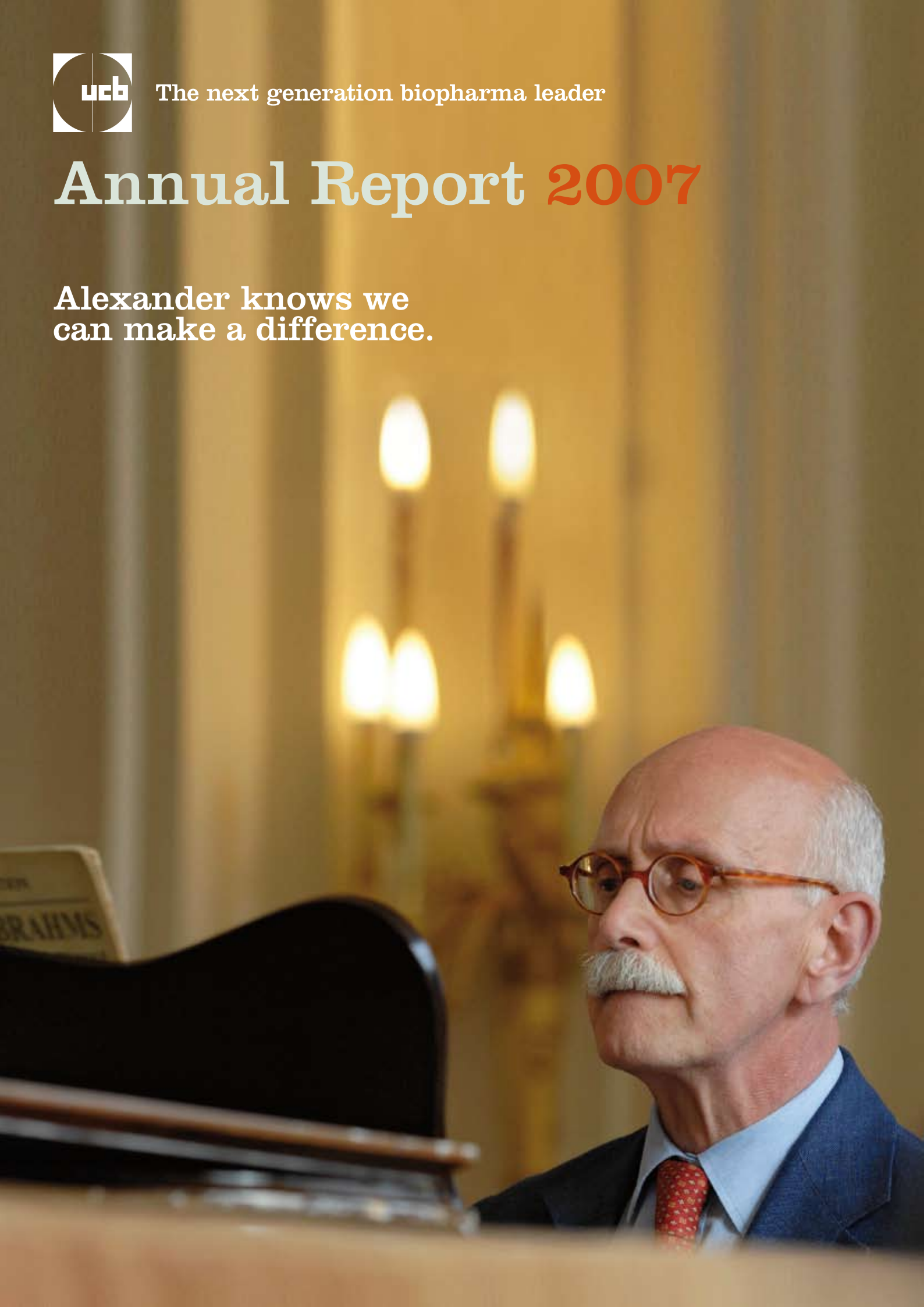
The next generation biopharma leader

Annual Report 2007

Alexander knows we can make a difference.



At UCB, we have one over-riding goal – to make a difference to the lives of people with severe diseases. To enable individuals like Alexander, who has epilepsy, to enjoy a normal, everyday life, free of the disabling symptoms of these lifelong diseases.

For people like Alexander, this can make a world of difference.

And we should know.

Because we personally know many of these people, as well as their families and specialist physicians. We regularly meet them, we invite them to share their experiences with us and our Board, we immerse ourselves in the daily realities of their diseases.

These first-hand encounters not only fuel our passion to make a difference but also provide important insights into patients' true therapeutic priorities.

Alexander, who is currently seizure free, is one of the people we often meet. His story is both unusual and revealing. He used to work as a neurologist treating people with epilepsy. And then he developed epilepsy himself after an operation. It totally changed his view of the disease. And his new perspective, along with views of others with severe diseases, has helped us to change our approach.

By working with people like Alexander, we have recognized that we need to think and act differently to make a true difference in severe diseases. We call this approach the 'next generation biopharma'. It's about connecting patients, our people and partners, and our science – notably biology and chemistry – in new ways to address the full range of physical and social symptoms of severe diseases.

This report describes our progress in 2007 and how our new approach is making a significant difference to the lives of people with severe disease - and to our company's performance.

Throughout this report, you will meet other people, like Alexander, who are dealing with the daily realities of severe diseases. We would like to thank them for their involvement and their support in raising awareness of these diseases.

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Our Therapeutic Focus

We focus on severe diseases in three therapeutic areas where there are substantial unmet medical and social needs – the central nervous system (CNS), immunology (including inflammation) and oncology. These types of diseases, which range from epilepsy and Parkinson's disease to rheumatoid arthritis, have three common characteristics:

Debilitating impacts on patients' everyday lives: Virtually all severe diseases have significant physical and social consequences, preventing individuals with these diseases from enjoying normal, everyday lives and often leading to depression and other problems. People with epilepsy, for example, have to contend with painful and dangerous seizures, as well as the social stigma attached to this condition. Many are also not allowed to drive and denied job opportunities.

Complex, interconnected symptoms: Severe diseases often involve a variety of symptoms that affect different parts of the body, beyond the original source of the disease. Someone with Crohn's disease, for example, might suffer from chronic fatigue and aching joints, as well as gastrointestinal pain and uncontrollable urges to rush to the bathroom.

To address the full range of symptoms, a more holistic, interconnected approach that treats the entire body is required. As we explain on the following pages, this demands a more fluid, networked method of developing therapies that brings together multidisciplinary teams, involving internal and external expertise, who work much more closely with people with severe diseases from the outset.

Long-term dependence on specialist treatment and care: Most severe diseases, with the exception of certain cancers, are lifelong conditions and initially require treatment by specialist physicians. This gives us the opportunity to develop deep relationships with the physicians and their patients – a prerequisite for understanding and tackling the daily realities of these diseases.

As primary care physicians are playing an increasingly important role in the ongoing management of severe diseases, we also maintain a selective presence in various primary care markets, such as allergy, where we have a solid record of achievement.

Our involvement in primary care, which is a key component of our long-term strategy, not only provides us with new and practical perspectives on the daily management of severe diseases but also enables us to optimise the commercial value of our products.

The table opposite highlights UCB's key areas of current therapeutic focus, including therapies that are either on the market or in development.

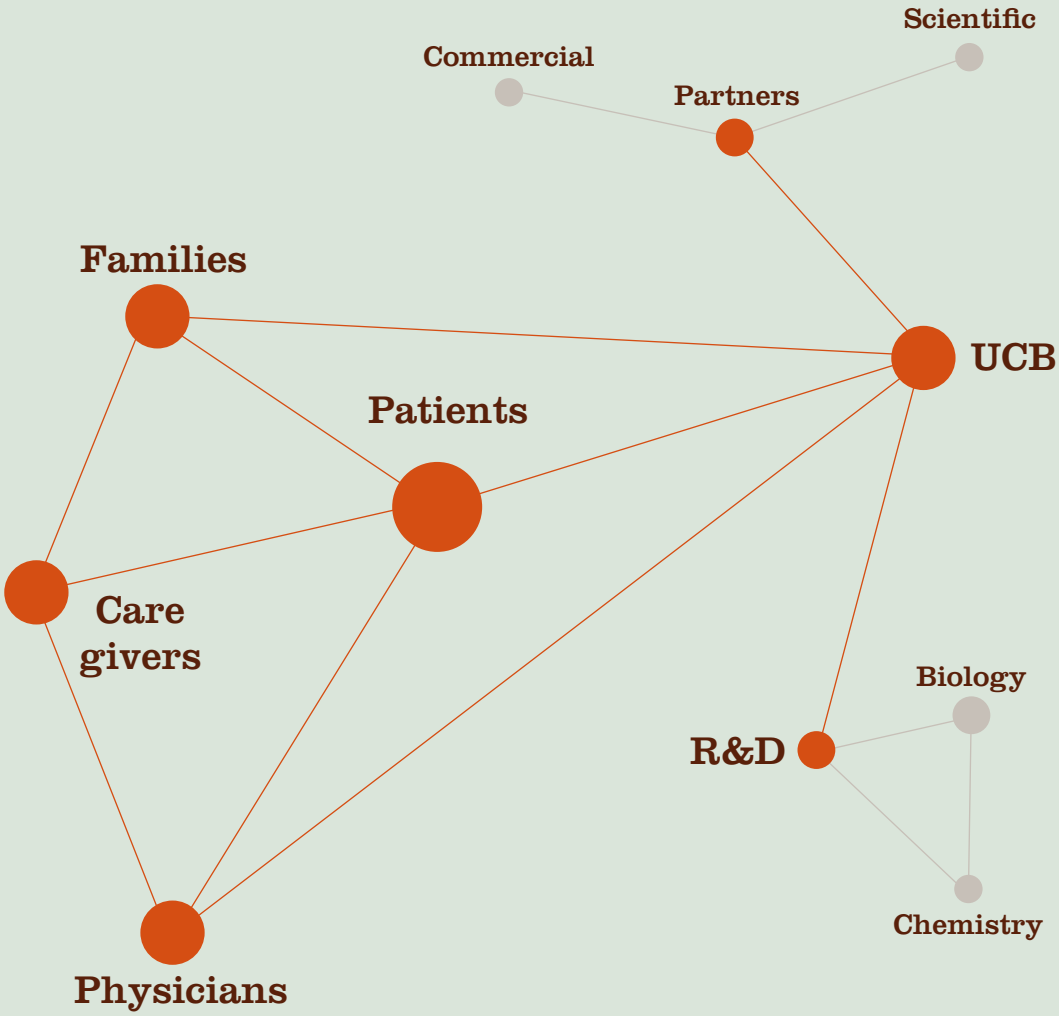
Key Therapeutic Areas

	Description	Top 7 Markets* Estimated Prevalence** (million people)	Top 7 Markets* Estimated Market Size (€ billion)
CNS			
Epilepsy	Brain disorder causing recurrent seizures	6.0[1]	2.2[a]
Parkinson's disease	Degenerative movement disorder	1.5[2]	1.7[b]
Diabetic neuropathic pain	Pain that diabetics often have in limbs	6.6[3]	0.3[c]
Restless legs syndrome	Uncontrollable urge to move legs	52.3[4]	0.4[d]
ADHD	Attention Deficit Hyperactivity Disorders	48.3[1]	2.5[e]
Multiple sclerosis	Produces various CNS disorders from muscle weakness to visual impairment	0.5[6]	3.2[f]
Fibromyalgia	Widespread muscle pain and stiffness	14.4[7]	0.3[g]
Migraine	Severe episodic headaches, lasting hours	68.3[1]	2.6[h]
IMMUNOLOGY/INFLAMMATION			
Crohn's disease	Chronic gastrointestinal disease causing diarrhoea, abdominal pain and other problems	0.8[1]	0.7[i]
Rheumatoid arthritis	Attacks joints, leading to immobility and pain	5.0[1]	4.0[j]
Allergy	An inflammatory reaction to allergens	154.8[1]	3.5[n]
Psoriasis	Skin disease producing unsightly patches	9.9[1]	1.0[k]
Systemic lupus erythematosus	Autoimmune disease that attacks healthy organs	0.4[8]	NA
Bone loss disorders	Disorders such as osteoporosis that weaken bones	140.0[9]	5.0[l]
ONCOLOGY			
Non-small-cell lung cancer	Produces malignant cells in tissue of lungs	0.6[10]	2.5[m]
Non-Hodgkin's lymphoma	Cancer of the immune system	0.5[1]	NA

* Top 7 markets: France, Spain, Germany, Italy, Japan, UK and USA.
** Prevalence: total number of cases of the disease in the population (top 7 markets) at a given moment
[1] to [10]: source, see p51
[a] to [n]: source, see p51

Our Strengths

As the leader in epilepsy in the USA and Europe, we have already demonstrated our ability to make a difference in severe diseases. Now we are combining our unique collection of strengths, including our expertise in large, antibody-based molecules and small, chemically-derived molecules, in new ways to make an even greater difference.



Our concept of the 'next generation biopharma' involves much more than a portfolio of small, chemically derived molecules and large, antibody-based molecules – the classic 'biopharma'. It is about connecting patients, people and science in new ways so that we can gain fresh insights into the complex interconnections involved in severe diseases and create a new generation of solutions that address the full spectrum of symptoms. This is fundamentally about networking, internally and externally, in order to cross-fertilise knowledge, expertise and resources. Below we explain how we are bringing these connections to life.

Close relationships with patients and the people who care for them:

Everything we do starts with a simple question: 'How will this make a difference to the lives of people with severe diseases?' Regular, personal contact with these individuals, as well as their carers, plays a vital role in helping us answer this question.
To help them cope more effectively with their diseases, we have also created communities for them to share ideas with each other, such as www.parkinsons-disease.com and www.crohnsandme.com, and provided novel, practical patient support programmes such as Canine Assistance for people with epilepsy (see page 48).

Cutting-edge Research & Development (R&D) that combines biology and chemistry:

Our portfolio of large and small molecules enables us to focus on severe diseases from different angles. More unusually, we are combining our leadership in antibody research and long-established expertise in chemistry to illuminate and address the complex, biological pathways and interconnections of these types of diseases. This is underpinned by unique technologies, including UCB's SLAM and A2Hit™ (see page 42), as well as proprietary expertise in the SV2 protein biology, supported by an extensive, patented library of chemicals.
We are also using our molecules to investigate the potential of new therapeutic avenues, such as slow activation sodium ion channels and modulation of CRMP-2 (Collapsin-Response Mediator Protein 2).

Empowered, multidisciplinary teams:

With more than 70 nationalities, the diversity of our staff is one of our greatest assets. To capitalise on the creative potential of this diversity, as well as to accelerate the development of breakthrough therapies, we have created an open, globally networked environment so that our staff can share and cross-fertilise ideas. This includes establishing multidisciplinary, therapeutically focused project teams that have full responsibility for delivering results.

World-class partners across the value chain:

We recognise that the complexities of severe diseases are beyond the expertise and resources of a single company. This is why we 'partner for strength' across the value chain, from R&D to marketing. Our partners range from Amgen and Biogen IDEC to Pfizer and sanofi-aventis.

A global player with long-term growth potential:

Our global presence is unique for a mid-cap biopharma. This includes operations in more than 40 countries worldwide and 46% of sales in the USA. More significantly, from a long-term perspective, our pipeline is one of the richest in the industry and underpinned by a stable, long-term base of investors. We have already demonstrated our ability to deliver in allergy and neurology. In the coming years, we intend to build on these achievements.

"Our concept of the 'next generation biopharma' is fundamentally about networking, internally and externally, so that we can cross-fertilise knowledge, expertise and resources. This is the route to more effective medicines."

Roch Doliveux,
Chief Executive Officer

Our Long-Term Strategy

Tackling complex, lifelong diseases cannot be achieved overnight: it requires a focused, long-term strategy. Our strategy, which we have been successfully implementing for three years, is clearly defined:

Over the last three years we laid the foundations for UCB to become the 'next generation biopharma leader'. This involved three key steps. First, we transformed UCB from a diversified pharmaceuticals, chemicals and films company into a biopharma with a combination of large and small molecules. This was done by acquiring Celltech, the UK's leading biotech, in 2004 and divesting of non-core businesses such as surface specialities and films.

Second, we changed how we operated. In particular, we created a globally networked organisation, including multi-disciplinary teams, in order to cross-fertilise our knowledge and expertise as well as to capitalise on the combined potential of biology and chemistry.

Finally, we acquired Schwarz Pharma* at the end of 2006 to provide us with the critical mass and additional late-stage compounds to start to unlock our full commercial potential. Moving forward our long-term strategy involves three further stages.

Execution (short-term):

The execution stage, which began in 2007, will be a period of significant investment as we prepare for the launch of new products, such as Neupro® for Parkinson's disease and Cimzia® for inflammatory diseases. We will also progress our pipeline of large and small molecules through development in readiness for the next 'intense growth' phase. To fund these investments into the future, we will rigorously pursue continuous cost improvements and optimise the lifecycles of existing products as more promising alternatives come on stream. The scale of these investments is likely to restrict our profits in the short-term.

Intense growth (medium-term):

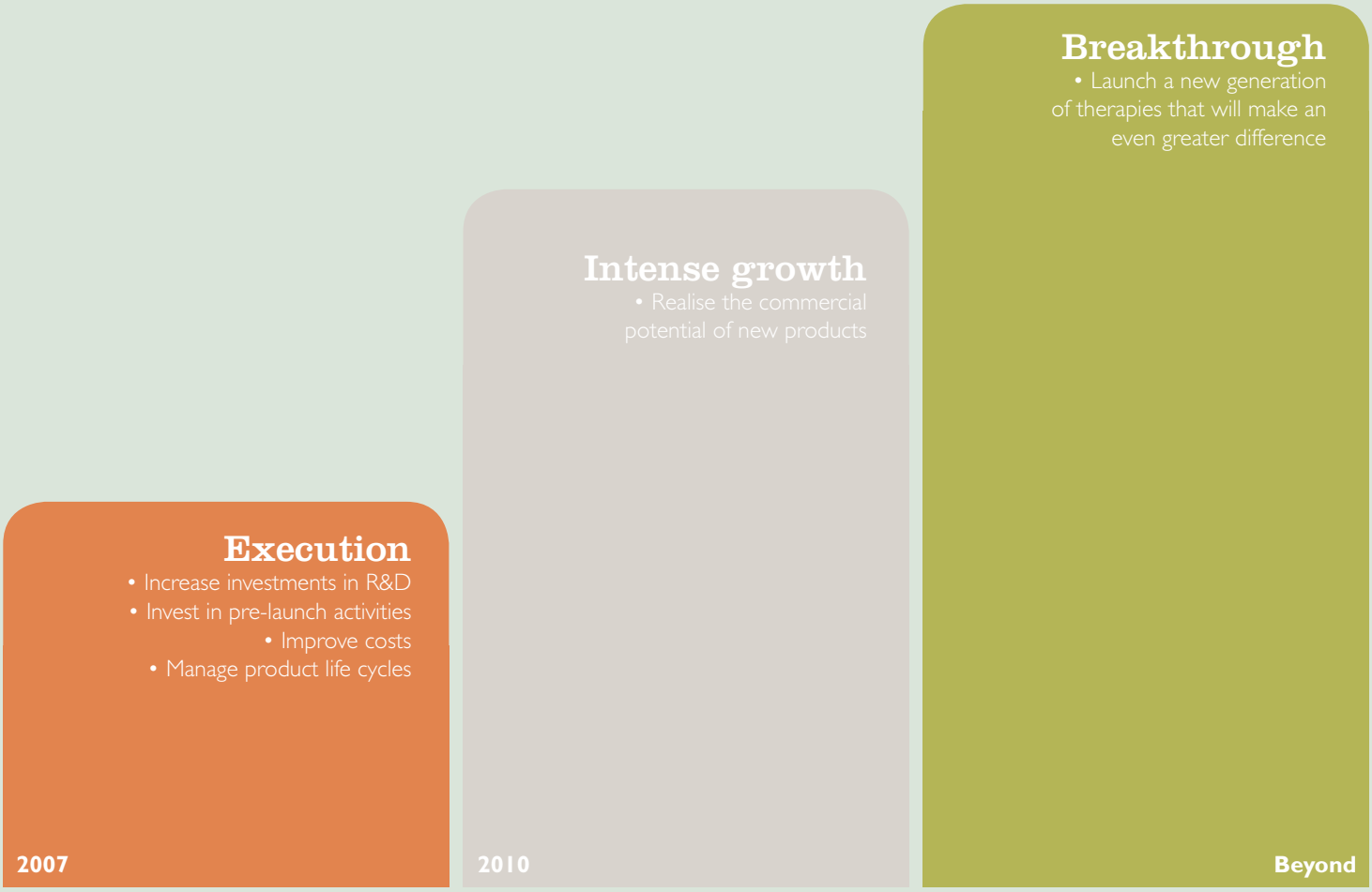
In the medium-term we hope to realise the commercial potential of our new products that flow out of our pipeline, accelerating our growth and enabling us to fund further investments in R&D. Currently, we have 12 molecules in our pipeline, spanning 16 indications in our three core therapeutic areas: CNS, immunology / inflammation and oncology.

Breakthrough (long-term):

Using our expertise in biology and chemistry, we are working on several long-term projects that could radically transform how severe diseases are treated. One of these, A2Hit™, now at proof of concept stage, promises to combine the convenience and cost-effectiveness of small, orally-available molecules with the efficacy and accuracy of large molecules, enabling many more people with severe diseases to enjoy much more effective treatments.

*UCB currently owns more than 89% of the Schwarz Pharma shares

UCB: the next generation biopharma leader



Our Products

With net sales of more than €3.2 billion in 84 countries across the globe, UCB has a proven ability to turn novel ideas into commercial realities and to successfully manage their life cycles. This includes creating and developing our blockbuster anti-epileptic Keppra®.

Top 10 marketed products	Compound	Indication	Net sales 2007 (€ million)	Net sales 2006 (Pro Forma) (€ million)
Keppra®	*levetiracetam*	Several types of epilepsy, including partial onset seizures	**1 026**	**761**
Zyrtec®	*cetirizine*	Perennial allergic rhinitis, seasonal allergic rhinitis and chronic idiopathic urticaria	**487**	**561**
Xyzal®	*levocetirizine*	Allergic rhinitis, including persistent allergic rhinitis and chronic idiopathic urticaria	**168**	**143**
Omeprazole	*omeprazole*	Gastrointestinal ulcers and reflux esophagitis	**147**	**192**
Tussionex™	*hydrocodone polistirex and chlorpheniramine polistirex*	Coughs and colds	**114**	**105**
Nootropil®	*piracetam*	Regulating cerebral functions	**101**	**99**
Metadate™CD/ Equasym™XL	*methylphenidate HCl*	Attention Deficit Hyperactivity Disorder (ADHD)	**79**	**68**
Atarax®	*hydroxyzine*	A non-benzodiazepinic tranquilliser	**55**	**54**
Neupro®	*rotigotine transdermal system*	Parkinson's disease	**52**	**10**
Atmadisc™	*fluticasone/ salmeterol*	Asthma	**48**	**47**

Our Pipeline

For a medium-sized biopharma, UCB has a uniquely rich pipeline of 12 large and small molecules, spanning 16 separate indications, many in late-stage development. Some of these are intended to strengthen our positions in existing markets, such as epilepsy, others could take us into new fields, such as multiple sclerosis.

Small Molecule drug/NCE Antibody-based drug/NBE

CNS	Indication	Phase I	Phase II	Phase III	Filed
Vimpat™ *(lacosamide)*	Epilepsy adjunctive therapy (EU & USA)				
Vimpat™ *(lacosamide)*	Diabetic neuropathic pain (EU & USA)				
Neupro® *(rotigotine transdermal system)*	Advanced Parkinson's disease (USA)				
Keppra® XR *(levetiracetam)*	Epilepsy adjunctive therapy (USA)				
Neupro® *(rotigotine transdermal system)*	Restless legs syndrome (EU & USA)				
Rikelta™ *(brivaracetam)*	Unverricht Lundborg disease				
Keppra® XR *(levetiracetam)*	Epilepsy monotherapy (USA)				
Rikelta™ *(brivaracetam)*	Epilepsy adjunctive therapy				
Vimpat™ *(lacosamide)*	Epilepsy monotherapy (USA)				
Xyrem® *(sodium oxybate)*	Fibromyalgia				
Lacosamide	Fibromyalgia				
Lacosamide	Migraine prophylaxis				
Rotigotine transdermal system	Fibromyalgia				
Rotigotine nasal spray	Restless legs syndrome				
CDP323	Multiple sclerosis				
Immunology/ Inflammation	**Indication**	**Phase I**	**Phase II**	**Phase III**	**Filed**
Cimzia® *(certolizumab pegol)*	Crohn's disease (EU & USA)				
Cimzia® *(certolizumab pegol)*	Rheumatoid arthritis (USA)				
Cimzia® *(certolizumab pegol)*	Rheumatoid arthritis (EU)				
Cimzia® *(certolizumab pegol)*	Psoriasis				
Epratuzumab	Systemic lupus erythematosus				
Anti-Sclerostin	Bone loss disorders				
Oncology	**Indication**	**Phase I**	**Phase II**	**Phase III**	**Filed**
CMC544	Non-Hodgkin's lymphoma				
CDP791	Non-small-cell lung cancer				
Other	**Indication**	**Phase I**	**Phase II**	**Phase III**	**Filed**
Fesoterodine	Overactive bladder				

Facts & Figures

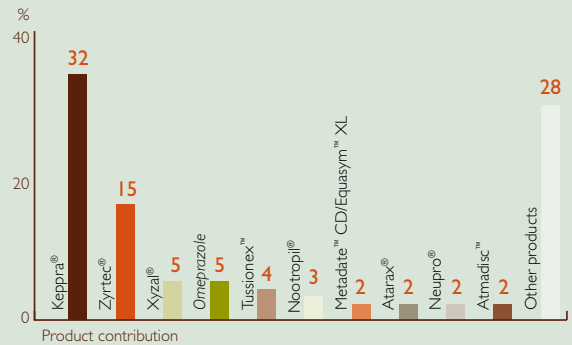
We are committed to reporting with transparency and integrity. Here are our key facts and figures. More detailed information can be found on the following pages of this report and on our website www.ucb-group.com.

Results 2007

€ million	2007	Pro Forma 2006
Revenue	3 626	3 631
R&D expenses	(788)	(815)
Recurring EBITDA	741	747
Operating profit (EBIT)	344	669
Net profit (after minority interest)	160	391

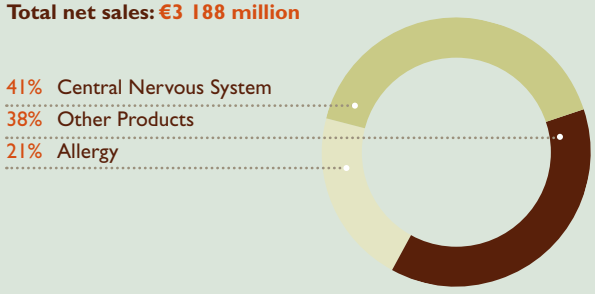
Key product contribution to sales - 2007

Total net sales: €3 188 million



Sales by therapeutic area - 2007

Total net sales: €3 188 million



Share information

		2007	Pro Forma 2006
Basic earnings	€ per share	0.89	2.17
Gross dividend	€ per share	0.92	0.90
Number of shares*		183 361 252	181 512 768
Share price*	€ per share	31.02	51.95
Market capitalisation*	€ billion	5.7	9.4

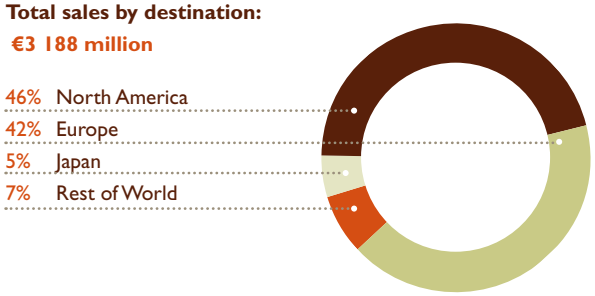
*year-end

Global presence

For contact details of our commercial operating units, please visit our website on: www.ucb-group.com/worldwide/index.asp

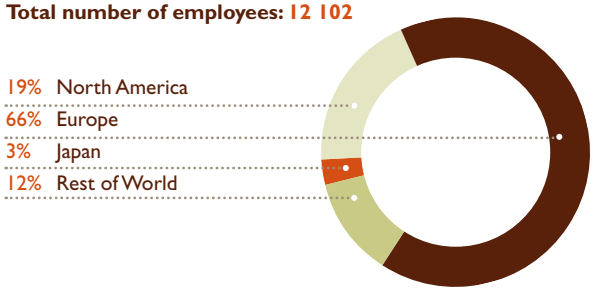
Sales by geographic region - 2007

Total sales by destination:
€3 188 million



Employees by region - 2007

Total number of employees: 12 102



“Our global footprint, which includes a solid presence in emerging markets such as China and India, is unique for a company of our size.”

Roch Doliveux,
Chief Executive Officer

Highlights of 2007

Net sales grew by 1%*, aided by two new product launches

- Net sales of €3.2 billion, with strong performances in our major markets North America (46% of sales) and EU (42% of sales).

- Key drivers of our world-wide sales for 2007 included:
  - our epilepsy treatment Keppra®, which reached more than €1 billion,
  - our allergy treatments Zyrtec® and Xyzal®, which together reached €0.7 billion,
  - our large portfolio of other products, which reached more than €1.5 billion, mainly driven by sales of Tussionex, Atmadisc™, Metadate™ CD/Equasym™ XL and Nootropil®.

- Successful launches of two new products in the USA: Neupro® for early Parkinson's disease and Xyzal® for allergy.

*pro forma FY 2006 versus reported FY 2007

Record number of regulatory approvals and filings

- Three products gained regulatory approval:
  - Neupro® for advanced Parkinson's (EU) and for early Parkinson's (USA),
  - Xyzal® for allergy (USA),
  - Cimzia®, our first biologic for Crohn's disease (Switzerland).

- Four molecules were filed for regulatory review across six indications:
  - Vimpat™ for epilepsy (EU & USA),
  - Vimpat™ for diabetic neuropathic pain (EU & USA),
  - Neupro® for advanced Parkinson's (USA),
  - Neupro® for restless legs syndrome (EU & USA),
  - Keppra® XR - extended release formulation for epilepsy (USA),
  - Cimzia® for rheumatoid arthritis (USA).

- Moreover, we progressed a wide range of novel molecules through clinical trials. Rikelta™ entered Phase III trials for adjunctive treatment in partial-onset epilepsy; CDP323 entered Phase II for the treatment of multiple sclerosis; and *anti-sclerostin* successfuly completed a first Phase I trial for the treatment of bone loss disorders, among numerous other R&D advances.

Swift and successful integration of Schwarz Pharma

- The domination and profit transfer agreement between our wholly owned subsidiary UCB SP GmbH and Schwarz Pharma, which is now more than 89% owned by UCB, was registered in July 2007, enabling us to take significant steps to integrate the two companies.
- The integration generated synergies of €166 million by the end of the year.
- Key talent was retained and the best of both companies incorporated in the newly merged entity. This included adopting Schwarz Pharma's proven model of empowered project teams in R&D, with streamlined corporate governance structures, to improve the speed and efficiency of our development processes.

Solid financial foundations for sustained growth

- Our results exceeded the financial guidance we provided in July 2007.
- Revenue of €3.6 billion in line with 2006 pro forma revenue, up 42% on a reported basis.
- Underlying profitability (recurring EBITDA), before one-time, acquisition-related inventory step-up of €741 million, in line with 2006 pro forma profitability, up 31% on a reported basis.
- Net profit decreased from €391 million in 2006 (pro forma), to €160 million in 2007, reflecting acquisition-related expenses as well as one-time, non-cash inventory step-up and incremental amortisation expenses.
- R&D expenditure of 25% of sales, placing UCB in the top quartile for R&D expenditure within the pharmaceutical industry.

Letter to the Shareholders

After successfully transforming UCB into a pure biopharmaceutical company over the last three years, with the pipeline and critical mass to accelerate our growth, we embarked on the 'execution' stage of our long-term strategy in 2007. We are pleased to report considerable progress.

During the year, we reached revenue of €3.6 billion, launched two new products in the USA and made advances in R&D. This included submitting six therapies for regulatory approval and gaining approval for three. Two of these approvals took us into new therapeutic areas – Parkinson's disease (Neupro® in the USA and EU) and Crohn's disease (Cimzia® in Switzerland).

For a mid-cap biopharma to make so many advances so quickly is a tribute to our team and a reflection of the quality of our pipeline, which we believe is one of the richest in our industry.

Moreover, we achieved all this while swiftly integrating Schwarz Pharma into our business – an acquisition that is designed to turn UCB into one of the world's top neurology companies.

Georges Jacobs,
Chairman of the Board

Roch Doliveux,
Chief Executive Officer

> “Many companies claim to be patient-driven, but for UCB it is a living reality. In fact, we do not think of people with severe diseases as ‘patients’ but as individuals with lives beyond their disease.”

Needless to say our journey through 2007 was not totally smooth. For example, there were delays in the regulatory review process for Cimzia® in the USA and the EU for the treatment of Crohn's disease, a risk inherent to our industry. There are also challenges ahead, as there are for all biotechnology and pharmaceutical companies. These include dealing with the patent expiry of Zyrtec® in the USA in late 2007 and the likely end of Keppra® USA exclusivity in November 2008, following the settlement of the Keppra® patent litigation – a solution that removed a major uncertainty. However, we believe that the opportunities to produce superior growth are much greater than the challenges, especially in the wake of our recent transformation. Before we discuss our way forward, we would like to outline our financial results for 2007.

Key financial results for 2007

During the year, revenue reached €3.6 billion, supported by a 1% rise in net sales to €3.2 billion, with all regions producing strong sales performances. Our anti-epileptic, Keppra®, accounted for the lion's share of the sales growth, underlining UCB's ability to optimise the life cycles of its products. We also benefited from our leadership in allergy with Xyzal® as well as the continued contribution from Zyrtec®. Promising launches in the USA and EU of our novel transdermal patch for Parkinson's disease, Neupro®, which we acquired from Schwarz Pharma, also contributed to our results.

Underlying profitability (recurring EBITDA) reached €741 million. Net profit (after minority interest) reached €160 million in 2007, reflecting acquisition-related expenses as well as one-time, non-cash inventory step-up and incremental amortization expenses. In view of these results, exceeding previous financial guidance in a post-acquisition year, the Board proposes a gross dividend of €0.92 per share. This is in line with the Board's policy of offering dividends that reflect UCB's long-term growth potential, irrespective of short-term variations in income.

Operational results

From an operational perspective, we also made good progress, as outlined in the Highlights section of this report (page 12). This included the release of €166 million of cost synergies from the swift integration of Schwarz Pharma, advances in R&D and enhanced quality, supported by a global quality programme, as well as improved supply chain management.

Bringing the next generation biopharma to life

The building blocks are now in place to help us to realise our goal of becoming a next generation biopharma leader. This involves much more than a portfolio of small, chemically derived molecules and large, antibody-based molecules. It is about connecting patients, people and science in new ways.

At the heart of this approach is an increasingly deep connection with people with severe diseases and their care givers, including their specialist physicians. For UCB, this is a living reality. Our staff and Board regularly meet patients and we are involving them much earlier in our initiatives. This not only gives us important insights into the therapeutic priorities that patients truly value, but also provides us with the emotional connection and drive to make a real difference. The power of this connection should not be underestimated.

How we operate is another hallmark of the next generation biopharma. For example, we are developing an open, networked environment so that our staff – who span more than 70 nationalities – can cross-fertilise ideas and unleash their full potential. This includes fully empowered therapeutically focused multidisciplinary project teams.

However, UCB is also pragmatic and humble enough to recognise that one company, even one as dynamic as UCB, cannot conquer severe diseases on its own. As a result, we have 'partnered for strength' across the value chain where we lack the requisite expertise or resources to make a significant difference. Our partnership with sanofi-aventis, for co-promoting Xyzal® in the USA, is the latest example.

Fulfilling our long-term strategy

Our long-term strategy of leading in the treatment of selected severe diseases, notably in neurology and inflammation, is on track. Over the last three years we have focused on transforming UCB into a biopharmaceutical company, aided by two major acquisitions: Celltech in 2004, which gave us world-class in antibody research, and Schwarz Pharma in 2006, which enhanced our capabilities in neurology and strengthened our talent base.

Now we have entered, on schedule, the execution phase. This ongoing phase will involve generating the resources to unlock the full commercial potential of the large and small molecules in our pipeline. Synergies from the integration and from reallocating resources will also play a key role in the execution phase.

In the medium-term, we expect to move to our 'intense growth' phase where we intend to capitalise on the commercial potential of the novel products flowing out of our pipeline such as Cimzia® for inflammatory diseases, as well as Vimpat™ and Rikelta™ for selected neurological disorders.

Long-term, we are working on the 'breakthrough' phase using our expertise in biology and chemistry to create new medicines that could radically transform how severe diseases are treated.

2008 priorities

For the second year of the execution phase, our operational priorities in 2008 will include preparing for the launch of new products such as Cimzia® for Crohn's disease and rheumatoid arthritis, and Neupro® for restless legs syndrome. We also intend to optimise the commercial potential of our recently launched products, Neupro® for Parkinson's disease and Xyzal® for allergy, as well as to continue to maximise the performance of Keppra®. Furthermore, we anticipate partnering selected assets to optimise their potential.

Looking forward

2008 has started well and we have every confidence that our staff, who laid such solid foundations in 2007, will continue to excel throughout the coming year. The key to our success is our people and we are grateful for their everyday contribution. Their knowledge and expertise is important but it is their passion to make a difference to the lives of people with severe diseases, fuelled by our close connection with these individuals and their care givers. This is what really sets us apart. We are fundamentally a human business, here to help others. This is how we aim to deliver shareholder value as we execute our long-term strategy.

Our thanks also go to our business partners for the confidence they have shown in us and for their continuous support.

Finally, we wish to thank the Board and our shareholders for their support and constructive questions and suggestions in the implementation of our strategy to become the next generation biopharma leader.

Roch Doliveux,
Chief Executive Officer

Georges Jacobs,
Chairman of the Board

Executive Committee Review

We fulfilled all but one of our operational objectives for 2007, with our teams often exceeding internal targets. Below, we describe our goals and achievements.

▶ Objective: Maximise Keppra® and prepare for the expansion of our epilepsy franchise

Sales of Keppra® grew by 35% to €1 billion, compared to a 36% growth rate in 2006. This was the fourth successive year with a strong growth rate. The growth was underpinned by new indications, successful entries into new markets, including China, India and Korea, and novel patient outreach programmes.

In anticipation of the loss of market exclusivity for Keppra® in the USA and EU, we have progressed complementary anti-epileptic therapies through development. These include Vimpat™, which offers a different dual mode of action to Keppra®, and Rikelta™, a potent successor to Keppra® that targets the SV2A protein. Vimpat™ was filed with the regulatory agencies in the USA and EU and Rikelta™ entered Phase III trials. Phase III results for Keppra® XR, an extended-release formulation of Keppra®, were positive and we have filed this convenient new therapy for regulatory approval in the USA.

▶ Objective: Launch Neupro® for Parkinson's disease, Xyzal® for allergy in the USA and Cimzia® for Crohn's disease

Neupro® was launched in the USA for the treatment of early-stage Parkinson's disease and, in the EU, this initial indication was extended to include advanced-stage Parkinson's. In every country this novel transdermal patch

Roch Doliveux,
Chief Executive Officer and
Chairman of the Executive Committee

Detlef Thielgen,
Executive Vice President and
Chief Financial Officer

Melanie Lee,
Executive Vice President
Research & Development

has been marketed, it has outperformed the launches of previous therapies for Parkinson's by value. Xyzal®, our successor to Zyrtec®, was also successfully launched in the USA in conjunction with our new co-marketing partner, sanofi-aventis.

Requests for additional data regarding Cimzia® for Crohn's disease from the regulators in both the USA and the EU meant that we were unable to launch Cimzia® as early as hoped in these markets. However we will continue to pursue approval in the USA and the EU. It is encouraging that Cimzia® for Crohn's disease was approved in Switzerland in September 2007 and launched in January 2008.

▶ Objective: Reach major research, development and regulatory milestones

Apart from delays in gaining approvals for Cimzia® for Crohn's disease as discussed above, we hit all our R&D and regulatory milestones. This included gaining regulatory approvals for Neupro® for Parkinson's disease in the USA and EU; and Xyzal® for allergy in the USA.

We also submitted the following compounds for regulatory approval: Neupro® for restless legs syndrome in the EU and the USA; Cimzia® for rheumatoid arthritis in the USA, Keppra® XR for adjunctive therapy in epilepsy in the USA, Neupro® for advanced Parkinson's in the USA and Vimpat™ for epilepsy (EU & USA) and diabetic neuropathic pain (EU & USA). In addition, our promising small molecule Rikelta™ successfully completed Phase II trials and started Phase III evaluation, while our orally active small molecule for multiple sclerosis, co-developed with Biogen IDEC, entered Phase II.

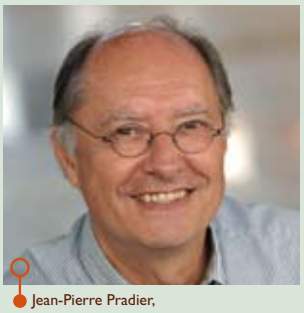
▶ Objective: Integrate Schwarz Pharma and realise synergies

An exceptional spirit of cooperation between UCB and Schwarz Pharma enabled us to integrate the two organisations quickly and constructively, generating synergies of €166 million by the end of 2007.
We also identified additional opportunities for ongoing cost savings, enabling us to increase our pre-tax synergy targets for 2010 from €300 million to €380 million.
The rapid completion of the domination and profit transfer agreement with Schwarz Pharma, less than 10 months after the acquisition was announced, helped us realise these synergies as swiftly as possible.

On the following pages we discuss our performance in more detail by therapeutic area (highlighting marketed products and those in development) and in R&D, Human Resources and Corporate Social Responsibility.

Bill Robinson,
Executive Vice President
Global Operations

Bob Trainor,
Executive Vice President
General Counsel



Jean-Pierre Pradier,
Executive Vice President
Corporate Human Resources

Central Nervous System (CNS)

Epilepsy

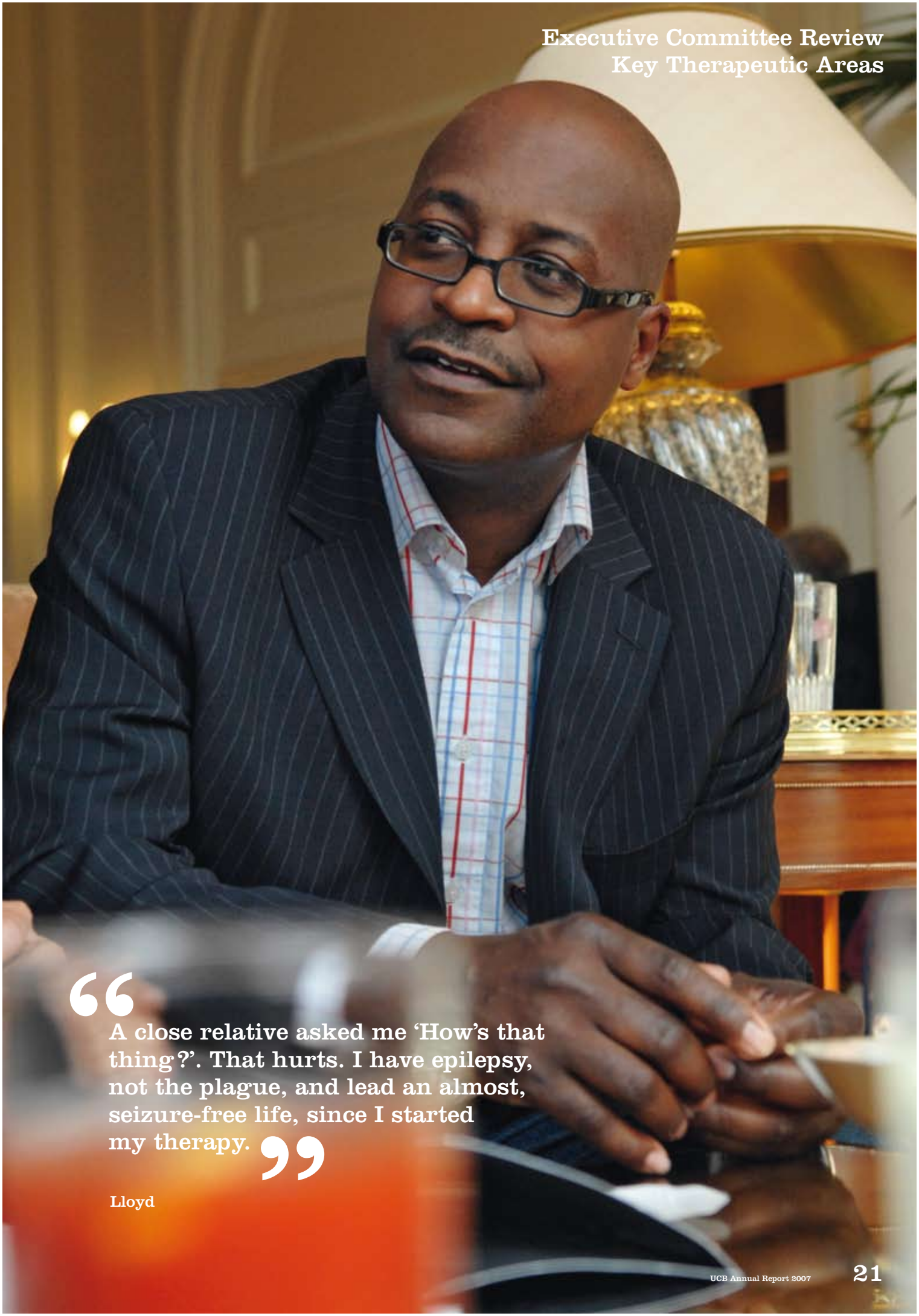
Epilepsy is the most common disorder of the brain and characterised by recurrent seizures caused by electrical 'storms' in the brain. Around one third of the estimated 6 million people[1] with this disease do not respond to existing therapies.

Marketed product name	Indication	Net sales 2007 (€ million)	Net sales 2006 (Reported) (€ million)
Keppra® *(levetiracetam)*	Frontline therapy for various types of epilepsy, including partial onset seizures in adults and children	1 026	761

Pipeline Product Name	Indication	Status
Vimpat™ *(lacosamide)*	Add-on therapy for various types of epilepsy	In regulatory review (USA & EU)
Keppra® XR *(levetiracetam)*	Convenient extended-release adjunctive therapy for various types of epilepsy	In regulatory review (USA)

Pipeline Product Name	Indication	Clinical Stage
Rikelta™ *(brivaracetam)*	Next generation frontline therapy for various types of epilepsy	Phase III
Rikelta™ *(brivaracetam)*	Orphan therapy for Unverricht Lundborg disease	Phase III
Vimpat™ *(lacosamide)*	Monotherapy for various types of epilepsy	Phase III (USA)
Keppra® XR *(levetiracetam)*	Monotherapy for various types of epilepsy	Phase III (USA)

[1] source, see p51



“A close relative asked me ‘How’s that thing?’. That hurts. I have epilepsy, not the plague, and lead an almost, seizure-free life, since I started my therapy.”

Lloyd

Central Nervous System (CNS)
Epilepsy

Marketed Products

Strong life cycle management accelerates the sales growth of Keppra®:

Sales of Keppra® grew by 35% to €1 billion, compared to a 36% increase in 2006. This was driven by significant gains in the USA (+34%) and Europe (+35%), aided by new indications (see below) and an enlarged CNS sales force following the acquisition of Schwarz Pharma. In 2007 many more patients were able to enjoy the benefits of Keppra®, including those in emerging markets. There were new launches in China, India and Korea, as well as significant growth in smaller markets such as Kuwait, United Arab Emirates and Israel. Keppra® is now licensed in more than 60 countries across the globe.

During the year we also reached agreement with each of Mylan Laboratories and Mylan Pharmaceuticals (Mylan), Dr. Reddy's Laboratories (Dr. Reddy's) and Cobalt Pharmaceuticals (Cobalt) to settle pending patent infringement lawsuits in the U.S. District Court for the Northern District of Georgia. These consolidated lawsuits involve the patent (the '639 patent) for *levetiracetam*, the active ingredient in UCB's anti-epilepsy product, Keppra®. Under the terms of the settlement agreement with Mylan, and subject to its receiving FDA approval, Mylan will be allowed to sell its generic *levetiracetam* tablets effective 1 November 2008 in advance of the anticipated expiry of UCB's market exclusivity on 14 January 2009 (subject to grant of paediatric exclusivity).

New indications for Keppra® underline its broad spectrum of efficacy:

Keppra® was approved in the EU and USA as adjunctive therapy in the treatment of primary generalised tonic-clonic (PGTC) seizures in adults and in children aged 6 and older with idiopathic generalised epilepsy (IGE). This brings the total number of indications in the EU and the USA for Keppra® up to five. During the year, we also announced positive Phase III results for Keppra® as an adjunctive therapy in the treatment of partial onset seizures in children from one month to less than four years of age.

Pipeline Products

Extended release formulation enhances the therapy's convenience:

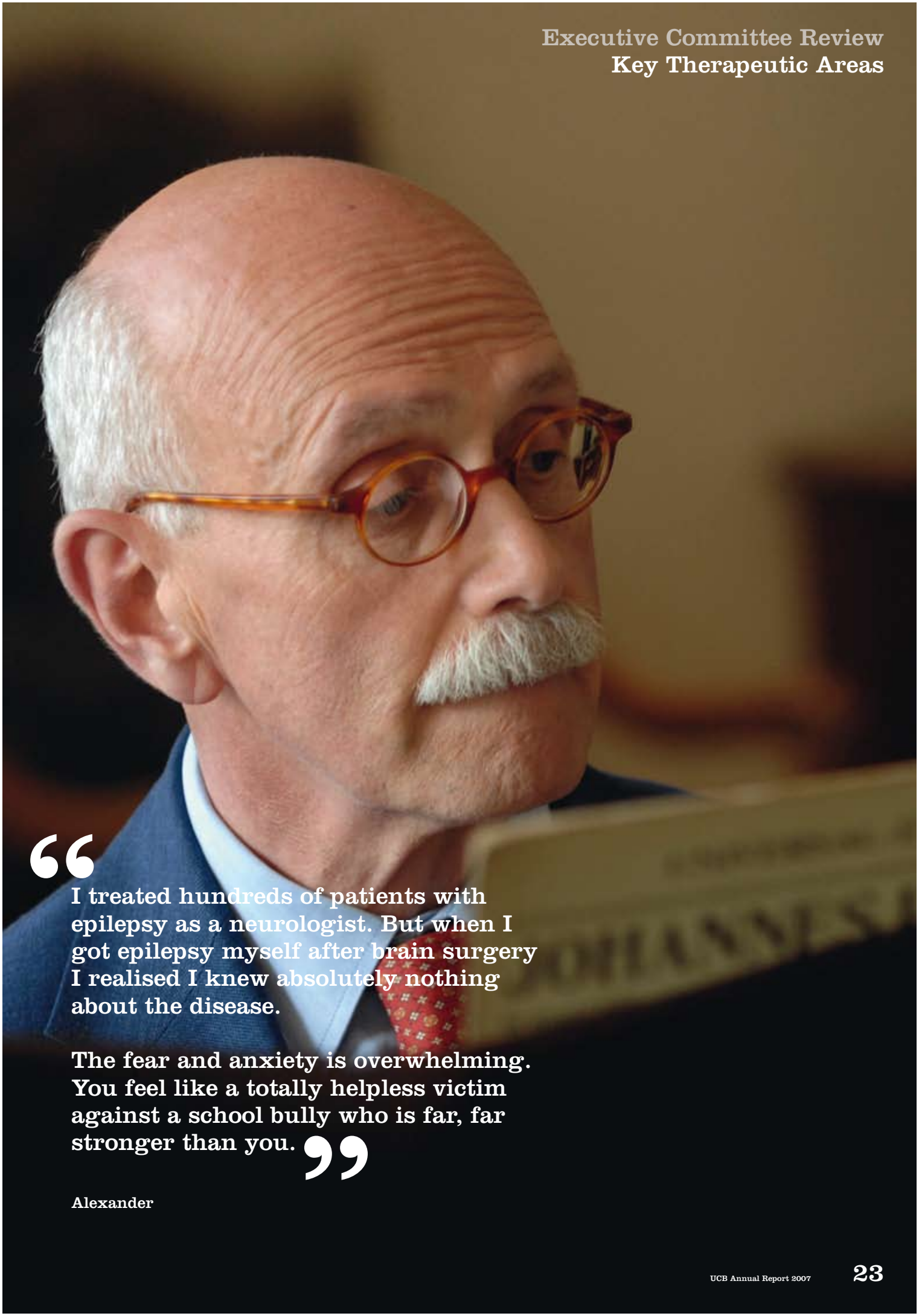
Keppra® XR, a once-daily add-on therapy for adults with refractory epilepsy suffering from partial onset seizures, successfuly completed Phase III trials and was filed with USA regulatory authorities in January 2008. Keppra® XR is currently also being evaluated in the USA as monotherapy in epilepsy.

Vimpat™ filing offers a new route for tackling epilepsy:

Vimpat™, which was acquired through Schwarz Pharma, was filed for adjunctive treatment of epilepsy in the USA and for adjunctive therapy in the EU. Unlike Keppra® and Rikelta™, Vimpat™ has a dual mode of action that affects both the sodium channels that conduct neural stimuli and the neuronal proteins (CRMP-2) that can determine the development of epilepsy. In clinical trials this small, twice-daily molecule has demonstrated efficacy and absence of drug-drug and food interaction. Vimpat™ is currently also being evaluated in the USA as monotherapy in epilepsy.

Rikelta™, a potential successor to Keppra®:

This novel small molecule, which builds on UCB's proprietary expertise in the SV2A protein, has the potential to become the next gold standard for treating epilepsy. Currently in Phase III trials it has produced results indicating that it is more potent than Keppra®.



"I treated hundreds of patients with epilepsy as a neurologist. But when I got epilepsy myself after brain surgery I realised I knew absolutely nothing about the disease.

The fear and anxiety is overwhelming. You feel like a totally helpless victim against a school bully who is far, far stronger than you."

Alexander

Central Nervous System (CNS)

Parkinson's Disease

As the world's population ages the incidence of Parkinson's disease is rising. About 1.5 million people[2] now suffer from this degenerative disorder, often impairing their movement and ability to speak and swallow.

Marketed product name	Indication	Net sales 2007 (€ million)	Net sales 2006 (Pro Forma) (€ million)
Neupro® *(rotigotine transdermal system)*	Early and advanced Parkinson's disease in adults (EU) Early Parkinson's disease in adults (USA)	52	10

Parkinson's disease is caused by the loss of brain cells that produce a chemical, called dopamine, which is important for transmitting signals across our brains so we can perform smooth, coordinated movements. Symptoms usually start when 80% of these cells are lost. Common problems include repetitive shaking, slowness of movement and muscle stiffness. Apart from the physical difficulties caused by these problems, individuals with Parkinson's are sometimes mistakenly perceived by others to be drunk or 'mentally ill', despite the fact that the disease does not affect sufferers' cognitive abilities.

Like many severe diseases, there is no cure for Parkinson's but it can be effectively treated through drugs that replenish dopamine in the brain.

Marketed Products

First transdermal patch for Parkinson's disease launched in the EU and the USA:

Neupro® was launched in the USA (July 2007) for the treatment of the signs and symptoms of early-stage idiopathic Parkinson's disease and, in the EU (February 2006), for advanced-stage Parkinson's. The product is the world's first transdermal patch for this disease and the first once-daily non-ergoline dopamine agonist, providing 24 hour drug delivery. In each of the 15 countries in which Neupro® has been introduced, it has been one of the most successful therapies for Parkinson's disease ever launched, measured by value. By the end of 2007, sales had reached €52 million.

[2] source, see p51

“Life can still be sweet with Parkinson’s disease. Thanks to medical advances, I can do all the things my friends can do.”

Wolfgang

Central Nervous System (CNS)

Diabetic Neuropathic Pain

Around 6.6 million people[3] with diabetes have to contend with the added burden of diabetic neuropathic pain, which can produce a range of disabling symptoms, from chronic pain and numbness to burning sensations.

Pipeline product name	Indication	Status
Vimpat™ *(lacosamide)*	Diabetic neuropathic pain	In regulatory review (EU & USA)

Diabetic neuropathic pain is caused by damage to a peripheral or central nerve and can lead to spontaneous sensations of pain, often starting in the toes and progressing into the legs and other limbs. In addition to pain, up to half of people suffering from this condition can experience fatigue and reduced mobility, as well as emotional consequences, including anxiety and depression.
Around 10% to 20% of diabetics have diabetic neuropathic pain. This equates to nearly 7 million people but as the incidence of diabetes continues to rise, fuelled by obesity and other factors, this number is expected to increase significantly.

Diabetic neuropathic pain has historically been very difficult to treat. Strong opioid analgesics can provide partial relief. Several classes of medications not normally thought of as analgesics, including antidepressants and anticonvulsants, have also proved effective, either alone or in combination with opioids and other treatments.

Pipeline Products

Vimpat™ filed for the treatment of diabetic neuropathic pain in the EU and the USA:
UCB's proposed treatment for diabetic neuropathic pain, Vimpat™, is an anticonvulsant with a novel dual mode of action acting on CRMP-2 (Collapsin Response Mediator Protein 2) and sodium channel slow activation.

In clinical trials this twice-daily oral treatment has achieved a significant reduction of diabetic neuropathic pain.

[3] source, see p51

“I try to enjoy life to the full but the pain can make things very difficult. Just because you can’t see the pain or measure it, doesn’t mean it’s not there.”

Frieda

Central Nervous System (CNS)

Restless Legs Syndrome

Restless legs syndrome creates unpleasant tingling sensations in the legs and uncontrollable urges to move them to relieve these feelings, making it difficult to sleep, among other problems. An estimated 52 million people[4] are affected.

Pipeline product name	Indication	Status
Neupro® *(rotigotine transdermal system)*	Restless legs syndrome	In regulatory review (EU & USA)

Restless legs syndrome is a chronic, slowly progressive disease that is usually diagnosed in middle age, although up to 25% of women are believed to suffer from it temporarily during pregnancy. Typically, it affects people when they are at rest, notably at night. The precise cause of this disease is not known but it is presumed to be a metabolic disorder of the central nervous system, originating in either the brain or spinal cord. The recent discovery that dopamine-agonist therapies for Parkinson's disease can substantially alleviate the symptoms of restless legs syndrome appears to confirm this hypothesis.

Dopamine agonists are increasingly favoured over alternative drugs for restless legs syndrome, due to their relative efficacy and absence of unwanted side effects.

Pipeline Products

Potential first-line therapy for restless legs syndrome filed for approval:

Neupro® was filed for approval for the treatment of restless legs syndrome in the EU and the USA.

In clinical trials this non-ergoline dopamine agonist has been shown to be efficacious and as a result to favourably impact sleep and reduce daytime tiredness. It is designed to deliver drug therapy through a transdermal patch technology, 24 hours a day, without phases of oversupply or deficit.

[4] source, see p51

“With my condition, I couldn’t sit quietly and enjoy myself. I had to be constantly on the move to get rid of the tingling feeling in my legs. In fact, I was so restless at night my husband had to move into a separate bedroom.”

Jutta

Central Nervous System (CNS)

Other Therapies in Development

Multiple Sclerosis

Multiple sclerosis erodes the protective coating on nerves in the brain and spinal cord, interfering with the transmission of important electrical signals. This can lead to a wide variety of problems, including movement disorders, visual impairment and speech difficulties.

An estimated half a million people[6] have multiple sclerosis. Most have the relapsing-remitting form of this disease, meaning that their symptoms come and go on a regular basis, usually lasting for around 4-6 weeks. Others have a progressive type of the disease that often leads to permanent disabilities and sometimes premature death.

Orally active treatment for relapsing-remitting multiple sclerosis enters Phase IIa trials (proof of concept):

CDP323, which is a small molecule VLA-4 antagonist, is being co-developed with Biogen IDEC, a leader in multiple sclerosis.

Migraine

Migraine is a severe episodic headache that is often accompanied by gastrointestinal upsets, sensitivity to bright lights and other difficulties.

Usually the pain occurs on one side of the head and lasts between four and 72 hours. In most cases the pain is so strong and distressing that the individual has to lie down. About 25% of the population[1] has at least one migraine a year, with women twice as likely to suffer from this problem as men. Migraines are caused by an excessive release of neurotransmitter chemicals in the brain, dilating and inflaming blood vessels in the brain.

***Lacosamide* is in Phase IIa development for migraine prophylaxis (proof of concept):**

Lacosamide is an anticonvulsant with a novel dual mode of action on CRMP-2 and sodium channel slow activation.

Pipeline product name	Indication	Clinical stage
CDP323	Multiple sclerosis Orally active treatment for relapsing-remitting	Phase IIa
Lacosamide	Migraine prophylaxis	Phase IIa

[6] and [1] source, see p51

Fibromyalgia

Fibromyalgia is a chronic syndrome characterised by widespread muscle pain, stiffness and tenderness at specific points.

Around 14 million people[7] are believed to suffer from this disease, with women disproportionately affected by a ratio of 9:1, according to the American College of Rheumatology. Typically, the disease starts between the ages of 20 and 50.

Three new avenues for addressing fibromyalgia are being explored:

These include: Xyrem®, which is in Phase III trials initiated by licensor Jazz Pharmaceuticals; *lacosamide*, which is in proof of concept; and *rotigotine transdermal system*, also in proof of concept.

Pipeline product name	Indication	Clinical stage
Xyrem® *(sodium oxybate)*	Fibromyalgia	Phase III
Lacosamide	Fibromyalgia	Phase IIa
Rotigotine transdermal system	Fibromyalgia	Phase IIa

[7] source, see p51

Immunology / Inflammation

Crohn's Disease

Diarrhoea, nausea and abdominal pains are just some of the symptoms of this chronic inflammatory disease of the gastrointestinal tract, which afflicts around 0.8 million people[1] worldwide.

Pipeline product name	Indication	Status
Cimzia® *(certolizumab pegol)*	Crohn's disease	• In regulatory review (EU & USA) • Approved and launched in Switzerland

One of the principle difficulties with Crohn's disease is that it produces uncontrollable urges to have diarrhoea, forcing people with this condition to map their lives around the availability of bathrooms. This can severely disrupt patients' ability to enjoy normal everyday lives, as well as lead to substantial weight loss. Typically, people with Crohn's experience 'flare ups' of the symptoms of the disease, followed by periods of remission.

There is still uncertainty about the cause of the disease but there is a growing belief that it is due to the body's immune system mistakenly attacking healthy cells in the gastrointestinal tract (a so-called 'autoimmune' response), producing inflammation. Genetics also appear to play a role: in around 20% of cases the disease runs in families. Usually it starts between the ages of 20 and 30.

Marketed Products

Cimzia®, UCB's new and unique biologic, gains its first approval for the treatment of Crohn's disease in Switzerland: Cimzia® for the treatment of Crohn's disease, the only Fc-free (Fc: fragment crystalisable), PEGylated (PEG: polyethylene glycol), Fab' fragment (Fab: fragment antigen-binding), anti-TNF (Tumor Necrosis Factor), has been approved by Swiss regulatory authorities. The product was launched in Switzerland in January 2008.

Pipeline Products

The building blocks are in place for UCB to unfold the therapeutic potential of Cimzia® for Crohn's in the EU and the USA, once approval is obtained in those markets. This includes a strong sales force in the USA, all with biologic experience.

In Europe, regulators adopted a negative CHMP (Committee of Human Medicine Products) opinion on the market authorisation of Cimzia® for the treatment of Crohn's disease. We are utilising the appeal process to request a re-examination of our regulatory submission in Europe.

[1] source, see p51

"As a kid, I had a lot of weight loss, achy joints and stomach cramps. The burning pains in my feet were the worst. Things are better now but my mother still worries a lot."

Tom

Immunology / Inflammation

Rheumatoid Arthritis

Rheumatoid arthritis progressively attacks joints, such as fingers and wrists, causing significant pain and reducing mobility. It can also affect internal organs. An estimated 4.9 million people [1] suffer from it.

Pipeline product name	Indication	Status / Clinical stage
Cimzia® *(certolizumab pegol)*	Rheumatoid arthritis	• In regulatory review (USA) • Phase III completed (EU)

Rheumatoid arthritis is an autoimmune disease, a category of diseases where the immune system mistakenly attacks the tissues it is supposed to protect. In the case of rheumatoid arthritis, inflammatory processes target the tissue that surrounds the joints, creating swellings and damaging the cartilage and bones in the joints. Generally rheumatoid arthritis affects small joints in the hands, wrists, feet and legs but its impact can be much more widespread. As well as producing substantial pain, it often deforms the joints, limiting sufferers' mobility and creating emotional distress, which can lead to depression. Other symptoms can include weight loss, fatigue and anaemia. Although rheumatoid arthritis can occur at any time, it typically affects people between the ages of 20 and 50, with women two to three times as likely to develop the disease as men.

Pipeline Products

New data supports Cimzia® filing for approval for rheumatoid arthritis:

Pivotal data from our two Phase III RAPID studies, presented at the Annual European Congress of Rheumatology (EULAR in June 2007), demonstrated that Cimzia® 200mg has a significant effect in reducing the signs and symptoms of rheumatoid arthritis, in combination with *methotrexate*.

Moreover, the data showed for the first time that the Fc region in conventional anti-TNFs, which is often associated with cellular cytotoxicity, is not required for treating this disease. Cimzia® is the first PEGylated, Fc-free anti-TNF. In addition, data presented at the American College of Rheumatology annual scientific meeting (ACR in November 2007) suggest that Cimzia® may have the potential to repair joint damage.

Cimzia® was filed for regulatory approval for the treatment of rheumatoid arthritis in the USA in February 2008. It is planned to be filed in the EU by mid- 2008.

[1] source, see p51

"It started with painful swellings in my fingers and toes, and then the simplest things, such as cutting a loaf of bread, became impossible. At one point even eating became difficult and painful as the disease had spread to my jaw."

Gabriele

Immunology / Inflammation

Allergy

About one-in-four people (1) have allergies, a problem that is believed to be exacerbated by environmental degradation.

Marketed product name	Indication	Net sales 2007 (€ million)	Net sales 2006 (Reported) (€ million)
Xyzal® *(levocetirizine)*	Allergic rhinitis, including persistent allergic rhinitis and chronic idiopathic urticaria	168	143
Zyrtec® *(cetirizine)* including Zyrtec®-D/Cirrus®	Perennial allergic rhinitis, seasonal allergic rhinitis and chronic idiopathic urticaria	487	561

Allergies are adverse reactions to proteins in the environment called allergens that trigger the body to release histamines, leading to inflammation and swelling. Symptoms can range from discomforting sneezing and itching to a severe, sudden and potentially fatal multi-organ reaction known as anaphylactic shock.

Marketed Products

USA launch of Xyzal® consolidates growth of allergy franchise:

Our once-daily, oral antihistamine, Xyzal®, for indoor and outdoor allergies, as well as chronic idiopathic urticaria, has been marketed in Europe since 2001 and was also successfully launched in the USA in October 2007 in partnership with sanofi-aventis.

In accordance with this agreement sanofi-aventis reports all Xyzal® sales generated in the USA, with UCB only consolidating its part of the profit share under 'other revenue'. In the USA Xyzal® reached a market share of 5.2%* (based on new prescriptions) at the end of December 2007. Xyzal® continued its impressive growth in Europe and the rest of the world, reaching sales of €168 million in 2007, up 18% compared to 2006. Xyzal® is ahead of competition in 11 European countries with, as of the end of 2007, a combined share of the European antihistamine market in the main five European countries of 14.8%** - based on the number of treatment days. Penetration in emerging markets improved with Xyzal® net sales increasing by 18% to €22 million.

Zyrtec® our legacy blockbuster antihistamine continued to perform well with sales of €487 million despite a slow down in the USA, prior to patent expiry on 25 December 2007.

(1) source, see p51
* IMS, NPA weekly as of December 2007
** IMS, as of December 2007

Allergy treatment has enabled Lila to stay sharp and focused throughout the year, free of nasal congestion, runny eyes and other allergic reactions.

Immunology / Inflammation

Other Therapies in Development

Psoriasis

Psoriasis is a lifelong, socially disabling skin disease caused by skin cells rising too rapidly to the surface. Symptoms can range from a few patches of raised, red skin to thick, scaly skin over large parts of the body. Around 10 million people [1] suffer from this condition.

Cimzia® successfully completed a Phase II re-treatment study for psoriasis:
Clinical data showed that most patients responded to and tolerated re-treatment. Discussions with regulators about Cimzia® future development for psoriasis are underway.

Systemic Lupus Erythematosus

Systemic lupus erythematosus is an autoimmune disease in which cells attack healthy organs, especially joints, skin, kidneys and membranes around the lungs or heart.
An estimated 0.4 million people[8] have systemic lupus erythematosus.

Epratuzumab moves forward:
Data from recent closed clinical trials for this large molecule suggest that it is efficacious and tolerated for systemic lupus erythematosus. The USA open-label extension study for patients involved in the initial trials is ongoing, with the results expected in 2008. A global Phase IIb dose ranging study has started in 2008.

Bone Loss Disorders

Bone disorders such as osteoporosis undermine the development and strength of bones, increasing the risk of breakages and restricting mobility. About 140 million people [9] have bone loss disorders.

Anti-sclerostin completed Phase I trials for bone disorders:
We are co-developing this novel bone building therapy with Amgen. Results from a Phase I study showed that *anti-sclerostin* produced dose-related increases in bone formation and decreases in bone resorption markers. Increases in bone mineral density were observed one month after dosing in this early phase study.

Pipeline product name	Indication	Clinical stage
Cimzia® *(certolizumab pegol)*	Psoriasis	Phase IIb
Epratuzumab	Systemic lupus erythematosus	Phase IIb
Anti-sclerostin	Bone loss disorders such as osteoporosis	Phase I

[1], [8] and [9] source, see p51

Oncology

Exploring Opportunities in Selected Cancers

UCB has already validated its ability to target tumours with Mylotarg®, co-developed and now marketed by Wyeth. We are currently exploring other possibilities in oncology, including:

Non-Small-Cell Lung Cancer

Non-small-cell lung cancer is a disease in which malignant cells form in lung tissues. It affects about half a million people [10].

CDP791 progresses through Phase II trials:

This PEGylated diFab antibody is designed to inhibit the function of a signaling pathway known to play a role in the formation of blood vessels in tumours by blocking VEGFR-2 from binding to molecules that stimulate its activation. A Phase IIa trial with CDP791 to treat non-small-cell lung cancer has been completed.

Non-Hodgkin's Lymphoma

Non-Hodgkin's lymphoma is a cancer of the immune system that starts in the lymphoid tissue and can spread to other organs. It affects an estimated 450 000 people [1].

CMC544 continues in Phase III trials:

For CMC544 we are exploring, with our partner Wyeth, ways to deliver higher payloads of toxins by using biological scaffolds. The ability to pursue this approach, which requires expertise in both chemistry and biology, is one of the advantages of having a dual pipeline of large and small molecules. A Phase I/II trial with CMC544 in combination with *rituximab* to treat non-Hodgkin's lymphoma is continuing. Results are expected to be presented at a scientific congress during 2008. A Phase III study was initiated at the end of 2007 to evaluate CMC544 in follicular non-Hodgkin's lymphoma in combination with *rituximab*.

Pipeline product name	Indication	Clinical stage
CMC544	Non-Hodgkin's lymphoma	Phase III
CDP791	Non-small-cell lung cancer	Phase II

[10] and [1] source, see p51

Research & Development

With a wide range of large and small molecules in Research & Development, we could dramatically improve the quality of life of millions more people. Our aspirations are underpinned by our key strengths, outlined below.

▶ World-class science and technology:

A world leader in antibody research

- SLAM (Selected Lymphocite Antibody Method) technology to rapidly isolate functionally active antibodies;
- PEGylation to enhance the specificity and cost-effectiveness of biologics;
- Proprietary genetic mapping and genome screening.

Patented expertise in SV2 protein biology

- Large library of NCEs (new chemical entities) targeting the entire family of SV2 (Synaptic Vesicle 2) proteins.

Breakthrough projects combining biology and chemistry

- A2Hit™ to create novel small molecules based on our knowledge of antibodies.

▶ Multi-disciplinary, therapeutically focused teams:

Three therapeutically focused Research Centres of Excellence

- CNS (Belgium), inflammation (UK), oncology (UK);
- Supported by our 'Celltech Antibody Centre of Excellence' , plus six development sites in the USA, UK, Belgium, Germany and Japan.

Empowered, multi-disciplinary Project Lifecycle Teams

- Each therapeutically focused team contains all the functions to rapidly bring innovations to market, from R&D to legal, manufacturing and sales and marketing;
- Supported by translational medical specialists to refine and optimise clinical programmes, in conjunction with model-based drug development.

▶ Major R&D partners:

• Corporations

- Amgen Inc., Thousand Oaks CA (USA)
- AstraZeneca PLC, London (UK)
- Biogen IDEC Inc., Cambridge MA (USA)
- BioWa Inc., Princeton NJ (USA)
- ChemBridge Corporation, San Diego CA (USA)
- Immunomedics Inc., Morris Plains NJ (USA)
- Jazz Pharmaceuticals Inc., Palo Alto CA (USA)
- Millennium Pharmaceuticals Inc., Cambridge MA (USA)
- Wyeth Inc., Cambridge MA (USA)

• Universities

- University of Vienna (Austria)
- University of Liege (Belgium)
- Erasmus University (The Netherlands)
- University of Birmingham (UK)
- Bristol University (UK)
- Cambridge University (UK)
- Leicester University (UK)
- King's College London (UK)
- Oxford University (UK)
- University of California (USA)
- University of Washington (USA)

▶ A balanced portfolio:

- By maintaining a portfolio of both large and small molecules, as well as by focusing on selected therapeutic areas where we have strengths, we are able to balance and reduce our risks. Concentrating on families of established targets, such as SV2 proteins, also helps.

Achievements during the year included:

Record number of regulatory filings and approvals:
At the start of 2007, UCB had 13 molecules in clinical development, spanning 18 different indications. By year end, seven of these had been filed for regulatory approval and three were approved, including Neupro® for Parkinson's disease, Xyzal® for allergy and Cimzia® for Crohn's disease in Switzerland.

It is worth mentioning that Xyzal® was approved especially rapidly – 10 months between filing and approval. Development of *seletracetam* was suspended so that we could concentrate resources on our more promising near-term new anti-epileptic Vimpat™ and Rikelta™.

We also have 9 large and small molecules in late-stage research and pre-clinical development, covering a broad spectrum of potential indications in UCB's three core therapeutic areas – CNS, immunology / inflammation and oncology.

Project Lifecycle Teams empowered to improve speed and efficiency:
We streamlined our corporate governance structures in order to empower project teams so that they can bring our innovations more rapidly and efficiently to patients. Each Project Lifecycle Team is now fully responsible for its strategic and operational decisions, including budgets, within a pre-agreed Project Development Plan, and reports directly to our Strategic Pipeline Board, which regularly challenges the teams and holds them to account. Each team is also supported by a network of sub-teams, from technical and regulatory to clinical and commercial, as well as cross-team mentors and forums for sharing high-level insights across projects. As with the rest of UCB, the key to long-term success is networking and establishing new connections.

New initiatives to enhance the success rates and relevance of emerging therapies:
It is increasingly recognised within our industry and among its regulators that the traditional step-by-step approach to drug development is preventing the best medicines from reaching patients as rapidly as possible.

A more iterative, connected approach is required where development programmes are revised and refined based on feedback from clinical trials in order to increase the likelihood of success in late-stage development. To facilitate this advance, we have created a Global Exploratory Development Group with three main objectives:

- Ensure optimal use of biomarkers for early decision making, stratification of patients in clinical trials and, when applicable, bringing stratified therapies to the market.

- Provide high-quality modelling and simulation support from early research to approval and beyond as well as an in-depth understanding of the clinical pharmacokinetics of UCB's compounds.

- Ensure best-in-class exploratory development programmes with a strong focus on learning and timely execution and reporting of exploratory phase clinical studies. To support this initiative, we have employed qualified physicians to act as 'experimental medical specialists' through the research and development process.

Investigating more flexible partnering models to optimise risks and rewards:
As a measure of our commitment to 'partner for strength', we have established a dedicated Partnering and Business Development Team. In addition to classical in-licensing and out-licensing activities, it is exploring new funding and partnership arrangements to help us minimise our risk and to accelerate our programmes, thus helping us to move through the execution stage of our strategy into the rapid growth stage.

Developing tomorrow's breakthrough technologies today:

The third stage of UCB's long-term strategy is to make major therapeutic breakthroughs by combining biology and chemistry, and we have already made significant progress towards achieving this goal. Our Antibody to Hit Technology (A2Hit™) and SLAM are just two examples.

A2Hit™ has the potential to create a totally new generation of convenient and cost-effective small chemically derived molecules. Currently at the proof of concept stage, the technology uses antibodies to guide us to the exact site on a protein where a disease can be inhibited (antibody-to-hit), validating the target and eliminating the high 'hit or miss' risks of traditional random screening of chemical compounds.

> **"Empowered Project Lifecycle Teams are enabling us to develop our pipeline more rapidly and efficiently."**
>
> **Iris Löw-Friedrich**
> **Senior Vice President**
> **Global Development**
> **& Chief Medical Officer**

Using UCB's SLAM, we can then rapidly identify the antibodies that bind most strongly ('high affinity') at the points of inhibition. These insights, together with data collected from other technologies, such as X-ray crystallography and computational chemistry, enable us to design chemical compounds that mimic the high affinity antibodies.
So far no compounds have been produced, as the technology is in proof of concept, and none are expected until at least 2010. But it is one of our most exciting projects and underlines the potential of combining biology and chemistry. If successful – and there is no guarantee it will be – A2Hit™ could open up a vast ocean of therapeutic possibilities for many more people.

UCB is also one of the few companies to be investigating how antibodies can be used to address diseases of the central nervous system more effectively. Our work in this field not only promises to shed new light on the biology of these diseases but should also help us validate targets. It also highlights the potential advantages of cross-fertilising knowledge and expertise between different scientific disciplines and therapeutic areas – an approach that lies at the heart of our concept of the next generation biopharma leader.

> **We have unique, patented technology but it's the way we are using it to combine biology and chemistry that makes us truly different.**

Melanie Lee
Executive Vice President
Research & Development

Scientific Advisory Board confirms quality and potential of UCB science:

The Scientific Advisory Board is an external panel of renowned independent scientists chaired by one of them who critically review UCB's R&D strategy and provide constructive scientific and strategic input.

Below are some comments from the Scientific Advisory Board report to UCB's Executive Committee and Board of Directors for the period September 2006 to September 2007.
Further information about the Scientific Advisory Board, including profiles of its members, can be found on our website: www.ucb-group.com/research_and_development/people/advisory_board/index.as

'The A2Hit™ project employs antibody fragments to define the protein target structure for the benefit of ligand design. This is both innovative and unusual in the industry.'

'UCB is genuinely unusual in its ability to identify the right epitope and to design in specific structures that link the target mechanism to a biological readout in vivo.'

'UCB has formulated strategies to meet the challenges of personalised medicine. Key to this is the continued development of a skilled experimental medicine group that interacts with research. We are impressed by the experimental medicine initiative. To our knowledge, 'embedding' physician scientists into the earlier R&D process is a unique experiment which illustrates UCB's willingness to re-invent the R&D process.'

Human Resources

Our human diversity, which has been enriched with the acquisition of Schwarz Pharma, is one of our greatest assets, providing us with a rich pool of ideas and different perspectives. Various initiatives are underway to further capitalise on this key strength.

A fruitful, collaborative integration:

The integration of UCB and Schwarz Pharma was approached in a highly collaborative way, enabling us to complete the process very rapidly and to ensure we identified and retained top talent within both organisations. During the integration senior leaders from both companies were encouraged to challenge established norms and modus operandi in order to create an agile, high-performing organisation. Through a survey of more than 600 staff, employees from the newly combined group also helped to fine-tune the values and behaviours that now underpin the 'new UCB'. Indeed, these values turned out to be an evolution of the ones that UCB already had, with one addition – 'Embracing Difference' (see below).

Nurturing networking skills:

Besides our multidisciplinary teams and web-based knowledge-sharing tools, we have introduced interactive information sessions with senior managers worldwide, video-based intranet communication platforms and various training programmes to enhance our staff's networking skills around the globe, including programmes on 'Communicating and Influencing Effectively' or 'Intercultural Awareness'.
We also rotate staff between functions and between international locations to cross-fertilise knowledge, ideas and best practices. During the year, over 225 members of staff worked on expatriation assignments, more than twice as many as three years ago.

Enriching our talent base:

UCB is running a fast-track programme for MBA graduates to develop their leadership skills and knowledge of the bio-pharma industry by assigning them specific responsibilities where they are expected to make a difference, supported by a senior mentor, as well as internal and external training. So far, 15 junior managers have been recruited under this scheme.

We also continue to invest heavily in training. During 2007, more than 65 Global Leadership Programmes were facilitated by internationally renowned faculty with more than 300 international managers attending these courses.

Enhancing our diversity:

UCB has an unusually diverse staff base, including a growing proportion of women in senior positions. At the end of 2007, women accounted for 13% of our top-50 Leadership Team and 25% of our top-200 managers. To encourage greater diversity, we have launched programmes at different locations, ranging from flexible hours to on-site childcare and an on-site concierge service that handles laundry and other domestic services. All our recruitment consultants are also instructed to draw up a diverse range of well-targeted potential candidates for posts that we need to fill. However, each new job opening is posted first on the UCB intranet in order to create internal promotion opportunities.

Connecting with people with severe diseases:

In addition to facilitating regular meetings with people with severe diseases, we expect staff who propose patient-support programmes to take part in these initiatives. Our 'Get Your Guts Into Gear' initiative is a case in point.

Our results in 2007 are the product of seven core values that permeate every facet of our business:

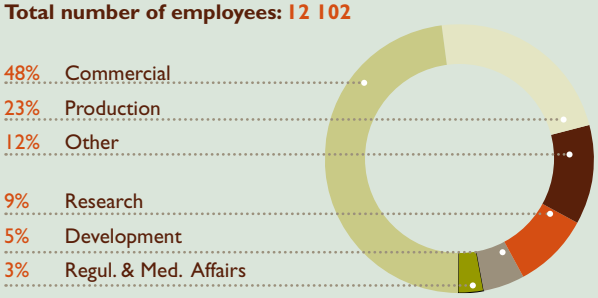
- **Embracing Difference**
- **Innovation**
- **Passion for Performance**
- **Entrepreneurship**
- **Integrity**
- **Care**
- **Accountability**

Embracing Difference

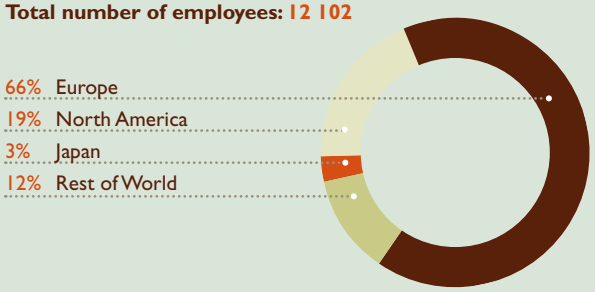
“Our ability to embrace difference is key to UCB’s future. By combining our individual talents, we can build new models and approaches.”

Véronique Toully,
Vice President Global Pricing
Reimbursement & Market Access

Employees by function - 2007
Total number of employees: 12 102



Employees by region - 2007
Total number of employees: 12 102



Innovation

“It’s often said that you must be prepared to fail if you wish to innovate. This is true, but more importantly we must be prepared to fail then learn, fail and learn, and then we will succeed.”

**Dr. Graham Warrellow,
Vice President Chemistry
UK**

Passion for Performance

“We’re dealing with people lives, so quality has to be at the heart of everything we do, from R&D to manufacturing.”

**Dr. Josef Landwehr,
Vice President
Pharmaceutical Manufacturing
& Packaging Operations**

Entrepreneurship

“Entrepreneurship is about having the courage and sense of urgency to implement ideas that will bring value to people with severe diseases.”

**Thomas Senderovitz,
Vice President
Global Exploratory Development**

Integrity

For me integrity means no smoke and mirrors, just straight down the middle.

Aaron Bartlone,
Vice President
Global Quality Assurance

Care

We have a moral obligation to spend our money as wisely as possible, so that we have as many financial resources as possible to invest in activities that improve patients' lives.

Guy Van Den Dorpe,
Vice President
Treasury & Risk

Accountability

By ensuring every aspect of our business is accountable, we can get innovative therapies to the market more rapidly and excel at communicating their value to the scientific community.

Anne de Cassini,
CNS General Manager
France

Corporate Social Responsibility

Our greatest responsibility is to enable people with severe diseases to enjoy normal everyday lives by delivering safe and effective solutions. As well as providing innovative therapies, we are involved in a variety of community programmes aimed at people that suffer from severe diseases.

Creating communities:

Severe diseases tend to be socially stigmatised, making many people with these conditions reluctant to share their experiences. We are creating communities where they can exchange personal insights and coping strategies.
For example our non-branded *crohnsandme* website, which includes tips on diets and travelling, as well as videos from patients and physicians, is a case in point.

Our HOPE (Helping Other People with Epilepsy) mentoring programme, which helps to educate people with epilepsy and their care givers about the disease, is another example. Co-developed with the Epilepsy Foundation in the USA, the programme has so far reached over 100 000 people in the USA.

Unlocking patients' academic potential:

The everyday demands of severe diseases can often interrupt and prolong the education of people with conditions such as epilepsy and Crohn's disease. To ease this burden, we provide college scholarships of up to US$10 000 for people with Crohn's disease, epilepsy or rheumatoid arthritis in the USA and Canada. In the USA, we also fund scholarships of care givers of people with epilepsy. In 2007, over 40 people received scholarships.

Providing practical help with the aid of animals:

We support a unique programme, called Canine Assistance, that provides people with epilepsy with dogs that are trained to retrieve a phone prior to a seizure and summon help, among other skills. During 2007, we also funded children with epilepsy to swim with dolphins in the open sea and enjoy a week of aquatic bodyworks.

Enabling patients to decide the types of support we offer:

Our support programme for people with Parkinson's disease typifies our 'patient-driven' approach. In Germany, for example, an online panel of 250 patients advises us on the types of information and support that they and their care givers need. This has led to the creation of quarterly journal, offering advice on nutrition, sport and other issues, as well as an emailed newsletter that provides tips for families on how to deal with the disease.

Educating the public about severe diseases and biomedicine:

Over 80 people with epilepsy have volunteered to become Epilepsy Ambassadors in the EU, Taiwan and the USA. They are sharing their stories with local communities and others, including UCB staff on how they have overcome their diseases to enjoy normal, everyday lives.

UCB is also co-sponsoring a unique new science centre that will connect school children and other members of the public more closely with biomedicine and scientific research. 'The Centre of the Cell' in London will be the world's first science education centre situated in the working research laboratories of a major medical school, the 'Institute of Cell and Molecular Science at Barts and The London.'
We also sponsor a range of academic initiatives, including an academic chair in the Management of Inflammatory Bowel Disease at Leuven University.
UCB also signed an academic grant in chronic arthritis with the Rheumatology Department of the University of Ghent.

Ursula Marion

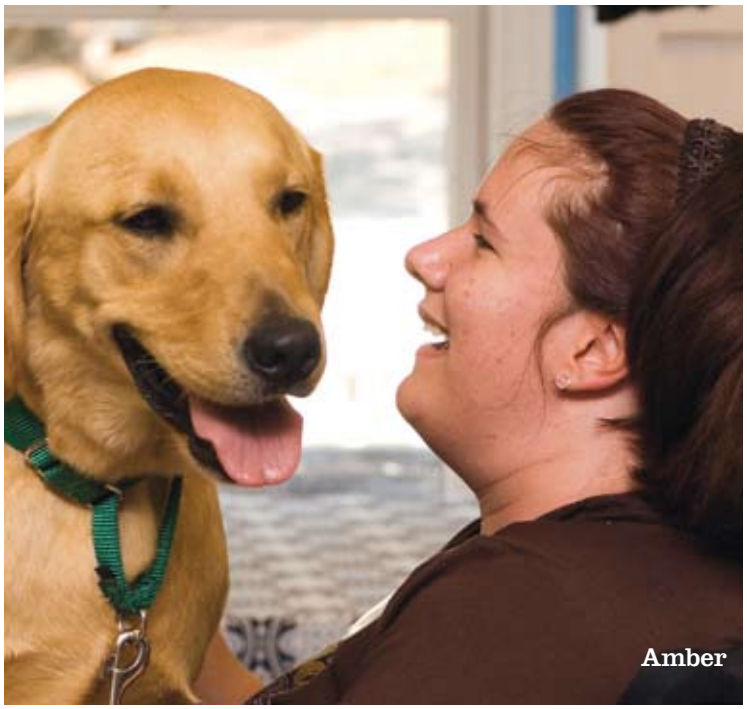
> **We don't just invest in patient support programmes, our staff get personally and actively involved in them.**

David Robinson,
Vice President & General Manager
Inflammation
USA

Going that Extra Mile:
We are sponsoring basic yet vital equipment for a remote village clinic in Uganda, including examination beds and solar panels, enabling the clinic to become self-sufficient.

Caring for the environment:
We give high priority to the health and safety of our employees, neighbours, customers and all others affected by our business activities.
We are committed to the efficient use of natural resources and with minimising adverse environmental impacts of our activities and our products throughout their life cycles.

For details of our HS&E charter and programmes see www.ucb-group.com.


Amber

Camden

> **Seeing the dogs in action and the difference they can make to people's lives is incredible.**

Rich Denness,
Vice President CNS
USA

“After sowing the seeds of growth over the last three years, our pipeline has started to flower, offering fresh hope to millions of people like Wieke and Frieda. Next year we expect to announce even more encouraging advances.”

Roch Doliveux,
Chief Executive Officer

Sources

Prevalence of Disease

total number of cases of the disease in the population
(top 7 markets: France, Germany, Italy, Japan, Spain, UK and USA) at a given time

(1) PatientBase, Decision Resources - 2007
(2) Datamonitor, Pipeline & Commercial Insight: Parkinson's disease - Sept 2007
(3) Decision Resources, neuropathic pain - April 2007
(4) Decision Resources, restless legs syndrome - Nov 2006
(5) Xyrem® brand team
(6) Decision Resources, multiple sclerosis - May 2006
(7) Datamonitor, Commercial Insight: fibromyalgia - June 2007
(8) Datamonitor, Stakeholder Opinions: systemic lupus erythematosus - June 2006
(9) Datamonitor, Commercial Insight: osteoporosis - June 2007
(10) Reuters BI report (oncology to 2011) / Bear Stearns report on NSCLC - Sept 2004

Market Size

Refers to the size of the market in the top 7 markets:
France, Germany, Italy, Japan, Spain, UK and USA.

(a) IMS, MAT 10-07 (sales in epilepsy only - Japan not included)
(b) IMS, MAT 06-07: sales in Parkinson's disease only
(c) Decision Resources - neuropathic pain - April 2007
(d) Decision Resources - restless legs syndrome - Nov 2006
(e) IMS, Mat 09-07
(f) Datamonitor - Commercial Insight: multiple sclerosis - June 2007
(g) Datamonitor - Commercial Insight: fibromyalgia - June 2007 (Japan not included)
(h) Datamonitor - Commercial Insight: migraine - Opportunities will exist in the wake of generic attack - Sept 07
(i) Decision Resources Reports - Crohn's disease - January 2007
(j) Decision Resources Reports - rheumatoid arthritis - May 2006
(k) Decision Resources - psoriasis – Sept 2006
(l) Datamonitor - Commercial Insight : osteoporosis - June 2007
(m) Reuters BI report (oncology to 2011) / Bear Stearns report on NSCLC from Sept 2004
(n) IMS - Mkt def = R6A

Information

Official Report Language

Pursuant to Belgian law, UCB is required to prepare its Annual Report in French and Dutch. UCB has also made this report available in English. In the event of any differences in translations or interpretations, the French version shall be regarded to be the official Annual Report.

Availability of the Annual Report

The Annual Report is available to the public upon request to:
UCB S.A.
Attention Investor Relations
Allée de la Recherche, 60 - 1070 Brussels, Belgium
Phone +32 2 559 9588 • Fax +32 2 559 9571

An electronic version of the Annual Report is also available, for information purposes only, via the internet on the website of UCB www.ucb-group.com.

Only the printed Annual Report published in Belgium in accordance with the applicable rules and legislation is legally valid, and UCB takes no responsibility for the accuracy or correctness of the Annual Report available via the Internet. Other information on the website of UCB or on any other website, does not form part of this Annual Report.

Forward-looking Statements

This Annual Report contains forward-looking statements, including, without limitation, statements containing the words 'believes', 'anticipates', 'expects', 'intends', 'plans', 'seeks', 'estimates', 'may', 'will', and 'continue' and similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which might cause the actual results, financial condition, performance or achievements of UCB, or industry results, to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Given these uncertainties, the public is cautioned not to place any undue reliance on such forward-looking statements. These forward-looking statements are made only as of the date of this Annual Report. UCB expressly disclaims any obligation to update any such forward-looking statements in this Annual Report to reflect any change in its expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based, unless such statement is required pursuant to applicable laws and regulations.

Glossary

Adjusted Earnings Per Share (Adjusted EPS):
It is the adjusted net profit as defined below divided by the weighted average total outstanding number of shares for the year.

Adjusted net profit:
Profit for the year as reported in the consolidated financial statements adjusted for the impact of one-off and non-recurring items, the contribution from discontinued operations and the inventory step-up corrected for income taxes.

Earnings Before Interest and Taxes (EBIT):
Operating profit as mentioned in the consolidated financial statements.

Free cash flow:
Cash flow from operating activities plus cash flow from investing activities of the continuing operations.

Gross capital expenditure:
Acquisition of property, plant and equipment and of intangible assets.

Net debt:
Non-current and current borrowings and bank overdrafts less debt securities, restricted cash deposit with respect to financial lease agreements, cash and cash equivalents. The other financial liabilities, which are related to the estimated perpetual dividend to be paid to outside Schwarz Pharma shareholders under the domination and profit transfer agreement, are not included in the calculation of the Group's net debt.

Non-recurring items:
Items of income or expense which do not occur regularly as part of the normal activities of the company.

Pro forma:
Further to the acquisition of a majority stake in Schwarz Pharma at the end of December 2006, the balance sheet of Schwarz Pharma had been included in UCB's consolidated balance sheet, whereas the Schwarz Pharma contribution to the income statement only has started to be reflected as of 1 January 2007. In order to provide the reader with a comparable basis, Pro forma financial information of the combined group for the full year 2006 has been incorporated in this annual report.

Recurring Earnings Before Interest, Taxes, Depreciation and Amortisation charges (Recurring EBITDA):
Operating profit adjusted for amortisation, depreciation, impairment charges, restructuring expenses and other income and expenses.

Recurring EBIT:
Operating profit adjusted for impairment charges, restructuring expenses, and other income and expenses.

Treatment days:
Treatment days are a measure of the average number of days of treatment associated with a form/strength of a product. It is calculated as: Total number of retail standard units / average daily dose.

Working capital:
Includes inventories, trade and other receivables and trade and other payables, both due within and after 12 months.

For a full glossary of scientific and medical terms in English, please visit our website on:
www.ucb-group.com/research_and_development/glossary/index.asp

Connecting to Investors

The number of issued UCB shares on 31 December 2007 was 183 361 252 and are quoted on Euronext Brussels (ticker: UCB).

On 31 December 2007, UCB market capitalisation reached €5.68 billion, representing 2.55 % of the Bel20 index and 0.26% of the Euronext 100 index.

in € billion	2007	2006
Market capitalisation	5.7	9.4
in € per UCB share		
Basic earnings per share	0.89[a]	2.54
Gross dividend per share	0.92	0.90
Net dividend per share	0.69	0.675
Year-end share price	31.02	51.95
High of the year	54.10	54.85
Low of the year	30.30	38.62
Average daily trading volume (shares)	685 893	406 492
Number of shares outstanding (year - end)	183 361 252	181 512 768

[a] Basic earnings per share calculated by dividing the profit of the year by the weighted average number of ordinary shares outstanding during the year but excluding treasury shares (3 233 678).

Financial Calendar

Friday, 29 February 2008:
Full-Year 2007 Financial Results

Thursday, 24 April 2008:
Annual General Meeting of Shareholders

Monday, 28 April 2008:
Dividend payment (Coupon No. 10)

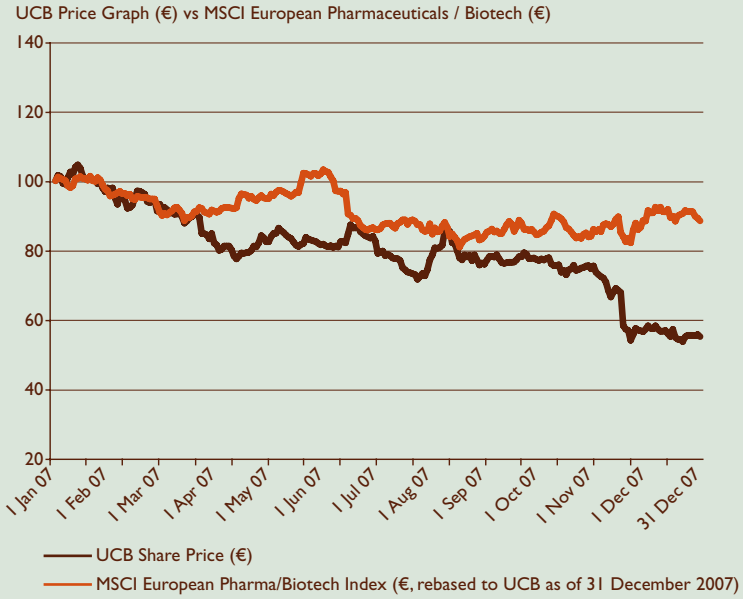
Thursday, 15 May 2008:
Interim update (Q1, 2008)

Friday, 1 August 2008:
Half-Year 2008 Financial Results

Friday 31 October 2008:
Interim update (Q3, 2008)

UCB share evolution (2007)

(index = 100, 1 January 2007)



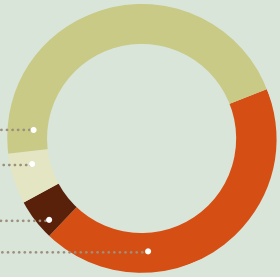
UCB: Financial Highlights 2007

€ million	2007	Pro Forma 2006
Results		
Net sales	3 188	3 144
Revenue	3 626	3 631
Gross profit	2 579	2 754
Marketing & selling expenses	(1 054)	(1 049)
Research & development expenses	(788)	(815)
General & administrative expenses	(267)	(315)
Recurring EBIT (operating profit)	480	608
Recurring EBITDA	741	747
EBIT (operating profit)	344	669
Net profit of the year (after minority interest)	160	391
Financial Positions		
Net financial debt	(1 915)	(2 108)
Cash flow from operating activities	490	321
Share Information		
Basic earnings per share (€ per share)	0.89[a]	2.17
Gross dividend per share (€ per share)	0.92	0.90
Number of shares (year-end)	183 361 252	181 512 768
Share price (year-end – € per share)	31.02	51.95
Market capitalisation (year-end – € billion)	5.7	9.4
Other		
Number of employees (year-end)	12 102	12 804
Average US$/€ exchange rate	1.369	1.255

[a] Basic earnings per share calculated by dividing the profit of the year by the weighted average number of ordinary shares outstanding during the year but excluding treasury shares (3 233 678).

UCB: Shareholders 2007

Structure



45.94% Financière de Tubize S.A. & Concerts[1]

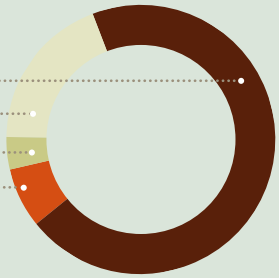
6.02% Eupac (EuroPacific Fund)

5.02% Wellington Management Cy LLP

43.02% Others

Geographical distribution[2]

(identified shareholders only)



70% Belgium

19% North America

4% UK & Ireland

7% Rest of World

[1] Concerts:

- Schwarz Vermögensverwaltung GmbH
- KBC Bank N.V.
- Banque Degroof S.A.
- Levimmo S.A.
- Compar Finance S.A.
- Patrinvest S.C.A.

[2] Source:

UCB estimate

Headquarters

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Fax: +32 2 559 9900
www.ucb-group.com

Design: The Crew
Copywriting: Keith Conlon
Typesetting and Production: The Crew
Photography: Yves Fonck
Printing: HH Print Management
Deutschland GmbH, München

Corporate Communications & Investor Relations

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VP Corporate Communications & Investor Relations
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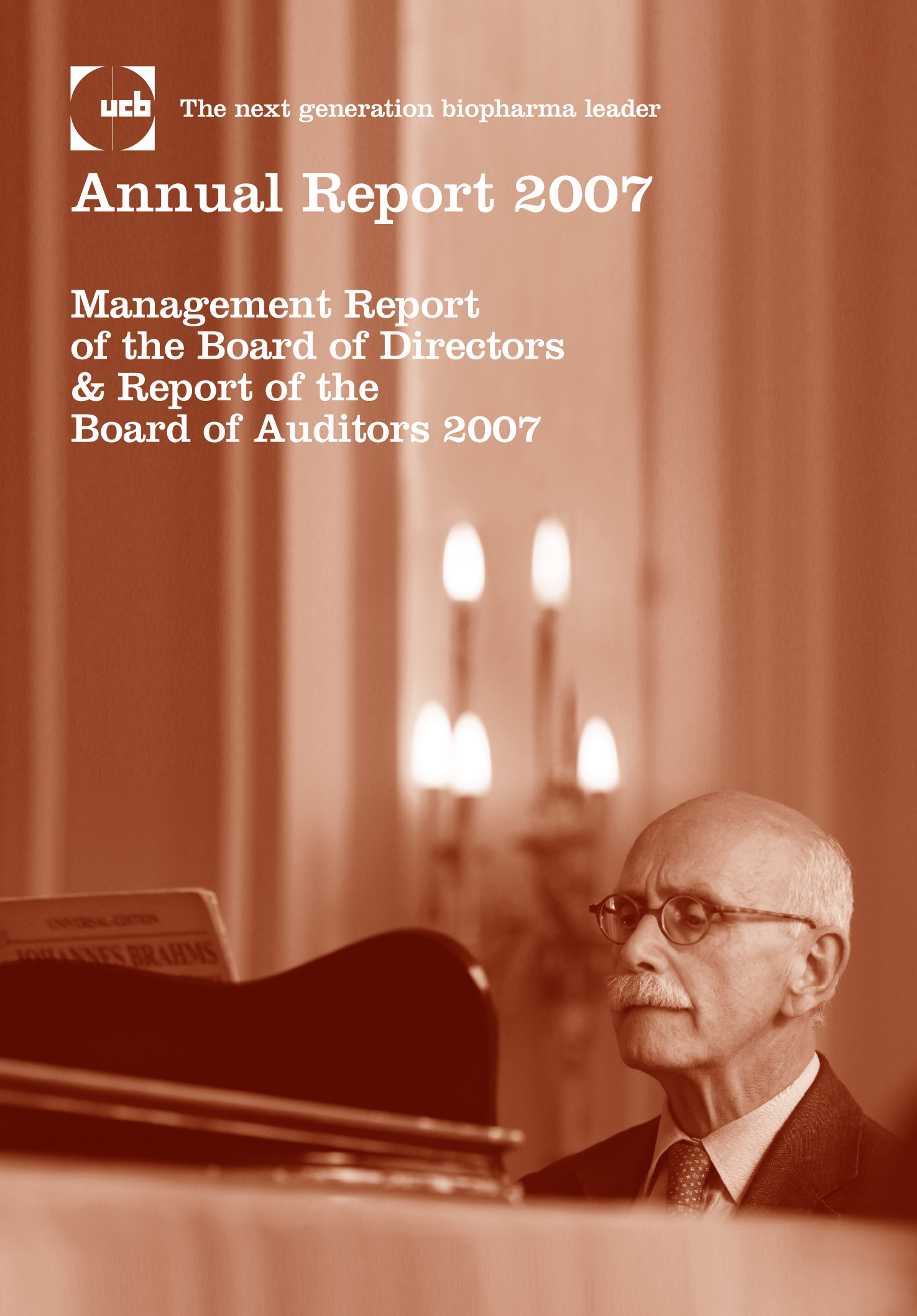
Director, Investor Relations
Phone: +32 2 559 9264
E-mail: Mareike.mohr@ucb-group.com

The next generation biopharma leader

Annual Report 2007

Management Report of the Board of Directors & Report of the Board of Auditors 2007



Directors and Auditors

Board of Directors

Georges Jacobs, Chairman
Evelyn du Monceau, Vice Chair
Roch Doliveux, Executive Director
Prince Lorenz of Belgium, Director
Alan Blinken, Director
Karel Boone, Director
Peter Fellner, Director
Guy Keutgen, Director
Gerhard Mayr, Director
Arnoud de Pret, Director
Patrick Schwarz-Schütte, Director
Bridget van Rijckevorsel, Director
Jean-Louis Vanherweghem, Director
Gaëtan van de Werve, Director

Michèle de Cannart d'Hamale, Secretary of the Board

Statutory Auditors

Emmanuèle Attout
Daniel Goossens

Honorary Directors

André Jaumotte, Honorary Chairman
Willy De Clercq, Honorary Chairman
Mark Eyskens, Honorary Chairman
Daniel Janssen, Honorary Deputy Chairman
Michel Didisheim
Anne Janssen
Eric Janssen
Alain Jubert
Paul Etienne Maes
Jean-Charles Velge

Honorary Chairmen of the Executive Committee

Georges Jacobs
Daniel Janssen
Paul Etienne Maes

Annual Report 2007

Management Report of the Board of Directors & Report of the Board of Auditors 2007

Table of contents

Management Report of the Board of Directors

Corporate Governance Report

As a Belgian-headquartered company with a commitment to the highest standards of corporate governance, UCB's Board of Directors adopted the Charter of Corporate Governance in October 2005, as required by the Belgian Code on Corporate Governance. This Charter, which is available on our website (www.ucb-group.com), describes the main aspects of UCB's corporate governance, including its governance structure and the terms of reference of the Board of Directors, as well as those of its Committees and the Executive Committee. It is regularly updated.

In accordance with the Belgian Code, the following pages provide factual information about UCB's corporate governance. This includes changes to UCB's corporate governance together with relevant events that took place during the year 2007, such as changes in UCB's capital or shareholder structure, the appointment of new Directors, designation of Committee members and the annual remuneration received by each member of the Board and by the Executive Committee. It also includes explanations, where applicable, of any deviations from the Belgian Code.

1. Capital and shares

a. Capital

As of 30 September 2006, the share capital of UCB S.A. amounted to €437 842 500, divided into 145 947 500 shares. In view of the voluntary take-over offer (the Offer) launched by the company and its affiliate UCB SP GmbH to acquire all outstanding shares of common stock of Schwarz Pharma AG for a cash consideration of €50.00 and an additional consideration of 0.8735 new shares of common stock of UCB S.A. for one share of common stock of Schwarz Pharma AG, UCB S.A. held on 23 October 2006 an Extraordinary Shareholders' meeting to increase its existing nominal share capital by up to €129 100 311 and to issue up to 43 033 437 new shares (the New UCB Shares) to serve as stock components for the purpose of the Offer. The Extraordinary Shareholders' meeting approved the capital increase. The acceptances of the Offer during the first offer period have led to a first capital increase on 15 December 2006 to bring it to €544 538 304 represented by 181 512 768 shares. After the second Offer period, a second capital increase on 8 January 2007 brought the capital to €549 839 856, divided into 183 279 952 ordinary shares with no nominal value.
As a consequence of the exercise of warrants (see section 1.c), the capital of UCB has been increased again on 28 February 2007 by €243 900, bringing the capital to €550 083 756, represented by 183 361 252 shares and will again be increased on 29 February 2008 by €11 400 bringing the capital to €550 095 156, represented by 183 365 052 shares.

b. Shares

As from 29 February 2008, the share capital of UCB will be represented by 183 365 052 shares. Shares may be registered or dematerialized shares, at the request of the shareholder, or shares may be bearer shares in accordance with the law. Since 1 January 2008 shareholders cannot longer request to have their shares converted in bearer shares. According to the Belgian law of 14 December 2005, all bearer shares of UCB, registered on a custody account or an investment account are since 1 January 2008, automatically converted into dematerialized shares. As from 1 January 2008, all bearer shares deposited for registration on such custody or investment account will be automatically converted into dematerialized shares. Until they are fully paid up, shares are registered, and may only be transferred after prior agreement by the Board of Directors. Registered shares are recorded in a special register.

All UCB shares are admitted for listing and trading on Euronext Brussels.

c. Warrants

In 1999 and 2000 respectively, UCB issued 145 200 and 236 700 subscription rights (warrants):

- The 145 200 warrants issued in 1999 each confer the right to subscribe to one ordinary share: following the annulment and exercise of part of these warrants 32 700 warrants may still be exercised up to 31 May 2009, and 54 700 warrants may be exercised up to 31 May 2012.

- The 236 700 warrants issued in 2000 each confer the right to subscribe to one ordinary share: following the annulment and exercise of part of these warrants 54 500 warrants may still be exercised up to 28 February 2010, and 67 700 warrants may be exercised up to 28 February 2013.

It follows from the above that, if all the rights attached to these warrants were exercised, UCB's capital would be €550 723 956 and the number of shares issued by UCB would be 183 574 652.

Since the capital increase of February 2007, 3 800 warrants were exercised. This will lead to a capital increase of €11 400 and the issuance of 3 800 new shares on 29 February 2008, bringing the capital to €550 095 156, represented by 183 365 052 shares.

Defensive warrants were also issued following a decision by the General Meeting of Shareholders in 2003, excluding preferential rights. The loan of €600 000 represented by 30 000 loan stock units with a nominal value of €20, each having 1 000 warrants attached, confers the right to the joint subscription of 30 000 000 ordinary shares. It was subscribed to by Financière d'Obourg S.A., the UCB reference shareholder whose name was changed to Financière de Tubize on 23 May 2005.

An ad hoc Committee was created at the same General Meeting of Shareholders, and the Meeting also appointed the members of this Committee. This Committee concerns itself with deciding, in pre-defined circumstances, on the implementation of this defensive measure, and with approving all transfers of such warrants. The holders of warrants enter into an agreement with UCB ensuring compliance with the conditions of issue and exercise of the warrants. The duration of the warrants and the agreements is 5 years and comes to an end in June 2008.

The warrants may only be exercised if the ad hoc Committee decides that one of the pre-defined circumstances, associated with hostile takeover bids has been met:

- the launch of a takeover bid by a third party judged to be hostile by the UCB Board of Directors;

- the modification of UCB control due to transactions relating to UCB stock by one or more third parties, carried out either on or off the stock market, in isolation or in a concerted fashion;

- the threat of a takeover bid or, an operation involving modification of UCB control.

Shares arising from the exercise of these warrants will be issued with reference to the market price over a period prior to issue.

d. Treasury shares

On 31 December 2007, UCB S.A. did not hold any UCB shares.

UCB Fipar S.A., an affiliate indirectly controlled by UCB S.A., acquired 746 800 UCB shares in 2002, 372 904 UCB shares in 2003, 1 064 200 UCB shares in 2004, 370 000 UCB shares in 2005 and 950 000 UCB shares in 2006. As of 31 December 2007, UCB Fipar S.A. held a total of 3 172 478 UCB shares representing 1.73 % of the total number of issued UCB shares. UCB S.C.A., an affiliate indirectly controlled by UCB S.A., acquired 61 200 UCB shares in 2007. As of 31 December 2007, UCB S.C.A. held a total of 61 200 UCB shares representing 0.03 % of the total number of issued UCB shares.

The UCB shares were acquired by UCB Fipar S.A. and UCB S.C.A. in order to cover part of the obligations resulting from the stock option plans, the stock award plans and the performance share plan. For more information on UCB S.A.'s stock option plans (see page 60).

2. Shareholders and shareholders structure

UCB's main shareholder (reference shareholder) is Financière de Tubize S.A., a company listed on Euronext Brussels.

Financière de Tubize S.A. has made transparency declarations in compliance with the law of 2 March 1989 relating to the publication of significant shareholdings in listed companies, the latest subsequent declarations are dated 16 February 2007.

Schwarz Vermögensverwaltung GmbH & Co KG which had declared on 20 December 2006 holding 23 774 936 shares or 13.10% of UCB share capital, has made a subsequent transparency declaration on 9 February 2007 after having sold 13 889 318 shares or 7.7% of UCB share capital to long-term investors.

Financière de Tubize S.A. in compliance with the law of 2 March1989 relating to the publication of significant shareholdings in listed companies has declared acting in concert, for the purpose of the transparency legislation, as a consequence of having entered into a separate shareholders agreement with each of the shareholders mentioned in the table hereunder. Financière de Tubize S.A. together with these shareholders presently hold together 45.94% of UCB share capital.

Description of the policy behind this acquisition:

"These acquisitions are in keeping with the policy pursued by Financière de Tubize, reference shareholder of UCB, which is to increase progressively its de facto exclusive control of UCB. In accordance with the law of 2 March 1989, Financière de Tubize acts in concert with the other declarants, notably (i) Schwarz Vermögensverwaltung (ii) KBC Bank, (iii) Banque Degroof and Levimmo, (iv) Compar Finance and (v) Patrinvest with which Financière de Tubize has signed separate shareholders agreements containing lock-up and preemptive rights provisions under certain conditions and limitations."

Around 52% of Financière de Tubize S.A. is held by the Janssen family.

In accordance with the transparency declarations made in compliance with the law of 2 March 1989, UCB's shareholders are:

UCB Controlling and Important Shareholders 26/02/2008

	Current	Fully Diluted	Date of latest declaration in compliance with the law of 2 March, 1989
Capital €	**550 083 756**	**550 723 956**	
Shares	**183 361 252**	**183 574 652**	
1 Financière de Tubize S.A. (Tubize)	66 370 000	66 370 000	16 February 2007
% total	36.20	36.15	
2 Schwarz Vermögensverwaltung GmbH	9 885 618	9 885 618	16 February 2007
% total	5.39	5.39	
3 KBC Bank N.V.	2 289 318	2 289 318	16 February 2007
% total	1.25	1.25	
4 Banque Degroof S.A.			
through Degroof Corporate Finance S.A.	450 000	450 000	4 April 2007
through Imofig S.A.	219 230	219 230	4 April 2007
	669 230	**669 230**	4 April 2007
% total	0.36	0.36	
5 Levimmo S.A.	1 230 770	1 230 770	16 February 2007
% total	0.67	0.67	
6 Compar Finance S.A.	1 900 000	1 900 000	27 February 2007
% total	1.04	1.04	
7 Patrinvest S.C.A.	1 900 000	1 900 000	16 February 2007
% total	1.04	1.04	
Tubize + concert : 2,3,4,5,6 and 7	84 244 936	84 244 936	16 February 2007
% total	45.94	45.89	
8 Eupac (EuroPacific Fund)	11 039 174	11 039 174	26 February 2008
% total	6.02	6.01	
9 Wellington Management Cy LLP	9 206 233	9 206 233	31 January 2008
% total	5.02	5.01	

Tubize has declared acting in concert separately with each of the shareholders 2, 3, 4, 5, 6 and 7.

The remaining UCB shares are held by the public.

Communication by virtue of Article 74, § 7 of the Law of 1 April 2007, jointly by the stable shareholders of UCB S.A.

UCB S.A. has received the communications made respectively on 22 November 2007, 17 December 2007 and 28 December 2007, by the shareholders of UCB S.A., acting in concert, by virtue of Article 74, §7 of the Law of 1st April 2007. In summary, on 1 September 2007, the voting rights of these shareholders of UCB S.A. were allocated as follows:

Financière de Tubize S.A.[1]	66 370 000	36.20%
Schwarz Vermögensverwaltung GmbH & Co KG	9 885 618	5.39%
UCB FIPAR S.A.[2]	3 176 578 *	1.73%
Total of the voting rights	**79 432 196**	**43.32%**

* *as of 31 December 2007*

[1] *Financière de Tubize S.A. is neither exclusively (in fact or in law) nor jointly controlled in the meaning of the Companies code. However, it has to be kept in mind that more than 50% of its shareholding is held by:*
- *Baron Daniel Janssen,*
- *Financière Eric Janssen S.C.A. controlled by Mr. Eric Janssen in its quality of active partner ("beherende vennoot"/"associé commandité"),*
- *Mrs André Janssen, born van Derton,*
- *Barnfin S.A. controlled by Mrs Jean van Rijckevorsel, born Paule Bridget Janssen,*
- *Jonkheer Jean van Rijckevorsel,*
- *Altai Invest S.A. controlled by Countess Diego du Monceau de Bergendal, born Evelyn Janssen,*

which are acting in concert in the meaning of article 3, §1er, 5° of the Law of 1st April 2007.

[2] *UCB FIPAR S.A. is 100% controlled by UCB Belgium S.A., which is itself held up to 100% by UCB S.A. UCB S.A. is controlled in fact by Financière de Tubize S.A. holding 36.20% of its voting rights.*

3. Board of Directors and Board Committees

a. Board of Directors

Composition of the Board of Directors and Independent Directors

From 1 January until 26 April 2007, the composition of the Board of Directors was as follows:

Georges Jacobs, Chairman
Evelyn du Monceau, Vice Chair
Roch Doliveux, Executive Director
Prince Lorenz of Belgium
Alan Blinken
Karel Boone
Peter Fellner
Guy Keutgen
Gerhard Mayr
Arnoud de Pret
Bridget van Rijckevorsel
Jean-Louis Vanherweghem
Gaëtan van de Werve

At the Shareholders' Meeting, on 26 April 2007, one additional Non-Executive Director was appointed : Patrick Schwarz-Schütte.

Patrick Schwarz-Schütte
Patrick Schwarz-Schütte is Managing Director of Black Horse Investments GmbH in Düsseldorf, Germany. He was born in 1956 and following school, he finished his military service in the German Armed Forces as a reserve officer. After completing a commercial training in the pharmaceutical industry in 1979 and finishing his studies of business administration at University of Hamburg in 1982, he joined Booz, Allen & Hamilton, as a management consultant. He started his career at Schwarz Pharma in 1984, first as assistant to the Executive Board, and from 1988 onwards as Member of the Executive Board. He took over the position of the Chairman in 1992 and left the company at the end of 2006, after Schwarz Pharma had been acquired by UCB S.A. He is Chairman of the Board of the German-French Chamber of Industry and Commerce in Paris, Member of the Board of German-American Chamber of Commerce Inc., New York and Member of the Supervisory Board of both, Victoria Versicherung AG and Victoria Lebensversicherung AG in Düsseldorf, Germany. Patrick Schwarz-Schütte is married and has four children.

Evelyn du Monceau, Arnoud de Pret, Bridget van Rijckevorsel and Gaëtan van de Werve are representatives of the main UCB shareholder and, as such, are not eligible to be Independent Directors. Since Georges Jacobs was performing executive functions at UCB until 31 December 2004, he does not meet the independence criteria to be considered an Independent Director. Roch Doliveux is an Executive Director, and is therefore not an Independent Director. Peter Fellner has been Adviser to the Chairman of the UCB Executive Committee since 1 January 2005. He does not meet the independence criteria for this reason. Patrick Schwarz-Schütte was Chairman of the Management Board of Schwarz Pharma AG until the end of 2006 and consequently does not qualify as an Independent Director.

Guy Keutgen has been a Non-Executive Director of UCB since 1984, and his term has been renewed more than three times. Although he satisfies the independence criteria stipulated in law and by the Board of Directors, he does not meet the independence criteria generally provided for by the Belgian Code on Corporate Governance, due to the number of times his term has been extended. Nevertheless, as permitted, the Board of Directors considers that his long experience as a member of the UCB Board of Directors is not of such a nature as to affect his independence as a Director.

Prince Lorenz of Belgium, Alan Blinken, Karel Boone, Jean-Louis Vanherweghem and Gerhard Mayr meet all the independence criteria stipulated by law, the Board of Directors and the Belgian Code on Corporate Governance.

The present composition of the Board of Directors is as follows:

	End of term of office	Independent Director
Georges Jacobs, Chairman	2008	
Evelyn du Monceau, Vice Chair	2008	
Roch Doliveux, Executive Director	2010	
Prince Lorenz of Belgium	2010	x
Alan Blinken	2009	x
Karel Boone	2009	x
Peter Fellner	2008	
Guy Keutgen	2008	x
Gerhard Mayr	2008	x
Arnoud de Pret	2008	
Bridget van Rijckevorsel	2008	
Patrick Schwarz-Schütte	2010	
Jean-Louis Vanherweghem	2008	x
Gaëtan van de Werve	2009	

The mandates of Georges Jacobs, Evelyn du Monceau, Peter Fellner, Guy Keutgen, Gerhard Mayr, Arnoud de Pret, Bridget van Rijckevorsel and Jean-Louis Vanherweghem will expire at the General Meeting of Shareholders of 24 April 2008.

The mandate of Alan Blinken, who has reached the age limit will end immediately after the General Meeting of Shareholders of 24 April 2008. Georges Jacobs, Jean-Louis Vanherweghem and Guy Keutgen do not seek their reelection and their mandates will also end immediately after this meeting.
The mandates of Evelyn du Monceau, Peter Fellner, Gerhard Mayr, Arnoud de Pret and Bridget van Rijckevorsel will be submitted for renewal at this General Meeting.
At this General Meeting of Shareholders, the Board of Directors, as advised by the Remuneration and Nomination Committee with a view to further broadening the skills of the Board, will propose four new candidates to be appointed as independent Board members:

- Thomas Leysen, CEO of Umicore and next Chairman of the FEB (Federation of Belgian Companies);
- Jean-Pierre Kinet, Professor at Harvard Institute of Medicine and at the Beth Israel Deaconess Medical Center;
- Armand De Decker, President of the Belgian Senate
- Norman J. Ornstein, Co-Director, Election Reform Project, American Enterprise Institute, Washington, D.C.

The curricula vitae of the Directors and directorship candidates can be found on the UCB website.

The Board of Directors' Secretary is Michèle de Cannart, Vice President & General Secretary.

Functioning of the Board of Directors:

In 2007, the Board of Directors met eight times, with an attendance rate of 92%.

During 2007, the Board of Directors' main areas of discussion, review and decision were: UCB's strategy, the reports of the Audit Committee and of the Remuneration and Nomination Committee, UCB's organization - a major topic was the integration of the Schwarz Pharma Group after its acquisition by public tender offer at the end of 2006 - and appointments reserved for the Board, the remuneration policies, the management and financial reporting, R&D, investment programs and business development proposals, license agreements, divestments of non-core activities, reports and resolution proposals to the shareholders as published in the invitations to the shareholders meetings in compliance with the law.

There were no transactions or contractual relationships between UCB, including its related companies, and a member of the Board of Directors, that could create a conflict of interest not covered by the legal provisions on conflicts of interests.

During 2005 and 2006, the Board of Directors ran an induction program for its existing and new Directors. This covered the various areas of expertise required in a biopharmaceutical company, notably: R&D, commercial matters, management of intellectual property, acquisitions, production, finance, information processing, risk management, and finally, management and governance issues. A similar induction program will be proposed to the Directors to be newly appointed in 2008.

Board of Directors: assessment

In 2007 the Board of Directors conducted – as in 2003 and 2006 – an assessment of its contribution to the long-term success of the business. This sets out its strategic mission and aims to optimize the composition and operation of the Board of Directors and its Committees, as well as its interaction with the CEO and the Executive Committee. It was conducted by the Chairman of the Board of Directors and the Chairman of the Remuneration and Nomination Committee (see Charter on Corporate Governance, 3.5, for further information on the process).

The Non-Executive Directors did not organize any meetings in 2007 in the absence of the CEO, who is the only Executive Director. An assessment of their interaction with the Executive Management was made in 2007 on the occasion of the Board of Directors self-assessment.

b. Board Committees

1. Audit Committee

Composition of the Audit Committee:

The present composition of the Audit Committee is as follows:

	End of term of office	Independent Directors
Arnoud de Pret, Chairman	2008	
Alan Blinken	2009	x
Guy Keutgen	2008	x

(see also Charter on Corporate Governance, 4.2.2.)

Alan Blinken and Guy Keutgen will retire as Directors and consequently as members of the Audit Committee immediately after the shareholders meeting of 24 April 2008.

The Audit Committee met five times in 2007 with an attendance rate of 93%. Part of the meetings were held in the presence of the external auditors. The Audit Committee meetings were attended by the Executive Vice President Finance: Luc Missorten until 30 September 2007 and Detlef Thielgen as from that date, the Vice President Reporting and Consolidation: Hilde Sonck until 30 September 2007 and Olaf Elbracht as from that date, and Michèle de Cannart, Vice President and General Secretary who acted as Secretary. One meeting was attended by Bob Trainor, Executive Vice President & General Counsel and also Chairman of the Group's Risk Management Committee, three meetings were attended by Doug Gingerella, Vice President M&A and Internal Audit and one by Guy Van den Dorpe, Vice President Treasury and Risk.

2. Remuneration and Nomination Committee

Composition of the Remuneration and Nomination Committee:

The present composition of the Remuneration and Nomination Committee is as follows:

	End of term of office	Independent Directors
Evelyn du Monceau, Chair	2008	
Karel Boone	2009	x
Gerhard Mayr	2008	x
Gaëtan van de Werve	2009	

(see also Charter on Corporate Governance, 4.3.2.)

The Remuneration and Nomination Committee met five times in 2007 with an attendance rate of 100 %.

The Committee was also attended by Roch Doliveux, Chairman of the Executive Committee, except when discussing issues relating to himself and by Jean-Pierre Pradier, Executive Vice President Human Resources, who acts as Secretary.

An induction program was provided for the existing and new Committee members in January 2006, giving them extensive information about the Committee's role and duties as well as UCB's remuneration policies.

Remuneration of the Directors and of the Members of the Board Committees:

The annual emoluments of the Directors, fixed by the Shareholders' Meeting in 2005, are €39 000, while the annual emoluments of the Chairman of the Board were €78 000. In addition, the Directors are entitled to attendance fees of €1 000 per meeting and €2 000 per meeting for the Chairman of the Board of Directors.

The annual additional remuneration of the members of the Board Committees amount to €5 000 and that of the Chairman of the Board Committees at €10 000.

These emoluments, approved by the shareholders in 2005, were based on two benchmarks: the fixed and variable remuneration of Directors of listed Belgian companies as well as the remuneration paid by European biopharmaceutical companies.

Some Non-Executive Directors are Non-Executive Directors of other companies in the UCB Group for which they may be entitled to compensation, remuneration or director's fees. In 2006, Alan Blinken was granted US$ 30 000 as compensation for his mandate as a Non-Executive Director of UCB Holdings Inc., an American subsidiary of UCB.

In application of these rules, the total remuneration of Directors and Board Committee members for 2007 in UCB was as follows:

	Remuneration (€)
Georges Jacobs, Chairman	94 000
Evelyn du Monceau, Vice Chair	57 000
Roch Doliveux, Executive Director (*)	47 000
Prince Lorenz of Belgium	46 000
Alan Blinken	42 577
Karel Boone	52 000
Peter Fellner	46 000
Guy Keutgen	51 000
Gerhard Mayr	51 000
Arnoud de Pret	57 000
Bridget van Rijckevorsel	47 000
Patrick Schwarz-Schütte	30 000
Jean-Louis Vanherweghem	34 375
Gaëtan van de Werve	52 000

(*) The details of the remuneration of the Executive function of Roch Doliveux are highlighted in section 3b and 3c.

Based on revised benchmarks which included remuneration of Board members of comparable US companies and remuneration of Board members of European Biopharma companies it will be proposed to the General Shareholders meeting of 24 April 2008, to approve, as from that date, the remuneration of UCB Directors as follows:

€60 000 would be the annual emoluments of the Directors, while the annual emoluments of the Chairman of the Board would be of €120 000 and that of the Vice-Chair of € 90 000. The Directors would be entitled to attendance fees of €1 000 per meeting, €2 000 per meeting for the Chairman of the Board of Directors and €1 500 per meeting for the Vice-Chair.

The annual additional remuneration of the members of the Board Committees would be of €7 500 and that of the Chairman of the Board Committees of €15 000.

c. Executive Committee

Composition of the Executive Committee:

Until 30 September 2007 the composition of the Executive Committee was as follows:

Roch Doliveux,
CEO & Chairman of the Executive Committee
Melanie Lee,
Executive Vice President R&D
Jean-Pierre Pradier,
Executive Vice President Human Resources
Luc Missorten,
Executive Vice President Finance
William Robinson,
Executive Vice President Global Operations
Robert Trainor,
Executive Vice President General Counsel
Detlef Thielgen,
Executive Vice President Schwarz Pharma CEO

Only the Chairman is a member of the Board of Directors.

Luc Missorten decided to leave the UCB Group as from 30 September 2007. Since that date the composition of the Executive Committee is the following:

Roch Doliveux,
CEO & Chairman of the Executive Committee
Melanie Lee,
Executive Vice President R&D
Jean-Pierre Pradier,
Executive Vice President Human Resources
William Robinson,
Executive Vice President Global Operations
Detlef Thielgen,
Executive Vice President Finance
Robert Trainor,
Executive Vice President General Counsel

On 28 February 2008, on the recommendation of the Chairman of the Executive Committee and on proposal of the Remuneration and Nomination Committee the Board has decided the appointment of Iris Löw-Friedrich, Executive Vice President, Development and Chief Medical Officer and Fabrice Enderlin, Executive Vice President, Corporate Human Resources as new members of UCB's Executive Committee with effect from 1 March 2008. Fabrice Enderlin is taking over the position from Jean-Pierre Pradier, who has announced he will be retiring on 30 April, 2008.

Functioning of the Executive Committee:

Except in July and August, the Executive Committee has met twice a month in 2007.
There were no transactions or contractual relationships in 2007 between UCB, including its related companies, and a member of the Executive Committee that could create a conflict of interest.

Remuneration of the members of the Executive Committee:

The remuneration policy for the members of the Executive Committee is extensively described in UCB's Charter of Corporate Governance under 5.4.1 available on UCB's website.

a. In addition to his Director's fees as a Board member of UCB S.A., the remuneration and other benefits granted directly or indirectly to the Chairman of the Executive Committee by UCB or any other of its affiliates in 2007 amount to:
   - Base salary: €1 135 090
   - Short-term incentive (bonus):
     • Bonus to be paid in 2008 and relating to the financial year 2007: €804 026
   - Long-term incentive (number of UCB shares and options): see section c below.
   - Other components of the remuneration, such as the cost of pension, insurance coverage, monetary value of other fringe benefits, with an explanation and if appropriate, the amounts of the main components:
     Total amount: €1 553 553 of which:
     • retirement benefit (based on service cost): €1 376 391

b. The remuneration and other benefits granted directly or indirectly on a global basis to all the other members of the Executive Committee by the Company or any other affiliate belonging to the Group in 2007 amount to:
   - Base salaries: €2 002 509
   - Short-term incentive (bonus):
     • Bonuses (including those to be paid in 2008 and relating to financial year 2007 but excluding those paid in 2007 but related to financial year 2006): €2 513 539
   - Other components of the remuneration, such as the cost of pension, insurance coverage, termination indemnity, monetary value of other fringe benefits, with an explanation and if appropriate, the amounts of the main components:
     Total amount: €3 973 855 of which:
     • retirement benefit (based on service cost): €2 000 488

c. Stock options and stock awards granted in 2007

	Stock options*	Stock awards**	Performance shares***
Roch Doliveux	45 000	15 000	36 000
Melanie Lee	15 000	5 000	15 000
Jean-Pierre Pradier	15 000	5 000	15 000
Bill Robinson	12 000	4 000	15 000
Bob Trainor	15 000	5 000	20 000
Detlef Thielgen	15 000	4 000	15 000

(*) number of rights to acquire one UCB share at a price of €43.57 between 1 April 2010 and 31 March 2017 (between 1 January 2011 and 31 March 2017 for Roch Doliveux, Jean-Pierre Pradier and Bill Robinson).

(**) number of UCB shares to be delivered for free after a vesting period of three years if still employed by UCB.

(***) number of UCB shares to be delivered for free after a vesting period of three years if still employed by UCB and upon fulfillment of predefined performance conditions.

The General Shareholders Meeting on 26 April 2007 approved the allocation of free shares under the Stock Award and Performance Share Plans.

d. The main contractual terms on hiring and termination arrangements for the Chief Executive Officer:

- The service contract for the CEO provides that in case of termination, he will be eligible to a lump sum equal to 24 months of actual base compensation plus the actual average variable compensation relating to the three previous years. In case of termination due to "change of control", the lump sum will be equal to 36 months.

To complement his basic pension plan, the CEO benefits from a pension promise which grows in line with his base compensation.

There is no specific agreement for the other members of the Executive Committee except in case of termination. They will be eligible to a lump sum equal to a minimum of 12 months of actual base compensation.

4. Private investment transactions and trading in Company's shares

In compliance with Directive 2003/6/EC on insider dealing and market manipulation, the Board of Directors has approved a Code on Private Investment Transactions to prevent insider trading offences and market abuse, particularly during the periods preceding the publication of results or information which is liable to considerably influence UCB's share price or the share price of the company targeted by a planned operation.

The Code on Private Investment Transactions establishes rules for all employees (Directors, Executive management and other employees) prohibiting dealing in the Company's shares or other financial instruments of the Company for a designated period preceding the announcement of its financial results (closed periods). It also establishes rules to set limitations in transactions by certain employees (Key employees). It further prohibits trading in UCB shares during "special closed periods" for certain employees who are, or will soon be in possession of insider information.

The Board has designated Michèle de Cannart, Vice President & General Secretary, as Compliance Officer whose duties and responsibilities are defined in the Code. The Code establishes the list of Key employees, who have to inform the Compliance Officer of the transactions on UCB shares they intend to make for their own account.

The Code is fully in compliance with Directive 2003/6/EC on Insider Dealing and Market Manipulation and Belgian Royal Decree of 24 August 2005 in the same field.

The Code is posted on UCB website:
http://www.ucb-group.com.

5. External Audit

The Auditors ("College of Commissaires") for the UCB Group and UCB S.A. are Daniel Goossens and Emmanuèle Attout. They are appointed for three years by the General Meeting of Shareholders. Their mandates may be renewed. The mandate of Emmanuèle Attout, first appointed in 2003, has been renewed and will expire in 2009.

Daniel Goossens' term was renewed in 2006 to align the terms of office of both auditors, and will thus also expire in 2009.

For UCB, neither the Auditors, nor the companies with which they are associated, carry out any activities other than external auditing.

The 2007 fees paid by UCB to its Auditors amounted to:

(€)	Audit	Audit related	Other	Total
D. Goossens	90 000	2 500	4 200	96 700
E. Attout	90 000	3 500	0	93 500
PricewaterhouseCoopers	1 293 754	621	264 740	1 547 114
Total	1 473 754	6 621	268 940	1 749 315

6. Information requested under Art. 34 of the Royal Decree of 14 November 2007

Enumeration and, as the case may require it, comments on the following elements which may have an impact in the event of a takeover bid (see also in this Chapter: 1 c. Warrants):

1. Company's capital structure, with an indication of the different classes of shares and, for each class of shares, the rights and obligations attaching to it and the percentage of total share capital that it represents;

As from 29 February 2008, the capital of the company will amount to €550 095 156 represented by 183 365 052 shares of no par value, fully paid in.

All shares are entitled to the same rights. There are no different classes of shares (for more details see in this Chapter : 1. Capital and shares).

2. Any restrictions, either legal or prescribed by the Articles of Association, on the transfer of securities;

Restrictions on the transfer of securities only apply to not fully paid in shares according to Art. 11 of the Company's Articles of Association as follows:

"…
Until they are fully paid up, shares are registered and may only be transferred after prior agreement by the Board of Directors.

b) Any shareholder holding shares not fully paid who wishes to transfer all or part of his shareholding, should notify his intention by registered letter to the Board of Directors, indicating the name of the candidate to be approved, the number of shares offered for sale, the price and the proposed terms of sale.

The Board of Directors may, by registered letter, oppose this sale within a month of such notification, by presenting another candidate as purchaser to the selling shareholder. The candidate proposed by the Board will have a right of pre-emption on the shares offered for sale, unless the proposed seller withdraws from the sale within fourteen days. The right of pre-emption will be exercisable at a unit price corresponding to the lower of the two following amounts :

- *the average closing price of a UCB ordinary share on the "marché continu" of Euronext Brussels in the thirty Stock Exchange working days preceding the notification under the preceding paragraph, reduced by the amount still to be paid up;*
- *the unit price offered by the third party proposed for approval.*

The abovementioned notification by the Board of Directors shall be taken as notification of the exercise of the right of pre-emption in the name and for the account of the purchasing candidate presented by the Board.

The price will be payable within the month of this notification without prejudice to any more favourable conditions offered by the third party presented for approval.

c) If the Board does not reply within the period of a month from notification set out in the first paragraph of sub-section b) above, the sale may take place on conditions no less favourable than those set out in the abovementioned notification for the benefit of the candidate presented for approval."

To date, the capital of the Company is fully paid in.

3. The holders of any securities with special control rights and a description of those rights;

There are no such securities.
See also in this chapter point 1.c. Defensive warrants (page 3)

4. The system of control of any employee share scheme where the control rights are not exercised directly by the employees;

There is no such system.

5. Any restrictions, either legal or prescribed by the Articles of Association, on voting rights;

The existing UCB shares entitle holders thereof to vote at the General Meeting of Shareholders.

Each share gives the right to one vote.

Treasury shares (UCB shares held by UCB S.A. or by direct or indirect affiliates) have, by law, no voting rights.

6. Any agreements between shareholders which are known to the Company and may result in restrictions on the transfer of securities and/or the exercise of voting rights;

Shareholders' agreement between Financière de Tubize S.A. (Tubize) and the Schwarz Family Holding signed on September 24, 2006.

Under this Shareholders' agreement, the Schwarz Family Holding agreed no to transfer (as defined in the Shareholders Agreement) at least 41.58% of the New UCB Shares it will receive if (*) the Schwarz Family Holding accepts the Exchange Offer as follows: 20.79% of the UCB Shares received by the Schwarz Family Holding under the Offer will remain under lock-up until June 1, 2010, an additional 20.79% of the UCB Shares received by the Schwarz Family Holding under the Offer will remain under lock-up until June 1, 2011.

As to the UCB shares that are subject to lock-up, Tubize shall have a right of first offer at the higher of (a) the volume weighted average of the UCB share price of the 20 Euronext Brussels trading days ending on the day prior to the notification by the Schwarz Family Holding of its intention to transfer shares or (b) any price offered under a public takeover bid for the UCB shares. Subject to certain conditions and limitations, Tubize shall not transfer any UCB shares which it acquired pursuant to its right of first offer for up to 4 months following such transfer.

Subject to certain conditions and limitations, the Schwarz Family Holding is entitled, however, to transfer the UCB Shares in its possession at any time if (i) the shareholding of Tubize in UCB S.A. falls bellow 33%; (ii) the shareholding of the Janssen Family in Tubize falls bellow 50% or (iii) if Tubize or the Janssen Family decides to tender any of their shares in UCB S.A. or Tubize, respectively, in a public takeover bid for UCB S.A. or Tubize.

Under the same shareholders agreement the Schwarz Family Holding and Tubize have agreed – subject to certain conditions and limitations – that prior to each General Meeting of Shareholders they shall meet and consult with each other during a pre-meeting with respect to the agenda of the General Meeting of Shareholders and the proposed decisions. The Schwarz Family Holding and Tubize will try to reach a consensus with regard to each item of the agenda on how to exercise their voting rights at the respective General Meeting of Shareholders. In case such consensus cannot be reached, Tubize shall have a casting vote. At the relevant General Meeting of Shareholders, the Schwarz Family Holding and Tubize shall cast their votes in accordance with the decisions taken at the pre-meeting. These voting arrangements do not apply to certain specific decisions.

The Company has no knowledge of the content of other agreements which might result in restrictions on the transfer of its securities and/or the exercise of voting rights.

7. a) The rules governing the appointment and replacement of Board members

Under the Articles of Association of the Company

" The company shall be managed by a Board of Directors having at least three members, whether shareholders or not, appointed for three years by the General Meeting and at all times subject to dismissal by the General Meeting.

Retiring Directors are eligible for re-election. The period of office of retiring Directors, who are not re-appointed, ceases immediately on the closing of the Ordinary General Meeting.

The General Meeting shall determine the fixed or variable remuneration of the Directors and the value of their attendance vouchers, to be charged to operating expenses."

The General Meeting decides by a simple majority of votes on these matters. The candidates are proposed by the Board after a selection process ruled by the Company's Corporate Governance Charter as follows:

"Composition of the Board of Directors

<u>Composition</u>

The Board is of the opinion that a number of between ten and fifteen members is appropriate for efficient decision-making on the one hand, and contribution of experience and knowledge from different fields on the other hand. Such a number also allows for changes to the Board's composition to be managed without undue disruption. This is way within the provisions of the law and the Articles of Association of the Company from which the Board of Directors shall be composed of at least three members. The General Meeting of Shareholders decides of the number of Directors upon proposal of the Board of Directors.

A large majority of the Board members are non-executive Directors.

The curricula vitae of the Directors and directorship

(*) During the Offer by UCB to acquire all outstanding shares of common stock of Schwarz Pharma AG for a combined cash and share consideration made on November 10, 2006 the Schwarz Family Holding accepted to exchange their Schwarz Pharma AG shares during the first acceptance period of the Offer ending December 8, 2006.

candidates are available for consultation on the UCB web site (www.ucb-group.com) which also mentions the directorships in other listed companies taken by each member of the Board.

Designation of Directors

The Directors are appointed by the General Meeting of Shareholders following a proposal by the Board of Directors on recommendation of the Remuneration and Nomination Committee.

In proposing candidates at the General Meeting of Shareholders, the Board of Directors takes particular account of the following criteria:

- *It ensures that a large majority of the Directors are non-executive Board Members.*
- *It ensures that at least five non-executive Directors are independent in accordance with the legal criteria, and also the criteria adopted by the Board of Directors.*
- *It ensures that no single Director or group of Directors may dominate decision-making.*
- *It also ensures that the composition of the Board of Directors guarantees diversity and contribution of experience, knowledge and ability required for UCB's specialist international activities.*
- *It ensures that candidates are fully available to carry out their functions and that they do not take more than five directorships in listed companies.*

The Remuneration and Nomination Committee gathers information, allowing the Board of Directors to ensure that the criteria set out above have been met at the time of the appointments and renewals and during the term of office.

For each new directorship appointment, the Remuneration and Nomination Committee performs an assessment of existing and required abilities, knowledge and experience on the Board of Directors. The profile of the ideal candidate is drawn up on the basis of this assessment. Details of candidates are then set out in a recommendation to the Board of Directors.

Duration of mandates and age limit

Directors are appointed by the General Meeting of Shareholders for a 3-year term, and their terms may be renewed.

Moreover, an age limit of seventy has been stipulated; this takes effect on the day of the Annual General Meeting of Shareholders following the seventieth birthday of a member who, if need be, gives up his current term.

Procedure for appointment, renewal of terms

The process of appointment and re-election of Directors is run by the Board of Directors, which strives to maintain an optimum level of abilities and experience within UCB and its Board of Directors.

The proposals for appointment, renewal, resignation or possible retirement of a Director are examined by the Board of Directors based on a recommendation from the Remuneration and Nomination Committee.

The Board of Directors submits to the General Meeting of Shareholders its proposals concerning the appointments, renewals, resignations or possible retirement of Directors. These proposals are communicated to the General Meeting of Shareholders as part of the agenda of the relevant shareholders meeting. The General Meeting of Shareholders rules on the proposals of the Board of Directors in this area by a majority of the votes.

In the event of a vacancy during a term, the Board of Directors is empowered to fill the post and to allow its decision to be ratified at the next General Meeting of Shareholders.

Proposals for appointment state whether or not the candidate is proposed as an executive Director, define the term proposed for the mandate: three years in accordance with the Articles of Association, and indicate the place where all useful information in relation to the professional qualifications of the candidate, in addition to the main functions and directorships of the candidate, may be obtained or consulted. These are available on the UCB Group web site (www.ucb-group.com).

The Board of Directors likewise indicates whether or not the candidate meets the independence criteria, in particular those stipulated by law, and satisfies the rules for treatment of conflicts of interest laid down in Article 524 of the Company Code; in the latter case, a proposal will be submitted to the General Meeting of Shareholders to acknowledge such independent character."

b) The rules governing the amendment of the Company's Articles of Association;

The rules governing the amendment of the Articles of Association are set by Belgian law. The decision to amend the Articles of Association has to be taken by a General Meeting of Shareholders by a majority of 75% of the votes cast provided that a least 50% of the share capital of UCB S.A. is present or represented at the meeting. If the attendance quorum is not met at the first extraordinary General Meeting of Shareholders, a second General Meeting of Shareholders can be convened and will decide without any attendance quorum.

8. The powers of Board members, in particular the power to issue or buy back shares;

Powers of the Board members are those defined by Belgian law and by the Articles of Association. The Terms of Reference of the Board and the responsibilities that the Board has reserved to itself are further described in the Charter of Corporate Governance of the Company as follows:

" *The Board of Directors is the Company's governing body.*

It has the power to take decisions on all matters which the law does not expressly attribute to the General Meeting of Shareholders. The Board acts collegially.

The roles and responsibilities and the functioning of the Board of Directors are determined by the Company's Articles of Association and by the terms of reference of the Board of Directors and its Committees described in this Charter.

Among the matters over which it may, by law, take decisions, the Board of Directors has reserved key areas for itself, and has delegated wide powers of administration to an Executive Committee.

It did not opt to create a Management Committee in the sense of the Belgian Company Code, since it preferred not to permanently delegate the powers granted to it by the law, and the general representation of the Company.

The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risks to be assessed and managed. The Board sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for the Company to meet its objectives and reviews management performance. The Board sets the Company's values and standards and ensures that its obligations to its shareholders and others are understood and met. It takes collegiate responsibility for sound exercise of its authority and powers."

The powers the Board has reserved for itself concern mainly the following, and to this end it also receives all the information required in relation to each of them:

1. Definition of the Company's mission, values and strategy.
2. Monitoring of management.
3. Appointment or removal:
– from among its members, of the Chairmen and members of the Audit Committee and of the Remuneration and Nomination Committee
– of the Chairman of the Executive Committee following a proposal by the Remuneration and Nomination Committee
– of members of the Executive Committee following a proposal by the Remuneration and Nomination Committee, and recommendation by the Chairman of the Executive Committee
– of senior executives on the recommendation of the Chairman of the Executive Committee
– of persons in major external bodies or of persons outside UCB requested to represent UCB at certain subsidiaries, on the recommendation of the Chairman of the Executive Committee.
4. Finalising the accounts and income statements for the UCB Group and UCB S.A.
5. Preparation of the General Meeting of Shareholders and of the decisions proposed to be considered at the meeting.
6. General organisation of UCB (and of the Group).
7. Approval of the annual investment budget and any operations necessitating additions to the budget.
8. Determining an annual R & D programme.
9. The long-term or major finance operations.
10. Creating, establishing, closing, settling or transferring subsidiaries, branches, production locations or major divisions.
11. Allotment, merger, division, purchase, sale or pledging of instruments and shares to a value exceeding €5 million.
12. Purchase, sale or pledging of property assets to a value exceeding €5 million and leases over a period exceeding 9 years.
13. The terms and conditions of plans for the grant of stock and stock options to employees.
14. To be informed, at the end of every semester, of the charitable donations in excess of €10 000/Y by beneficiary.

No authorization of the shareholders exists at this date allowing the Board or Board members to issue new company shares or buy back such shares.

9. Any significant agreements to which the Company is a party and which take effect, alter or terminate upon a change of control of the issuer following a takeover bid, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the issuer; this exception shall not apply where the issuer is specifically obliged to disclose such information on the basis of other legal requirements;

1. Facilities Agreement between UCB S.A., UCB SP GMBH, BNP Paribas and FORTIS BANK S.A., the FINANCIAL INSTITUTIONS dated 20 October 2006, as approved by the General Meeting of 26 April 2007.
2. The UCB stock awards and performance share plans by which UCB shares are granted annually by the company to certain employees according to grade and performance criteria, vest according to the rules of both plans after three years, upon condition that its beneficiary remains in continuous employment with the group. They also vest upon change of control or merge.
On 31 December, 2007, the following number of stock awards and performance shares are outstanding:
- 293 100 stock awards, of which 61 200 will vest in April 2008.
- 283 000 performance shares

10. Any agreements between the issuer and its Board members or employees providing for compensation if the Board members resign or are made redundant without valid reason or if the employment of the employees ceases because of a takeover bid.

a) See the agreement referred to in this Chapter under 3.c): *The main contractual terms on hiring and termination arrangements for the Chief Executive Officer*. No other agreements provide for a specific compensation of Board members in case of termination because of a takeover bid.

b) In the US, two employees benefit from a change of control clause that increases their termination compensation if the employee resigns or is made redundant or if the employment of the employee ceases because of a takeover bid.

APPLICATION OF ARTICLE 523 OF THE COMPANY CODE

UCB S.A.
60 Allée de la Recherche
B-1070 Brussels
Company Register 0403 053 608

EXCERPT FROM THE MINUTES OF THE MEETING OF
THE BOARD OF DIRECTORS HELD ON 27 FEBRUARY 2007

Present:

Georges Jacobs, Chairman
Evelyn du Monceau, Vice-Chair
Roch Doliveux, Director
Prince Lorenz of Belgium, Director
Karel Boone, Director
Peter Fellner, Director
Guy Keutgen, Director
Gerhard Mayr, Director
Arnoud de Pret, Director
Bridget van Rijckevorsel, Director
Gaëtan van de Werve, Director
Jean-Louis Vanherweghem, Director

Excused:

Alan Blinken, Director

In attendance:

Patrick Schwarz-Schütte
Michèle de Cannart, General Secretary

(...)

- Long term incentive programme

  - Application of article 523 of the Company's Code

Prior to any discussion or decision by the Board of Directors concerning the following items on the agenda:

- Approval of the stock options plan 2007
- Approval of the UCB stock award plan 2007
- Approval of the number of performance shares granted in 2007

Roch Doliveux, Director, has stated that he has a direct financial interest in the implementation of the said decisions. In accordance with Art. 523 of the Company Code, this director has withdrawn from the meeting in order not to attend the discussion by the Board of Directors concerning these issues, nor to participate in the vote.

*
* *

Therefore, in accordance with the provisions of this article, and in view of the publication in the management report as stipulated in Art. 96, section 7 of the Company Code, the Board announced the following:

1. Approval of the stock option plan 2007

- The present operation is designed, as in the past, to promote shareholding by some 1 200 executives grade 6 and above of the UCB Group within their company - including the Executive Director who is a member of the Executive Committee - 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 insider information.

- The financial consequences of the operation for the company, which consist in the difference which might exist between the purchase price of own shares by the company and the price of resale of these same shares to the staff concerned when exercising the options in accordance with the conditions stipulated in the plan rules, to be increased, if applicable, by the difference between this exercise price and the market value of the UCB shares at exercise.

a) Distribution

The Board of Directors approved the recommendations of the Remuneration and Nomination Committee concerning the rules of the option allocation on the basis of job category and level of responsibility. Thus a number of 3 440 000 options shall be allocated to some 1 200 executives grade 6 and above of the UCB Group.

b) Setting the exercise price

The exercise price of these options will be the lowest of the two following amounts:
- the average of the closing price over the 30 calendar days preceding the offer (from 2-31 March 2007)
- or the closing price of the day preceding the offer (31 March 2007).

c) Vesting

As in 2006, stock options will have a vesting period of three years as of the date of grant except for countries where this is not allowed (or less favourable). As a consequence, the vesting for the beneficiaries residing in Belgium and France will remain "as was" (i.e. for Belgium from the 1st of January of the fourth calendar year following the year of the grant and for France the day following the fourth anniversary of the grant).

2. Approval of the UCB stock award plan 2007

- The present operation, reserved to the Leadership Team of the Group - including the Executive Director who is a member of the Executive Committee -, and proposed by the Remuneration and Nomination Committee, is designed to promote shareholding among this category of personnel of 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 insider information. As this is in line with the remuneration policy for this staff and is intended to provide a long term incentive, this free share grant is linked to the condition that the staff remains employed within the Group for at least three years after grant date.

- The financial consequences of the operation for the company consist in covering, and this by one or several companies of the Group, the obligations which result from these awards of free UCB shares, i.e. the purchase price and the cost of financing these shares, minus, if applicable, the dividends paid out during the period during which the shares are held.

Distribution

The Board of Directors approved the recommendations of the Remuneration and Nomination Committee concerning the rules of the free share award on the basis of job category and level of responsibility. Thus a number of 111 000 shares shall be allocated to about 55 Senior Executives or so within the Group.

3. Approval of the UCB performance shares grant 2007

- The present operation, reserved to some members of the Leadership Team of the Group - including the Executive Director who is a member of the Executive Committee -, and proposed by the Remuneration and Nomination Committee, is designed to promote shareholding among this category of personnel of 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 market, whilst adhering to the rules governing insider information. This grant is in line with the remuneration policy for this staff and is intended to provide a long term incentive.

- The vesting of this performance share award is linked to the condition that the staff remains employed within the Group for at least three years after grant date and that pre-defined targets are achieved by the UCB Group.

- The financial consequences of the operation for the company consist in covering, and this by one or several companies of the Group, the obligations which result from these awards of performance shares, i.e. the purchase price and the cost of financing these shares, minus, if applicable, the dividends paid out during the period during which they are held.

Distribution

The Board of Directors approved the recommendations of the Remuneration and Nomination Committee concerning the grant of performance shares on the basis of job category, level of responsibility and performance of the beneficiary. Thus a number of 245 000 shares shall be allocated to about 31 Senior Executives or so within the Group.

4. Allocation of stock options and stock awards in exceptional circumstances

In accordance with the measures concurrent to the creation of an "incentive stock" pool, the Board approved to allocate 50,000 shares to the program of allocation of stocks in exceptional circumstances.

The beneficiaries will be identified by the Executive Committee and the Senior Leadership Team members, and the grant will be approved by the Executive Committee. The Remuneration Committee will be informed at year-end.

5. Delegating powers

The Board decided to delegate all powers to the Chairman of the Executive Committee of the company, currently Roch Doliveux, and to the General Secretary of the company, currently Michèle de Cannart, acting individually with the right to delegate, in order to ensure the execution of the decisions taken and specifically to finalize the rules and regulations of the issues, the documentation for the beneficiaries and the exercise procedure.

(...)

Operating and Financial Review

1. Business performance review[1]

This Operating and Financial Review is based on the consolidated financial statements for the UCB Group of companies prepared in accordance with IFRS. The separate statutory financial statements of UCB S.A. prepared in accordance with Belgian Generally Accepted Accounting Principles, together with the report of the Board of Directors to the general assembly of shareholders, as well as the auditors' report will be filed at the National Bank of Belgium within the statutory periods, and will be available on request or on our website.

2007 was the first year of integrating the activities of 89.2% owned German-based pharmaceutical company Schwarz Pharma further to the approval of the domination and profit transfer agreement. Whilst not achieving all its goals, UCB showed its strong financial performance and advanced further towards becoming a next generation biopharma leader.

Key Highlights

- Revenue remains unchanged on a pro forma basis (or +4% at constant exchange rates), it increases by 42% on a reported basis to €3 626 million (2006: €3 631 million). Solid Keppra® worldwide sales of €1 026 million growing 35% (or +43% at constant exchange rates), Xyzal® sales of €168 million up 18% (or +19% at constant exchange rates) as well as Neupro® sales (now also launched in the USA) of €52 million (2006: €10 million) supported this evolution.
- Recurring EBITDA reaches €741 million compared to €747 million in 2006 on a pro forma basis, or growing 7% at constant exchange rates, reflecting revenue increase at constant exchange rates as well as strong achievement of synergies.
- Net profit decreases from €391 million in 2006 on a pro forma basis or from €367 million in 2006 on a reported basis to €160 million in 2007, reflecting acquisition related financial expenses as well as one-time non-cash inventory step-up (€93 million) and incremental acquisition driven amortisation expenses (€27 million), in addition to significantly lower capital gains and substantial restructuring expenses (€123 million) and impairment charges (€36 million). Net profit adjusted for one-time and non-recurring items reaches a solid €292 million.

€ million	Actual 2007	Pro Forma 2006	Pro Forma Variance Actual rates	Reported Actual 2006	Reported Variance Actual rates
Revenue	**3 626**	**3 631**	**0%**	**2 551**	**42%**
Net sales	3 188	3 144	1%	2 177	46%
Royalty income & fees	294	340	-14%	335	-12%
Other revenue	144	146	-2%	39	
Gross profit [(1)]	**2 579**	**2 754**	**-6%**	**2 010**	**28%**
excluding inventory step-up	***2 672***	***2 754***	***-3%***	***2 010***	***33%***
Marketing & selling expenses	(1 054)	(1 049)	0%	(733)	44%
Research & development expenses	(788)	(815)	-3%	(615)	28%
General & administrative expenses	(267)	(315)	-15%	(196)	36%
Other operating income/(expenses)	10	33		9	
Recurring EBIT (REBIT) [(1)]	**480**	**608**	**-21%**	**475**	**1%**
excluding inventory step-up	***573***	***608***	***-6%***	***475***	***21%***
Non recurring income/(expenses)	(136)	61		97	
EBIT (Operating profit) [(1)]	**344**	**669**	**-48%**	**571**	**-40%**
Net financial expenses	(125)	(48)		(54)	
Profit before income taxes	**219**	**620**	**-65%**	**517**	**-58%**
Income tax expenses	(60)	(228)		(150)	
Profit from continuing operations	**159**	**392**	**-59%**	**367**	**-57%**
Profit from discontinuing operations	**2**	**0**		**0**	
Net profit (after minority interests)	**160**	**391**	**-59%**	**367**	**-56%**
Recurring EBITDA	**741**	**747**	**-1%**	**566**	**31%**
Adjusted net profit [(2)]	**292**	**343**	**-15%**	**318**	**-8%**
Number of shares - non-diluted	**180**	**180**		**144**	**25%**
EPS (€ per non-diluted share)	**0.89**	**2.17**	**-59%**	**2.54**	**-65%**
Adjusted EPS (€ per non-diluted share)	**1.62**	**1.90**	**-15%**	**2.20**	**-27%**

[(1)] *after acquisition related inventory step-up*
[(2)] *adjusted for after-tax impact of one-off items, after-tax contribution from discontinued operations and inventory step-up*

[1] *Due to roundings, some financial data may not apparently add-up in the tables included in this Operating and Financial Review.*

1.1 Changes in scope

UCB pursued its transformation towards building the next generation biopharma leader by launching on 10 November 2006 a public tender offering on all the outstanding shares of Schwarz Pharma AG. At the closing of the exchange offering period on 28 December 2006, UCB possessed 86.8% of all outstanding Schwarz Pharma shares on a fully diluted basis. UCB has therefore consolidated the balance sheet of the Schwarz Pharma Group as at 31 December 2006. The results of the Schwarz Pharma group of companies have been consolidated as from 1 January 2007 onwards. Over the last 12 months, UCB has acquired further shares of Schwarz Pharma AG and owned, as of 31 December 2007, 89.2% of outstanding shares or 88.6% on a fully diluted basis.

In parallel UCB continued the streamlining of its portfolio by divesting non-core activities or products such as the European Over-The-Counter (OTC) business of UCB in France, the Benelux, Switzerland and Greece, acquired by Pierre Fabre. As a result of the Schwarz Pharma acquisition, some of its products were the subject of change of control provisions such as Rifun® in Germany. To enable a better comparison, some of the numbers in this Operating and Financial Review will be presented excluding divested products and impact of change of control provisions.

As a result of the divestment of the remaining activities in Surface Specialties in February 2005, UCB reports their financial performance as part of the profit from discontinued operations for both financial years 2006 and 2007.

1.2 Other 2007 key events

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

Agreements

- **CDP791 global rights:** In February 2007, UCB and ImClone Systems Inc. agreed to terminate their CDP791 development agreement. UCB will enjoy freedom to operate rights globally to ImClone's intellectual property pertaining to vascular endothelial growth factor receptor-2 (VEGFR-2) for CDP791, in exchange for royalty on future sales of this antibody.

- **USA Keppra® agreement with Mylan, Dr Reddy's and Cobalt:** In October 2007, UCB announced that it had reached an agreement with each of Mylan Laboratories and Mylan Pharmaceuticals, Dr. Reddy's Laboratories and Cobalt Pharmaceuticals to settle pending patent infringement lawsuits in the USA. Under the terms of the agreement, Mylan will be allowed to sell its generic *levetiracetam* tablets effective 1 November 2008, in advance of the anticipated expiry of UCB's market exclusivity in January 2009, subject to grant of paediatric exclusivity.

Transactions

- **Sale of the Over-The-Counter (OTC) Business of UCB in France, Benelux, Switzerland and Greece:** In January 2007, Pierre Fabre, a pharmaceutical leader in the European OTC market, acquired the OTC business of UCB in France, the Benelux, Switzerland and Greece, realising a pre-tax capital gain of €19 million.

- **Sale of Cytec shares:** In March 2007, UCB sold all the remaining shares it held in Cytec Industries Inc. for €248 million, realising a pre-tax capital gain of €29 million.

- **Registration of domination and profit transfer agreement with Schwarz Pharma AG:** In July 2007, the domination and profit transfer agreement between UCB's wholly owned subsidiary, UCB SP GmbH, and Schwarz Pharma AG was registered in the commercial register in Germany. At that time 87.6% of the outstanding Schwarz Pharma shares were owned by UCB.

Regulatory Update

- **Keppra® European approval in idiopathic generalised epilepsy:** In January 2007, the European Commission approved Keppra® as adjunctive therapy for the treatment of primary generalised tonic-clonic seizures in adults and adolescents from 12 years of age with idiopathic generalised epilepsy.

- **Xyrem® in Europe for treatment of narcolepsy with cataplexy in adult patients:** In March 2007, the European Commission approved Xyrem® (*sodium oxybate* - under license from Jazz Pharmaceuticals, Inc.) for the treatment of narcolepsy with cataplexy in adult patients.

- **Keppra® USA approval in idiopathic generalised epilepsy:** In March 2007, the US Food and Drug Administration (FDA) approved Keppra® as adjunctive therapy in the treatment of primary generalised tonic-clonic seizures in adults and children 6 years of age and older with idiopathic generalised epilepsy.

- **Xyzal® USA approval and launch:** In May 2007, UCB and partner sanofi-aventis announced that the US Food and Drug Administration (FDA) had approved Xyzal®, a new once-daily prescription antihistamine that delivers a rapid and long-lasting effect for the relief of symptoms associated with seasonal and perennial allergic rhinitis and treatment of uncomplicated skin manifestations of chronic idiopathic urticaria in adults and children six years of age and older. In October 2007, UCB and sanofi-aventis launched Xyzal® in the USA.

- **Neupro® USA approval and launch in early-stage Parkinson's disease:** In May 2007, the FDA approved Neupro® (*rotigotine* transdermal system) for the treatment of the signs and symptoms of early-stage idiopathic Parkinson's disease. In July 2007, UCB and Schwarz Pharma launched Neupro® in the USA.

- **Vimpat™ in diabetic neuropathic pain filed in Europe:** In August 2007, the European Medicines Agency

(EMEA) accepted for review the application for marketing authorisation for Vimpat™ (*lacosamide*) as therapy for diabetic neuropathic pain.

- **Cimzia® Swiss approval and launch in Crohn's disease:** In September 2007, the Swiss health authorities Swissmedic approved Cimzia® for inducing clinical response and maintaining clinical response and remission in patients with active Crohn's disease who have not responded satisfactorily to conventional treatment. UCB launched Cimzia® for Crohn's disease in Switzerland in January 2008.

- **Appeal negative opinion on Cimzia® in Crohn's disease in Europe:** In November 2007, the Committee for Medicinal Products for Human Use (CHMP) adopted a negative opinion on the market authorisation application in the EU for Cimzia® in the treatment of patients with Crohn's disease. UCB is utilising the appeal process to request a CHMP re-examination of the submission, with a decision expected during the first half of 2008.

- **USA filing for Vimpat™ in diabetic neuropathic pain:** In November 2007, the FDA accepted for filing the New Drug Application for the use of Vimpat™ (*lacosamide*) in the treatment of diabetic neuropathic pain.

- **USA filing for Vimpat™ in epilepsy:** In November 2007, the FDA accepted for filing the New Drug Application for the use of Vimpat™ (*lacosamide*) as adjunctive therapy in the treatment of partial onset seizures in adults with epilepsy.

- **USA filing for Neupro® in advanced-stage Parkinson's disease:** In December 2007, the supplemental New Drug Application for the use of Neupro® as adjunctive therapy with *levodopa* in adult patients with advanced-stage Parkinson's disease was accepted for filing by the FDA.

- **European filing for Neupro® in restless legs syndrome:** In December 2007, the application for marketing authorisation for Neupro® (*rotigotine transdermal patch*) in the treatment of moderate-to-severe restless legs syndrome was accepted for filing by the European Medicines Agency (EMEA).

- **USA filing for Neupro® in restless legs syndrome:** In December 2007, the supplemental New Drug Application for the use of Neupro® as a treatment for moderate-to-severe restless legs syndrome was accepted for filing by the FDA.

- **USA filing for Cimzia® in rheumatoid arthritis:** In December 2007, the regulatory application of Cimzia® in rheumatoid arthritis in the USA was submitted to the FDA. It was accepted for filing by the FDA in February 2008.

- **USA filing for Keppra® XR:** In January 2008, the FDA accepted for filing the New Drug Application for the use of Keppra® XR extended release tablets (*levetiracetam*) in adjunctive treatment of partial onset seizures with epilepsy.

Pipeline progress

- **Cimzia® significant Phase III results in rheumatoid arthritis:** In February 2007, UCB announced key positive results of a pivotal Phase III study (RAPID 1) involving nearly 1 000 patients on Cimzia® intended for the treatment of moderate-to-severe rheumatoid arthritis.

- **Positive Phase III results for Keppra® in paediatric patients from one month to less than four years of age:** In April 2007, UCB announced positive top-line results from a Phase III, double-blind, randomized, multi-centre, placebo-controlled study evaluating the efficacy and tolerability of Keppra® as adjunctive therapy in the treatment of partial onset seizures in children from one month to less than four years of age.

- **Long-term response data for Cimzia® in Crohn's disease:** In May 2007, UCB announced new data demonstrating long-term response and remission in Crohn's disease patients treated with Cimzia®.

- **Cimzia® effective in reducing signs and symptoms of rheumatoid arthritis:** In June 2007, UCB announced new pivotal data (RAPID 1 and RAPID 2) showing that Cimzia®, combined with *methotrexate* therapy, had a rapid and significant effect in reducing the signs and symptoms of active rheumatoid arthritis compared with *methotrexate* alone. Data from a third study (011 trial) showed that Cimzia® given every four weeks as monotherapy is significantly more efficacious than placebo in the treatment of patients with active rheumatoid arthritis who had previously failed disease-modifying anti-rheumatic drug therapy.

- **CDP323 entering Phase II for multiple sclerosis:** In June 2007, UCB and Biogen Idec announced the initiation of a Phase II trial (proof of concept) for CDP323 under development for relapsing-remitting multiple sclerosis.

- **First Phase I results with *anti-sclerostin*:** UCB is collaborating with Amgen to develop a *sclerostin* antibody, a novel anabolic therapy for bone loss disorders. First results from a Phase I rising single dose study were presented at the American Society for Bone and Mineral Research (ASBMR) congress in September 2007.

- **Initiation of Phase III for Rikelta™ in epilepsy:** In October 2007, initiated Phase III clinical trials of Rikelta™ (*brivaracetam*) as adjunctive therapy in patients with refractory partial-onset epilepsy.

- **Positive Phase III trial results for Keppra® XR:** In December 2007, UCB communicated results of a Phase III trial demonstrating that its antiepileptic drug in development Keppra® XR (*levetiracetam*) extended-release tablets significantly reduced partial onset seizure frequency when administered as adjunctive therapy for adults with refractory epilepsy.

- **Positive Phase III trial results for Vimpat™:** In December 2007, UCB announced positive results from a Phase III trial evaluating Vimpat™ (*lacosamide*) in the treatment of diabetic neuropathic pain.

- **Phase III results of Rikelta™ in Unverricht Lundborg Disease:** In December 2007, UCB announced that Rikelta™ (*brivaracetam*)'s first Phase III study in Unverricht Lundborg disease (ULD) had been completed, that the trial did not meet the primary endpoint of symptom relief of action myoclonus but had shown beneficial effects in secondary analyses.

- **Vimpat™ in osteoarthritic pain:** In December 2007, UCB announced that the proof of concept trial (Phase IIa) with Vimpat™ (*lacosamide*) in osteoarthritic pain had been terminated based on the outcome of a first interim analysis, which was performed as defined in the protocol in a subset of patients. No safety concerns were identified.

- **Phase II results for Cimzia® in psoriasis:** In December 2007, UCB announced the completion of a Phase II re-treatment study for Cimzia® in psoriasis with patients who had relapsed during the off treatment period of the initial Phase II study. Results show that the majority of the re-treated patients are able to re-capture response and that re-treatment with Cimzia® was well tolerated.

- **CMC544 treatment non-Hodgkin's lymphoma now in Phase III:** In December 2007, UCB announced that a Phase I/II trial with CMC544 in combination with *rituximab* to treat non-Hodgkin's lymphoma (NHL), a project partnered with Wyeth, is continuing and preliminary data are encouraging. A Phase III study has started to evaluate CMC544 in follicular NHL in combination with *rituximab*.

1.3 Foreign currency impact

Given the global reach of UCB's activities, its financial results are sensitive to fluctuations in foreign currencies. The main currencies affecting UCB's financial performance are the US dollar (USD), Japanese yen (JPY), GB pound (GBP) and Swiss franc (CHF). The following table summarises the average rates used in converting UCB's revenue and expenses to euro:

Equivalent for € 1	**Average exchange rate 2007**	Average exchange rate 2006	Increase/ (Decrease)	**Closing exchange rate 2007**
U.S. dollar	1.369	1.255	-8.3%	**1.459**
GB pound	0.684	0.682	-0.3%	**0.735**
Swiss franc	1.642	1.573	-4.2%	**1.654**
Japanese yen	161.1	145.9	-9.4%	**163.0**

It is UCB's policy to continuously hedge the cash flows in the main invoicing currencies in order to limit the negative impact on results and cash flows of currency fluctuations. In view of the Schwarz Pharma acquisition, UCB has extended the hedging period and now hedges its transactional operations for a period up to 26 months. Any realised gain or loss on currency hedging contracts is recognised in the line of the income statement to which the hedged transaction relates.

1.4 Segments

Following the re-assessment of its segment reporting, UCB's primary reporting segment as of 1 January 2006 is based on its three main geographical areas, namely North America, Europe and Rest of World (including Japan and Emerging Markets). UCB's activities are composed of one business segment: biopharmaceuticals. There are no other significant classes of business, either singularly or in aggregate.

1.5 Reclassification

In view of the increasing materiality of license agreements or profit-sharing agreements for the group, which income used to be recognised as part of other operating income and expenses, it has been decided to report the corresponding income in a new category "other revenue".

Also the net sales resulting from contract manufacturing activities will be recognised under "other revenue" and deducted from net sales. The 2006 income statement on a reported basis and on a pro forma basis is restated accordingly.

2. Income statement [1]

2.1 Foreword

Recurring operating profit: In view of the transactions and decisions of a one-time nature that are impacting UCB's results, the impact of those "non-recurring" items is shown separately. Besides EBIT (Earnings Before Interest and Taxes or operating profit), a line for "recurring EBIT" (REBIT or recurring operating profit), reflecting the ongoing profitability of the biopharmaceutical activities, is included. The recurring EBIT is equal to the line "Operating profit before impairment, restructuring and other income and expenses" reported in the consolidated financial statements.

Adjusted net profit: In view of the transactions and decisions of a one-time nature that are impacting UCB's results for both years under review, the impact of "non-recurring items" and "one-off items" will be highlighted separately. For like-for-like comparison purposes, a line with "Adjusted net profit", reflecting the ongoing after-tax profitability of the biopharmaceutical activities, is included. The Adjusted net profit is equal to the line "Profit" reported in the consolidated financial statements, adjusted for discontinued operations and the after-tax impact of non-recurring items and one-off items, including the acquisition related non-cash one-time inventory step-up.

Pro forma financial information: Further to the acquisition of a majority stake in Schwarz Pharma at the end of December 2006, the balance sheet of Schwarz Pharma had been included in UCB's consolidated balance sheet, whereas the Schwarz Pharma contribution to the income statement only has started to be reflected as of 1 January 2007. In order to provide the reader with a comparable basis, Pro forma financial information of the combined group for the full year 2006 has been incorporated in this Operating and Financial Review.

2.2 Net sales by product

€ million	**Actual 2007**	Pro Forma 2006	**Pro Forma Variance** At actual rates (%)	At constant rates (%)	**Reported Actual 2006**	**Reported Variance** Actual rates
Keppra®	**1 026**	**761**	35%	43%	**761**	35%
Zyrtec® (includ. Zyrtec®-D/Cirrus®)	**487**	**561**	-13%	-7%	**561**	-13%
Xyzal®	**168**	**143**	18%	19%	**143**	18%
Omeprazole	**147**	**192**	-24%	-17%		
Tussionex™	**114**	**105**	9%	19%	**105**	9%
Nootropil®	**101**	**99**	2%	2%	**99**	2%
Metadate™ CD/Equasym™ XL	**79**	**68**	15%	24%	**68**	15%
Neupro®	**52**	**10**				
Divested products / Change of control	**19**	**119**			**40**	
Other products	**995**	**1 087**	-8%	-8%	**400**	149%
Total Net Sales [1]	**3 188**	**3 144**	**1%**	**6%**	**2 177**	**46%**
North America	1 452	1 425	2%	10%	992	46%
Europe	1 351	1 311	3%	3%	826	64%
Rest of World	385	409	-6%	0%	359	7%
Net sales at constant perimeter [2]	**3 169**	**3 025**	**5%**	**9%**	**2 137**	**48%**
Average US$/EUR exchange rate	*1.369*	*1.255*	*-8.3%*		*1.255*	*-8.3%*
Average JPY/EUR exchange rate	*161.13*	*145.93*	*-9.4%*		*145.93*	*-9.4%*

[1] *excluding contract manufacturing sales (incl. Delsym™ post-divestment)*

[2] *excluding Bioproducts, Corifeo® rights, Gastrocrom®, OTC Europe and product losses due to change of control*

Net sales amount to €3 188 million or +1% higher than the year before on a pro forma basis (or +6% at constant exchange rates) and +46% on a reported basis. Currency impact is €131 million negative for the year, i.e. net sales would have amounted to €3 319 million, mainly as a result of the 8.3% deterioration in the US dollar and the 9.4% lower Japanese yen. Net sales at constant perimeter, i.e. excluding sales of the divested Bioproducts, Delsym™, OTC Europe and Corifeo® rights and product losses due to change of control (Rifun®), would have been 9% higher than last year at constant exchange rates.
The following products contributed to the 1% pro forma growth in sales (or +6% at constant exchange rates):

- **Blockbuster Keppra®** (*levetiracetam*) to treat epilepsy reaches net sales of €1 026 million which are 35% higher than last year in euro or +43% at constant exchange rates, thanks to substantial growth in North America (+46% at constant exchange rates), Europe (+35%) and Rest of World (+50%) supported by new indications and forms, extending market leadership in the USA and Europe.

- **The allergy product Zyrtec®** (*cetirizine*, including Zyrtec®-D/Cirrus®) net sales decrease 13% from €561 million to €487 million but are down 7% excluding the impact of currency, reflecting a slow-down in the USA prior to patent expiry on 25 December 2007, a decrease

[1] *Due to roundings, some financial data may not apparently add-up in the tables included in this Operating and Financial Review.*

of 10% in European sales due to further genericisation and Xyzal® substitution, a substantial 16% drop in Japanese sales (or -7% at constant exchange rates) further to below average pollen season and generic competition, and lower Emerging Markets sales (-8% at constant exchange rates).

- **The allergy product Xyzal®** net sales of €168 million are up by 18% compared to 2006 and +19% at constant exchange rates, supported by growth in Europe and the Rest of World. Xyzal® USA sales are not consolidated but UCB's part of the profit-sharing agreement with sanofi-aventis is reported under the line "other revenue". The growth in Europe of 16% from €124 million to €143 million more than off-sets the decline in Zyrtec® net sales of €11 million. Net sales of Xyzal® in Emerging Markets improve by 25% at constant exchange rates to €22 million.

- **The gastro-intestinal generic *omeprazole*** net sales reach €147 million, 24% lower than last year on a pro forma basis (or -17% at constant exchange rates), mainly as a result of further generic entries in the last quarter of the year.

- **Anti-tussive Tussionex™** net sales of €114 million increase by 9% compared to last year or +19% at constant exchange rates due to good in-market performance and the absence of a cough and cold season in the first quarter of 2006.

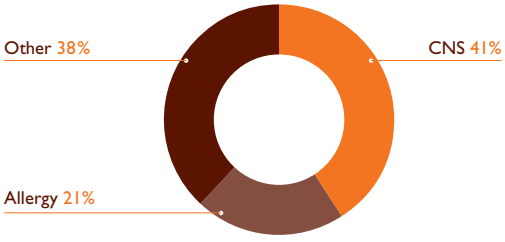
- **Cognitive disorders Nootropil®** net sales are growing 2% from €99 million to €101 million, essentially driven by solid sales in European emerging countries.

- **Attention deficit hyperactivity disorder Metadate™ CD/Equasym™ XL** net sales of €79 million are up by 15% or +24% at constant exchange rates thanks to sustained in-market performance in the USA and further launches in Europe and Rest of World. This product is sold under the trademark Metadate™ CD in the USA (€65 million or +12% growth at constant exchange rates) and Equasym™ XL in Europe and Rest of World (€12 million and €2 million respectively, further to multi-country launches).

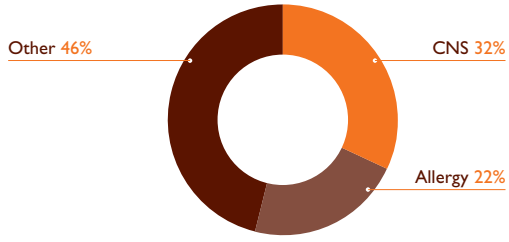
- **The Parkinson's patch Neupro®** shows net sales growing significantly from €10 million in 2006 to €52 million in 2007 as a result of successful uptakes in Europe, mainly in the UK, Spain, Germany, and the USA launch since July 2007.

- **Other products:** sales of divested products (OTC Europe, Delsym™, etc.) and products subject to change of control provisions (e.g. Rifun® in Germany) are €100 million lower than last year on a pro forma basis. Excluding the sales of divested products and products subject to change of control, net sales for other products decrease 8% from €1 087 million to €995 million, with the main negative contributors being the USA products facing generic competition (Verelan®, *moexipril*, etc.).

2007 Net sales
€ 3 188 million



Pro Forma 2006 Net sales
€ 3 144 million



2.3. Net sales by geographical area

All geographical areas, except Japan, contributed to the 1% growth in 2007 compared to 2006 pro forma (or +6% at constant exchange rates):

- **North America** net sales reported by UCB amount to €1452 million in 2007 (or US$1987 million) up by 2% from the year before on a pro forma basis (or +10% at constant exchange rates). Keppra® net sales have continued their steady growth and account for €645 million (or US$883 million) in 2007, up by 46% year-over-year at constant exchange rates. USA net sales include the share of the gross profit generated on Zyrtec® and Zyrtec®-D by the Pfizer/UCB co-promotion as well as the sales of *cetirizine* active ingredient to Pfizer. Given the net sales (including the Caribbeans) realised by Pfizer and UCB amounted to US$1541 million in 2007, UCB recorded its 25% share of the co-promotion gross profit or approximately 21% of net sales, i.e. €227 million, in addition to the €10 million sales of bulk *cetirizine*, totalling €237 million for 2007, down by 6% compared to 2006 at constant exchange rates. *Omeprazole* net sales represent €147 million, 24% lower than the €192 million of the previous year (or -17% at constant exchange rates), mainly as a result of further generic entry in the last quarter of the year. Due to good in-market performance and the absence of a cough and cold season in the first quarter of 2006, Tussionex™ net sales increase by 19% at constant exchange rates from €105 million in 2006 to €114 million in 2007. The attention deficit hyperactive deficit drug Metadate™ CD has benefited from new dosage forms and market share gains, resulting in net sales growing by 12% at constant exchange rates to €65 million. Neupro® uptake for 6 months after the July 2007 launch already represents €10 million. The net sales of other products amount to €234 million, a decrease of €75 million in comparison to 2006 pro forma, incorporating the negative impact of US genericised products such as Verelan® or *moexipril*.

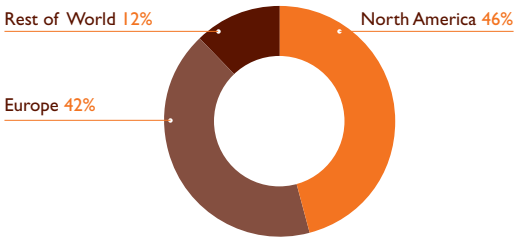
• **Europe** net sales total €1 351 million in 2007 up by 3% compared to 2006 at both actual and constant exchange rates. Excluding divested products (Corifeo®, OTC Europe) and impact of change of control provisions (e.g. Rifun®), Europe net sales would have increased by 10%. Keppra® net sales represent €340 million, an increase of 35% compared to the same period the year before at both actual and constant exchange rates. The 16% growth in Xyzal® from €124 million to €143 million has more than compensated for the decrease in Zyrtec® and Cirrus® net sales from €100 million to €89 million. Nootropil® still accounts for €75 million of Europe net sales, reflecting a 3% increase, mainly driven by sales in European emerging countries. Neupro® net sales of €42 million in 2007 reflect a fast uptake in main launched markets (UK, Spain, Germany). All other products contribute €662 million to the Europe net sales, a reduction of €92 million versus the previous year on a pro forma basis, of which €84 million further to divestments and change of control provisions.

€ million	Actual 2007	Pro Forma 2006	2007 / 2006 variance At actual rates € million	%	At constant rates € million EUR	%	Reported Actual 2006	Reported Variance Actual rates
USA								
Keppra®	645	482	162	34%	221	46%	482	34%
Zyrtec® (including Zyrtec®-D)	237	273	(37)	-13%	(15)	-6%	273	-13%
Tussionex™	114	105	9	9%	20	19%	105	9%
Metadate™ CD	65	63	2	3%	8	12%	63	3%
Omeprazole	147	192	(45)	-24%	(32)	-17%		
Neupro®	10	0	10		11			
Other products	234	310	(75)	-24%	(75)	-24%	68	
Net sales North America [1]	**1 452**	**1 425**	**27**	**2%**	**138**	**10%**	**992**	**46%**
@ constant perimeter [2]	***1 452***	***1 411***	***41***	***3%***	***151***	***11%***	***978***	***48%***
Europe								
Keppra®	340	251	88	35%	88	35%	251	35%
Zyrtec® (including Cirrus®)	89	100	(10)	-10%	(10)	-10%	100	-10%
Xyzal®	143	124	20	16%	20	16%	124	16%
Neupro®	42	10	32		32			
Nootropil®	75	73	2	3%	1	2%	73	3%
Other products	662	754	(92)	-12%	(93)	-12%	279	137%
Net sales Europe [1]	**1 351**	**1 311**	**40**	**3%**	**40**	**3%**	**826**	**64%**
@ constant perimeter [2]	***1 332***	***1 208***	***124***	***10%***	***119***	***10%***	***803***	***66%***
Rest of World								
Keppra®	41	27	14	50%	15	54%	27	50%
Zyrtec® (including Cirrus®)	161	188	(27)	-14%	(13)	-7%	188	-14%
Xyzal®	22	19	3	18%	5	25%	19	18%
Nootropil®	26	26	0	0%	0	2%	26	0%
Other products	135	149	(14)	-9%	(6)	-4%	99	36%
Net sales Rest of World	**385**	**409**	**(24)**	**-6%**	**1**	**0%**	**359**	**7%**
@ constant perimeter [2]	***385***	***406***	***(21)***	***-5%***	***4***	***1%***	***356***	***8%***
Total net sales [1]	**3 188**	**3 144**	**44**	**1%**	**175**	**6%**	**2 177**	**46%**
@ constant perimeter [2]	***3 169***	***3 025***	***144***	***5%***	***275***	***9%***	***2 137***	***48%***

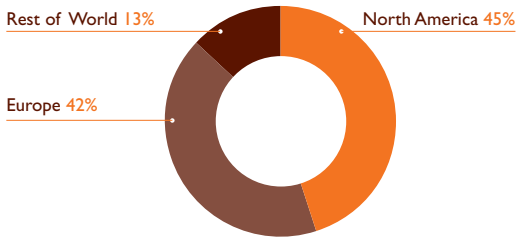
[1] *excluding contract manufacturing sales (incl. Delsym™ post-divestment)*
[2] *excluding Bioproducts, Corifeo® rights, Gastrocrom®, OTC Europe and product losses due to change of control*

• **Rest of World** net sales amount to €385 million in 2007, a decrease of 6% (or +0% at constant exchange rates). In Japan, below average pollen season and generic competition for the first time in 2007 have caused Zyrtec®'s net sales to decrease from €138 million to €116 million or -7% at constant exchange rates. Furthermore in other Rest of World countries, Zyrtec® net sales have come down by 8% at constant exchange rates from €50 million to €45 million, whilst Xyzal® net sales have improved 25% at constant exchange rates from €19 million to €22 million. At constant exchange rates, Keppra® net sales grow 54% year-over-year, Nootropil® net sales go-up slightly and other products net sales decrease by 4%.

2007 Net sales
€ 3 188 million



Pro Forma 2006 Net sales
€ 3 144 million



2.4 Royalty income and expenses

€ million	Actual 2007	Pro Forma 2006	Pro Forma Variance At actual rates (%)	Pro Forma Variance At constant rates (%)	Reported Actual 2006	Reported Variance Actual rates
Royalty income & fees	**294**	**340**	**-14%**	**-11%**	**335**	**-12%**
Zyrtec® USA	149	152	-2%		152	-2%
Biotechnology IP	121	172	-30%		172	-30%
Other	25	17	49%		11	122%
Royalty expenses	**(55)**	**(61)**	**-9%**	**-9%**	**(61)**	**-9%**
Biotechnology IP	(40)	(54)	-26%		(54)	-26%
Other	(15)	(6)	128%		(6)	128%
Net Royalty income & fees	**239**	**280**	**-14%**	**-11%**	**274**	**-13%**

Net royalty income & fees for 2007 amount to €239 million, down by 14% compared to the same period last year on a pro forma basis or -11% at constant exchange rates:

- The royalty income & fees amount to €294 million in 2007, decreasing by 11% at constant exchange rates compared to last year. Whilst in-market Zyrtec® US net sales have decreased from US$1568 million in 2006 to US$1541 million in 2007, Pfizer royalties are calculated as approximately twelve percent of net sales before recognition of significant returns reserve related to patent expiry. Biotechnology intellectual property has generated €121 million of royalty income in 2007 with strong underlying sales for third-party products (e.g. Herceptin®, Avastin®, Lucentis®), but compares unfavourably to 2006 with €172 million of royalty income & fees which included a one-time income related to retro-active payments for toll-manufacturing fees (€15 million) and Boss-related receipts on Remicade® (€40 million) which are discontinued since the 2006 expiry of the Boss agreement.
- The royalty expenses of €55 million, which are recognised in the cost of goods sold, are reduced by 9% compared to the year before due to the expiry of the Boss agreement, partially off-set by increased royalty expenses on higher net sales of Xyzal® and *nifedipine* (a treatment for vasospastic angina, chronic stable angina and treatment of high blood pressure).

2.5 Other revenue

€ million	Actual 2007	Pro Forma 2006	Pro Forma Variance % Actual rates	Pro Forma Variance % Cst rates	Reported Actual 2006
Fesoterodine milestones	48	80			
Biogen IDEC milestones		24			24
Xyzal® USA milestones/profit sharing	32	4			4
Contract manufacturing sales	50	38			11
Provas™ profit sharing	12				
Other	2				
Other revenue	**144**	**146**	**-2%**	**4%**	**39**

In view of the increasing materiality of license agreements or profit-sharing agreements for the group, which income used to be recognised as part of other operating income and expenses, it has been decided to report the corresponding income in a separate line "other revenue". Also the net sales resulting from contract manufacturing activities will be recognised under "other revenue" and not presented as net sales. The 2006 income statement on a reported basis and on a pro forma basis is restated accordingly.

Other revenue for 2007 amounts to €144 million, down by 3% on a pro forma basis compared to the same period last year but up by 3% at constant exchange rates. Pro forma 2006 other revenue included €80 million of income recognised as part of the agreement with Pfizer on *fesoterodine*, for the treatment of overactive bladder, whilst there is €48 million recognised in the 2007 accounts. Recognition of approval and launch related milestones for Xyzal® USA as well as profit-sharing with sanofi-aventis on Xyzal® USA has generated €32 million in 2007, compared to only €4 million the previous year. Contract manufacturing sales have increased from €38 million on a pro forma basis in 2006 to €50 million in 2007, mainly as a result of full year impact of toll manufacturing agreement on Delsym™, which started only in June 2006 following the product divestment.

2.6 Gross profit

€ million	Actual 2007	Pro Forma 2006	Pro Forma Variance At actual rates (%)	Pro Forma Variance At constant rates (%)	Reported Actual 2006	Reported Variance Actual rates
Revenue	**3 626**	**3 631**	**0%**	**4%**	**2 551**	**42%**
Net sales	3 188	3 144	1%	6%	2 177	46%
Royalty income	294	340	-14%	-11%	335	-12%
Other revenue	144	146	-3%	3%	39	
Cost of sales	**(1 047)**	**(877)**	**19%**	**21%**	**(541)**	**94%**
Cost of sales products & services	(822)	(789)	4%	6%	(452)	82%
Royalty expenses	(55)	(61)	-9%	-9%	(61)	-9%
Inventory step-up	(93)					
Amortisation of intangible assets linked to sales	(77)	(28)	178%		(28)	178%
Gross profit	**2 579**	**2 754**	**-6%**	**-2%**	**2 010**	**28%**
Less: acquisition related inventory step-up	*93*					
Gross profit before inventory step-up	**2 672**	**2 754**	**-3%**	**2%**	**2 010**	**33%**
of which						
Products & services	*2 509*	*2 502*	*0%*	*5%*	*1 764*	*42%*
Net royalty income	*239*	*280*	*-14%*	*-11%*	*274*	*-13%*
Amortisation of intangible assets linked to sales	*(77)*	*(28)*	*178%*		*(28)*	*178%*

Gross profit:

- On a pro forma basis, gross profit of €2 579 million is 6% lower than 2006. Adjusted for the €93 million non-cash one-time impact of inventory step-up as required by IFRS, gross profit would have decreased by 3% (or increased by 2% at constant exchange rates), thanks to improved revenue at constant exchange rates.

- On a reported basis, gross profit amounts to €2 579 million in 2007, which is 28% more than in the same period of last year thanks to the consolidation of Schwarz Pharma. Adjusted for the €93 million non-cash one-time impact of inventory step-up as required by IFRS, gross profit would have increased by 33%.

As a percentage of revenue, gross profit before inventory step-up represents 73.7% in 2007, down from 75.8% in 2006 pro forma further to a significant increase in acquisition related amortisation expenses and a deterioration of the major currencies which impact predominantly the revenue, despite the currency hedging in place.

Cost of sales is composed of four main categories, namely the cost of sales for products and services, the royalty expenses, the inventory step-up as well as the intangible assets amortisation expenses linked to sales:

- **Cost of sales products and services:** The cost of sales for products and services increases by €33 million from €789 million in 2006 to €822 million in 2007 on higher underlying sales. The ratio of cost of sales/net sales (25.8% in 2007) increases slightly compared to 2006 pro forma (25.1%), reflecting adverse impact of currencies on net sales whilst main manufacturing sites are in the Eurozone.

- **Royalty expenses:** Royalties paid-out decrease from €61 million in 2006 to €55 million in 2007 as a result of lower patent related royalty expenses, mainly caused by expiry of the Boss agreement.

- **Inventory step-up:** As part of the Schwarz Pharma acquisition, UCB was required under IFRS to recognise acquired inventories at their fair value. The ensuing increase in inventory value of €93 million as of 31 December 2006 had to be recognised in the cost of sales over 2007 and represents a one-time charge of an equivalent amount but with no cash impact.

- **Intangible assets amortisation expenses linked to sales:** Under IFRS 3 (Business Combinations), UCB has reflected on its balance sheet a significant amount of intangible assets related to the Celltech and the Schwarz Pharma acquisitions (in-process R&D, manufacturing know-how, royalty streams, trade-names, etc.), which have given rise to amortisation expenses of €77 million in 2007, compared to €28 million in 2006, as a result of the Schwarz Pharma acquisition's recognition in the income statement starting in 2007.

2.7 Recurring EBIT and recurring EBITDA

€ million	Actual 2007	Pro Forma 2006	Pro Forma Variance At actual rates (%)	Pro Forma Variance At constant rates (%)	Reported Actual 2006	Reported Variance Actual rates
Revenue	**3 626**	**3 631**	**0%**	**4%**	**2 551**	**42%**
Net sales	3 188	3 144	1%	6%	2 177	46%
Royalty income & fees	294	340	-14%	-11%	335	-12%
Other revenue	144	146	-3%	3%	39	
Gross profit	**2 579**	**2 754**	**-6%**	**-2%**	**2 010**	**28%**
Marketing & selling expenses	(1 054)	(1 049)	0%	5%	(733)	44%
as a % of net sales	-33.1%	-33.4%			-33.7%	
Research & development expenses	(788)	(815)	-3%	-2%	(615)	28%
as a % of net sales	-24.7%	-25.9%			-28.3%	
General & administrative expenses	(267)	(315)	-15%	-12%	(196)	36%
as a % of net sales	-8.4%	-10.0%			-9.0%	
Other operating income / (expenses)	10	33			9	
Total operating expenses	**(2 098)**	**(2 147)**	**-2%**	**1%**	**(1 535)**	**37%**
Recurring EBIT (REBIT)	**480**	**608**	**-21%**	**-11%**	**475**	**1%**
excluding inventory step-up	**573**	**608**	**-6%**	**4%**	**475**	**21%**
+ Amortisation of intangible assets	93	62			36	
+ Depreciation charges	75	77			54	
+ Inventory step-up (non-cash IFRS one-off)	93					
Recurring EBITDA (REBITDA)	**741**	**747**	**-1%**	**7%**	**566**	**31%**

Operating expenses encompassing marketing and selling expenses, research and development expenses, general and administrative expenses and other operating income/ expenses reach €2 098 million in 2007, 37% higher than last year as a result of the consolidation of Schwarz Pharma. On a pro forma basis, operating expenses are 2% lower than the year before, reflecting:

- €5 million higher **marketing and selling** expenses or flat evolution of expenses, with continued investments behind sales growth and product launches (Neupro® and Xyzal® USA mainly) as well as preparation of expected launches but also with cost reductions following the initial integration and restructuring efforts.

- €27 million lower **research and development** expenses or a 3% reduction, with decreasing expenses linked to several Phase III studies successfully completed and cost reduction measures taken in the context of the integration whilst continuing to invest in our pipeline.

- €48 million lower **general and administrative** or 15% lower expenses, reflecting substantial savings due to functional redundancies between legacy Schwarz Pharma and UCB and cost containment.

- **Other operating income/(expenses)** amount to €10 million in 2007, which is €23 million lower than 2006 on a pro forma basis, due to lower cost amounts reimbursed by third parties and a reversal of provisions in 2006. In view of the increasing materiality of license agreements or profit-sharing agreements for the group, which income used to be recognised as part of the line "other operating income and expenses", it has been decided to report the corresponding income in a new category "other revenue".

Recurring EBIT is up by 1% on a reported basis, as a result of the consolidation of Schwarz Pharma. Excluding the €93 million non-cash one-time impact of inventory step-up as required by IFRS, recurring EBIT would have increased by 21%. On a pro forma basis, recurring EBIT, after inventory step-up, is down by 21%. Excluding the €93 million non-cash one-time impact of inventory step-up, pro forma recurring EBIT would have decreased by 6%. At constant exchange rates and disregarding impact of inventory step-up, recurring EBIT would be up by 4%.

Recurring EBITDA, which excludes the non-cash inventory step-up, is up by 31% on a reported basis to €741 million compared to 2006. On a pro forma basis, recurring EBITDA would have been 1% lower but higher by 7% at constant exchange rates, reflecting the increase in revenue and gross profit as well as the stable operating expenses.

2.8 Net Profit and Adjusted Net Profit

€ million	Actual 2007	Pro Forma 2006	Pro Forma Variance At actual rates (%)	Pro Forma Variance At constant rates (%)	Reported Actual 2006	Reported Variance Actual rates
Recurring EBIT	**480**	**608**	**-21%**	**-11%**	**475**	**1%**
Impairment charges	(36)	(26)			(4)	
Restructuring expenses	(123)	(35)			(22)	
Other non recurring income/(expenses)	23	122			122	
Restructuring & non recurring income/(expenses)	(136)	61			97	
EBIT (Operating Profit)	**344**	**669**	**-48%**	**-40%**	**571**	**-40%**
Net financial expenses	(125)	(48)			(54)	
Profit before income taxes	**219**	**620**	**-65%**	**-56%**	**517**	**-58%**
Income tax expenses	(60)	(228)			(150)	
Profit from continuing operations	**159**	**392**	**-59%**	**-50%**	**367**	**-57%**
Add: profit from discontinued operations	2	0			0	
Less: minority interests	(1)	(1)			0	
Net profit	**160**	**391**	**-59%**	**-49%**	**367**	**-56%**
Less: after-tax non-recurring items & financial one-offs	98	(49)			(49)	
Less: profit from discontinued operations	(2)				(0)	
Addback: after-tax inventory step-up	57					
Less: tax one-offs	(21)					
Adjusted net profit (after minority interests)	**292**	**343**	**-15%**	**-5%**	**318**	**-8%**

- **Restructuring and non-recurring income/ (expenses)** amount to €(136) million pre-tax and €(98) million after-tax, and are significantly lower than last year, which incorporated substantial capital gains on the sale of products/activities and much lower restructuring expenses. The 2007 non-recurring items predominantly include:
  - Capital gain on sale of Cytec shares €29 million pre-tax
  - Capital gain on sale of OTC Europe €19 million pre-tax
  - Impairment charges (tangible and intangible assets) - €36 million pre-tax
  - Cimzia® start-up and other related expenses - €23 million pre-tax
  - Restructuring and integration expenses - €123 million pre-tax
- **Net financial expenses** in 2007 are €71 million higher than last year, as a result of the interest charges linked to the incremental debt secured for the acquisition of Schwarz Pharma. On a pro forma basis, the financial expenses have increased by €77 million.
- The average **tax** rate on recurring activities is 33% in 2007 compared to 27% in the prior year when Schwarz Pharma's financials were not consolidated. When including non-recurring items, the average tax rate increases to 37% as a result of the low taxes applying to restructuring expenses. This compares with 37% on a pro forma basis, reflecting the relatively higher tax rates of Schwarz Pharma entities. As a result of the impact on the deferred tax liabilities recognised on the balance sheet for the change in corporate taxation in Germany and in the UK and of the merge of the corporate structure of Schwarz Pharma's non-German entities into UCB's corporate structure, approximately €21 million of tax credits have been recognised in the 2007 results.

	Actual 2007	Pro Forma 2006	Reported Actual 2006
Average tax rate (excluding tax one-offs)	37%	37%	29%
on **recurring** profit before taxes	33%	37%	27%
on **non-recurring** profit before taxes	28%	36%	37%
Average tax rate (excluding tax one-offs)	27%	37%	29%

- **Net profit** for the year reaches €160 million, i.e. €231 million or 59% below prior year on a pro forma basis, reflecting increased financial expenses in connection with the acquisition, one-time non-cash impact of IFRS related inventory step-up (€93 million pre-tax, €57 million after-tax), and reduced after-tax contribution of non-recurring items and financial one-offs (€98 million negative after-tax contribution versus €49 million positive in 2006 pro forma). **Net Profit** for the year 2007 of €160 million is €207 million or 56% below prior year on a reported basis, reflecting the addition of Schwarz Pharma, increased financial expenses in connection with the acquisition, one-time non-cash impact of IFRS related inventory step-up (€93 million pre-tax, €57 million after-tax), and reduced after-tax contribution of non-recurring items and financial one-offs €98 million negative after-tax contribution versus €49 million positive in 2006).
- Adjusting for the after-tax impact of non-recurring items and financial one-offs, for the after-tax contribution from discontinued operations, for the one-time non-cash after-tax impact of the inventory step-up and for tax one-offs, **Adjusted net profit** reaches €292 million, which is 15% below the €343 million of pro forma adjusted net profit for 2006 (or -5% at constant exchange rates), with operating performance not compensating the incremental acquisition related financial expenses and intangible amortisation expenses.

3. Schwarz Pharma's purchase price allocation update

The closing of the extended tender offer on Schwarz Pharma's shares took place on 28 December 2006 and consequently, the consolidated balance sheet of Schwarz Pharma had been consolidated as at 31 December 2006 applying the purchase method of accounting. The consolidated income statement of Schwarz Pharma started to be fully consolidated as from 1 January 2007. As indicated in the 2006 Management Report, the purchase price allocation presented then was provisional and might, in conformity with IFRS 3, change in the course of 2007.

The main changes in the Purchase Price Allocation as of 31 December 31 2006 between the 2006 closing and the 2007 closing are as follows:

€ million	Schwarz Pharma 31 Dec., 2006	Purchase Price Allocation as at 31 December 2006 Provisional	Final	Incl. Purchase New shares guaranteed div.
Intangible fixed assets	106	1 817	1 767	1 767
Goodwill	42			
Tangible fixed assets	179	212	211	211
Other assets	111	26	105	105
Inventory	97	193	190	190
Other current assets	262	262	256	256
Net cash	263	263	265	265
Total Assets	1 060	2 773	2 794	2 794
Long-term liabilities	81	122	78	443
Deferred tax liabilities		691	671	671
Current liabilities	414	414	546	564
Total Liabilities	495	1 227	1 295	1 679
Fair Value 100% of Net Assets	565	1 546	1 499	1 116
Minority interests		(204)	(197)	0
Fair Value Acquired Net Assets (UCB %)	491	1 342	1 302	1 116
Goodwill for UCB %		2 775	2 819	3 088
Acquisition cost for UCB %		4 117	4 120	4 203
UCB percentage ownership		86.8%	86.8%	100.0%

- **Acquired shares:** Since 31 December 2006 UCB has acquired an additional 1.8% of Schwarz Pharma shares and owns as of 31 December 2007 89.2% of the shares and 88.6% on a fully diluted basis.

- **Fair value of acquired net assets:** The fair value of acquired Schwarz Pharma net assets at 100% as at 31 December 2006 has not materially changed between the provisional situation as at 31 December 2006 (€1546 million) and the final situation as at 31 December 2007 (€1499 million), mainly driven by the recognition of reduced valuation of intangible assets, increased deferred tax assets and increased current liabilities.

- **Balance sheet recognition of guaranteed dividend:** As part of the Domination and Profit Transfer Agreement with Schwarz Pharma AG, UCB guarantees a gross dividend of €3.43 per Schwarz Pharma share for its remaining shareholders. The recognition of the guaranteed dividend as another financial liability for approximately 5.2 million shares represents €384 million on a discounted basis. Whilst this incremental other financial liability reduces the fair value of net assets by €384 million, minority interests reflecting the remaining share ownership outside of UCB are reduced to nil and goodwill, including further purchases of Schwarz Pharma shares in 2007, increases by €269 million to €3 088 million.

4. Capital expenditure

The tangible capital expenditure resulting from UCB's biopharmaceutical activities amounts to €220 million in 2007 compared to €65 million in 2006.

The 2007 investments reflect essentially the upgrade and extension of the Shannon (Ireland) facility, the acquisition of new equipment for R&D, the investments for the Cimzia® manufacturing, supply and delivery mechanism, the investments for products yet to be commercialised as well as continued manufacturing maintenance and improvements.

In addition, as foreseen in the agreement between UCB and Lonza for the manufacturing by Lonza of PEGylated antibody fragment based bulk actives, UCB has participated in the pre-financing of the related capital expenditure. An additional amount of €23 million has been accounted for in 2007 (compared to €95 million at the end of 2006) as a pre-payment and is recognised in expenses over the life of the contract from the time the assets will be in use.

5. Balance sheet

€ million	2007 31 Dec.	2006 31 Dec. Restated	Variance %	2006 31 Dec. Reported
Non-current assets	**7 900**	**8 210**	**-4%**	**8 143**
Intangible assets	2 293	2 487	-8%	2 537
Goodwill	4 403	4 391	0%	4 346
Other non-current assets	1 204	1 333	-10%	1 260
Current assets	**1 655**	**2 350**	**-30%**	**2 355**
Total Assets	**9 555**	**10 560**	**-10%**	**10 498**
Shareholders' equity	**4 264**	**4 771**	**-11%**	**4 778**
Capital and reserves	4 103	4 207		4 207
Profit for the period	160	367		367
Minority interests	1	198		204
Non-current liabilities	**3 404**	**4 276**	**-20%**	**4 199**
Current liabilities	**1 887**	**1 513**	**25%**	**1 521**
Total liabilities and shareholders' equity	**9 555**	**10 560**	**-10%**	**10 498**
Net debt	**(1 915)**	**(2 108)**	**-9%**	**(2 108)**
Liquid assets	505	1 006		1 006
Financial debt	(2 420)	(3 114)		(3 114)

(1) *before profit distribution for the current year*

The balance sheet as presented at 31 December 2007 incorporates the balance sheet of Schwarz Pharma, including the revised purchase price allocation. See section above on Schwarz Pharma's purchase price allocation update for differences between the restated 31 December 2006 figures and the published ones. As Schwarz Pharma's balance sheet was already included in the consolidated balance sheet of UCB as at 31 December 2006, the figures in the table above should be comparable:

- **Intangible assets:** Further to ongoing amortisation of the intangible assets related to the acquisition of Celltech and Schwarz Pharma (€77 million) and to significant currency impact (-10% depreciation of the closing US dollar rate between end 2006 and end 2007), intangible assets decrease by €194 million from €2 487 million as at 31 December 2006 to €2 293 million as at 31 December 2007.

- **Goodwill:** Limited variance of + €12 million in goodwill between 31 December 2006 and 31 December 2007 reflects an increase in goodwill resulting from the recognition of the guaranteed dividend owed to minority shareholders of Schwarz Pharma (see section above on Schwarz Pharma's purchase price allocation update), almost off-set by impact of the declining US dollar.

- **Other non-current assets:** The level of other non-current assets decreases by €128 million, driven by the sale of the Cytec shares with a carrying value of €248 million as of end 2006, off-set by an increase in deferred tax assets recognition, tangible fixed assets and further advance payments for the Lonza bio-manufacturing facility.

- **Current assets:** The steep decrease in current assets from €2 350 million to €1 655 million stems from the reduction in cash and cash equivalents by €495 million. Furthermore, trade and other receivables reduce from €795 million to €746 million through better receivable management and currency impact, whilst the level of inventories decreases from €429 million as of end 2006 to €307 million as of end 2007, which stems from recognition in cost of goods sold of the inventory step-up of €93 million, better inventory management and currency fluctuations.

- **Shareholders' equity:** UCB's shareholders' equity, at €4 264 million, decreases by €507 million between 31 December 2006 and 31 December 2007. Whilst equity increases by the amount of net profit (€160 million), equity decreased by €165 million for the dividends declared on the 2006 results, by €197 million corresponding to the de-recognition of minority interests following the recognition of the guaranteed dividend and by €304 million caused mainly by cumulative translation adjustments due to the declining US dollar and Japanese yen as well as fair value adjustments recognised in equity.

- **Non-current liabilities:** The decrease in non-current liabilities from €3 427 million to €3 404 million is mainly a consequence of the €291 million decrease in long-term financial debt following decrease of cash levels, as well as of a decrease of deferred tax liabilities due to tax allowance on amortisation expenses and currency fluctuations, off-set by the recognition of the €366 million long-term portion of the €384 million related to the guaranteed dividend (see section above on Schwarz Pharma's purchase price allocation update).

- **Current liabilities:** The decrease in the current liabilities from €2 362 million to €1 887 million is predominantly caused by a €397 million decrease in short-term financial debt to reduce cash levels, combined with a decrease of €90 million in current income tax liabilities.

- **Net debt:** The net debt of €(1 915) million represents a reduction of €193 million (see cash flow section hereafter reflecting €289 million free cash flow from continuing operations combined with dividend payment of €164 million and reduction of the debt further to the currency fluctuation on the portion of the debt denominated in US dollar).

6. Cash flow statement

€ million	2007 Actual	2006 Actual
Profit from continuing operations	**160**	**367**
Non cash items	223	(60)
Change in working capital	107	14
Cash flow from operating activities	**490**	**321**
Cash flow from investing activities	**(201)**	**(1 649)**
of which tangible fixed assets purchase	(220)	(65)
of which intangible assets purchase	(31)	(65)
of which settlement Schwarz Pharma shares	(217)	(1 767)
of which divestments	271	243
Free cash flow from continuing operations	**289**	**(1 328)**
Cash flow from financing activities	**(766)**	**1 884**
Proceeds/(outflows) from discontinued operations	**(1)**	**(12)**
Change in cash	**(478)**	**544**

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

- **Cash flow from operating activities:** The €160 million net profit, adjusted positively for the one-time non-cash inventory step-up charge and corrected negatively for non-recurring capital gains, combined with a much improved working capital, supports an increase in the cash flow from operating activities from €321 million in 2006 to €490 million in the comparable period of 2007.

- **Cash flow from investing activities:** Tangible fixed assets additions amount to €220 million, reflecting mainly the progress in the construction of a manufacturing extension in Shannon (Ireland). There are also €217 million of cash outflows related to the acquisition of Schwarz Pharma (including the second cash settlement that took place in January and further purchases after registration of the Domination and Profit Transfer Agreement). Tangible fixed assets additions and Schwarz Pharma acquisition related cash outflows are partially offset by the proceeds from the sale of the Cytec shares (€248 million as announced in March) and other divestments. Cash flow from investing activities of €(201) million in 2007 shows a significant improvement compared to the 2006 level of €(1 649) million, which included the first cash settlement for the acquisition of Schwarz Pharma shares for €(1 767) million.

- **Cash flow from financing activities:** The payment of the dividend related to the 2006 results amounts to €164 million. Furthermore €600 million of cash was used to repay debt. Cash flow from financing activities, including purchase of own shares for €2 million, subsequently amounts to €(766) million.

7. Outlook 2008

It is expected that 2008 will again be a year of progress in the execution of UCB's strategy and of substantial investment in the company's future growth.

- **Revenue** is expected to decrease from 2007 level of €3.6 billion to approximately €3.4 billion due, in substantial part, to the patent expiry of Zyrtec® in the USA, and the expected start of generic competition to Keppra® in November 2008, as well as further deterioration of major currencies versus the euro, despite further anticipated growth in Keppra® until the start of USA generic competition and positive impact of newly launched products Xyzal® (USA) and Neupro®.

- Notwithstanding incremental marketing and selling expenses in connection with product launches and preparatory activities in view of expected launches, operating expenses should be declining somewhat as a result of the continued restructuring and cost containment efforts.

Recurring EBITDA is expected to end the year at approximately €650 million, as continued investments in both marketing and selling and R&D as well as the anticipated gross profit loss due to the revenue decline cannot be fully compensated by the higher synergies.

- In view of the registration of the Domination and Profit Transfer Agreement in July 2007, UCB had to offer €104.60 per Schwarz Pharma share for the remaining shares of Schwarz Pharma it does not own or a guaranteed gross dividend of €3.43 per share. If all remaining Schwarz Pharma shares (5.2 million shares) were tendered, the net debt of UCB would increase after settlement by approximately €550 million, which would result in a significant increase of **financial expenses** compared to 2007.

- **Net profit**, after non-recurring and one-time items, is expected to exceed €100 million in 2008.

Consolidated Financial Statements

Consolidated income statement

For the year ended 31 December - € million	Note	2007	2006
Continuing operations			
Net sales	5	3 188	2 177
Royalties	5	294	335
Other revenue	5.9	144	39
Revenue		**3 626**	**2 551**
Cost of sales		(1 047)	(541)
Gross profit		**2 579**	**2 010**
Marketing & selling expenses		(1 054)	(733)
Research & development expenses		(788)	(615)
General & administrative expenses		(267)	(196)
Other operating income and expenses	12	10	9
Operating profit before impairment, restructuring and other income and expenses		**480**	**475**
Impairment of non-financial assets	13	(36)	(4)
Restructuring expenses	14	(123)	(22)
Other income and expenses	8.15	23	122
Operating profit		**344**	**571**
Financial income	16	41	17
Financing costs	16	(166)	(71)
Profit before income taxes		**219**	**517**
Income tax expense	17	(60)	(150)
Profit from continuing operations		**159**	**367**
Discontinued operations			
Profit from discontinued operations	**7**	**2**	**-**
Profit		**161**	**367**
Attributable to:			
Equity holders of UCB S.A.		160	367
Minority interest		1	-
Basic earnings per share (€)			
from continuing operations	35	0.88	2.54
from discontinued operations	35	0.01	0.00
Total basic earnings per share		**0.89**	**2.54**
Diluted earnings per share (€)			
from continuing operations	35	0.86	2.48
from discontinued operations	35	0.01	0.00
Total diluted earnings per share		**0.87**	**2.48**

Consolidated balance sheet

At 31 December - € million	Note	2007	2006
ASSETS			
Non-current assets			
Intangible assets	18	2 293	2 487
Goodwill	19	4 403	4 391
Property, plant and equipment	20	758	665
Deferred income tax assets	29	210	186
Employee benefits	30	10	14
Financial and other assets (including derivative financial instruments)	21.34	226	467
Total non-current assets		**7 900**	**8 210**
Current assets			
Inventories	22	307	429
Trade and other receivables	23	746	795
Income tax receivables		27	92
Financial and other assets (including derivative financial instruments)	21.34	96	60
Cash and cash equivalents	24	479	974
Total current assets		**1 655**	**2 350**
Total assets		**9 555**	**10 560**
EQUITY AND LIABILITIES			
Equity			
Capital and reserves attributable to UCB shareholders	25	4 263	4 573
Minority interest		1	198
Total equity		**4 264**	**4 771**
Non-current liabilities			
Borrowings	27	1 906	2 200
Other financial liabilities (including derivative financial instruments)	28.34	376	-
Deferred income tax liabilities	29	700	822
Employee benefits	26.30	126	136
Provisions	31	268	234
Other liabilities	32	29	35
Total non-current liabilities		**3 405**	**3 427**
Current liabilities			
Borrowings	27	514	914
Other financial liabilities (including derivative financial instruments)	28.34	35	9
Provisions	31	75	40
Trade and other liabilities	32	1 108	1 155
Income tax payables		154	244
Total current liabilities		**1 886**	**2 362**
Total liabilities		**5 291**	**5 789**
Total equity and liabilities		**9 555**	**10 560**

Consolidated cash flow statement

For the year ended 31 December - € million	Note	2007	2006
Profit for the year attributable to equity holders of UCB S.A.		**160**	**367**
Minority interest		1	0
Depreciation of property, plant and equipment	10.20	75	54
Amortisation of intangible assets	10.18	85	36
Impairment of non-financial assets	10.13	36	4
Loss/(gain) on disposals of property, plant and equipment		(5)	0
Loss/(gain) on disposals other than property, plant and equipment		0	(77)
Equity settled share-based payment expense	26	10	5
Profit from discontinued operations	7	(2)	0
Profit from disposed operations, other than discontinued operations		(48)	(59)
Net interest (income)/expense	16	133	51
Net non-cash financing costs		38	60
Financial instruments – change in fair value	16	(14)	(7)
Dividend income	16	(1)	(2)
Income tax expense	17	60	150
Cash flow from operating activities before changes in working capital, provisions and employee benefits		**528**	**582**
Decrease/(increase) in inventories		108	(14)
Decrease/(increase) in trade & other receivables and other assets		47	(125)
Increase/(decrease) in trade & other payables		45	153
Net movement in provisions and employee benefits		19	(37)
Net cash generated from operating activities		**747**	**559**
Interest received		78	78
Interest paid		(160)	(140)
Income taxes paid		(175)	(176)
CASH FLOW FROM OPERATING ACTIVITIES		**490**	**321**
Acquisition of intangible assets	18	(31)	(65)
Acquisition of property, plant and equipment	20	(220)	(65)
Acquisition of subsidiaries, net of cash acquired	6	(217)	(1 767)
Acquisition of other investments		(4)	(4)
Proceeds from sale of intangible assets		0	116
Proceeds from sale of property, plant and equipment		13	5
Proceeds from sale of subsidiaries, net of cash disposed		0	-
Proceeds from sale of businesses, net of cash disposed	8	6	122
Proceeds from sale of other investments		251	7
Dividends received	16	1	2
CASH FLOW FROM INVESTING ACTIVITIES		**(201)**	**(1 649)**
Proceeds from issuance of share capital		3	0
Proceeds from borrowings	27	169	3 029
Repayment of borrowings	27	(769)	(990)
Payment of finance lease liabilities		(3)	(1)
Purchase of treasury shares	25	(2)	(29)
Dividend paid to UCB shareholders net of dividend paid on own shares		(164)	(125)
CASH FLOW FROM FINANCING ACTIVITIES		**(766)**	**1 884**
CASH FLOW FROM DISCONTINUED OPERATIONS		**(1)**	**(12)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(478)**	**544**
Cash and cash equivalents less bank overdrafts at the beginning of the year	24	934	395
Effect of exchange rate fluctuations		(12)	(5)
CASH AND CASH EQUIVALENTS LESS BANK OVERDRAFTS AT THE END OF THE YEAR	**24**	**444**	**934**

Consolidated statement of changes in equity

€ million	Share capital and share premium	Treasury shares	Retained earnings	Other reserves	Cumulative translation adjustments	Minority interest	Total stockholders' equity
Balance at 1 January 2006	438	(95)	2 140	1	(75)	-	2 409
Available-for-sale financial assets – net of tax	-	-	-	16	-	-	16
Cash flow hedges – net of tax	-	-	-	39	-	-	39
Currency translation adjustments	-	-	-	-	(49)	-	(49)
Net income/(expense) recognised directly in equity	-	-	-	55	(49)	-	6
Profit	-	-	367	-	-	-	367
Total recognised income/(expense)	-	-	367	55	(49)	-	373
Dividend relating to 2005	-	-	(125)	-	-	-	(125)
Share-based payments	-	-	5	-	-	-	5
Treasury shares	-	(30)	-	-	-	-	(30)
Issue of share capital – business combination	1 710	-	-	-	-	-	1 710
IFRS acquisition value surplus arising on business combination	-	-	-	231	-	-	231
Minority interest arising on business combination	-	-	-	-	-	198	198
Balance at 31 December 2006	2 148	(125)	2 387	287	(124)	198	4 771
Balance at 1 January 2007	2 148	(125)	2 387	287	(124)	198	4 771
Available-for-sale financial assets – net of tax	-	-	-	(29)	-	-	(29)
Cash flow hedges – net of tax	-	-	-	15	-	-	15
Net investment hedge	-	-	-	55	-	-	55
Currency translation adjustments	-	-	-	-	(358)	-	(358)
Net income/(expense) recognised directly in equity	-	-	-	41	(358)	-	(317)
Profit	-	-	160	-	-	-	160
Total recognised income/(expense)	-	-	160	41	(358)	-	(157)
Dividend relating to 2006	-	-	(164)	-	-	-	(164)
Share-based payments	-	-	10	-	-	-	10
Treasury shares	-	(2)	-	-	-	-	(2)
Issue of share capital – business combination	3	-	-	-	-	-	3
IFRS acquisition value surplus arising on business combination	-	-	-	-	-	-	-
Minority interest arising on business combination – domination and profit transfer agreement	-	-	-	-	-	(197)	(197)
Balance at 31 December 2007	2 151	(127)	2 393	328	(482)	1	4 264

Notes to the Consolidated Financial Statements

1. General information

UCB S.A. (UCB or the Company) and its subsidiaries (together the Group) is a global biopharmaceutical company specialising in the therapeutic fields of central nervous system disorders, allergy and respiratory diseases, immune and inflammatory disorders and oncology. The Group has research and development facilities in Belgium, Germany, Japan, the UK and the USA, production and packaging facilities in Belgium, China, Germany, India, Ireland, Italy, Japan, Switzerland and the USA and generate sales in 84 countries on all continents. Within the Group, only UCB Pharma S.A., which is a 100% affiliate, has a branch in the UK that is integrated in its accounts.

UCB S.A., the parent company, is a limited liability company incorporated and domiciled in Belgium. The registered office is at 60, Allée de la Recherche, B-1070 Brussels, Belgium.

UCB S.A. is listed on Euronext Brussels.

The Board of Directors approved these consolidated financial statements and the statutory financial statements of UCB S.A. for issuance on 28 February 2008. The shareholders will be requested to approve the consolidated financial statements and the statutory financial statements of UCB S.A. at their annual meeting on 24 April 2008.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use by the European Union. All IFRS issued by the International Accounting Standards Board (IASB) and effective at the time of preparing these consolidated financial statements have been adopted for use in the European Union through the endorsement procedure established by the European Commission.

The consolidated financial statements have been prepared using the historical cost convention, except that certain items including available-for-sale financial assets, derivative financial instruments and liabilities for cash-settled share-based payment arrangements are measured at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Following the acquisition of Schwarz Pharma at the end of 2006 using the purchase method of accounting, the purchase price allocation was not yet finalised at the moment of publication of last year's consolidated financial statements. The consolidated balance sheet as at 31 December 2006 in this document differs therefore from the one published last year. The differences are the result of the finalisation of the purchase price allocation (Note 6).

Standard, amendment and interpretations to existing standards effective in 2007

- IFRS 7, Financial Instruments - Disclosures, and the complementary amendment to IAS1, Presentation of Financial Statements – Capital Disclosures, introduce new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial instruments;
- IFRIC 8, Scope of IFRS 2, requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Group's financial statements; and
- IFRIC 10, Interim Financial Reporting and Impairment, prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

Standard and interpretations to existing standards effective in 2007 but not relevant

The following standard and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2007 but are not relevant for the Group's operations:

- IFRS 4, Insurance Contracts;
- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies; and
- IFRIC 9, Re-assessment of Embedded Derivatives.

Standard and interpretation to existing standards that are not yet effective in 2007 and have not been adopted early by the Group

The following standard, amendment and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group did not opt to early adopt:

- IFRS 8, Operating Segments, which replaces IAS 14 Segment Reporting (effective for annual periods beginning on or after 1 January 2009). IFRS 8 requires segment information to be disclosed based on the 'management

approach' which means using the information reviewed by the key decision makers of an entity. Once IFRS 8 is effective, segment reporting under International Financial Reporting Standards and US Generally Accepted Accounting Principles will converge except for some minor differences. The Group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears that the number of reportable segments might change, as well as the manner in which the segments are reported in order to be consistent with the internal reporting provided to the chief operating decision maker. As goodwill is allocated to cash-generating units based on segment level, the change might also require management to reallocate goodwill to the newly identified operating segments;

- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). This interpretation clarifies the treatment to be applied in certain special cases of employee benefits involving different entities of a group in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's financial statements;
- IFRIC 14, IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008). This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. This interpretation is currently investigated by management and is expected to have an insignificant impact on the Group's financial statements.

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the remaining difference after reassessment is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions external to the Group. Minority interest in the net assets of consolidated subsidiaries is identified separately from the Group's equity therein. Minority interest consists of the amount of this interest at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% to 50% of the voting rights. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in equity.

2.3 Segment reporting

A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those segments operating in other economic environments. A business segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different from those of other business segments.

The geographical segment is the Group's primary reporting format, and the secondary reporting format is the business segment. The risks and returns of the Group's operations are primarily determined by geographical elements, such as the different markets each with its particularities and specific laws and regulations, rather than the different products the Group produces and commercialises. The basis for allocating the costs between segments is based on the legal entity in the geographical area that incurs the cost. The Group's activities are in one business segment, biopharmaceuticals. There are no other significant classes of business, either singularly or in aggregate.

2.4 Foreign currency translation

Functional and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in euro, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in equity.

Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange difference arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially or wholly disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Revenue recognition

Revenue is recognised when it is probable that future economic benefits associated with the transaction will flow to the entity and that these benefits can be measured reliably.

Revenue represents amounts received and receivables for goods supplied to customers after deducting trade discounts, cash discounts related to Medicaid in the USA and similar programs in other countries, and volume rebates but excluding sales taxes.

Sales of goods

Revenue from sales of goods is recognised when:

- the significant risks and rewards of the ownership of goods are transferred to the buyer; the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Estimates of expected sales returns, charge-backs granted to government agencies, wholesalers, managed care and other customers are deducted from revenue at the time the related revenue is recorded or when the incentives are offered. Such estimates are calculated on the basis of historical experience and the specific terms in the individual agreements.

Sale of intellectual property

The principle rule of the sale of intellectual property is that the sale is recorded as income at the time of the sale. Where the Group assumes an obligation in connection with a sale of intellectual property, the income is recognised in accordance with the term of obligation. On the sale of the intellectual property when the final sale is conditional on future events, the amount is recorded as income at the occurrence of such future events. Revenue is measured at fair value of the consideration received or receivable.

Royalty income

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement.

Interest income

Interest is recognised on a time proportion basis that takes into account the effective yield on the asset.

Dividend income

Dividends are recognised when the shareholder's right to receive the payment is established.

2.6 Cost of sales

Cost of sales includes primarily the direct production costs, elated production overhead and the amortisation of the related intangible assets as well as services rendered. Start-up costs are expensed as incurred. Royalty expenses directly linked to goods sold are included in "Cost of Goods Sold".

2.7 Other revenue

Other revenue comprises the revenue generated through out-license and profit-sharing agreements as well as contract manufacturing agreements. This line item has been added due to the increased importance of such agreements for the Group. The related revenue for 2006 has been reclassified accordingly.

2.8 Research and Development

Internally-generated intangible assets - research and development expenditure

All internal research and development costs are expensed in the income statement as incurred. Due to the long development period and significant uncertainties relating to the development of new products, including risks regarding clinical trials and regulatory approval, it is concluded that the Group's internal development costs in general do not meet the capitalisation criteria in IAS 38 (Intangible Assets). Thus the technical feasibility criteria of IAS 38 are not considered fulfilled before regulatory approval is obtained.

Acquired intangible assets

For acquired in-process research and development projects the probability to develop a successful drug is reflected in the cost of the asset and the probability recognition criteria are therefore always considered satisfied. As the cost of acquired in-process research and development projects can often be measured reliably, these projects fulfil the criteria for capitalisation.

The intangible assets are amortised on a straight-line basis over their estimated useful life beginning from the moment when they are available for use.

2.9 Impairment of non-financial assets, restructuring expenses, other income and expenses

When the recoverable amount of an asset (i.e. an intangible asset, goodwill, or an element that is part of property, plant and equipment), being the higher of its fair value less costs to sell and its value in use, is less than the carrying amount, the carrying amount is reduced to its recoverable amount. This reduction is presented in the income statement as an impairment of non-financial assets.

The expenses made by the Group in order to be better positioned to face the economic environment in which it operates are presented in the income statement as restructuring expenses. It concerns a limited number of plans, unusual in nature and for significant amounts.

The capital gains and losses realised on the sale of intangible assets or property, plant and equipment as well as increases or reversals of provisions for litigations, other than tax litigations or litigations related to discontinued operations, are presented in the income statement as other income and expenses.

2.10 Income taxes

The income tax charge is based on the results for the year and includes current and deferred income taxes. These charges are recorded in the income statement except when they relate to items directly recorded in equity, in which case they are directly recorded in equity.

Current income tax is the amount of the income tax to pay based on the taxable profit of the period, as well as any adjustments relating to previous years. It is calculated using local tax rates enacted or substantially enacted at the reporting date.

Deferred income tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method.

Deferred income tax liabilities are generally recognised for all taxable temporary differences and deferred income tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that does not affect the taxable profit.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred income tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred income tax assets and liabilities are off-set when there is a legally enforceable right to set off current tax

assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.11 Intangible assets

Patents, licenses, trademarks and other intangible assets

Patents, licenses, trademarks and other intangible assets are initially recorded at cost. Where these assets have been acquired through a business combination, the cost will be the fair value allocated in the purchase method of accounting. Where these have been acquired other than through a business combination, the initial fair value will be the purchase price.

Intangible assets are amortised over their useful lives on a straight-line basis as from the moment they are available for use (i.e. when regulatory approval has been obtained). Estimated useful life is the lower of the contract life or the economic useful life (between 5 to 20 years). Trademarks are considered to have a definite economic useful life; therefore no intangible assets with an indefinite life have been identified.

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 to 5 years) on a straight-line basis.

2.12 Goodwill

Goodwill arises when the cost of a business combination at the date of acquisition is in excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill on acquisition of subsidiaries is presented on the face of the balance sheet, whereas the goodwill on acquisitions of associated companies is included in investments in associated companies.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The goodwill resulting from the Celltech and Schwarz Pharma acquisitions has been allocated to the cash-generating units reflecting the geographical reporting format. Therefore this goodwill is now allocated to Europe, North America and Rest of World.

As goodwill is considered to have an indefinite life, it is tested for impairment annually, and whenever there is an indication that it may be impaired, by comparing its carrying amount with its recoverable amount. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

In case the fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess remaining after reassessment is recognised immediately in the income statement.

2.13 Property, plant and equipment

All property, plant and equipment are carried at cost less accumulated depreciation and impairment losses except for property, plant and equipment under construction, which is carried at cost less accumulated impairment losses. Cost includes all directly attributable costs of bringing the asset to the working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Borrowing costs directly attributable to the acquisition, construction or production of an asset requiring a long preparation are not included in the cost of this asset but are expensed as incurred.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated.

Depreciation is charged so as to write-off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method to their estimated residual value. The depreciation is computed from the month the asset is ready to be used.

The residual value and the useful life of an asset is reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) are be accounted for as a change in an accounting estimate in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors).

The following useful lives are applicable to the main property, plant and equipment categories:

• Buildings	20 – 33 years
• Machinery	7 – 15 years
• Laboratory equipment	7 years
• Prototype equipment	3 years
• Furniture and fixtures	7 years
• Vehicles	5 – 7 years
• Computer equipment	3 years
• Asset held under finance lease	shorter of asset's useful life and leasing term

Gains and losses on disposals are determined by comparing the proceeds from disposal with the carrying amount and are recognised under "Other income and expenses" in the income statement.

Investment property is land and buildings held to earn rentals that are carried at amortised cost and depreciated on a straight-line basis over their estimated useful lives. The underlying useful lives correspond to those of self-used tangible assets. Given the insignificant amount of investment property, it is not separately presented in the balance sheet.

2.14 Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases

Assets held under finance leases are recognised as assets of the Group at the lower of their fair value and the present value of the minimum lease payments less cumulative depreciation and impairment losses. The corresponding liability to the lessor is included in the balance sheet as obligations under finance leases.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the Group adopts for depreciable assets that are owned. If there is reasonable certainty that the Group will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise the asset is depreciated over the shorter of the lease term and its useful life.

Operating leases

Lease payments under an operating lease are recognised in the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

2.15 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its intangible assets, goodwill and property, plant and equipment to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Irrespective of whether there is an indication of impairment, an impairment assessment of the intangibles not yet available for use and goodwill is carried out annually. These assets are not amortised.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. To determine the value in use, the Group uses estimates of future cash flows generated by the asset or the CGU, using the same methods as those used in the initial measurement of the asset or the CGU on the basis of the medium-term plans of each business activity.

In case of goodwill, a 10-year cash flow projection is used. For other intangible assets, the period used is the period of protection provided by the relevant patent or know-how.

Estimated cash flows are discounted using an appropriate long-term market interest rate that reflects the best estimate of the time value of money, the risks specific to the asset or the CGU and the economic conditions in the geographical regions in which the business activity associated with the asset or the CGU is located.

An impairment loss is recognised directly in the income statement. The assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. The reversal of the impairment is recognised in the income statement. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment losses on goodwill are never reversed.

2.16 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's financial market risk management policy. Derivative financial instruments are also categorised as held for trading unless they are designated as hedges.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in

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

Measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value and the transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method, less any impairment losses.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.17 Derivative financial instruments and hedging activities

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

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

Derivative financial instruments are initially recorded at fair value; attributable transaction costs are recognised in the income statement when incurred. Derivative financial instruments are subsequently re-measured at their fair value. The method of recognising the resulting gains or losses depends on whether the derivative financial instrument is designated as a hedging instrument and if so, the nature of the item being hedged. The Group designates derivative financial instruments as either cash flow hedges, fair value hedges or net investment hedges.

The Group documents at inception of the transaction the relationship between the hedging instrument and the hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, as to whether the derivative financial instruments that are used in hedging transactions are highly effective in off-setting changes in fair values or cash flows of hedged items.

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

Cash flow hedges

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges are recognised immediately in equity. The ineffective portion is recognised in the income statement within "financial income".

If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of a non-financial asset or a non-financial liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative financial instrument that had previously been recognised in equity are included in the initial measurement of the asset or liability.

If the cash flow hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in equity are reclassified to the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement.

A cash flow hedge relationship is discontinued prospectively if the hedge fails the effectiveness test, the hedging instrument is sold, terminated or exercised, management revokes the designation or the forecasted transactions is no longer highly probable. Where a forecasted transaction is no longer highly probable but still expected to occur, hedging gains and losses previously deferred in equity remain in equity until the transaction affects profit or loss. Once the forecasted transaction is no longer expected to occur, any gain or loss is released immediately to the income statement.

Fair value hedges

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

Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss

relating to the ineffective portion is recognised immediately in the income statement within "financial income". Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

Derivative financial instruments that do not qualify for hedge accounting

Certain derivative financial instruments do not qualify for hedge accounting. Changes in the fair value of any derivative financial instruments that do not qualify for hedge accounting are recognised immediately in the income statement within "Financial income".

2.18 Inventories

Raw materials, consumables and goods purchased for resale are valued at the lower of their cost or their net realisable value. Cost is determined using the weighted average cost method. The cost of work in progress and finished goods comprises all the costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The conversion costs include the cost of production and the related fixed and variable production overhead costs (including depreciation charges).

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.19 Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within "Net Sales". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

2.20 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.21 Non-current assets held for sale and discontinued operations

A discontinued operation is a component of the Company that either has been disposed of, or that is classified as held for sale. It represents a major separate line of business or geographical area of operations and is part of a single coordinated plan to dispose of; or is a subsidiary acquired exclusively with a view to resale. Non-current assets or a disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. A disposal group is defined as a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred. Immediately before classification as held for sale, the Company measures the carrying amount of the asset (or all the assets and liabilities in the disposal group) in accordance with the applicable accounting standard. Following the classification as held for sale, non-current assets and disposal groups are measured at the lower of the assets' previous carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in the income statement. The same applies to gains and losses on subsequent re-measurement. Non-current assets classified as held for sale are no longer depreciated or amortised.

2.22 Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. The Company did not issue any preference or mandatory redeemable preference shares.

Treasury shares

When any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including attributable direct costs (net of income taxes) is deducted from the equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.23 Borrowings

Borrowings and overdrafts are initially measured at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.24 Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

2.25 Employee benefits

Pension obligations

The Group operates a number of defined benefit and

defined contribution retirement benefit plans.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as en employee benefit expense in the income statement when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

A defined benefit plan is a post-employment plan other than a defined contribution plan. The Group's net obligation with respect of defined benefits plans are valued using the "projected unit credit method" with actuarial valuations being carried out regularly, at each balance sheet date for the main plans. Actuarial gains and losses that exceed 10% of the greater of the present value of the Group's defined benefit obligation and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the lower of the amount determined and unrecognised actuarial loss and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Other long-term employee benefits

Some Group companies provide post-retirement healthcare benefits to their retirees. The Group's net obligation is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans except that all actuarial gains and losses are recognised immediately and no "corridor" is applied and all past service cost is recognised immediately.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Share-based payments

The Group operates several equity-settled and cash-settled share-based compensation plans. In accordance with IFRS 1, IFRS2 (Share-based Payment) has been applied to all equity instruments granted after 7 November 2002 that were not yet vested as of 1 January 2005 (IFRS opening balance sheet date for the Group).

The services rendered by the employees as consideration for stock options are recognised as an expense. The expense corresponds to the fair value of the stock option plans and is charged to income on a straight-line basis over the vesting period of the plan.

The fair value of the stock option plan is measured at the grant date using the Black and Scholes valuation model taking into account the expected life and cancellation rate of the options. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expenses in the income statement.

2.26 Provisions

Provisions are recognised in the balance sheet when:
(a) there is a present obligation (legal or constructive) as a result of a past event;
(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
(c) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure to settle the present obligation at the balance sheet date. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

A restructuring provision is recognised when the Group has a detailed formal plan and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

3. Critical judgements and accounting estimates

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical judgements in applying accounting principles

Revenue recognition

The nature of the Group's business is such that many sales transactions do not have a simple structure. Sales agreements may consist of multiple arrangements occurring at the same or at different times. The Group is also party to out-licensing agreements, which can involve upfront and milestone payments that may occur over several years and involving certain future obligations. Revenue is only recognised when the significant risks and rewards of ownership have been transferred and when the Group does not retain continuing managerial involvement or effective control over the goods sold or when the obligations are fulfilled. This might result in cash receipts being initially recognised as deferred income and then released to income in subsequent accounting periods based on the different conditions specified in the agreement.

Accounting for domination and profit transfer agreement subsequent to the acquisition of Schwarz Pharma

In December 2006, the wholly owned subsidiary UCB SP GmbH acquired a majority stake in Schwarz Pharma AG, which is included in full in the consolidated financial statements of UCB as of 28 December 2006. On that date UCB held approximately 87.6% of the voting capital of Schwarz Pharma AG. On 22 March 2007, UCB SP GmbH and Schwarz Pharma AG, as a dependent company, concluded a domination and profit transfer agreement, which was approved by an Extraordinary Shareholders Meeting of Schwarz Pharma AG on 8 May 2007. This agreement took effect on 13 July 2007 when it was entered in the commercial register in Düsseldorf, Germany. Under the terms of the domination and profit transfer agreement, UCB offers to the remaining minority shareholders a one-time cash compensation of €104.60 - limited to the minimum time frame of 2 months, but this time frame is suspended as long as any claim on the offered compensation is still pending – or a yearly guaranteed dividend of €3.43 per individual share.

The domination and profit transfer agreement has been entered into for an initial term of 5 years and will continue thereafter except if one of both parties notifies within a prescribed delay the other party to end the agreement. Based on the takeover offer made in connection with the domination and profit transfer agreement, an obligation arises towards the remaining minority shareholders to purchase their minority interest or pay a guaranteed dividend. This is reflected in other financial liabilities and not in equity attributable to minority interests, i.e. no minority interests will be presented anymore as at 31 December 2007 with respect to outside shareholders of Schwarz Pharma AG. The liability is recognised based on management's best estimate as part of the cost of acquisition (any difference is an adjustment to goodwill). All subsequent re-measurements of that liability adjust the cost of acquisition (goodwill).

Because claims have been filed before the competent court in Germany contesting the offered compensation, and management's current position is not to terminate the agreement early, the liability towards the minority shareholders is judged to be the net present value of the guaranteed dividend that will be paid for an indefinite period to the shareholders that have not yet tendered their shares. This results in a financial liability of €384 million using a long term discount rate of 4.7% as at 31 December 2007.

3.2 Critical accounting estimates and assumptions

The preparation of the financial statements in conformity with IFRS as adopted for use by the European Union requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making the reported amounts of revenue and expenses that may not be readily apparent from other sources. Actual results will by definition not equal those estimates. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary.

Revenue recognition

The Group has accruals for expected sales returns, charge-backs and other rebates, including Medicaid in the USA and similar rebates in other countries. Such estimates are based on analyses of existing contracts or legislations, historical trends and the Group's experience. As these deductions are based on management estimates, the actual deductions might differ from those estimates. In general, the discounts, rebates and other deductions shown on the invoice are accounted for as an immediate deduction from gross sales in the income statement. The sales returns, charge-backs, rebates and discounts that are not mentioned on the invoice are estimated and presented on the balance sheet in the appropriate accrual account.

Intangible assets and goodwill

The Group has intangible assets with a carrying amount of €2 293 million (Note 18) and goodwill with a carrying amount of €4 403 million (Note 19). Intangible assets are amortised over their useful lives on a straight-line basis as from the moment they are available for use (i.e. when regulatory approval has been obtained).

Management estimates that the useful life for acquired in-progress R&D compounds equals the period these compounds benefit from patent protection or data exclusivity. For the intangible assets acquired through a business combination and which comprises compounds that are marketed but for which no patent protection or data exclusivity exists, management estimates that the useful life equals to the period in which these compounds will realise substantially all the cash contributions.

These intangible assets and goodwill are regularly reviewed for impairment and each time there is an indication that an impairment might exist. The intangible assets not yet available for use and goodwill are subject to at least annual impairment testing.

To assess if there is any impairment, estimates are made of the future cash flows expected to result from the use of these assets and their eventual disposal. These estimated cash flows are then adjusted to the present value using an appropriate discount rate that reflects the risks and uncertainties associated with the forecasted cash flows. Actual outcomes could vary significantly from such estimates of discounted future cash flows. Factors such as the entrance or absence of competition, technical obsolescence or lower than expected rights could result in shortened useful lives and impairments.

The Group applied the following key assumptions for the value in use calculations required for the impairment testing of intangible assets and goodwill:
- Sales growth rate after forecasted period : 3%
- Discount rate based on Group's Weighted Average Cost of Capital : 10.5% to 11.8%

Since the cash flows also take into account tax expenses a post-tax discount rate is used in the impairment testing. Management estimates that the use of the post-tax discount rate approximates the results of using a pre-tax rate applied to pre-tax cash flows.

Environmental provisions

The Group has provisions for environmental remediation costs, which are disclosed in Note 31. The most significant elements of the environmental provisions consist of costs to fully clean and refurbish contaminated sites and to treat contamination at certain other sites, mainly related to the discontinued chemical and films activities of the Group.

Future remediation expenses are affected by a number of uncertainties that include, amongst others, the detection of previously unknown contaminated sites, the method and extent of remediation, the percentage of waste attributable to the Group, and the financial capabilities of the other potentially responsible parties. Given the inherent difficulties in estimating the liabilities in this area, it cannot be guaranteed that additional costs will not be incurred beyond the amounts currently accrued. The effect of resolution of environmental matters on results of operations cannot be predicted due to uncertainty concerning both the amount and timing of future expenditures and the results of future operations. Such changes that arise could impact the provisions recognised in the balance sheet in the future.

Employee benefits and share-based payments

The Group has many defined benefit plans (Note 30) and share-based payment schemes (Note 26) currently in place. The calculation of the assets or liabilities related to these schemes or the impact they might have on the shareholders' equity are based upon statistical and actuarial assumptions. This is in particular the case for the present value of the defined benefit obligation which is impacted by assumptions on discount rates used to arrive at the present value of future pension liabilities, and assumptions on future increases in salaries and benefits. Furthermore, the Group uses statistically based assumptions such as future withdrawals of participants from the schemes and estimates on life expectancy. The assumptions used might significantly differ from the actual results due to changes in the market and economic conditions, higher or lower employee turnover, or other changes in the factors being assessed. The differences could impact the assets, liabilities recognised in the balance sheet or the shareholders' equity.

Fair value estimation

The fair value of financial instruments traded in active markets (such as bonds) is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Dealer quotes might be used for the valuation of some bonds, over-the-counter derivative financial instruments or options. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.

The carrying amount less impairment provision of trade receivables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rates that is available to the Group for similar financial instruments.

4. Financial risk management

The Group is exposed to various financial risks arising from its underlying operations and corporate finance activities. These financial risks are market risk (including currency risk, interest risk and price risk), credit risk and liquidity risk.

This note presents information about the Group's exposure to the above-mentioned risks, the Group's policies and processes for managing these risks and Group's management of capital. Risk management is carried out by the Group's treasury department under policies approved by the Financial Risk Management Committee (FRMC). The FRMC has been established and includes the Chief Financial Officer and the heads of the Accounting, Reporting and Consolidation department, Financial Control department, Internal Audit department, Tax department and Treasury and Risk department.

The FRMC will be responsible for:
(i) reviewing the results of UCB's risk assessment;
(ii) approval of the recommended risk management strategies;
(iii) monitoring compliance with the financial market risk management policy;
(iv) approval of policy changes; and
(v) reporting to the Audit Committee.

The Group's financial risk management policies established by the FRMC need to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed by the FRMC on a semi-annual basis to reflect changes in market conditions and the Group's activities.

4.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income statement or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures. The Group buys derivative financial instruments and also incurs financial liabilities in order to manage market risk. Generally the Group seeks to apply hedge accounting in order to manage volatility in the income statement. It is the Group's policy and practice not to enter into derivative transactions for speculative purposes.

Foreign exchange risk

The Group operates across the world and is exposed to movements in foreign currencies affecting its net income and financial position, as expressed in euro. The Group actively monitors its currency exposures, and when appropriate, enters into transactions with the aim of preserving the value of assets and anticipated transactions. The Group uses forward contracts, foreign exchange options and cross-currency swaps to hedge certain committed and anticipated foreign exchange flows and financing transactions.

The instruments purchased to hedge transaction exposure are primarily denominated in US dollar, GB pound, Japanese yen and Swiss franc, the currencies where the Group has its most important exposures. The Group financial risk management policy is to hedge for a period of minimum 6 and maximum 26 months of anticipated cash flows derived from sales, royalties or out-licensing revenues in the US dollar. When necessary, forward exchange contracts are rolled over at maturity.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations in the USA is also managed through borrowings denominated in US dollar. This provides an economic hedge. The Group's investments in other subsidiaries are not hedged by means of borrowings in the relevant foreign currency as those currencies are not considered material or long-term neutral.

The effect of translation exposure arising from the consolidation of the foreign currency denominated financial statements of the Group's foreign subsidiaries on the Group's consolidated equity is shown as a cumulative translation adjustment.

Effect of currency fluctuations

At 31 December 2007, if the euro had strengthened against the following currencies with all other variables held constant, the impact on equity and post-tax profit for the year would have been as follows:

€ million	Change in rate	Equity	Income statement
At 31 December 2007			
USD	10%	(186)	13
GBP	10%	(16)	(1)
At 31 December 2006			
USD	10%	(228)	5
GBP	10%	37	0

If the euro had weakened, the impact on equity and post-tax profit for the year would be the opposite as the ones described above.

Interest rate risk

Changes in interest rates may cause variations in interest income and expenses resulting from interest-bearing assets and liabilities. In addition, they can affect the market value of certain financial assets, liabilities and instruments as described in the following section on market risk of financial assets. The interest rates on the Group's major debt instruments are floating rates, as described in Note 27. The Group uses interest rate derivatives to manage its interest rate risk, as described in Note 34.

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivative financial instruments (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect the income statement.

Effect of interest rate fluctuations

A 100 basis points increase in interest rates would have increased equity by €33 million (2006: €36 million); a 100 basis points decrease in interest rates would have decreased equity by €35 million (2006: €36 million).

A change of 100 basis points in interest rates at the balance sheet date would have increased/decreased equity and post-tax profit by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2006.

€ million	Income statement	
	100 basis points increase	100 basis points decrease
At 31 December 2007		
Variable rate instruments	(20)	20
Interest rate swap	15	(12)
Cash flow sensitivity	(5)	8
At 31 December 2006		
Variable rate instruments	-	-
Interest rate swap	10	(9)
Cash flow sensitivity	10	(9)

Other market price risk

Changes in the market value of certain financial assets and derivative financial instruments can affect the income or the financial position of the Group. Financial long-term assets, if any, are held for contractual purposes and marketable securities are held for mainly regulatory purposes. The risk of loss in value is managed by reviews prior to investing and continuous monitoring of the performance of investments and changes in their risk profile.

Investments in equities, bonds, debentures and other fixed income instruments are entered into on the basis of guidelines with regard to liquidity and credit rating.

The amounts subject to market price risk is rather immaterial and therefore the impact on equity or the income statement of a reasonable change of this market price risk is assumed to be negligible.

4.2 Credit risk

Credit risk arises from the possibility that the counterparty to a transaction may be unable or unwilling to meet its obligations causing a financial loss to the Group. Trade receivables are subject to a policy of active risk management, which focuses on the assessment of country risk, credit availability, ongoing credit evaluation and account monitoring procedures. There are certain concentrations within trade receivables of counterparty credit risk, particularly in the USA, due to the sales via wholesalers (Note 23). For some credit exposures in critical countries, the Group has obtained or is seeking to obtain credit insurance.

The exposure of other financial assets to credit risk is controlled by setting a policy for limiting credit exposure to high-quality counterparties, regular reviews of credit ratings, and setting defined limits for each individual counterparty. Where appropriate to reduce exposure, netting agreements under an ISDA (International Swaps and Derivatives Association) master agreement are signed with the respective counterparties. The maximum exposure to credit risk resulting from financial activities, without considering netting agreements, is equal to the carrying amount of financial assets plus the positive fair value of derivative instruments.

4.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal circumstances without incurring unacceptable losses or risking damage to the Group's reputation.

The Group maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements at all times. In addition, the Group has certain unutilised revolving committed facilities at its disposal.

At the balance sheet date, the Group had the following sources of liquidity available:

- Cash and cash equivalents (Note 24) €479 million
- Unutilised committed facilities €992 million

At the balance sheet date, the Group's existing committed facilities amounted to €3 372 million of which €300 million falls due in October 2010 and the remaining amount of €3 072 million falls due in October 2011.

The table below analyses the contractual maturities of the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date, excluding impact of netting. The amounts are the contractual undiscounted cash flows.

€ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2007				
Borrowings	476	-	1 880	-
Finance lease liabilities	3	3	6	17
Trade and other payables	1 108	10	10	9
Bank overdrafts	35	-	-	-
Interest rate swaps	6	(1)	18	-
Forward exchange contracts used for hedging purposes				
• Outflow	406	259	-	-
• Inflow	428	262	-	-
Forward exchange contracts and other derivative financial instruments at fair value through profit or loss				
• Outflow	1 586	69	-	-
• Inflow	1 600	74	-	
At 31 December 2006				
Borrowings	871	188	1 983	-
Finance lease liabilities	3	5	6	18
Trade and other payables	1 155	16	11	8
Bank overdrafts	40	-	-	-
Interest rate swaps	7	10	36	-
Forward exchange contracts used for hedging purposes				
• Outflow	414	-	-	-
• Inflow	425	-	-	-
Forward exchange contracts and other derivative financial instruments at fair value through profit or loss				
• Outflow	1 045	-	-	-
• Inflow	1 037	-	-	-

4.4 Capital risk management

The Group's policy with respect to managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to patients and to reduce the Group's external debt in order to obtain a capital structure that is consistent with others in the industry. The Group is closely monitoring its net debt level and wants to obtain an optimal capital structure, similar to the one of a peer group, by lowering substantially its external financial debt by 2012.

€ million	**2007**	2006
Total borrowings (Note 27)	2 420	3 114
Less: cash and cash equivalents (Note 24), available-for-sale debt securities and cash collateral related to the financial lease obligation (Note 21)	(505)	(1 006)
Net debt[3]	1 915	2 108
Total equity	4 264	4 771
Total financial capital	6 179	6 879
Gearing ratio	**31%**	**31%**

[3] *Net debt is explained in the Glossary enclosed at the end of the document.*

5. Segment reporting

Primary reporting format – Geographical segments

At 31 December 2007, the Group is organised on a worldwide basis into three geographical areas.

The areas of operations are:
- North America (USA and Canada);
- Europe; and,
- Rest of World.

There are significant sales and other transactions between the geographical segments. The inter-segment sales and other inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. This implies that transfer prices between segments are set on an arm's length basis. Segment results, assets and liabilities include the ones directly attributable to a segment as well as the ones that can be allocated to a segment on a reasonable basis.

North America

This area of operations contains the Group's activities in the United States of America and Canada.

Europe

This area of operations contains the Group's activities in the 27 countries of the European Union, Switzerland, Norway, Russia and Turkey.

Rest of World

This area of operations contains the Group's activities in the different countries in Asia, Africa, Oceania and South America.

The following conventions and assumptions have been taken into account for the segment reporting:

1. Unallocated items represent income, expenses, assets and liabilities of corporate functions that are not directly attributable to specific geographical segments.
2. Product sales to third parties are allocated to the geographical segments based on the country in which the assets are located.
3. Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.
4. Royalty income is allocated to the geographical segments based on the country that receives the royalty.
5. Operating profit is allocated to the geographical segments as recorded by the legal entities in the respective regions.
6. All impairments are recorded in the income statement.
7. Assets are allocated to the geographical segments where the assets are located. Unallocated assets are cash and cash equivalents, financial assets, derivatives, current and deferred taxes and the headquarter building.
8. Liabilities are allocated to the geographical segments as recorded by the legal entities in the respective regions. Unallocated liabilities are financial liabilities, derivatives, current and deferred income taxes, leasing liability related to the headquarter building and the accrued liabilities related to the business combination.
9. Additions to tangible and intangible assets are allocated to the geographical segments in which the assets are located/held.

Primary reporting format – Geographical segments

€ million For the year ended as at 31 December 2007	North America	Europe	Rest of World	Unallocated[1]	Total
Income and Expenses					
Sales to 3rd party[2]	1 448	1 430	310	-	3 188
Inter-segment sales[3]	3	544	-	(547)	-
Royalty income[4]	159	130	5	-	294
Other revenue	49	93	2	-	144
Segment result/Operating profit[5]	372	846	33	(907)	344
Net finance cost				(125)	(125)
Profit before income taxes				-	219
Income tax expense				(60)	(60)
Profit from continuing operations					159
Discontinued operations – net of tax					2
Profit for the period					161
Segmental expense information					
Depreciation charges	(14)	(58)	(3)	-	(75)
Amortisation charges	(17)	(62)	(6)	-	(85)
Restructuring expenses	(12)	(109)	(2)	-	(123)
Impairment of Goodwill and Intangible Assets[6]	-	(12)	-	-	(12)
Other non-cash expenses	(7)	(128)	-	2	(135)
Other segment information					
Total segment assets[7]	2 665	5 246	460	1 184	9 555
Total segment liabilities[8]	420	1 280	96	3 495	5 291
Gross capital expenditures[9]	7	242	2	-	251

€ million For the year ended as at 31 December 2006	North America	Europe	Rest of World	Unallocated[1]	Total
Income and Expenses					
Sales to 3rd party[2]	974	907	296	-	2 177
Inter-segment sales[3]	2	431	1	(434)	-
Royalty income[4]	152	178	5	-	335
Other revenue	15	24	-	-	39
Segment result/Operating profit[5]	455	804	29	(717)	571
Net finance cost				(54)	(54)
Profit before income taxes				-	517
Income tax expenses				(150)	(150)
Profit from continuing operations					367
Discontinued operations – net of tax					-
Profit for the period					367
Segmental expense information					
Depreciation charges	(8)	(42)	(3)	(1)	(54)
Amortisation charges	(12)	(21)	(3)	-	(36)
Restructuring expenses	(2)	(19)	(1)	-	(22)
Impairment of Goodwill and Intangible Assets[6]	-	-	-	-	-
Other non-cash expenses	(10)	(25)	(1)	(8)	(44)
Other segment information					
Total segment assets[7]	3 251	5 248	467	1 594	10 560
Total segment liabilities[8]	435	1 017	97	4 240	5 789
Gross capital expenditures[9]	8	118	4	-	130

Secondary reporting format – Business segments

The Group's activities are in one business segment, Biopharmaceuticals. There are no other significant classes of business, either singularly or in aggregate.

This business segment includes research, development, manufacturing and marketing of products in the therapy fields of central nervous system disorders, allergy and respiratory diseases, immune and inflammatory disorders and oncology.

6. Business combinations

On 28 December 2006, the Group acquired 87.6% of the total outstanding Schwarz Pharma AG shares. The closing of the extended tender offer took place on 28 December 2006 and consequently, the consolidated balance sheet of Schwarz Pharma has been consolidated as at 31 December 2006 applying the purchase method of accounting. The consolidated income statement of Schwarz Pharma has been fully consolidated as from 1 January 2007. Due to the fact that the acquisition has taken place near year-end, and that UCB had not yet finalised the purchase price allocation, the initial purchase price allocation was only provisional and has been subject to different modifications in the course of 2007, as permitted by the provisions of IFRS 3.

On 22 March 2007, UCB SP GmbH and Schwarz Pharma AG, as a dependent company, concluded a domination and profit transfer agreement, which was approved by an Extraordinary Shareholders Meeting of Schwarz Pharma AG on 8 May 2007. This agreement took effect on 13 July 2007 when it was entered in the commercial register in Düsseldorf, Germany. Under the terms of the domination and profit transfer agreement, UCB offers to the remaining minority shareholders a one-time cash compensation of €104.60 - limited to the minimum time frame of 2 months, but this time frame is suspended as long as any claim on the offered compensation is still pending – or a yearly guaranteed dividend of €3.43 per individual share.

Based on the takeover offer made in connection with the domination and profit transfer agreement, an obligation arises towards the remaining minority shareholders to purchase their minority interest or pay a guaranteed dividend. This is reflected in other financial liabilities and not in equity attributable to minority interests, i.e. no minority interests will be presented anymore as at 31 December 2007 with respect to outside shareholders of Schwarz Pharma AG. The liability is recognised as part of the cost of acquisition. The liability is at the balance sheet date estimated to be the net present value of the perpetual guaranteed dividend (€3.43 per share) to be paid to the outside shareholders of Schwarz Pharma that have not tendered their shares (5 256 008 shares as at 31 December 2007).

Details of net assets acquired and goodwill as at 31 December 2007 are as follows:

€ million	
Purchase consideration:	
• Cash consideration including the acquisitions done under the domination and profit transfer agreement	2 222
• Direct costs relating to the acquisition	40
• Fair value of shares issued	1 941
Total purchase consideration	4 203
Fair value of net assets acquired	(1 499)
Other financial liability following domination and profit transfer agreement	384
Goodwill (see Note 19)	3 088

The assets acquired, liabilities and contingent liabilities assumed on 28 December 2006, before taking effect of the domination and profit transfer agreement on 13 July 2007, arising from the acquisition are reflected in the balance sheet at the following fair values.

€ million	Acquiree's carrying amount	Fair value as reported on 31 December 2006	Fair value as reported on 30 June 2007	Fair value 31 December 2006 as reported on 31 December 2007
Cash and cash equivalents	277	277	277	277
Property, plant and equipment	179	212	211	211
Intangible assets	106	1 816	1 808	1 767
Local goodwill	42	-	-	-
Non-current financial and other assets	37	37	37	37
Inventories	97	193	191	190
Deferred tax assets	97	13	102	91
Current income tax receivable	11	11	11	11
Trade and other receivables	228	228	225	224
Current income tax payable	(94)	(94)	(94)	(94)
Trade and other payables	(358)	(358)	(374)	(376)
Employee benefits	(39)	(47)	(47)	(37)
Other provisions	(1)	(34)	(122)	(114)
Borrowings	(15)	(15)	(15)	(15)
Other long term debt	(2)	(2)	(2)	(2)
Deferred tax liabilities	-	(691)	(687)	(671)
Net assets		1 546	1 521	1 499
Minority interests (13.2%)		(204)	(201)	(197)
Net assets acquired before domination and profit transfer agreement	565	1 342	1 320	1 302

€ million	31 December 2006	30 June 2007	31 December 2007
Purchase consideration to be settled in cash	2 175	2 179	2 262
Purchase price already settled in cash	2 044	2 178	2 262
Cash and cash equivalents in subsidiary acquired	(277)	(277)	(277)
Cash outflow on acquisition	1 767	1 901	1 985

The average expected useful life of the acquired intangible assets is approximately 14 years.

Due to the domination and profit transfer agreement, no minority interests are presented in the consolidated balance sheet of the Group as at 31 December 2007 and an additional other financial liability of €384 million (Note 3.1) has been recognised.

The goodwill amounting to €3 088 million remaining after the purchase price allocation is attributable to the workforce of the acquired business, the very early stage research and development projects that have not been valued separately and the synergies to be realised by integrating the different functions of both legacy companies.

7. Discontinued operations

The gain of the year from discontinued operations amounts to €2 million and is mainly due to the update of the long-term environmental provisions recognised upon the 2005 divestiture of Surface Specialties and the 2004 divestiture of the Specialty Films activities, the CFI judgment concerning the choline chloride case and reimbursement of tax receivables related to Solutia.

8. Disposal of business unit other than discontinued operations

Accounting implications from the Over-The-Counter divestiture to Pierre Fabre

The financial consequences of this divestiture can be detailed as follows:

€ million	8 January 2007
Total consideration	28
Satisfied by cash payment	6
Deferred compensation (discounted)	20
Inventories	3
Current assets	4
Total assets	7
Gain on disposal	19

The net gain on disposal is presented under the heading "Other income and expenses" (Note 15).

9. Other revenue

Due to the increased importance for the Group of revenue generated through partnerships and collaborations agreements, all the revenue that is generated by the Group other than by direct sales can be detailed as follows (the related 2006 figures have been reclassified accordingly):

€ million	2007	2006
Revenue generated by means of profit-sharing agreements	18	-
Upfront and milestone payments	76	28
Contract manufacturing revenues	50	11
Total other revenue	**144**	**39**

The revenue generated through profit-sharing agreements is related to the agreements that UCB has concluded with sanofi-aventis for the co-promotion of Xyzal® in the USA and with Novartis for the co-promotion of Provas™ in Germany.

UCB received during 2007 milestone payments from Pfizer on *fesoterodine* and from sanofi-aventis following the approval and launch of Xyzal® in the USA for a total amount of €76 million.

The revenue from contract manufacturing activities increased from €11 million to €50 million as a result of the toll manufacturing agreement on Delsym™ which only started in June 2006.

10. Operating expenses by nature

The operating expenses by nature for the year 2007 and 2006 amount to:

€ million	2007	2006
Employee benefit expenses (Note 11)	983	616
Depreciation of property, plant and equipment (Note 20)	75	54
Amortisation of intangible assets (Note 18)	85	36
Impairment of non-financial assets (Note 13)	36	4
Total operating expenses by nature	**1 179**	**710**

11. Employee benefit expense

The employee benefit expense for the year can be detailed as follows:

€ million	2007	2006
Wages and salaries	696	433
Social security costs	135	98
Post-employment benefits – defined benefit plans	28	18
Post-employment benefits – defined contribution plans	27	15
Share-based payments granted to employees and directors	10	6
Insurance	17	17
Other employee benefits	70	29
Total employee benefit expense	**983**	**616**

The charges for employee benefits are included in the relevant expenditure line by function, except when they relate to discontinued operations, where they are recorded in the result of discontinued operations. Other employee expenses consist mainly of termination benefits, severance payment, and other long-term and short-term disability benefits.

For further detail about employee benefit plans and share-based payments costs, refer to Note 30 and Note 26, respectively.

Headcount at 31 December	2007	2006
Hourly Paid	1 275	861
Monthly Paid	6 501	4 844
Management	4 326	2 772
Total	**12 102**	**8 477**

12. Other operating income and expenses

The operating income consists mainly of the reimbursement of charges from insurance companies of €2 million (2006: €1 million), the reimbursement by third parties of development expenses incurred by the Group of €7 million (2006: nil) and the amortisation of non-production related intangible assets of €4 million (2006: €5 million). A reversal of a VAT provision of €1 million was recorded under other operating income in 2007 (2006: €12 million).

13. Impairment of non-financial assets

A review of the carrying amounts of the Group's assets resulted in the recognition of impairment charges amounting to €36 million (2006: €4 million).

As at 31 December 2007, the Group recognised no impairment charges (2006: nil) on the carrying amounts of capitalised in-progress research and development projects or in-licensed compounds. The Group has recognised an impairment charge of €12 million on the intangible assets related to in-licensed products (2006: nil).

Following the yearly impairment review, an impairment charge of €7 million has been accounted for on the Group's production facility in the USA, an impairment charge of €10 million has been accounted for with respect to the announced closure of the research centre in Cambridge (UK), €6 million for the production facility in Shannon (Ireland) and €1 million on leasehold improvements and office equipment in the legacy Schwarz premises in the UK.

14. Restructuring expenses

The restructuring expenses as at 31 December 2007 totalled €123 million (2006: €22 million), mainly related to the integration of Schwarz Pharma within the Group. Restructuring expenses of €12 million have been incurred mainly with respect to the integration of Schwarz Pharma's sales force and administrative operations into UCB's USA organisation. Restructuring expenses of €109 million have been incurred in Europe, mainly for the sales force integration in France, the administrative and marketing activities in Germany, Italy and Spain.

15. Other income and expenses

The other income amounts to €56 million, being mainly the realised capital gains on the sale of the Cytec shares for €29 million and the sale of OTC business to Pierre Fabre for €19 million (Note 8).

The other expenses amount to €33 million and relate mainly to start-up costs and the write-off of Cimzia® material produced at Lonza for €23 million.

16. Financial income and financing costs

The net finance costs for the year 2007 amount to €125 million compared to net finance costs of €54 million in 2006. The breakdown of the financing costs and financial income is as follows:

Financing costs

€ million	2007	2006
Interest expenses on borrowings	(170)	(54)
Interest expenses on interest rate derivatives	5	(16)
Interest rate swaps: cash flow hedges, transfer from equity	1	1
Financial charges on financial lease	(2)	(2)
Total financing costs	**(166)**	**(71)**

Financial income

€ million	2007	2006
Interest income:		
• On bank deposits	31	20
• Provisions: unwinding of discount	0	0
Dividend income	1	2
Net foreign exchange gains/(losses)	2	(8)
Fair value gains on financial derivatives	14	6
Net gain/(losses) on sale of equity financial derivatives	-	1
Net gain/(losses) on sale of debt securities	-	-
Ineffective part of cash flow hedges	0	0
Net other financial income/(expense)	(7)	(4)
Total financial income	**41**	**17**

17. Income tax expense

The income tax expense decreases by €90 million from €150 million as at 31 December 2006 to €60 million as at 31 December 2007 and can be presented as follows:

€ million	2007	2006
Current income taxes	(181)	(227)
Deferred income taxes	121	77
Total income tax expense	**(60)**	**(150)**

The Group operates internationally, implying being subject to income taxes in many different tax jurisdictions. The income tax expense on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits (losses) of the consolidated companies.

Reconciliation between the theoretical income taxes and the effective income taxes

€ million	2007	2006
Profit before income taxes	219	517
Tax calculated at domestic tax rates applicable in the respective countries	(52)	(152)
Expenses non deductible for tax purposes	(148)	(105)
Non taxable income	68	72
Tax credits	1	2
Variation in tax rates	41	(1)
Other tax rate effects	39	38
Current tax adjustments related to prior years	6	(9)
Deferred tax adjustments related to prior years	(11)	3
Reversal of write-downs/(write-downs) of previously recognised deferred tax assets	(2)	12
Withholding tax impact on intercompany dividends	-	(9)
Other taxes	(2)	(1)
Total income tax expense	**(60)**	**(150)**

The change in the effective tax rate from 29.0% in 2006 to 27.4% in 2007 is mainly due to the change in the carrying amount of the deferred taxes recognised under IFRS 3 Business Combinations further to the Schwarz Pharma acquisition as a result of the change in the tax rate in Germany (impact of €37 million).

Income taxes directly recognised in equity

€ million	2007	2006
Effective portion of changes in fair value of cash flow hedges	3	(20)
Income taxes directly recognised in equity	**3**	**(20)**

18. Intangible assets

€ million	2007 Trademarks, patents and licenses	2007 Other	2007 Total
Gross carrying amount at 1 January	**1 048**	**1 618**	**2 666**
Additions	17	14	31
Disposals	(1)	(2)	(3)
Transfer from one heading to another	135	(135)	-
Disposal through sale of business	(7)	-	(7)
Effect of movements in exchange rates	(114)	(27)	(141)
Gross carrying amount at 31 December	**1 078**	**1 468**	**2 546**
Accumulated amortisation and impairment losses at 1 January	**(107)**	**(72)**	**(179)**
Amortisation charge for the year	(80)	(5)	(85)
Disposals	1	2	3
Impairment losses recognised in the income statement	(12)	-	(12)
Disposal through sale of businesses	5	-	5
Effect of movements in exchange rates	14	1	15
Accumulated amortisation and impairment losses at 31 December	**(179)**	**(74)**	**(253)**
Net carrying amount at 31 December	**899**	**1 394**	**2 293**

€ million	2006 Trademarks, patents and licenses	2006 Other	2006 Total
Gross carrying amount at 1 January	**408**	**473**	**881**
Acquisitions through business combinations	661	1 105	1 766
Additions	29	36	65
Disposals	(53)	-	(53)
Transfer from one heading to another	8	(8)	-
Effect of movements in exchange rates	(5)	12	7
Gross carrying amount at 31 December	**1 048**	**1 618**	**2 666**
Accumulated amortisation and impairment losses at 1 January	**(90)**	**(70)**	**(160)**
Amortisation charge for the year	(34)	(2)	(36)
Disposals	15	-	15
Effect of movements in exchange rates	2	-	2
Accumulated amortisation and impairment losses at 31 December	**(107)**	**(72)**	**(179)**
Net carrying amount at 31 December	**941**	**1 546**	**2 487**

Other intangible assets include mainly acquired in-progress research and development projects that are not yet available for use.

The amortisation of the intangible assets is allocated to the cost of sales for all the intangible assets that are related to compounds. The amortisation charges related to software are allocated to the functions that use this software.

The majority of the Group's intangible assets result from the acquisitions made by the Group. The patents, licenses and trademarks are recorded at fair value in the purchase method of accounting and are subsequently amortised over their useful life.

The Group has currently no internally generated intangible assets from development as the criteria for recognition under IFRS are not met.

Furthermore the Group has recognised intangible assets that are not yet available for use. These intangible assets are accounted for at fair value at the moment of the business combination or acquisition and are tested for impairment on an annual basis. The basis of calculation of the recoverable amount is the value in use. To determine the value in use, cash flow projections are used based on financial budgets approved by the management covering the period until the estimated expiry date of the patent or when substantially all cash flows are expected to have occurred.

The growth rate is the weighted average growth rate used to extrapolate cash flows beyond the budget period and is between 1% and 3%. The discount rate is based on the rate which is derived from a capital asset pricing model using data from European and USA capital markets. The discount rates vary taking into account if the intangible asset is related to either a commercialised compound or an in-progress research and development compound and in which region the products are or will ultimately be sold.

UCB based its calculations on a discount rate varying between 10.5% and 11.8% post-tax (between 9% - 12% for 2006). The use of the post-tax discount rate approximates the results of using a pre-tax rate applied to pre-tax cash flows.

The impairment charges are detailed in Note 13 and have been accounted for in the income statement as impairment of non-financial assets.

19. Goodwill

The movements of the carrying amount of goodwill and the allocation over the cash-generating units can be detailed as follows:

€ million	
At 1 January 2007	**4 391**
Additions through business combinations (Note 6)	269
Effect of movements in exchange rates	(257)
At 31 December 2007	**4 403**
At 1 January 2006	**1 663**
Additions through business combinations	2 819
Effect of movements in exchange rates	(91)
At 31 December 2006	**4 391**

€ million	2007	2006
USA	2 003	2 095
Europe	2 302	2 202
Rest of World	98	94
Total carrying amount at 31 December	**4 403**	**4 391**

On 28 December 2006, UCB has acquired 87.6% of the outstanding Schwarz Pharma shares or 86.8% on a fully diluted basis, following a public combined share and cash offer. The purchase method of accounting requires that the total purchase price is allocated over the assets acquired and the liabilities assumed, recognising the remaining amount as goodwill. At 31 December 2006, the purchase price allocation was made based on provisional figures. The conclusion of the domination and purchase transfer agreement between UCB SP GmbH and Schwarz Pharma AG, contains a takeover offer for all shares of the outside shareholders of Schwarz Pharma AG at a fixed price of €104.6 per share or a guaranteed annual dividend irrespective of the net income realised by Schwarz Pharma AG of €3.43 per share. Based on the current information, management judges that this guaranteed dividend will be paid for an indefinite period and no further material number of shares are tendered under the domination and profit transfer agreement. The net present value of the payment of the guaranteed dividend at perpetuity increases the other financial liabilities and consequently the goodwill with €186 million. UCB has also acquired €83 million or 789 551 Schwarz Pharma shares. Furthermore, during 2007 several corrections have been made to these provisional figures, mainly due to the impact of change of control clauses on Provas™/Miten® and Atmadisc™, as well as corrections made to the deferred tax liabilities following the decrease of the corporate tax rates in several European countries (mainly Germany) and the application of UCB's methodology to provisions. The restated goodwill as at 31 December 2006 amounts to €4 391 million or €45 million more than at the moment of the publication of the annual report 2006.

The goodwill is allocated to different cash-generating units (CGU). The recoverable amount of a CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by the management covering a rather long term (10 years). These long term projections are justified taking into account that the development of biopharmaceuticals has a long development cycle. In that respect, Celltech has provided the Group mainly with a variety of early-stage compounds as well as a technological platform that is leveraged within the Group, whereas Schwarz Pharma mainly is related to late stage compounds and the early-stage developments of its late stage pipeline compounds. The growth rate is the weighted average growth rate used to extrapolate cash flows beyond the budget period and is 3%. The discount rate is based on the rate which is derived from a capital asset pricing model adjusted to reflect the specific risks relating to the relevant segments. For 2007, UCB used a discount rate post-tax of 10.5% (between 9% and 12% for 2006). Since the cash flows take into account tax expenses a post-tax discount rate is used in the calculations. The use of the post-tax discount rate approximates the results of using a pre-tax rate applied to pre-tax cash flows.

20. Property, plant and equipment

The carrying amounts for the property, plant and equipment for the years 2006 and 2007 are as follows:

€ million	2007				
	Land and buildings	Plant and machinery	Office, computer equipment vehicles & other	Assets under construction	**Total**
Gross carrying amount at 1 January	**465**	**407**	**123**	**76**	**1 071**
Additions	15	41	18	146	220
Disposals	(11)	(19)	(13)	(1)	(44)
Transfers from one heading to another	-	12	(14)	4	2
Effect of movements in exchange rates	(17)	(13)	(5)	(3)	(38)
Gross carrying amount at 31 December	**452**	**428**	**109**	**222**	**1 211**
Accumulated depreciation at 1 January	**(114)**	**(210)**	**(82)**	**-**	**(406)**
Depreciation charge for the year	(20)	(38)	(17)	-	(75)
Impairment charge	(14)	(10)	-	-	(24)
Disposals	10	16	9	-	35
Transfers from one heading to another	(3)	(2)	3	-	(2)
Effect of movements in exchange rates	6	9	4	-	19
Accumulated depreciation at 31 December	**(135)**	**(235)**	**(83)**	**-**	**(453)**
Net carrying amount at 31 December	**317**	**193**	**26**	**222**	**758**

€ million	2006				
	Land and buildings	Plant and machinery	Office, computer equipment vehicles & other	Assets under construction	**Total**
Gross carrying amount at 1 January	**383**	**411**	**119**	**8**	**921**
Acquisitions through business combinations	115	51	12	33	211
Additions	14	26	13	12	65
Disposals	(25)	(60)	(19)	(1)	(105)
Transfers from one heading to another	(13)	(15)	3	25	-
Effect of movements in exchange rates	(9)	(6)	(5)	1	(21)
Gross carrying amount at 31 December	**465**	**407**	**123**	**76**	**1 071**
Accumulated depreciation at 1 January	**(112)**	**(225)**	**(84)**	**-**	**(421)**
Depreciation charge for the year	(13)	(28)	(13)	-	(54)
Disposals	7	40	15	-	62
Transfers from one heading to another	2	-	(2)	-	-
Effect of movements in exchange rates	2	3	2	-	7
Accumulated depreciation at 31 December	**(114)**	**(210)**	**(82)**	**-**	**(406)**
Net carrying amount at 31 December	**351**	**197**	**41**	**76**	**665**

There is no property, plant and equipment subject to restrictions on title. No property, plant and equipment are pledged as security for liabilities.

Investment property is recorded at historic cost less accumulated depreciation. Since this investment property does not represent a substantial amount in relation to overall fixed assets, preparation of an external expert opinion on fair value was dispensed with. It is presumed that the fair value corresponds to the book value.

The impairment charges are detailed in Note 13 and have been accounted for in the income statement as impairment of non-financial assets.

Leased assets

UCB leases buildings and office equipment under a number of finance lease agreements. The net carrying amount of leased buildings is €49 million (2006: €52 million) and leased office equipment is €1 million (2006: €2 million).

21. Financial and other assets

Non-current financial and other assets

€ million	2007	2006
Available-for-sale investments	8	262
Cash deposits	21	22
Derivative financial instruments (Note 34)	41	29
Reimbursement rights for defined benefit plans in Germany	22	21
Other financial assets	112	110
Non-current income tax receivable	22	23
Total financial and other assets	**226**	**467**

The cash deposits contain an amount of €18 million (2006: €18 million) related to the financial lease obligations the Group has.

Current financial and other assets

€ million	2007	2006
Clinical trial material	45	43
Derivative financial instruments (Note 34)	51	17
Total financial and other assets	**96**	**60**

Compared to last year's published figures, €2 million has been reclassified from "Other receivables" to "Current financial and other assets", because it concerned derivative financial instruments entered into by Schwarz Pharma before 31 December 2006.

The available-for-sale financial assets include the following

€ million	2007	2006
Shares of Cytec Industries Inc.	-	248
Debt securities listed on an active market	8	14
Total available-for-sale financial assets	**8**	**262**

The movement of the carrying amounts of these available-for-sale financial assets are as follows:

€ million	2007		2006	
	Shares of Cytec Industries Inc.	Debt securities	Shares of Cytec Industries Inc.	Debt securities
At 1 January	248	14	232	14
Acquisition	-	1	-	4
Disposal	(219)	(6)	-	(3)
Revaluation through equity	-	(1)	16	(1)
Gain or loss removed from equity and reported in the income statement	(29)	-	-	-
At 31 December	**-**	**8**	**248**	**14**

The Group has invested in a portfolio of fixed rate bonds, mainly issued by European governments as well as by some financial institutions. The bonds have been classified as available-for-sale and are re-valued to fair value through equity until disposal. The fair value of these bonds varies in function of the level of market interest rates for instruments with similar maturities and credit risks.

There were no impairment charges on available-for-sale financial assets in 2006 or 2007.

22. Inventories

The carrying values of the different components of the inventory are as follows:

€ million	2007	2006
Raw materials and consumables	84	84
Work in progress	36	33
Finished goods	150	269
Goods purchased for resale	37	43
Inventories	**307**	**429**

The cost of inventories recognised as expense and included in cost of sales amounted to €723 million (2006: €364 million).

As part of the Schwarz Pharma acquisition, UCB was required under IFRS to recognise acquired inventories at their fair value. The ensuing increase in inventory value of €93 million as of 31 December 2006 had to be recognised in the cost of sales over 2007 and represents a one-time charge of an equivalent amount but with no cash impact.

There are no inventories pledged for security, neither is there any inventory stated at net realisable value.

The write-down on inventories amounts to €16 million in 2007 (2006: €14 million) and is included in cost of sales.

23. Trade and other receivables

The carrying amounts of the different components of the trade and other receivables are as follows:

€ million	2007	2006
Trade receivables	502	560
Less: provision for impairment of trade receivables	(5)	(8)
Trade receivables – net	497	552
VAT receivable	25	29
Interest receivables	20	14
Prepaid expenses	32	37
Accrued income	17	10
Other receivables	55	39
Royalty receivables	100	114
Trade and other receivables	**746**	**795**

The carrying amount of trade and other receivables approximates their fair values. For the trade receivables, the fair value is estimated to be the carrying amount of the trade receivables less the provision for impairment and for all other receivables the fair value is estimated to equal the carrying amounts since they are all due within one year.

There is some concentration of credit risk with respect to trade receivables. The Group cooperates with dedicated wholesalers in certain countries. The largest outstanding trade receivable in 2007 from a single customer is 21.1% (2006: 18.6%) from McKesson Corp. USA.

The aging of trade receivables at the reporting date was:

€ million	2007		2006	
	Gross carrying amounts	Impairment	Gross carrying amounts	Impairment
Not past due	410	-	436	-
Past due – less than one month	18	-	52	-
Past due more than one month and not more than three months	40	0	41	0
Past due more than three months and not more than six months	16	(1)	11	(1)
Past due more than six months and not more than one year	11	(3)	13	(6)
Past due more than one year	7	(1)	7	(1)
Total	**502**	**(5)**	**560**	**(8)**

Based on historical default rates, the Group believes that no provision for impairment is necessary in respect of trade receivables not past due or past due up to one month. This concerns more than 85% of the outstanding balance at the balance sheet date.

The movement in the provision for impairment in respect of trade receivables during the year was as follows:

€ million	2007	2006
Balance at 1 January	(8)	(10)
Impairment charge recognised in the income statement	(3)	(2)
Utilisation or reversal of provision for impairment	6	4
Effects of movements in exchange rates	-	-
Balance at 31 December	**(5)**	**(8)**

The other classes within trade and other receivables do not contain impaired assets.

The carrying amounts of the Group's trade other receivables are denominated in the following currencies:

€ million	2007	2006
EUR	309	308
USD	263	313
JPY	44	54
GBP	29	29
Other currencies	101	91
Trade and other receivables	**746**	**795**

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

24. Cash and cash equivalents

The cash and cash equivalents can be detailed as follows:

€ million	2007	2006
Short-term bank deposits	384	845
Cash at bank and on hand	95	129
Cash and cash equivalents	**479**	**974**
Bank overdrafts (Note 27)	(35)	(40)
Cash and cash equivalents, less bank overdrafts as mentioned in the cash flow statement	**444**	**934**

Within cash and cash equivalents an amount of €8 million is a minimum cash balance that UCB needs to maintain in accordance with its agreement with Sandoz GmbH to cover its Cimzia® production capacity.

25. Capital and reserves

Share capital and share premium

The issued capital of the Company amounts to €550 million at 31 December 2007 (2006: €545 million), represented by 183 361 252 shares. The Company's shares are without par value. At 31 December 2007, 68 431 370 shares were registered and 114 929 882 were bearer shares. The holders of UCB shares are entitled to receive dividends as declared and to one vote per share at Shareholders' meeting of the Company. There is no authorised, unissued capital.

At 31 December 2007, the share premium reserves amounts to €1601 million. Following the business combination with Schwarz Pharma, UCB issued 37 332 452 new UCB shares in 2006, of which 35 565 268 new UCB shares were issued upon the closing of the first offering period mid December 2006 and 1 767 184 new UCB shares were issued in the beginning of January 2007 upon the closing of the second offering period.

Following the exercise of warrants granted to employees of the Company between 1 March 2006 and 28 February 2007, the Company's share capital was increased by €243 900 and the issuance of 81 300 new UCB shares on 28 February 2007. Since then, 3 800 warrants have been exercised, which will lead to a capital increase of €11 400 and the issuance of 3 800 new UCB shares that are entitled to the dividend that will be paid out in 2008.

Treasury shares

During 2007 the Group acquired 61 200 treasury shares for a total amount of €2 million (2006: 950 000 shares for a total amount of €29 million). The Group retained 3 233 678 shares in auto-control at 31 December 2007. These treasury shares have been acquired in order to honour the exercise of stock options granted to the Board of Directors and certain categories of employees. UCB Fipar or UCB SCA has the right to re-sell these shares at a later date.

Other reserves

Other reserves contain the fair value reserve, the hedging reserve and the equity account linked to the difference of acquisition value for the Schwarz Pharma business combination between IFRS and Belgian GAAP (related to the capital increase in 2006 in UCB S.A.).

Cumulative translation adjustments

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

26. Share-based payments

The Group operates several equity-based compensation plans, including share option plans, a share appreciation rights plan and share award plans to compensate employees for services rendered. The share option plans and the share award plans are equity-settled, whereas the share appreciation rights plan is a cash-settled plan. Besides these plans, the Group introduced in 2007 a Performance Share Plan as well as Employee share purchase plans in the UK and the USA.

Share option plans and share appreciation rights plan

The Remuneration Committee granted options on UCB S.A. shares to the Executive Committee members, the Senior Executives and the senior and middle management of the UCB Group. The exercise price of the granted options under these plans is equal to the lowest of the following two values: (i) the average of the closing price of the UCB shares on Euronext Brussels, during the 30 days preceding the offer or (ii) the closing price of the UCB shares on Euronext Brussels the day before the grant. A different exercise price is determined for those eligible employees in order to benefit from a reduced taxation. The options become exercisable after a vesting period of three years, except for those eligible employees subject to a legislation which requires a longer vesting period in order to benefit from a reduced taxation. If the employee leaves the Group, his/her options usually lapse upon expiry of a period of six months. Options are definitely acquired in case of death or retirement and in case of involuntary termination when taxes have been paid upon grant. The Group has no obligation to repurchase or settle the options in cash. There are no reload features, the options are not transferable (except in case of death).

The share appreciation rights plan has the same characteristics as the share option plans, except that it is reserved for the selected UCB employees in the USA and that it is cash-settled. All share options granted to USA optionees in 2005 and 2006 were transformed into SARs, except for three employees.

Performance share plan

The Group introduced a performance share plan in 2007. The Remuneration Committee granted 283 000 shares under this plan to senior management of the UCB Group. These 283 000 shares vest all in 2010. The vesting conditions, besides the vesting period, are related to the financial performance of UCB in 2007, 2008 and 2009. In order to be vested, UCB needs to reach certain EBITDA and net debt reductions levels in 2007, 2008 and 2009. UCB incurred an expense of €1 million with respect to this plan as at 31 December 2007.

Employee share purchase plans

Share savings plan for employees of a UCB affiliate in the USA

The plan is intended to provide employees of UCB affiliates in the USA with an opportunity to purchase common shares of the Group with a discount of 15% funded by UCB. Employees save a certain portion of their salary through payroll deduction and shares will be purchased with after-tax employee savings. This plan has come into force in October 2007 and shares are held by an independent third party banking institution in an account in the employee's name.

The limits of employees' participations are:
- between 1% and 10% of each participant's compensation;
- US$ 25 000 per year per participant;
- maximum of US$ 5 million total ownership by USA employees in all forms of share plans over a rolling period of 12 months.

As of 31 December 2007, the plan had 621 participants. There are no specific vesting conditions and UCB incurred an insignificant amount as expense related to this plan.

Share savings plan for employees of a UCB affiliate in the United Kingdom

The purpose of this plan is to encourage the holding of UCB's shares by employees in the UK. Participants save a certain portion of their salary through payroll deductions and UCB will match every 5 shares bought by each participant with 1 free share. This plan started in October 2007 and shares are held in an account in the employee's name by an independent company that acts as a trustee.

The limits of employees' participations are to save up to 10% of each participant's compensation with a maximum of GBP 1 500 per participant.

As of 31 December 2007, the plan had 105 participants and the expense incurred for this plan is not significant.

Expenses for equity compensation plans

The expense recognised as at 31 December 2007 for both share option and share award plans amounts to €10 million (2006: €6 million), and is included in the relevant functional lines in the income statement:

€ million	2007	2006
Cost of sales	1	1
Marketing & selling expenses	3	2
Research & development expenses	2	1
General & administrative expenses	4	2
Total operating expense	**10**	**6**
Of which; equity-settled:		
• Share option plans	6	3
• Share award plans	3	2
• Performance share plan	1	-
• Employee share purchase plans	-	-
Cash-settled:		
• Share appreciation rights plan	-	1

Share option plans

The movements in the number of share options outstanding and their related weighted average exercise prices as at 31 December are:

€ million	2007 Weighted average fair value	2007 Weighted average exercise price	2007 Number of share options	2006 Weighted average fair value	2006 Weighted average exercise price	2006 Number of share options
Outstanding at 1 January	7.19	37.46	2 200 217	6.84	35.80	1 497 245
+ New options granted	9.08	43.65	1 855 100	7.67	40.24	1 148 500
(-) Options forfeited	7.99	40.61	141 100	7.24	39.05	445 100
(-) Options exercised	4.07	26.79	73 396	20.15	19.94	428
(-) Options expired	-	-	-	-	-	-
Outstanding at 31 December	**8.13**	**40.54**	**3 840 821**	**7.19**	**37.46**	**2 200 217**
Number of options fully vested:						
At 1 January			438 200			345 100
At 31 December			577 421			438 200

The expense as at 31 December 2007 of the 1 855 100 options granted in May 2007 at an average exercise price of €43.65 is included for seven months in the 31 December 2007 income statement.

The share options outstanding as at 31 December 2007 with the following last exercise dates and exercise prices are:

Last exercise date	Range of exercise prices in €	Number of share options
21 April 2013	19.94	3 101
31 May 2013	[26.58 – 27.94]	235 332
05 April 2014	31.28	8 888
01 September 2014	[40.10 – 40.20]	394 100
31 March 2015	[37.33 - 37.60]	544 900
31 March 2016	[40.14 - 40.57]	844 300
31 March 2017	[43.57 - 46.54]	1 810 200
Total outstanding		**3 840 821**

The weighted average fair value of options granted in May 2007, determined using the Black-Scholes valuation model, was €9.08.

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last 360 days. The probability of early exercise is reflected in the expected life of the options. The expected forfeiture rate is based on actual turnover of employees for categories eligible for stock option compensation. The significant assumptions used in the measurement of options granted in May 2007 are:

Share price	€	43.45
Weighted average exercise price	€	43.65
Expected volatility	%	19.30
Expected option life	Years	5.00
Expected dividend yield	%	1.73
Risk free interest rate	%	4.43
Expected annual forfeiture rate	%	7.00

Share appreciation rights plan

The movements of the SARs and the model inputs as at 31 December 2007 can be found in the table below. The fair value of SARs at grant date is determined using the Black-Scholes formula. The fair value of the liability is re-measured at each reporting date.

€		Number of SARs
Outstanding rights as of 31 December 2006		314 600
New rights granted		482 600
Rights forfeited		47 500
Rights exercised		-
Outstanding rights as of 31 December 2007		749 700
Share price	€	31.02
Exercise price	€	43.57
Expected volatility	%	24.37
Expected option life	Years	5.00
Expected dividend yield	%	1.73
Risk free interest rate	%	4.22
Expected annual forfeiture rate	%	7.00

Share award plans

The Company granted in 2007 share awards to the members of the Leadership Team of the Group, conditional to a vesting period of 3 years. 110 025 rights were granted, at a fair value of €43.57 per share, 5 000 rights at a fair value of €41.30 per share, and 3 000 rights at a fair value of €45.86 per share. The cost is spread over the vesting period. The beneficiaries are not entitled to dividends during the vesting period.

€	2007		2006	
	Number of shares	Weighted average exercise price in €	Number of shares	Weighted average exercise price in €
Outstanding at 1 January	200 275	40.27	75 100	37.13
+ New share awards granted	118 025	43.53	135 975	41.86
(-) Awards forfeited	22 900	40.53	9 300	38.58
(-) Awards vested and paid out due to retirement	2 300	41.88	1 500	37.13
Outstanding at 31 December	293 100	41.55	200 275	40.27

Options granted before 7 November 2002

According to the transitional provisions included in IFRS 2, the options granted before 7 November 2002 and not yet vested at 1 January 2005 are not amortised through the income statement. The table below describes the movement in the number of such share options outstanding.

At the moment of exercise of these options, UCB recognises an expense in its income statement.

In 1999 and 2000 respectively, UCB issued 145 200 and 236 700 subscription rights (warrants) to subscribe for one ordinary share. Out of these rights, 209 600 may still be exercised. These warrants expire progressively between 2009 and 2013.

The movement in the number of options and warrants not accounted for under IFRS 2 can be described as follows:

€	2007		2006	
	Weighted average exercise price	Number of shares options	Weighted average exercise price	Number of shares options
Outstanding at 1 January	39.87	762 889	39.72	995 252
(-) Options forfeited	40.40	10 600	38.58	18 100
(-) Options exercised	39.11	21 986	39.30	214 263
Outstanding at 31 December	40.37	730 303	39.87	762 889

27. Borrowings

€ million	2007	2006	2007	2006
Non-current	Carrying amount		Fair value	
Bank borrowings	1 880	2 170	1 880	2 170
Other loans	-	1	-	1
Finance lease	26	29	22	23
Total non-current borrowings	**1 906**	**2 200**	**1902**	**2 194**
Current				
Bank overdrafts	35	40	35	40
Current portion of bank borrowings	467	859	467	859
Debentures and other short term loans	9	12	9	12
Finance lease	3	3	3	3
Total current borrowings	**514**	**914**	**514**	**914**
Total borrowings	**2 420**	**3 114**	**2 416**	**3 108**

The arrangement fees are amortised on the useful life of the loan facilities agreement. (€7 million/year) based on 34 million paid at the end of 2006. Therefore the breakdown between non-current bank borrowings and current portion of bank borrowings has been adapted compared to the annual report of 2006 to reflect the current and non-current part of the amortisation.

The fair values of the non-current borrowings are calculated as the present values of the payments associated with the debts, based on the applicable yield curve and UCB's credit spread for the different currencies. Because the bank borrowings are at a floating interest rate that is reset each six months, the carrying amount of the bank borrowings equals its fair value. For the current borrowings the carrying amounts approximate their fair values as the effect of discounting is not considered to be significant.

On 11 November 2006, UCB launched a combined cash and share offer to acquire all outstanding shares of common stock of Schwarz Pharma. The syndicated loan facilities agreement concluded by the Group and a consortium of international banks financed the cash element of the acquisition of Schwarz Pharma and associated transaction costs, and has also been used to refinance UCB's syndicated loan.

The syndicated loan facilities agreement amounts to €3 372 million with facility expiry date of 31 December 2011. As at 31 December 2007, the total amount that has been drawn down on this syndicated loan facilities agreement amounts to €2 278 million (2006: €3 051 million) and the remaining transaction costs amounted to €27 million, which have been recognised as part of the syndicated facilities loan agreement. The syndicated loan facilities agreement has a Euribor floating interest rate plus a margin depending on the covenants of the agreement. On 31 December 2007, the floating weighted average interest rate was 5.53% (2006: 5.64%). The floating interest rate payments are subject to a designated cash flow hedge, fixing the interest rate for the Group at 4.96% (2006: 5.38%).

Maturity of group indebtedness, excluding other financial liabilities

€ million	2007	2006
1 year or less	467	859
1-2 years	-	188
2-5 years	1 880	1983
More than 5 years	-	-
Total interest-bearing loans	2 347	3 030
Bank overdrafts	35	40
Debentures other than short term loans	9	12
Finance lease	29	32
Total borrowings	**2 420**	**3 114**

The high amount that falls due within one year is the revolving part of the syndicated facilities loan agreement that is renewed each six months. The repayment schedule of the syndicated facilities loan agreement is explained above.

Analysis of the total financial debt by currency, excluding other financial liabilities

€ million	2007	2006
EUR	1 449	2 035
USD	898	995
Other	-	-
Total interest bearing loans by currency	2 347	3 030
Bank overdrafts	35	40
Debentures other than short term loans	9	12
Finance lease	29	32
Total borrowings	**2 420**	**3 114**

Finance lease obligations – Minimum lease payments

€ million	2007	2006
Amounts payable under finance leases:		
1 year or less	3	3
2-5 years	9	11
More than 5 years	17	18
Present value of lease obligations	**29**	**32**
Less: amount due for settlement within 12 months	3	3
Amount due for settlement after 12 months	**26**	**29**

28. Other financial liabilities

€ million	2007	2006	2007	2006
Non-current	Carrying amount		Fair value	
Financial liability related to the guaranteed dividend to be paid out under the domination and profit transfer agreement	366	-	366	-
Derivative financial instruments (Note 34)	10	-	10	-
Total non-current other financial liabilities	**376**	**-**	**376**	**-**
Current				
Financial liability related to the guaranteed dividend to be paid out under the domination and profit transfer agreement	18	-	18	-
Derivative financial instruments (Note 34)	17	9	17	9
Total current other financial liabilities	**35**	**9**	**35**	**9**
Total other financial liabilities	**411**	**9**	**411**	**9**

The financial liability is the net present value of the perpetual guaranteed dividend (€ 3.43/share) to be paid to the outside shareholders of Schwarz Pharma that have not tendered their shares (5 256 008 shares) at the balance sheet date (Note 6).

29. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

€ million	2007	2006
Intangible assets	(504)	(607)
Property, plant and equipment	(16)	(21)
Inventories	49	26
Trade and other receivables	10	6
Employee benefits	17	18
Provisions	28	16
Other short-term liabilities	(74)	(106)
Unused tax losses	46	80
Unused tax credits	2	6
Write-down of previously recognised deferred income tax assets	(48)	(54)
Total	**(490)**	**(636)**

Unused tax losses

€ million	2007	2006
1 year or less	-	1
1-2 years	-	3
2-3 years	-	1
3-4 years	4	2
More than 4 years	8	18
Without expiration	261	91
Unused tax losses	**273**	**116**

Temporary differences for which no deferred tax liability is recognised

No deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries. The unrecognised deferred tax liabilities amount to approximately €6 million (2006: €12 million).

Temporary differences for which no deferred tax asset is recognised

Deferred tax assets are recognised on tax losses carried-forward that represent income likely to be realised in the foreseeable future. Deferred tax assets amounting to €676 million (2006: €763 million) have not been recognised in view of the uncertain character of the recovery.

30. Employee benefits

Most employees are covered by retirement benefit plans sponsored by Group companies. The nature of such plans varies according to legal regulations, fiscal requirements and economic conditions of the countries in which the employees are employed. The Group operates both defined contribution plans and defined benefit plans.

Defined contribution plans

The assets of the schemes are held separately from those of the Group in funds under the control of trustees. When employees leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

Defined benefit plans

The Group operates several defined benefit plans. The benefits granted include mainly pension indemnities, jubilee premiums and termination indemnities. The benefits are granted according to local market practice and regulations.

These plans can be either unfunded or funded via outside pension funds or insurance companies. For (partially) funded plans, the assets of the plans are held separately from those of the Group in funds under the control of trustees.

Where a plan is unfunded, notably for the major defined benefit plans in Germany, a liability for the obligation is recorded in the Group's balance sheet.

For funded plans, the Group is liable for the deficits between the fair value of the plan assets and the present value of the benefit obligations. Accordingly, a liability (or an asset when the plan is over-funded) is recorded in the Group balance sheet. Independent actuaries assess all main plans annually.

Actuarial differences are amortised over the expected average remaining service life of the beneficiaries, to the extent the total of actuarial differences accumulate to the higher of 10% of the present value of the retirement benefit obligation, and 10% of the fair value of the external plan assets at balance sheet closing date.

The assets held in the funds do not contain any direct investment in UCB Group shares, nor any property occupied by, or other assets used by the Group, though this does not exclude UCB shares being included in mutual investment fund type investments.

The level of contributions is determined by local actuarial valuations. When employees leave the plans prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The amounts recognised in the balance sheet are determined as follows:

€ million	2007	2006
Present value of funded obligations	451	509
Fair value of plan assets	(462)	(472)
Deficit (surplus) for funded plans	(11)	37
Present value of unfunded obligations	78	81
Unrecognised actuarial gains / (losses)	29	(1)
Adjustment for asset ceiling	19	4
Net liability/(asset) recognised in balance sheet	**115**	**121**
Of which:		
Recognised in the non-current liabilities	125	135
Recognised in the non-current assets	(10)	(14)

UCB's total non-current employee benefit liabilities amount to €126 million (2006: €136 million) of which €1 million (2006: €1 million) is related to the Group's liability for share appreciation rights (Note 26). An amount of €37 million is related to the net liability for the Schwarz Pharma defined benefit plans.

The movement in defined benefit obligation over the year is as follows:

€ million	2007	2006
At 1 January	**590**	**540**
Current service cost	21	20
Interest cost	27	25
Contribution by plan participants	2	2
Amendments	-	2
Actuarial gains and losses	(45)	1
Exchange difference	(31)	-
Benefits paid	(31)	(31)
Premiums, taxes, expenses paid	(2)	(2)
Liabilities acquired in a business combination	-	41
Curtailments and settlements	(2)	(8)
At 31 December	**529**	**590**

The movement in the fair value of plan assets of the year is as follows:

€ million	2007	2006
At 1 January	**472**	**438**
Expected return on plan assets	28	27
Actuarial gains/(losses) on plan assets	(3)	8
Exchange difference	(33)	-
Employer contribution	34	30
Employee contribution	2	2
Benefits paid	(31)	(32)
Premiums, taxes, expenses paid	(3)	(2)
Plan settlements	(4)	(3)
Assets acquired in a business combination	-	4
At 31 December	**462**	**472**

The fair value of plan assets amounts to €462 million, representing 87% of the benefits accrued to members for both funded and unfunded plans. The shortfall of €67 million is to be cleared over the estimated remaining average service period of the current membership.

The amounts recognised in the consolidated income statement are as follows:

€ million	2007	2006
Current service cost	21	20
Interest cost	27	25
Expected return on plan assets & reimbursement assets	(27)	(27)
Actuarial (gain)/loss recognised	(1)	(1)
Amortization of past service cost including art. 58(a)	-	2
Amortization of net (gain)/loss including art. 58(a)	(11)	-
Adjustment for limit on net asset	17	4
Curtailment (gain)/loss recognised	-	(4)
Settlement (gain)/loss recognised	2	(1)
Total expense recognised in income statement	**28**	**18**

The split of the recognised expense by functional line is as follows:

€ million	2007	2006
Cost of sales	(7)	(1)
Marketing & selling expenses	(6)	(4)
Research & development expenses	(6)	(5)
General & administrative expenses	(9)	(8)
Total	**(28)**	**(18)**

The actual return on plan assets is €24 million (2006: €36 million) and the actual return on reimbursement rights is €1 million (2006: €1 million).

The principal actuarial assumptions used were:

€ million	2007	2006
Discount rate	5.51%	4.90%
Rate of compensation increase	3.95%	3.93%
Inflation rate	2.62%	2.57%
Expected long-term rate of return on plan assets	5.82%	6.21%
Assumed health-care trend rate		
- immediate trend rate	7.80%	8.50%
- ultimate trend rate	5.00%	5.00%
- year that the rate reaches ultimate trend rate	2012	2012

The major categories of plan assets as a percentage of plan assets and their expected return are as follows:

€ million	2007		2006	
	Percentage of plan assets	Expected return on plan assets	Percentage of plan assets	Expected return on plan assets
Equity securities	33.85%	7.84%	53.39%	7.07%
Debt securities	46.49%	5.45%	31.15%	4.62%
Real estate	0.50%	2.93%	0.47%	2.89%
Other	19.07%	4.31%	14.99%	3.37%

The effect of 1% movement in the assured health-care trend rate is:

	Increase	Decrease
Effect on total service cost and interest cost components	5	(4)
Effect on defined benefit obligation	18	(16)

Four years historical information is as follows (as from transition towards IFRS):

	2007	2006	2005
Present value of the defined benefit obligation	529	590	540
Fair value of plan assets	462	472	438
Deficit in the plan	(16)	(118)	(102)
Experience adjustments arising on plan liabilities	6	3	8
Experience adjustments arising on plan assets	3	(9)	(38)

The Group expects to contribute €36 million to its defined benefit plans during the annual period beginning after the balance sheet date.

31. Provisions

The movements in the recognised liabilities are as follows:

€ million	Environment	Restructuring	Other	Total
At 1 January 2007	**66**	**18**	**190**	**274**
Created – new and additional	25	38	55	118
Unused amounts reversed	(1)	-	(18)	(19)
Unwinding of discount	(2)	-	-	(2)
Effect of movements in exchange rates	-	(1)	(9)	(10)
Used during year	-	(6)	(12)	(18)
At 31 December 2007	**88**	**49**	**206**	**342**
Non-current portion	85	5	178	268
Current portion	3	44	28	75
Total provisions	**88**	**49**	**206**	**342**

The difference of €80 million between the published figure of €194 million and the reassessed amount of €274 million is the result of the reassessments made by the Group to the provisions acquired in the business combination of Schwarz Parma that was initially recognised in the balance sheet as at 31 December 2006 on a provisional basis in accordance with IFRS 3.

Environmental provisions

Due to the acquisition of Schwarz Pharma and the divestiture of Surface Specialties, UCB has retained certain liabilities with respect to environment. The latter is the case of the divested sites on which UCB has retained full responsibility in accordance with the contractual terms agreed upon with Cytec Industries Inc. Furthermore, new provisions have been accounted for following the review of existing environmental issues. The provisions have been discounted at a rate of 4.67%.

Restructuring provisions

The business combination with Schwarz Pharma has triggered a vast reorganisation of the Group. In order to realise the synergies of the business combination, restructuring programs have been started up resulting in an increase of the restructuring provisions for an amount of €38 million.

Other provisions

Other provisions relate mainly to tax risks, product liability and litigations. Provisions for tax risks are recorded if UCB considers that the tax authorities might challenge a tax position taken by the Group or a subsidiary. Provisions for litigation comprise mainly provisions for litigations where UCB or a subsidiary is or might be a defendant against claims of previous employees. Product liability provisions relate to the risks related to the normal course of business and for which the Group might be liable by selling these kinds of drugs.

An assessment is performed with respect to the above-mentioned risks together with the Group's legal advisers and experts in the different domains.

32. Trade and other liabilities

Non-current trade and other liabilities

€ million	2007	2006
GSK / Sumitomo	21	29
Other payables	8	6
Total non-current trade and other liabilities	**29**	**35**

Current trade and other liabilities

€ million	2007	2006
Trade payables	509	429
Taxes payable, other than income tax	29	62
Payroll and social security liabilities	131	149
Other payables	90	235
Deferred income	6	19
Royalties payable	12	14
Rebates/discount payable	192	138
Accrued interest	74	20
Other accrued expenses	65	89
Total current trade and other liabilities	**1 108**	**1 155**

The vast majority of the trade and other liabilities are classified as current and consequently the carrying amounts of the total trade and other liabilities is assumed to be a reasonable approximation of fair value.

33. Financial instruments by category

The accounting policies for financial instruments on the asset-side of the balance sheet as at 31 December 2007 have been applied to the line items below:

€ million	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available for-sale	Total
Available-for-sale financial assets	-	-	-	8	8
Derivative financial instruments	-	30	62	-	92
Trade and other receivables	746	-	-	-	746
Other financial assets at fair value through profit of loss	-	-	-	-	-
Cash and cash equivalents	479	-	-	-	479
Total	**1 225**	**30**	**62**	**8**	**1 325**

The accounting policies for financial instruments on the liability-side of the balance sheet as at 31 December 2007 have been applied to the line items below:

€ million	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Borrowings	-	-	2 420	2 420
Derivative financial instruments	18	9	-	27
Other financial liabilities	-	-	384	384
Total	**18**	**9**	**2 804**	**2 831**

The accounting policies for financial instruments on the asset-side of the balance sheet as at 31 December 2006 have been applied to the line items below:

€ million	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available for-sale	Total
Available-for-sale financial assets	-	-	-	262	262
Derivative financial instruments	-	4	42	-	46
Trade and other receivables	795	-	-	-	795
Other financial assets at fair value through profit of loss	-	-	-	-	-
Cash and cash equivalents	974	-	-	-	974
Total	**1 769**	**4**	**42**	**262**	**2 077**

The accounting policies for financial instruments on the liability-side of the balance sheet as at 31 December 2007 have been applied to the line items below:

€ million	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Borrowings	-	-	3 114	3 114
Other financial liabilities	-	-	-	-
Derivative financial instruments	8	1	-	9
Total	**8**	**1**	**3 114**	**3 123**

34. Derivative financial instruments

€ million	Assets		Liabilities	
	2007	2006	**2007**	2006
Forward exchange contracts – cash flow hedges	28	14	2	1
Forward exchange contracts – fair value through the profit and loss	30	3	17	7
Interest rate derivatives – cash flow hedges	34	29	7	-
Interest rate derivatives – fair value through the profit and loss	0	-	1	-
Forward sale contracts – fair value hedges	-	-	-	1
Total	**92**	**46**	**27**	**9**
Of which:				
Non-current	**41**	**29**	**10**	**-**
Current	**51**	**17**	**17**	**9**

For cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity (2007: €12 million; 2006: €60 million) and released when the underlying transactions are recognised and affect the income statement. The ineffective portion of the cash flow hedges recognised in the income statement amounts to €1 million (2006: €1 million).

Foreign Currency Derivatives

The Group's policy to use financial derivative contracts is described above in Note 4 "Financial Risk Management". Derivative financial instruments are carried at fair value. The Group entered into foreign currency forward contracts to hedge a portion of highly probable future sales and royalty income, expected to occur in 2008.

The fair values by currency of the contracts are:

€ million	Assets		Liabilities	
	2007	2006	**2007**	2006
USD	42	15	6	-
GBP	14	-	-	7
EUR	1	-	13	-
JPY	1	-	-	-
Other currencies	-	2	-	1
Total foreign currency derivatives	**58**	**17**	**19**	**8**

The fair values recognised based on the maturity of the contracts are:

€ million	**2007**	2006
1 year or less	34	8
1-5 years	5	-
Beyond 5 years	-	-
Total foreign currency derivatives – net asset/(net liability)	**39**	**8**

The following table shows the split of foreign currency derivatives by currency of denomination (currencies sold view) as at 31 December 2007.

Notional amounts in € million	USD	GBP	EUR	Other currencies	**Total**
Forward contracts	705	108	32	38	883
Currency swaps	449	242	488	51	1 230
Option / collar	206	-	-	-	206
Total	**1 360**	**350**	**520**	**89**	**2 319**

Interest Rate Derivatives

The Group uses several derivative contracts to manage its exposure to interest rate movement on its variable rate borrowings. The re-pricing dates and amortisation characteristics are aligned with those of the floating rate syndicated loan recorded in the non-current interest-bearing loans and borrowings.
The outstanding contracts are as follows:

Contract type	Nominal values of contract (million)	Average rate	For period from-to		Floating Interest receipts
IRS	EUR 900	3.22%	31/1/2005	31/1/2012	EURIBOR 6 months
IRS	EUR 100	4.09%	23/7/2007	23/7/2009	EURIBOR 6 months
IRS	USD 400	4.91%	22/1/2007	22/1/2010	USD LIBOR 6 months
IRS	USD 100	4.78%	22/1/2008	22/1/2010	USD LIBOR 6 months
IRS floating/floating	EUR 300	EURIBOR 6 months	31/1/2008	31/1/2010	EURIBOR 1M + 7.5 bps
Collar	USD 300	4.18% to 5.10%	22/1/2007	22/1/2009	USD LIBOR 6 months
FRA	USD 300	3.57%	22/1/2009	22/7/2009	USD LIBOR 6 months
FRA	USD 300	3.77%	22/7/2009	22/1/2010	USD LIBOR 6 months
CAP	EUR 50	4.50%	15/2/2007	15/2/2012	EURIBOR 6 months

Foreign currency hedge for Net Investment in a foreign entity

The net investment in USA operations has been determined as the net assets of the Group's USA operations, including Schwarz Pharma's USA operations, after allocation of goodwill, and including the intercompany loans to the USA subsidiaries of the Group for which settlement is neither planned not likely to occur. In 2006, the Company entered into a loan agreement which is partly designated as a hedge of the net investment in USA operations as from its inception (end December 2006) and carried this on until December 2007. Following an internal corporate restructuring, the net investment hedge relationship was derecognised in December 2007.

The unrealised foreign exchange gain or loss is reported in a separate component of equity. These unrealised exchange rate differences are deferred in equity up to the date of termination of the USD loan and will only be released when UCB no longer has the underlying USD asset.

35. Earnings per share

Basic earnings per share

€	2007	2006
From continuing operations	0.88	2.54
From discontinued operations	0.01	0.00
Basic earnings per share	**0.89**	**2.54**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares.

Diluted earnings per share

€	2007	2006
From continuing operations	0.86	2.48
From discontinued operations	0.01	0.00
Diluted earning per share	**0.87**	**2.48**

Diluted earnings per share are calculated adjusting the weighted average number of ordinary shares outstanding to assume exercise of all-in-the-money share options and warrants.

The numerators used are the same as those detailed above for both earnings per share from continuing and discontinued operations.

For the shares options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares).

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

Earnings

€ million	2007	2006
Profit from continuing operations	158	367
Profit from discontinued operations	2	-
Profit attributable to equity holders	**160**	**367**

Number of shares

In thousand shares	2007	2006
Weighted average number of ordinary shares for the purpose of basic earnings per share	180 174	144 380
Weighted average number of ordinary shares for the purpose of diluted earnings per share	183 372	147 743

On 10 June 2003, the Group has issued a stock loan note represented by 30 000 loan stock units with a nominal value of €20 each, each having 1 000 defensive warrants attached to it. Each defensive warrant confers the right to its holders to subscribe to one share newly issued by UCB S.A. (Note 37). The UCB shares that might result from the exercise of these warrants will be issued with reference to the market price over a period prior to the issue. Therefore, those contingently issuable shares have no dilutive effect as at 31 December 2007 and have not been taken into account for the calculation of the diluted earnings per share.

36. Commitments and contingencies

Operating lease commitments

The non-cancellable operating lease rentals have the following expirations:

€ million	2007	2006
Less than one year	41	43
Between one and five years	77	91
More than five years	1	4
Total non-cancellable operating lease rentals	**119**	**138**

The Group has a number of non-cancellable operating leases primarily related to company cars and office spaces. The leases are for an initial period of 3 to 5 years. Lease payments are increased annually to reflect market rentals. None of the leases include contingent rentals. In 2007, €63 million (2006: €53 million) was recognised as an expense in the income statement in respect of operating leases.

Purchase obligations

The purchase obligations primarily relate to contractual obligations to investments in property, plant and equipment in Belgium (2007: €14 million; 2006: €13 million) and for the ongoing construction and upgrading of our production facility and adjunctive administrative premises in Ireland (2007: €27 million). The Group has entered into in-licensing agreements with different counterparts. These agreements foresee potential milestone payments which may be capitalised. As of 31 December 2007, they are assumed to fall due as follows:

- in 2008: US$ 8 million;
- in 2009: US$ 8 million;
- in 2010: US$ 25 million; and
- after 2012: US$ 145 million.

Besides these R&D milestones, sales milestones might be payable but given the uncertainty of the timing (after 2012), these have not been taken into account.

Other contractual obligations (€10 million) are related to fixed purchase agreements. These commitments are not in excess of current market prices in all material respects and reflect normal business operations.

Financial guarantees

With respect to the syndicated loan facilities agreement, UCB and certain of its affiliates have subscribed certain financial guarantees towards the consortium of banks, of which the most important are the first ranking pledge over the shares of Schwarz Pharma AG, UCB Holdings Inc, Fin UCB S.A., UCB Farchim S.A., UCB Lux S.A. and Celltech Ltd.

Other guarantees

The Company has provided guarantees to XL Winterthur International (US$ 6 million) and to Zurich Insurance Company (€30 million) in respect of reinsurance liabilities. The Group companies have to adhere to the laws and the regulations of the country in which they operate. As part of the former chemical activities of the Group, UCB has provided guarantees to the public waste agency of Flanders, OVAM, in respect of environmental liabilities (€13 million).

Contingent assets

On 26 April 2005 UCB and Lonza AG announced to have entered into a strategic biomanufacturing alliance. UCB and Lonza have signed a long-term supply agreement, under which Lonza will manufacture PEGylated antibody fragment based bulk actives for UCB. Lonza has built a commercial scale biopharmaceutical manufacturing facility that is co-financed by UCB. Based on the terms and conditions of the agreement related to the manufacturing facility, the agreement will be accounted for as an operating lease in the consolidated financial statements of UCB. Nevertheless, the agreement stipulates that 50% of the joint assets are owned by UCB, which means that:

- the facility excluding the land on which it is built,
- the technology used by Lonza,
- all the capital items acquired, created or developed by Lonza during the term of the agreement, and
- all other assets that are acquired, created or developed by or on behalf of Lonza and where it has been wholly or partially funded by UCB, will belong to UCB at 50%, not taking into account any improvements made by Lonza.

37. Related party transactions

Intra-Group sales and services

During the financial years ended 31 December 2007 and 2006, all intra-UCB Group transactions were carried out based on assessments of mutual economic benefit to the parties involved, and the applicable conditions were established in accordance with criteria of at arm's length negotiations and fair dealing, and with a view to creating value for the entire UCB Group. Conditions governing intra-UCB Group transactions were similar to conditions governing third-party transactions.

With regard to the sale of intermediary and finished products, these criteria were accompanied by the principle of increasing each party's respective production cost by an at arm's length profit margin. With regard to intra-UCB Group services rendered, these criteria are accompanied by the principle of charging fees sufficient to cover each party's respective incurred costs and an at arm's length mark-up. Intra-group transactions carried out within the UCB Group constitute standard transactions for a biopharmaceutical group. These transactions include the purchase and sale of intermediary and finished medical products, deposits and loans for UCB Group's affiliates as well as centralized functions and activities carried out by the UCB Group in order to optimize operations through economies of scale and scope.

Financial transactions with related parties other than UCB S.A.'s affiliates

There are no financial transactions with other related parties than affiliates of UCB Group.

Defensive Warrants

On 10 June 2003, the General Meeting of Shareholders resolved to issue a stock loan represented by 30 000 loan stock units with a nominal value of €20 each, each having 1 000 defensive warrants attached to it (the "**Defensive Warrants**"). Each Defensive Warrant confers the right to its holder to subscribe to one share newly issued by UCB S.A.. The loan was subscribed for by Financière de Tubize. The holders of the Defensive Warrants have entered into an agreement with UCB S.A. to comply with the terms and conditions relating to the issue and exercise of the Defensive Warrants.

At the mentioned General Meeting of Shareholders it was also resolved to create an ad hoc committee to decide, in pre-defined circumstances, about the implementation of this defensive measure and the transfer of the Defensive Warrants. The Defensive Warrants may only be exercised in specific circumstances, the existence of which must be assessed by the ad hoc committee:

- launch of a takeover bid by a third party considered to be hostile by the Board of Directors;
- modification of control over the UCB Group due to transactions relating to UCB Shares by one or more third parties, carried out either on or off the stock market, whether or not in a concerted fashion;
- the threat of a takeover bid or an operation involving modification of control over the UCB Group.

The Defensive Warrants and the agreement between the holders of the Defensive Warrants and UCB S.A. expire on 9 June 2008. UCB shares resulting from the exercise of these warrants will be issued with reference to the market price over a period prior to the issue.

Key management compensation

Key management compensation disclosed in the following table comprises amounts recognised in the income statement for members of the Board of Directors and the Executive Committee, for the portion of the year where they exercised their mandate.

Short-term employee benefits include salaries (including social security contributions), bonuses earned during the year, car leasing and other allowances where applicable. Share-based compensation includes the amortisation over the vesting period of the fair value of equity instruments granted, and comprises stock options and share awards as further explained in Note 26. The termination benefits contain all compensated amounts, including benefits in kind and deferred compensation.
There have been no loans granted by the Company or a subsidiary of the Group to any Director or Officer of the Group, nor any guarantees given with respect hereto.

€ million	2007	2006
Short-term employee benefits	8	7
Termination benefits	3	-
Post-employment benefits	3	2
Share-based payment	2	1
Total key management compensation	**16**	**10**

38. Events after the balance sheet date

Teva Specialty Pharmaceuticals and UCB announce USA respiratory collaboration agreement

On 16 January 2008, Teva Speciality Pharmaceuticals and UCB announced an agreement to co-commercialise Teva's USA respiratory medicines. The initial product to be jointly promoted in the USA is Teva's ProAir®HFA (albuterol sulphate) Inhalation Aerosol. Additionally, the agreement will provide UCB future joint promotion opportunities with other products in development by Teva Pharmaceuticals.

Restructuring of the Group's research and development facilities

On 22 January 2008, UCB announced the closure of the Cambridge (UK) site within the next 6 months, with approximately 146 jobs being redundant, as well as the closure of a number of Discovery Research and NCDS roles in Monheim (Germany), affecting approximately 48 positions.

39. UCB companies

List of UCB companies, accounted for by the full consolidation method

Name and office	% of shareholding (economic interest)
Australia	
UCB Australia Pty Ltd. - Level 1, 1155 Malvern Road – 3144 Malvern, Victoria	100
Austria	
UCB Pharma GmbH – Jacquingasse 16-18, OG – 1030 Wien	100
Schwarz Pharma GmbH – Leonard-Bernstein Strasse 10 – 1220 Wien	100
Belgium	
UCB S.A. – Allée de la Recherche 60 – 1070 Brussels (BE0403.053.608)	100
UCB Fipar S.A. - Allée de la Recherche 60 – 1070 Brussels (BE0403.198.811)	100
UCB-Actias S.A. - Allée de la Recherche 60 – 1070 Brussels (BE0416.836.318)	100
Fin UCB S.A. - Allée de la Recherche 60 – 1070 Brussels (BE0426.831.078)	100
UCB Belgium S.A. - Allée de la Recherche 60 – 1070 Brussels (BE0402.040.254)	100
M.I.O. Zwijnaarde N.V. – Allée de la Recherche 60 – 1070 Brussels (BE0456.929.386)	100
UCB Pharma S.A. – Allée de la Recherche 60 – 1070 Brussels (BE0403.096.168)	100
Sifar S.A. - Allée de la Recherche 60 – 1070 Brussels (BE0453.612.580)	100
Brazil	
UCB Holdings do Brasil Ltda – Rua Sao Joaquin 249, Sala 13 Bairrio Liberdade – Sao Paulo 01508-001	100
Canada	
UCB Pharma Canada Inc. - 4145 North Service Road 200 - ON L7L 6A3 Burlington	100
China	
UCB Trading (Shanghai) Co Ltd. - 317, N°439 Fu Te Xi Yi Road, Waigaoqiao, Free Trade Zone, Shanghai	100
UCB Pharma Ltd. – 18/F Tai Tung Building, 8 Fleming Road, Wanchai – Hong Kong	100
Zhuhai Schwarz Pharma Company Ltd. – Block A. Changsa Industrial zone. Qianshan District – 519070 Zhuhai Guangdong Province	66.93
Schwarz Pharma Commercial Offshore de Macau Lda. – Avenida da Praia Grande n° 762-804 China Plaza 18 Andar J-2 Macau	89.24
Schwarz Pharma (HK) Ltd. – Unit 4912-13, 49/F The Center, 99 Queen's Road Central Hong Kong	89.24
Czech Republic	
UCB s.r.o. – Thámova 13 - 186 00 Praha 8	100
Denmark	
UCB Nordic A/S – Arne Jacobsen Alle 15 – 2300 Copenhagen	100
Schwarz Pharma ApS – Gydevang 39-41, Allerod 3450	100
Finland	
UCB Pharma OY Finland – Malminkaari 5 – 00700 Helsinki	100
Schwarz Pharma OY – Pakkalankuja 7 – Vantaa 01510	100
France	
UCB France S.A. – 21 Rue de Neuilly – 92003 Nanterre	100
UCB Pharma S.A. - 21 Rue de Neuilly – 92003 Nanterre	100
Vedim Pharma S.N.C. - 5/7 Rue Diderot – 92003 Nanterre	100
Laboratories Schwarz Pharma S.A.S. – 235 Avenue le Jour se Lève – 92100 Boulogne Billancourt	100
Germany	
UCB SP Gmbh - Alfred Nobel Strasse, 10 - 40789 Monheim am Rhein	100
Vedim Pharma GmbH – Hüttenstrasse 205 PF 1340 - 50170 Kerpen-Sindorf	100
UCB Healthcare GmbH - Hüttenstrasse 205 - 50170 Kerpen-Sindorf	100
Rodleben Pharma GmbH – Am Wäldchen 19 – 06862 Rodleben	100
UCB GmbH - Hüttenstrasse 205 – 50170 Kerpen-Sindorf	100
Celltech Pharma GmbH & Co Kg – Hüttenstrasse 205 - 50170 Kerpen-Sindorf	100
Celltech Pharma Beteiligungs GmbH - Hüttenstrasse 205 - 50170 Kerpen-Sindorf	100
Schwarz Pharma AG - Alfred Nobel Strasse, 10 - 40789 Monheim am Rhein	89.24

Melusin Schwarz GmbH – Alfred-Nobel-Strasse 10- 40789 Monheim am Rhein	89.24
Schwarz Biosciences GmbH – Alfred-Nobel-Strasse 10- 40789 Monheim am Rhein	89.24
Sanol GmbH – Alfred-Nobel-Strasse 10- 40789 Monheim am Rhein	89.24
Schwarz & Co Immobiliengesellschaft Zwickau – Galileistrasse 6 – 08056 Zwickau	89.24
Schwarz & Co Immobiliengebäudegesellschaft Zwickau – Galileistrasse 6 – 08056 Zwickau	89.24
Schwarz Versicherungsvermittlungs GmbH – Alfred-Nobel-Strasse 10- 40789 Monheim am Rhein	89.24
Schwarz Pharma Produktions GmbH – Alfred-Nobel-Strasse 10- 40789 Monheim am Rhein	89.24
Schwarz Pharma Produktionsvewaltungs GmbH – Alfred-Nobel-Strasse 10- 40789 Monheim am Rhein	89.24
Hoyer GmbH & Co – Alfred-Nobel-Strasse 10- 40789 Monheim am Rhein	89.24
Paul Hoyer GmbH – Alfred-Nobel-Strasse 10- 40789 Monheim am Rhein	89.24
Intermuti Pharma GmbH – Siemensstrasse 14 – 41469 Neuss	89.24
Bredus Pharma GmbH AG – Alfred-Nobel-Strasse 10- 40789 Monheim am Rhein	89.24
Schwarz Pharma Deutschland GmbH AG – Alfred-Nobel-Strasse 10- 40789 Monheim am Rhein	89.24

Greece

Ilika Epikalipseon Hellas EPE (in liquidation) – 39-42 Grigoriou Lambraki and Ulof Palme Str 2 14123 Likovrissi Attika	100
UCB AE – 580 Vouliagmenis Avenue – 16452 Argyroupolis - Athens	100
Schwarz Pharma Mepe Hellas – Ethnikis Antistaseos 103 – 15451 Neo Psychico	89.24

Hungary

UCB Hungary Ltd. – Obuda Gate Building Arpád Fejedelem ùtja 26-28, 1023 Budapest	100

India

UCB India Private Ltd. – 504 Peninsula Towers, Peninsula Corporate Park, Ganpatrao Kadam Marg, Lower Parel – 400013 Mumbai	100
Uni-Mediflex Private Ltd. – G-6 Venus Apartments RG Thandani Marg Worli – 400018 Mumbai	100

Ireland

UCB (Pharma) Ireland Ltd. – United Drug House Magna Drive, Magna Business Park, City West Road – Dublin 24	100
Celltech Pharma Ireland – United Drug House Magna Drive, Magna Business Park, City West Road – Dublin 24	100
Celltech Reinsurance (Ireland) Ltd. - 4th fl St. James House 25-29 Adelaide Road - Dublin 2	100
Celltech Insurance (Ireland) Ltd. - 4th fl St. James House 25-29 Adelaide Road - Dublin 2	100
Schwarz Pharma Ltd – Shannon Industrial Estate – Shannon County Clare	89.24
Kudco Ireland Ltd – Shannon Industrial Estate – Shannon County Clare	100

Italy

UCB Pharma SpA – Via Praglia 15 – 10044 Pianezzo (To)	100

Japan

UCB Japan Co Ltd. – Ochanomizu Kyoun Bldg 2-2, Kanda-Surugadai – 101-0062 Chiyoda-Ku, Tokyo	100
Schwarz Pharma Japan Co Ltd – 2-14 Nihonbashi Ohdenma-cho chuoku – 103-0011 Tokyo	89.24

South Korea

Korea UCB Co Ltd. – 1674-1, Seocho-dong, Seocho-gu, 137-881 Seoul	100
Schwarz Pharma Korea Co Ltd – 7/FBong Woo Bldg – 31-7 Jang Chung Dong 1ga Chung-gu, Seoul 100- 391	89.24

Luxembourg

Société Financière UCB S.A. – Rue Eugène Ruppert, 12 – 2453 Luxembourg	100
UCB Lux S.A. – Rue Eugène Ruppert, 12 – 2453 Luxembourg	100
UCB S.C.A - Rue Eugène Ruppert, 12 – 2453 Luxembourg	100

Malaysia

UCB Pharma Asia Pacific Sdn. Bhd. – c/o Symphony Corporate House Sdn. Bhd. - 10th floor, Wisma Havela Thakardas, No. 1 Jalan Tiong Nam, Off Jalan Raja Laut - 50350 Kuala Lumpur	100

Mexico

UCB de Mexico SA de CV – Homero#440, 7fl Col. Chapultepec Morales – 11570 Mexico D.F.	100
Vedim SA de CV - Homero#440, 7fl Col. Chapultepec Morales – 11570 Mexico D.F.	100

Netherlands

UCB Finance N.V. – Lage Mosten 33 – 4822 NK Breda	100
UCB Pharma B.V. - Lage Mosten 33 – 4822 NK Breda	100
Medeva Holdings B.V. - Lage Mosten 33 – 4822 NK Breda	100

Medeva BV - Lage Mosten 33 – 4822 NK Breda	100
Schwarz Pharma BV – Hardwareweg 4 – 3821 BM Amersfoort	100
Norway	
UCB Pharma AS – Brynsveien 96 – 1352 Kolsas, Baerum	100
Schwarz Pharma AS – Nydalsveien 33 – 0484 Oslo	100
Philippines	
UCB Philippines Inc. – 9th fl Salcedo Towers 169 HV dela Costa St. Salcedo Village – 1227 Makati City	100
Schwarz Pharma Philippines Inc. – 3rd fl, Rufino Centre Bldg, Corner Herrera Street, Ayala Avenue – 1200 Makati	89.24
Poland	
Vedim Sp.z.o.o. – Ul. Kruczkowskiego, 8 - 00-380 Warszawa	100
UCB Pharma Sp.z.o.o. – Ul. Kruczkowskiego, 8 - 00-380 Warszawa	100
Schwarz Pharma SP.z.o.o. – Dolna 21 – 05-092 Lomianki	100
Portugal	
UCB Pharma (Produtos Farmaceuticos) Lda – Ed. D. Maria I, Q 60, piso 1 A, Quinta da Fonte Porte Salvo, Paço de Arcos 2770-229	100
Vedim Pharma (Prod. Quimicos e Farma) Lda – Ed. D. Maria I, Q 60, piso 1 A, Quinta da Fonte Porte Salvo, Paço de Arcos 2770-229	100
Schwarz Pharma Lda (Portugal) – Edificio Atrium Saldanha, Praça Duque de Saldanha n° 1,3,°L – 1050-090 Lisbon	89.24
Russia	
UCB Pharma LLC - Shabolovka 10 Bldg 2 – 119048 Moscow	100
Schwarz Pharma ooo – Kantemirovskaja 58 – 115477 Moscow	89.24
Singapore	
UCB Singapore Private Ltd. – 3 Church Street #08-01, Samsung Hub - 49483 Singapore	100
Spain	
Vedim Pharma SA – Paseo de la Castellana 141, Planta 15 – 28046 Madrid	100
UCB Pharma SA – Paseo de la Castellana 141, Planta 15 – 28046 Madrid	100
Schwarz Pharma S.L. - Paseo de la Castellana 141, Planta 15 – 28046 Madrid	100
Instituto de Farmacoligia Espanol S.L. – Paseo de la Castellana 141, Planta 15 – 28046 Madrid	100
Sweden	
UCB Pharma AB (Sweden) – Stureplan 4C 4van - 11435 Stockholm	100
Schwarz Pharma AB – Svärdvägen 21, Danderyd – 18233 Stockholm	100
Switzerland	
UCB Farchim SA – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100
UCB Investissements SA – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100
Doutors Réassurance SA – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100
Cogefina SA – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100
UCB-Pharma AG – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100
Medeva Pharma Suisse SA – Chemin de Croix Blanche 10 – 1630 Bulle	100
Schwarz Pharma AG – Jurastrasse 2 – Münchenstein – 4142 Baselland	100
Taiwan	
UCB (Taiwan) Ltd. – 12F, n° 35, Lane 11, Kwang Fu North Road - Taipei	100
Thailand	
Fipar (Thailand) Ltd. – 16th Floor, Q. House Sathorn, 11, South Sathorn Road Kwaeng Tung Mahamaek, Khet Sathorn, Bangkok Metropolis	100
UCB Pharma (Thailand) Ltd. – 27th fl, Panjathanee Tower 127/32 Nonsee Road Chongnonsee Yannawa 10120 Bangkok	99.98
Turkey	
UCB Pharma AS – Rüzgarlibahçe, Cumhuriyet Caddesi Gerçekler Sitesi, B-Blok Kat:6, Kavacik, Beykoz - 34805 Istanbul	100
Mesulin Ilac ve Maddeleri Pazarlama TLS – Besiktas 4 Levent Selvili Sok n° ½ - Istanbul	89.24

UK

Fipar Ltd. – 208 Bath Road – SL1 3WE Slough, Berkshire	100
UCB Fipar Ltd., subs. of UCB Inc. – 208 Bath Road – SL1 3WE Slough, Berkshire	100
Fipar UK Ltd., subs of UCB Fipar Ltd. – 208 Bath Road – SL1 3WE Slough, Berkshire	100
UCB (Investments) Ltd. – 208 Bath Road – SL1 3WE Slough, Berkshire	100
UCB T&R Graham Ltd. – c/o Baker Thilly Breckenridge House 274 Sauchiehall Street – G2 3EH Glasgow	100
UCB Services Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100
Viking Trading Co Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100
Vedim Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100
UCB Watford Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100
Celltech Group Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100
Celltech R&D Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100
Celltech Japan Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100
Celltech Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100
Chiroscience Group Ltd. – 208 Bath Road – SL1 3WE Slough, Berkshire	100
Chiroscience R&D Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100
Darwin Discovery Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100
Medeva Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100
UCB Pharma Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100
Evans Healthcare Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100
Medeva International Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100
Celltech Pharma Europe Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100
International Medication Systems (UK) Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100
Oxford GlycoSciences – 208 Bath Road – SL1 3WE Slough, Berkshire	100
Oxford GlycoSciences (UK) Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100
Oxford GlycoTherapeutics Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100
Confirmant Ltd. – 208 Bath Road – SL1 3WE Slough, Berkshire	100
UCB Ireland – 208 Bath Road – SL1 3WE Slough, Berkshire	100
Schwarz Pharma Ltd – 5 Hercules Way, Laevesden Park, WD25 7GS Warford Hertfordshire	100
Schwarz Pharmaceuticals Ltd – 5 Hercules Way, Laevesden Park, WD25 7GS Warford Hertfordshire	100
Medo Pharmaceuticals Ltd – 5 Hercules Way, Laevesden Park, WD25 7GS Warford Hertfordshire	100

USA

Cistron Biotechnology Inc. - Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100
UCB Holdings Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100
Fipar US Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100
UCB Inc. - Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100
UCB Research Inc. - Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100
UCB Bioproducts Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100
UCB Pharco Inc. – 300 Delaware Avenue – 19801 Wilmington Delaware	100
Celltech US LLC – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington Delaware	100
Celltech Manufacturing CA Inc. – C T Corporation System, 818 W. Seventh Street, Los Angeles California 90017	100
UCB Manufacturing Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100
UCB Technologies Inc. – C T Corporation System, 111 Eight Avenue, NY, 10011 New York	100
Upstate Pharma LLC – C T Corporation System, 111 Eight Avenue, NY, 10011 New York	100
Schwarz Biosciences Inc. – 8010 Arco Corporative Drive – Raleigh 27617 North Carolina	100
Schwarz Pharma Inc. – 103 Foulk road 254 – 19803 Wilmington Delaware	100
Schwarz Pharma Manufacturing Inc. – Manufacturing Facility 1101 C Avenue West – 47274 Seymour Indianapolis	100
Kremers Urban Development Company – 103 Foulk road 205-1 – 19803 Wilmington Delaware	100
SRZ Properties Inc. – 103 Foulk road 254 – 19803 Wilmington Delaware	100
CPM Properties Inc. – 103 Foulk road 254 – 19803 Wilmington Delaware	100
Kremers Urban LLC – 103 Foulk road 254 – 19803 Wilmington Delaware	100
Schwarz Pharma LLC – 103 Foulk road 254 – 19803 Wilmington Delaware	100

Report of the Board of Auditors

to the General Shareholders' Meeting on the consolidated accounts of the company UCB S.A./N.V. as of and for the year ended 31 December 2007

As required by law and the company's articles of association, we report to you in the context of our appointment as statutory auditors. This report includes our opinion on the consolidated accounts and the required additional comment.

Unqualified opinion on the consolidated accounts

We have audited the consolidated accounts of UCB SA/NV and its subsidiaries (the "Group") as of and for the year ended 31 December 2007, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable to quoted companies in Belgium. These consolidated accounts comprise the consolidated balance sheet as of 31 December 2007 and the consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The total of the consolidated balance sheet amounts to EUR 9.555 million and the consolidated statement of income shows a profit for the year, Group share, of EUR 160 million. The annual accounts of certain subsidiaries included in the consolidation have been audited by other external auditors. We based our audit on their audit opinions and we have carried out specific additional audit procedures in the context of the consolidation.

The company's board of directors is responsible for the preparation of the consolidated accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated accounts based on our audit. We conducted our audit in accordance with the legal requirements applicable in Belgium and with Belgian auditing standards, as issued by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free of material misstatement.

In accordance with the auditing standards referred to above, we have carried out procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The selection of these procedures is a matter for our judgment, as is the assessment of the risk that the consolidated accounts contain material misstatements, whether due to fraud or error. In making those risk assessments, we have considered the Group's internal control relating to the preparation and fair presentation of the consolidated accounts, in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. We have also evaluated the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as the presentation of the consolidated accounts taken as a whole. Finally, we have obtained from the board of directors and Group officials the explanations and information necessary for our audit. We believe that the audit evidence we have obtained and the work of the other auditors who have audited the accounts of certain subsidiaries provides a reasonable basis for our opinion.

In our opinion, based on our audit and on the reports of other auditors, the consolidated accounts of give a true and fair view of the Group's net worth and financial position as of 31 December 2007 and of its results and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Additional comment

The company's board of directors is responsible for the preparation and content of the management report on the consolidated accounts.

Our responsibility is to include in our report the following additional comment, which does not have any effect on our opinion on the consolidated accounts:

- The management report on the consolidated accounts deals with the information required by the law and is consistent with the consolidated accounts. However, we are not in a position to express an opinion on the description of the principal risks and uncertainties facing the companies included in the consolidation, the state of their affairs, their forecast development or the significant influence of certain events on their future development. Nevertheless, we can confirm that the information provided is not in obvious contradiction with the information we have acquired in the context of our appointment.

Brussels, 12 March 2008

The Board of Auditors

E. ATTOUT

D. GOOSSENS

Abbreviated Statutory Financial Statements of UCB S.A.

Introduction

In accordance with the Belgian Company's Act, it has been decided to present an abbreviated version of the statutory financial statements of UCB S.A.

The statutory financial statements of UCB S.A. are prepared in accordance with Belgian Generally Accepted Accounting Principles.

It should be noted that only the consolidated financial statements as presented above, present a true and fair view of the financial position and performance of the UCB Group.

Since 1 November 2006, UCB S.A. is transformed into a pure holding company, having contributed its operational activities in UCB Pharma S.A.

The Board of Auditors have issued an unqualified audit opinion and certify that the non-consolidated financial statements of UCB S.A. for the year-ended 31 December 2007 give a true and fair view of the financial position and results of UCB S.A. in accordance with all legal and regulatory dispositions.

In accordance with the legislation, these separate financial statements, together with the management report of the Board of Directors to the general assembly of shareholders, as well as the auditors' report will be filed at the National Bank of Belgium within the statutory periods.

These documents are available on our website www.ucb-group.com or on simple request, addressed to:

UCB S.A.
Corporate Communication
Allée de la Recherche 60
B-1070 Brussels (Belgium)

Balance sheet

€ million	31.12.2007	31.12.2006
ASSETS		
Formation expenses	27	34
Intangible assets	1	-
Tangible assets	7	9
Financial assets	4 785	6 614
Fixed assets	**4 820**	**6 657**
Amounts receivable after more than one year	859	18
Amounts receivable within one year or less	346	209
Short-term investments	46	65
Cash at bank and on hand	1	8
Deferred charges and accrued income	46	14
Current assets	**1 298**	**314**
Total assets	**6 118**	**6 971**
LIABILITIES		
Capital	550	545
Share premium	1 601	1 603
Reserves	1 920	1 831
Profit brought forward	145	146
Equity	**4 216**	**4 125**
Provisions	3	-
Provisions and deferred taxes	**3**	**-**
Amounts payable after more than one year	1 566	1 539
Amounts payable within one year or less	313	1 288
Accrued charges and deferred income	20	19
Current liabilities	**1 899**	**2 846**
Total liabilities	**6 118**	**6 971**

Income statement

€ million	31.12.2007	31.12.2006
Operating income	49	1 272
Operating charges	(66)	(1 273)
Operating result	**(17)**	**(1)**
Financial income	240	638
Financial charges	(98)	(238)
Financial result	**142**	**400**
Operating result before income taxes	**125**	**399**
Exceptional income	141	216
Exceptional charges	(6)	(63)
Exceptional result	**135**	**153**
Profit before income taxes	**260**	**552**
Income taxes	(2)	(35)
Profit for the year available for appropriation	**258**	**517**

Appropriation account

€ million	31.12.2007	31.12.2006
Profit for the period available for appropriation	258	517
Profit brought forward from previous year	145	145
Profit to be appropriated	**403**	**662**
To legal reserve	-	(11)
To other reserves	(89)	(340)
Appropriation to capital and reserves	**(89)**	**(351)**
Profit to be carried forward	(145)	(145)
Result to be carried forward	**(145)**	**(145)**
Dividends	(169)	(165)
Profit to be distributed	**(169)**	**(165)**
If the proposed allocation of the profit is approved, the total gross dividend will be fixed at:	€0.92	€0.90
If the proposed allocation of profit is approved and taking into account the tax regulations, the total net dividend off withholding tax per share will be fixed at:	€0.69	€0.68

The activities of UCB S.A. generated in 2007 a net profit of €257 619 899 after income taxes. After taking into account the profit brought forward of €145 457 217, the amount available form distribution is €403 077 116.

The Board of Directors proposes to pay a gross dividend of €0.92 per share, or a total dividend distribution of €168 695 848. If this dividend proposal is approved by the Company's shareholders on their Meeting on 24 April 2008, the net dividend of €0.69 per share will be payable as of 28 April 2008 against the delivery of coupon nr 10, attached to the Company's bearer shares.

Summary of significant accountings principles

The Board of Directors made the following decisions in accordance with the Article 28 of the Royal Decree of 30 January 2001 on implementing the Company Code.

Intangible assets

Research and Development costs have been capitalised as intangible assets at their purchase or at cost. These capitalised costs have been entirely depreciated in the year but the difference between the actual amount of depreciation taken in the year and the gross amount capitalised has been treated as a write-back of depreciation on the exceptional income.

A straight-line depreciation rate of 33 1/3% has been applied to these costs, based on a three-year life considering 'pro rata temporis'. The depreciation of the purchase price of patents, licenses and similar items is either in accordance with a prudent assessment of the economic life of such intangible assets or at a minimum rate equal to that of the assets required to handle the patent or process, or by a fixed period of the depreciation not lower than five years considering 'pro rata temporis'.

Tangible assets

Tangible assets purchased from third parties have been included in the balance sheet at purchase price; assets manufactured by the Company itself have been valued at cost. The purchase price or cost is depreciated on a straight-line basis considering 'pro rata temporis'.
The depreciation rates are as follows:

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

Financial assets

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 the consolidation have been valued at cost. A specific write-down has been made whenever the valuation made each year shows a permanent loss in value.

Receivables and liabilities

They are shown at their book value. Receivables have been written down if their repayment, when due, is entirely of partly uncertain and doubtful.

Assets and commitments expressed in foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Non-monetary assets and liabilities (intangible and tangible assets, shareholdings), denominated in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at balance sheet date rate. Realised exchange differences on foreign currency transactions are recognised in the income statement, as are non-realised exchange losses, whilst non-realised exchange profits are included under accrued charges and deferred income in the balance sheet.

Provisions

All the risks born by the Company have been the subject of provisions reviewed each year, in accordance with the rules of prudence, good faith and sincerity. Provisions are recorded at normal value.

Information

Official Report Language

Pursuant to Belgian law, UCB is required to prepare its Annual Report in French and Dutch. UCB has also made this report available in English. In the event of any differences in translations or interpretations, the French version shall be regarded to be the official Annual Report.

Availability of the Annual Report

The Annual Report is available to the public upon request to:

UCB S.A.
Attention Investor Relations
Allée de la Recherche, 60
1070 Brussels, Belgium
Phone +32 2 559 9588
Fax +32 2 559 9571

An electronic version of the Annual Report is also available, for information purposes only, via the internet on the website of UCB www.ucb-group.com.

Only the printed Annual Report published in Belgium in accordance with the applicable rules and legislation is legally valid, and UCB takes no responsibility for the accuracy or correctness of the Annual Report available via the Internet. Other information on the website of UCB or on any other website, does not form part of this Annual Report.

Forward-looking Statements

This Annual Report contains forward-looking statements, including, without limitation, statements containing the words 'believes', 'anticipates', 'expects', 'intends', 'plans', 'seeks', 'estimates', 'may', 'will', and 'continue' and similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which might cause the actual results, financial condition, performance or achievements of UCB, or industry results, to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Given these uncertainties, the public is cautioned not to place any undue reliance on such forward-looking statements. These forward-looking statements are made only as of the date of this Annual Report. UCB expressly disclaims any obligation to update any such forward-looking statements in this Annual Report to reflect any change in its expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based, unless such statement is required pursuant to applicable laws and regulations.

Glossary

Adjusted Earnings Per Share (Adjusted EPS):
It is the adjusted net profit as defined below divided by the weighted average total outstanding number of shares for the year.

Adjusted net profit:
Profit for the year as reported in the consolidated financial statements adjusted for the impact of one-off and non-recurring items, the contribution from discontinued operations and the inventory step-up corrected for income taxes.

Earnings Before Interest and Taxes (EBIT):
Operating profit as mentioned in the consolidated financial statements.

Free cash flow:
Cash flow from operating activities plus cash flow from investing activities of the continuing operations.

Gross capital expenditure:
Acquisition of property, plant and equipment and of intangible assets.

Net debt:
Non-current and current borrowings and bank overdrafts less debt securities, restricted cash deposit with respect to financial lease agreements, cash and cash equivalents. The other financial liabilities, which are related to the estimated perpetual dividend to be paid to outside Schwarz Pharma shareholders under the domination and profit transfer agreement, are not included in the calculation of the Group's net debt.

Non-recurring items:
Items of income or expense which do not occur regularly as part of the normal activities of the company.

Pro forma:
Further to the acquisition of a majority stake in Schwarz Pharma at the end of December 2006, the balance sheet of Schwarz Pharma had been included in UCB's consolidated balance sheet, whereas the Schwarz Pharma contribution to the income statement only has started to be reflected as of 1 January 2007. In order to provide the reader with a comparable basis, Pro forma financial information of the combined group for the full year 2006 has been incorporated in this annual report.

Recurring Earnings Before Interest, Taxes, Depreciation and Amortisation charges (Recurring EBITDA):
Operating profit adjusted for amortisation, depreciation, impairment charges, restructuring expenses and other income and expenses.

Recurring EBIT:
Operating profit adjusted for impairment charges, restructuring expenses, and other income and expenses.

Treatment days:
Treatment days are a measure of the average number of days of treatment associated with a form/strength of a product. It is calculated as: Total number of retail standard units / average daily dose.

Working capital:
Includes inventories, trade and other receivables and trade and other payables, both due within and after 12 months.

For a full glossary of scientific and medical terms in English, please visit our website on: www.ucb-group.com/research_and_development/glossary/index.asp

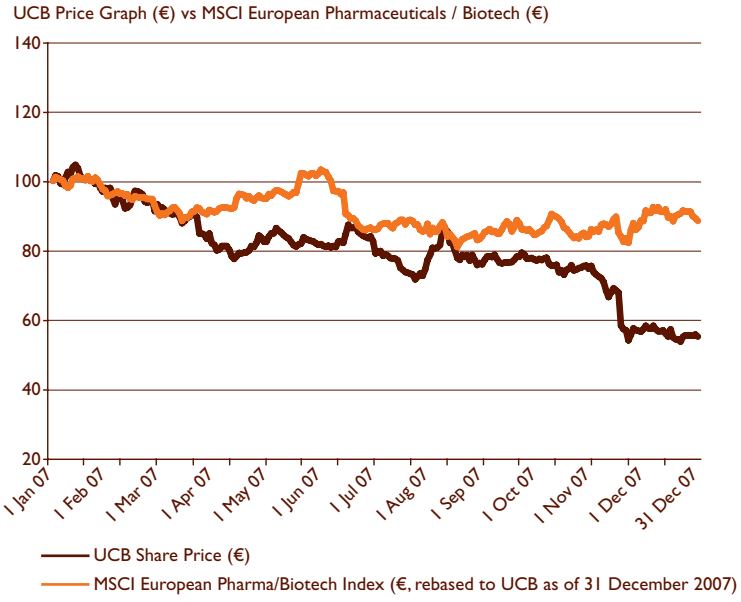
UCB: Financial Highlights 2007

€ million	2007	Pro Forma 2006
Results		
Net sales	3 188	3 144
Revenue	3 626	3 631
Gross profit	2 579	2 754
Marketing & selling expenses	(1 054)	(1 049)
Research & development expenses	(788)	(815)
General & administrative expenses	(267)	(315)
Recurring EBIT (operating profit)	480	608
Recurring EBITDA	741	747
EBIT (operating profit)	344	669
Net profit of the year (after minority interest)	160	391
Financial Positions		
Net financial debt	(1 915)	(2 108)
Cash flow from operating activities	490	321
Share Information		
Basic earnings per share (€ per share)	0.89[a]	2.17
Gross dividend per share (€ per share)	0.92	0.90
Number of shares (year-end)	183 361 252	181 512 768
Share price (year-end – € per share)	31.02	51.95
Market capitalisation (year-end – € billion)	5.7	9.4
Other		
Number of employees (year-end)	12 102	12 804
Average US$/€ exchange rate	1.369	1.255

(a) Basic earnings per share calculated by dividing the profit of the year by the weighted average number of ordinary shares outstanding during the year but excluding treasury shares (3 233 678).

UCB share evolution (2007)

(index = 100, 1 January 2007)



Headquarters

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Printing: HH Print Management
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