	
Surface Specialties (Thailand) Ltd (Thailand)	1 472 997	96.27		31/12/2003	THB	1 057 920 979	101 038 449	
Surface Specialties Chem (Shanghai) Ltd (China)	200 000	100.00		31/12/2003	CNY	248 310	- 47 004	
Surface Specialties Kingasai Ltd (Turkey) (TRL million )	5 949	99.98		31/12/2003	TRL	582 418	50 941	
Surface Specialties Korea C° Ltd (Korea)	80 000	100.00		31/12/2003	KRW	4 038 507 640	- 273 971 338	
Surface Specialties Nordic A/S (Denmark)	18 800	100.00		31/12/2003	DKK	- 16 739 791	- 27 908 127	
Surface Specialties UCB Inc, (USA)	611 000	100.00		31/12/2003	CAD	- 537 692	- 860 118	
UCB (Investments) Ltd (United Kingdom)	35 006 834	77.92	22.08	31/12/2003	GBP	61 427 245	2 371 880	
UCB (Pharma) Ireland Ltd (Ireland)	59 999	99.99		31/12/2003	EUR	78 000	579 221	
UCB (Taiwan) Ltd (Taiwan)	8 000	100.00		31/12/2003	TWD	20 743 325	- 870 143	
UCB Actias SA (Belgium)	1 249	99.92	0.08	31/12/2003	EUR	72 671	796 246	
UCB de Mexico SA de CV (Mexico)	4 449 999	100.00		31/12/2003	MXN	2 508 634	- 10 723 453	
UCB do Brasil Ltda (Brazil)	14 745 375	99.99	0.01	31/12/2003	BRL	16 484 565	933 041	
UCB España SA (Spain)	1 235 000	100.00		31/12/2003	EUR	9 105 810	15 496 072	
UCB Finance NV (Netherlands)	38 459	100.00		31/12/2003	EUR	23 690 787	111 652 793	
UCB France SA (France)	58 494	59.08	40.92	31/12/2003	EUR	16 746 085	1 150 091	
UCB GmbH (Germany)	1 639 350	25.00	75.00	31/12/2003	EUR	24 707 494	7 754 533	
UCB Hungary Ltd (Hungary)	148 000 000	100.00		31/12/2003	HUF	148 000 000	553 858 137	
UCB Inc. (USA)	66	100.00		31/12/2003	USD	71 290 452	87 323 379	
UCB India Private Ltd (India)	3 528	100.00		31/12/2003	INR	81 926 090	110 631 889	
UCB Japan C° Ltd (Japan)	41 980	100.00		31/12/2003	JPY	943 531 976	- 1 166 477 940	
UCB Pharma SA (Belgium)	117 120	99.99	0.01	31/12/2003	EUR	445 395	- 2 173 459	
UCB Pharma (Thailand) Ltd (Thailand)	9 800	49.00	51.00	31/12/2003	THB	1 976 372	- 26 814 491	
UCB Pharma AE (Greece)	168 404	99.83	0.17	31/12/2003	EUR	1 515 884	865 112	
UCB Pharma AS (Turkey) (TRL million)	868 130	7.93	92.07	31/12/2003	TRL	1 172 352	- 247 466	
UCB Pharma Ltd (Hong-Kong)	269 600	99.85	0.15	31/12/2003	HKD	960 061	- 388 178	
UCB Pharma SRO (Czech Republic)	12 300 600	100.00		31/12/2003	CSK	14 015 202	6 588 819	
UCB Pharma Sp. z.o.o. (Poland)	7 408	100.00		31/12/2003	PLZ	- 10 514 726	- 17 419 551	
UCB Prosol SA (Belgium)	1 249	99.92	0.08	31/12/2003	EUR	30 468	37	
UCB Services SAS (France)	1	0.40	99.60	31/12/2003	EUR	41 967	49 974	
UCB Singapore Private Ltd (Singapore)	250 000	100.00		31/12/2003	SGD	- 119 889	42 223	

### Statement of capital

CAPITAL	Amounts in €	Number of shares
1. Subscribed capital		
At the end of the previous year	437 799 000	
Changes during the year :		
- Increase	-	
At the end of the year	437 799 000	
2. Structure of the capital		
2.1. Type of shares		
Ordinary shares	437 799 000	145 933 000
2.2. Nominal or bearer shares		
Nominal		52 407 448
Bearer		93 525 552

See also point 1 in "Supplementary Information" page 62.

## SHARES DECLARED IN ACCORDANCE WITH THE LAW OF THE 2ND MARCH 1989 RELATING TO THE PUBLICATION OF SIGNIFICANT SHAREHOLDINGS IN COMPANIES QUOTED ON THE STOCK EXCHANGE.

On the 1st of January 1999, the capital of UCB SA was increased in order to be expressed in euros and each share was divided by one hundred, giving a par of € 3 per share. Issued by UCB SA up to 31st December 2003: 145,933,000-share (1).

1. Shares declared in accordance with the law of the 2nd March 1989, relating to the publication of significant shareholdings in companies quoted on the Stock Exchange. Issued with rights outstanding on the 31st December 2003, to subscribe for ordinary share capital:

- 145,200 warrants, each having the right to subscribe for 1 ordinary share, of which 63,400 exercisable between the 1st January, 2003, and the 31st May, 2009 and 81,800 exercisable between the 1st January, 2003, and the 31st May 2012.

- 236,700 warrants, each having the right to subscribe for 1 ordinary share, of which 120,400 exercisable between the 1st January, 2004, and the 28th February, 2010 and 116,300 exercisable between the 1st January, 2004, and the 28th February 2013. So that, if all these warrants were exercised, the capital of UCB would increase to 146,314,900 shares (2).

(1) With ref. to 145 933 000 shares (2) With ref. to 146 314 900 shares

Financière d'Obourg SA, Allée de la Recherche 60, 1070 Brussels	58,860,000	40.33%	40.22%
EuroPacific Growth Fund, 333 South Hope street Los Angeles, Ca. 90071 - USA	4,416,518	3.03%	3.02%

Financière de Tubize SA, which is held 70.69% by the Janssen family, holds Financière d'Obourg SA 67.23%.

2. According to information given to us by Financière d'Obourg SA, changes have been made in these shareholdings, which do not require a further declaration in accordance with law of the 2nd March 1989, relating to the publication of significant shareholdings. According to this information the situation is as follows at 31st December 2003: Financière de Tubize SA, which is held 74.24% by the Janssen family, holds Financière d'Obourg SA 69.96%.

3. Following a further declaration made on the 1st March 2004, Financière d'Obourg SA is held 70.18% by Financière de Tubize SA.

4. In application of article 631§2 of the Companies Act, UCB Fipar SA, a subsidiary indirectly controlled by UCB, communicated to UCB SA that it acquired in 2002, 746,800 UCB shares and in 2003, 372,904 UCB shares. On 31st December 2003 it holds 1,119,704 UCB shares - these shares represent 0.77% of the total number of shares issued by UCB SA.

COMMITMENTS TO ISSUE SHARES (amounts in euros)	Capital	Shares
1. Following the exercising of CONVERSION rights	-	-
2. Following the exercising of SUBSCRIPTION rights		
- Number of subscription rights in circulation		381 900
- Amount of capital to be issued	1 145 700	
- Maximum number of shares to be issued		381 900

### Description of the supplementary scheme for retirement and surviving dependants' pensions

#### I. Supplementary scheme for retirement pensions.

UCB SA has made regulations setting out an objective to be attained concerning the resources to be made available to retired salaried staff. The objective decided upon is to be achieved by the payment to those retired, over and above the legal pension, of:

- pensions or lump sums resulting from the maturity at the time of their retirement of group insurance policies, whose premiums have been paid by the person concerned throughout his career;
- possible pensions paid by the ASBL Fonds de Prévoyance UCB, a supplementary pension fund maintained from monthly payments made by the company;
- a special sum, depending on the length of service, paid by the company on their retirement.

#### II. Supplementary scheme for pensions to surviving dependants.

UCB SA has also subscribed to insurance policies in favour of the heirs of its salaried staff covering:

- death benefit
- temporary pensions to orphans

These insurances are financed by the payment of annual premiums by the company. In addition, the company pays to the widow/widower of a salaried staff employee, who dies in service, a special payment as an additional pension.

#### III. Other benefits.

UCB SA has made internal regulations providing income to be given to employees absent through accident, sickness, maternity, etc., for periods which vary according to their length of service.

### Supplementary information

#### 1. Issue of loan stock with warrants

On the 10th June, 2003, UCB made an issue outside the rights of preference of a loan stock of € 600,000 for five years, at a floating rate of interest, with 1,000 warrants. The exercise of these warrants, which would lead to the issue of 30,000,000 UCB unquoted nominal shares, whose transfer is subject to the control of the Board of Directors of UCB, is limited to the case where that Board would determine that the stability of the shareholding and the social interest of the company would be threatened. The shares resulting from the possible exercise of these warrants would be issued by reference to the market price during a period prior to their issue.

#### 2. Legal limit concerning the distribution of dividends (art. 77b)

In accordance with the exceptional case provided for under article 77b, item 2, of the Co-ordinated Laws on Commercial Companies, the net assets of UCB SA include the undepreciated R&D costs. The Board believes that these costs, linked to R&D in the pharmaceutical field and those of the speciality chemicals, are incurred annually, with the objective of developing new original medical products and new speciality chemicals, which will ensure the growth of these two Sectors in such a way that the balance of these R&D costs not yet depreciated constitute a basic element of its net assets.

# Notes on the balance sheet

## ASSETS

### INTANGIBLE FIXED ASSETS

As in previous years, the gross intangible fixed assets of the year mainly covered research and development costs, together with certain intangible investments, eligible for subsidy, other than R&D costs (costs of commercial studies, of organisation, etc.) In 2003 research and development costs amounted to €189,780 thousand, compared to €179,917 thousand in 2002.

Since 1984, depreciation rates on R&D costs have been applied to these costs at rates not exceeding those required for reducing depreciation based on a life of four years, being in practice 50% in the first year and 25% in the second and third years.

Since 1990, these costs have been depreciated on a straight line basis of 33.33% over a life of three years.

Since 2003, costs of new acquisitions have been depreciated on a prora-temporis basis. Due to this modification, the write back of the R&D depreciation is € 37,538 thousand higher than in 2002.

### TANGIBLE FIXED ASSETS

Tangible fixed assets decreased by € 3,139 thousand compared to 2002, as a result of movements in both directions. They included investments during 2003 amounting to € 58,668 thousand, which exceeded the depreciation, amounting to € 33,155 thousand.

The write-offs and disposals of miscellaneous equipment resulted in a reduction of assets in 2003 of € 109,757 thousand, and in the cancellation of depreciation of € 81,105 thousand. Since 2003, costs of new acquisitions have been depreciated on a prora-temporis basis.

The position of the tangible fixed assets is as follows:

Gross fixed assets	€ 555,906 thousand
Depreciation	- € 355,966 thousand
Net fixed assets	€ 199,940 thousand

The net fixed assets amounted to 35.97% of the gross fixed assets.

### FINANCIAL FIXED ASSETS

The total increase was € 547,063 thousand, which covered movements in opposite directions in the shareholdings of the associated companies, of which the main items were as follows:

Increase of the capital of Fin UCB SA	€ 500,000 thousand
Increase of the capital of UCB Inc.	€ 27,738 thousand
Reinforcement own funds UCB GmbH Germany	€ 15,750 thousand
Increase of capital in various subsidiaries	€ 6,680 thousand
Acquisition of Surface Specialties (Thailand) Ltd.	€ 5,648 thousand
Cession of UCB Choline Chloride (Shanghai) Co. Ltd.	€ - 3,061 thousand
Receivables on subsidiaries	€ - 8,163 thousand

### STOCKS

The total decrease in stocks amounted to € 41,828 thousand

### RECEIVABLES OF ONE YEAR OR LESS

This item decreased by € 575 thousand compared to 2002, due mainly to the decrease in advances to subsidiaries.

### INVESTMENTS

The investments were unchanged compared to the previous balance sheet.

## LIABILITIES

### OWN FUNDS

The capital and the share premium account were unchanged compared to the previous balance sheet.

### AMOUNTS PAYABLE IN MORE THAN ONE YEAR

The increase of € 188,652 thousand was mainly due to new loans, partially compensated by transfers of other loans to the short term.

### AMOUNTS PAYABLE IN ONE YEAR OR LESS

This item increased by € 165,820 thousand, mainly due to increase in short term loans.

### Payment dates for loan repayments (amounts in euros)

	Amount borrowed	Interest rate %	Date of final repayment	Repayable in more than one year at 31/12/2003	Repayable in one year or less at 31/12/2003
Fin. UCB (credit roll-over 14/12/98)	18 592 014.35	4.25	2004		1 859 201.44
Fin. UCB (credit roll-over 01/10/99)	60 000 000.00	5.30	2005	3 000 000.00	3 000 000.00
Fin. UCB (credit roll-over 13/12/99)	24 000 000.00	5.40	2005	3 000 000.00	1 000 000.00
Fin. UCB (credit roll-over 01/10/99)	12 500 000.00	5.30	2004		12 500 000.00
Fin. UCB (credit roll-over 12/12/00)	42 000 000.00	5.70	2006	10 500 000.00	6 300 000.00
Fin. UCB (credit roll-over 12/12/01)	54 225 000.00	5.15	2011	25 000 000.00	10 000 000.00
Fin. UCB (credit roll-over 26/06/02)	100 000 000.00	5.30	2009	25 000 000.00	50 000 000.00
Fin. UCB (credit roll-over 12/12/02)	40 000 000.00	4.35	2011	17 000 000.00	14 000 000.00
Fin. UCB (credit roll-over 12/12/03)	52 000 000 .00	4.30	2013	52 000 000 .00	
Private investment (credit roll-over 30/10/00)	57 475 397.17	8.79	2010	40 746 475.43	
Private investment Fortis (credit roll-over 23/06/03)	250 000 000.00	Floating	2008	200 000 000.00	50 000 000.00
Loans stocks - Warrants (credit roll-over 10/06/03)	600 000.00	2.263	2008	600 000.00	
Balance repayable on loan stocks					8 656.44
				376 846 475.43	148 667 857.88

# Information on UCB Shares

## Shareholdings

The number of UCB shares in issue on the 31st December, 2003, amounted to 145,933,000. The permanent stable shareholding was that of Financière d'Obourg, whose total holding was more than 40% of the capital.

## Stock Exchange capitalisation

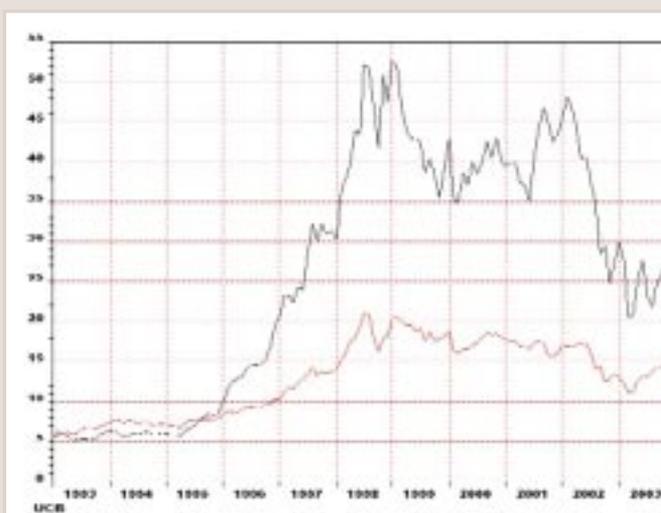
UCB's shares are quoted on Euronext. On the 31st December, 2003, the Stock Exchange capitalisation of the Group was € 4.4 billion, which placed UCB 9th in the list of Belgian quoted companies, representing 3.17% of the total Brussels Stock Exchange capitalisation and 4.68% of the BEL 20 index. In relation to the Euronext classification on the 31st December, 2003, UCB occupied the 70th position and 0.33% of the EURONEXT 100 index.

In € billion	1999	2000	2001	2002	2003
<b>Market Capitalisation</b>	<b>6.3</b>	<b>5.8</b>	<b>6.6</b>	<b>4.4</b>	<b>4.4</b>
<b>In € per UCB share</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
Own funds of the Group	7.02	8.15	9.47	10.66	<b>12.15</b>
Consolidated cash flow	2.09	2.91	3.07	2.76	<b>3.33</b>
Ordinary consolidated profit after taxation	1.51	1.8	2.23	2.47	<b>2.34</b>
Exceptional consolidated profit	-0.01	0.04	-0.04	-0.19	<b>-0.02</b>
<b>Total consolidated profit after taxation</b>	<b>1.5</b>	<b>1.84</b>	<b>2.19</b>	<b>2.28</b>	<b>2.32</b>
<b>Dividends per share</b>					
Gross	0.50	0.64	0.76	0.80	<b>0.820</b>
Net	0.38	0.48	0.57	0.60	<b>0.615</b>
Highest and lowest share values	35.00/56.00	33.00/43.98	33.55/46.75	23.15/49.50	<b>18.80/30.50</b>
Price of the share at the end of December (1)	43.5	39.48	45.47	30.00	<b>29.89</b>
Increase in price of the share	-19%	-9%	15%	-34%	<b>-</b>
P.E.R. (2)	28.8	21.9	20.4	12.1	<b>12.8</b>
Average number of shares dealt in per day	182 173	192 002	205 811	241 096	<b>214 285</b>
Number of UCB shares at 31st December	145 933 000	145 933 000	145 933 000	145 933 000	<b>145 933 000</b>

(1) The price of the share was € 30 on the 25th March, 2003.

(2) "Price Earnings Ratio": the ratio between the Stock Exchange price at the end of the year and the ordinary profit after tax per share.

## Evolution of the UCB share price



— Price of the ordinary share of UCB on the Stock Market  
 — Index of share prices as whole on the Brussels Stock Exchange  
 (dividends re-invested - index spot return).

## Ranges of prices of ordinary shares of UCB in € (\*)

	Highest price	Lowest price
1986	2.47	1.31
1987	3.04	1.66
1988	2.40	1.72
1989	5.25	2.23
1990	6.64	4.19
1991	4.95	3.86
1992	5.89	4.66
1993	6.49	4.98
1994	6.47	5.50
1995	9.76	5.65
1996	21.01	9.69
1997	37.93	20.14
1998	54.54	29.93
1999	56.00	35.00
2000	43.98	33.00
2001	46.75	33.55
2002	49.50	23.15
<b>2003</b>	<b>30.50</b>	<b>18.80</b>

## Movement in dividends in € (\*)

Net dividend per share for financial year	
1988	0.06
1989	0.08
1990	0.09
1991	0.09
1992	0.10
1993	0.11
1994	0.11
1995	0.15
1996	0.19
1997	0.24
1998	0.29
1999	0.38
2000	0.48
2001	0.57
2002	0.60
<b>2003</b>	<b>0.615</b>

## Shareholders' diary

Regular information is issued by UCB in 2004 as follows:

**Wednesday, 4th February, 2004** (Preliminary Annual Results)

**Thursday, 25th March, 2004** (Final Annual Results)

**Tuesday, 8th June, 2004** (Annual General Meeting of Shareholders and Information on Current State of Affairs)

**Wednesday, 28th July, 2004** (Half Year Results)

**Friday, 17h December, 2004** (R&D and Investment Programmes - General Situation)

Furthermore, each time a major decision is taken, which could have a significant influence on the development of the Group, a specific press release is issued throughout the year.

The Annual General Meeting of Shareholders takes place on Tuesday the 8th June, 2004 at 11.30 a.m. Coupon n° 6 is payable as from the 11th June, 2004.

**Contact:** Arnaud Denis  
 Investor Relations Manager  
 Tel. (322) 559 92 64 - Fax (322) 559 95 71  
 E-mail: arnaud.denis@ucb-group.com

(\*) The figures prior to 1999 are shown in euros and per share division by 100 to be comparable.

# Application of article 523 of the Companies Code

Prior to any deliberations or decisions by the Board of Directors on the agenda item entitled:

Stock option plan

1. Prospectus
2. Delegation of authority

The board member Baron Jacobs, stated that he had a direct personal interest in the outcome of the aforementioned decisions. Pursuant to article 523 of Company Legislation, this board member withdrew, in order to take no part in the Board of Directors deliberations on these decisions, and to cast no vote.

The Board of Directors noted that article 523 of Company Legislation applied to the operation in question.

As a result, pursuant to the terms of this article, and with a view to publication in the management report outlined in article 96, paragraph 7 of Company Legislation, the Board stipulated:

- That the operation in question is designed, as in the past, to promote shareholding by some 560 members of management, or those performing management or equivalent roles for the UCB Group within their company, and to financially encourage them by continuing to further involve them in the success of the company and to make them aware of the value of UCB shares on the markets, whilst adhering to the rules governing preferential information;
- That there could be no reason to exclude from the 560 managers, for whose benefit the issue is intended, the Director who is a member of the company's Executive Committee;
- That the limited patrimonial consequences of the operation for the company consist mainly of any difference there may be between the redemption price of its own shares paid by the company and the resale price of these same shares paid by the staff in question, when exercising their option under the conditions set out by regulations, increased, if necessary, by the difference between the price for taking up the option and the stock market rate for UCB shares at that time.

## 1. Abridged prospectus

The Board then ordered and approved the text of the abridged prospectus relating to the issue of 450,000 share options in favour of management personnel and those performing management or equivalent roles for the UCB Group.

## 2. Delegation of authority

The Board decided to delegate all authority to the Chairman of the Executive Committee of the company, currently Baron Jacobs, and the Corporate Secretary of the company, currently Mrs. E. de Cannart d'Hamale, acting separately, with the right to subdelegate, in order to:

- a. Ensure that any resolutions passed are implemented and in particular to finalise governance of the issue, the prospectus and option take-up certificates;
- b. Introduce or finalise and sign any addendum to the prospectus that may prove necessary, on behalf of the Board of Directors.

# A world-wide and decentralized organization

## Headquarters

UCB S.A. Allée de la Recherche, 60 Tel. (322) 559 99 99 www.ucb-group.com  
1070 Brussels (Belgium) Fax (322) 559 99 00

## EUROPE

### PHARMA

UCB S.A.  
Allée de la Recherche, 60  
1070 Brussels (Belgium)  
Tel. (322) 559 99 99  
Fax (322) 559 99 00

## AMERICAS

### PHARMA

UCB Pharma Inc.  
1950 Lake Park Drive  
Smyrna, Georgia 30080  
(USA)  
Tel. (1) (770) 970-7500  
Fax (1) (770)-970-8344

## ASIA / PACIFIC

### PHARMA

UCB Japan Co Ltd  
Ochanomizu Kyoun Building  
2-2, Kanda-Surugadai,  
Chiyoda-Ku  
Tokyo 101-0062 (Japan)  
Tel.: (81-3) 5283-1800  
Fax: (81-3) 5283-1801

## SURFACE SPECIALTIES

UCB S.A.  
Allée de la Recherche, 60  
1070 Brussels (Belgium)  
Tel. (322) 559 99 99  
Fax (322) 559 99 00

## SURFACE SPECIALTIES

Surface Specialties Inc.  
1950 Lake Park Drive  
Smyrna, Georgia 30080  
(USA)  
Tel. (1) (770) 970-7500  
Fax (1) (770) 970-8387

## SURFACE SPECIALTIES

UCB SA - Shanghai  
Representative Office  
Suite 1508, United Plaza  
1468 Nanjing Xi Road  
Shanghai 200040 (China)  
Tel. (86-21) 624 70 318  
Fax (86-21) 628 94 459

## SURFACE SPECIALTIES

UCB Asia Pacific Sdn. Bhd  
Level 10, Menara Lien Hoe  
No.8, Persiaran Tropicana  
47410 Petaling Jaya  
Selangor (Malaysia)  
Tel. (603) 7861 3188  
Fax (603) 7861 3100

## Editor responsible

Philippe Schaetsaert  
Director Corporate Communication  
UCB - Allée de la Recherche 60 - 1070 Brussels  
(Belgium)

The illustrations on the cover of this report  
have been enhanced using a UV varnish  
developed by Surface Specialties.

All trademarks and products of UCB are  
indicated in bold and/or italics.

## Text

UCB - Corporate Communication

## Realisation

Cover : Image Plus  
Lay-out : Comfi & Publishing

## Production

PEP

## Printing

Dossche/Deloge



Allée de la Recherche, 60  
1070 Brussels