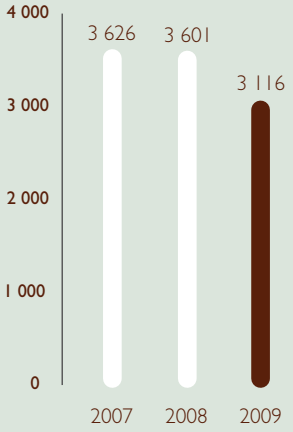
Delivering for patients

through innovation

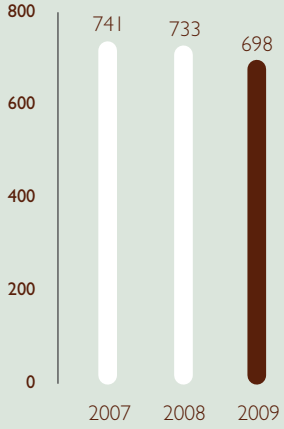
Annual report 2009

Key Data

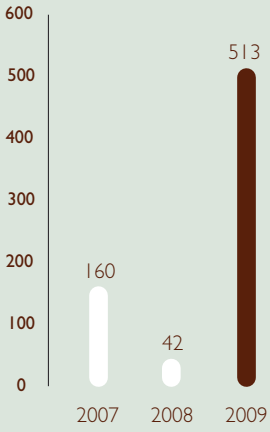
Revenue
€ million



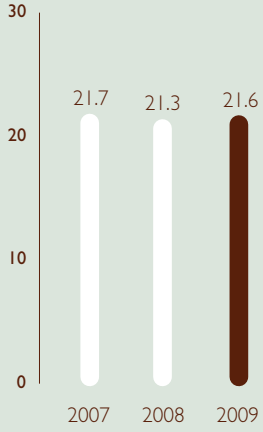
REBITDA
€ million



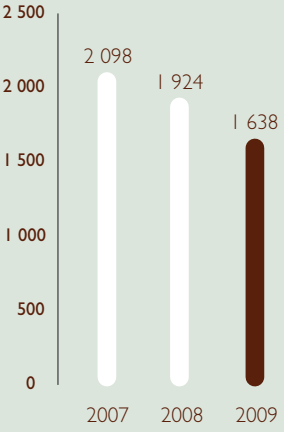
Net profit
€ million



R&D as % of revenue

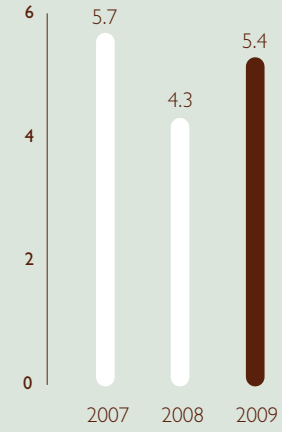


Operating expenses
€ million



Gross dividend
€ per share

Market capitalisation
€ billion



Note: see the Operating and Financial Review in the separate Management Report at the back of this Annual Report for the consolidated financial statements and a full commentary on our 2009 financial results.

UCB aspires to be the patient-centric global biopharmaceutical leader transforming the lives of people living with severe diseases

Vision & strategy
bringing our vision to life

Financial results
delivering for our shareholders

Delivering
for patients today

Fostering
our talent & capabilities

Researching & developing
tomorrow's breakthrough therapies

photo: Veronica, living with epilepsy

Delivering for Patients through Innovation

2009 marked an important turning point in the execution phase of our strategy, with the launch of three new products in major markets. In the course of the year, we gained regulatory approvals for and launched Cimzia®, Vimpat® and Neupro® in either the U.S. or Europe, or in both.

Vision and foundation

These developments, together with other achievements during the year, have strengthened our confidence in our potential and in our aspiration to become the patient-centric global biopharmaceutical leader in severe diseases of the central nervous system and in immunology.

The looming expiry of our U.S. patents for Zyrtec® in 2007 and Keppra® in late 2008 led UCB to initiate its transformation from a medium-sized chemicals and pharmaceuticals conglomerate into a higher-growth, higher-margin biopharmaceutical company. This led to us selling our non-pharmaceutical businesses in 2004 and 2005 and acquiring the British biotechnology company Celltech in 2004. With this acquisition, we gained a leading capability in large-molecule, or antibody-based, research focused on diseases in immunology, as well a pipeline of antibody-based drugs. The 2006 acquisition of the German pharmaceutical company, Schwarz Pharma, gave UCB additional late-stage pipeline in epilepsy, where we were already strong, and generally broadened our presence in neurology beyond that disease. With these foundations in place, we set our sights on becoming a biopharmaceutical leader in the treatment of severe diseases with high unmet medical need in the central nervous system (CNS) and in immunology.

As expected, the expiry of our U.S. patents for Zyrtec ® and Keppra® in 2007 and 2008 respectively, hit us hard and we lost over € 700 million of recurring operating profit (REBIT). We were able to absorb around 90% of the impact, however, so that our recurring operating profit of € 480 million in 2007 only reduced to € 453 million in 2009. Having weathered this storm, we can now move forward with the larger part of our patent-expiry losses behind us.

Delivering new products

In 2009, we not only obtained approval (in May for the U.S. and in October for Europe) for Cimzia® for adults suffering from rheumatoid arthritis (RA), but also launched the product in the U.S. within two days of approval, and in Germany, the first European country, within two hours of approval.

In June 2009, we obtained approval to launch Vimpat® in the U.S. for the treatment of the most common form of epilepsy, launching the product only a few days later. In Europe, where Vimpat® was approved in September 2008, we launched the therapy in 11 new countries in 2009 including France, Greece, Italy and Scandinavia.

Neupro® was made available in Europe in June 2009 for all patients suffering from Parkinson's disease and was additionally approved for the treatment of restless legs syndrome. With the recent successful launch in Italy, Neupro® is now available in most EU countries with the exception of France and Belgium.

Roch Doliveux, CEO
and Jamie, living with rheumatoid arthritis

Finally, Toviaz® was approved in the U.S. for the treatment of over-active bladder, following its earlier approval in Europe in October 2008. This enabled Pfizer, which has worldwide marketing rights, to launch the therapy in the U.S. in April 2009.

Between 2008 and 2009, approval of new molecular entities developed by UCB was unmatched by any other company in its peer group.

Cimzia®, Vimpat® and Neupro® uptake

Cimzia® has made encouraging progress. By the end of 2009, more than 9 200 patients had been treated with Cimzia®, aided by a patient-friendly self-injection device developed by RA patients in collaboration with our partner, OXO®. Overall, Cimzia® has already achieved a 2.3% share of new prescriptions in the subcutaneous anti-TNF market for RA in the U.S. since its launch for this disease in May 2009, and a 18% share of new prescriptions for Crohn's disease since launching for this indication in April 2008.

In the EU, Cimzia® uptake in the countries where it has been launched for RA, Germany, Denmark and the U.K., has been equally positive. Moreover, Cimzia® patient-friendly packaging received a prestigious 'Red Dot' award at the largest and most renowned design competition in the world. Worldwide sales of Cimzia® reached € 75 million in 2009 and are growing strongly.

Vimpat® has also delivered strong results, becoming the most successful anti-epileptic drug ever launched in the U.S. in terms of prescription uptake. In Europe, Vimpat® is now widely available. By the end of 2009, 46 000 patients were being treated with Vimpat®. Sales of Vimpat® reached € 46 million in 2009 and are growing rapidly.

Neupro® is once again available in many European countries. By the end of 2009, 53 000 patients were being treated with Neupro®, up from 30 000 in June when the product was approved for the re-initiation of promotion. Sales of Neupro® reached € 61 million in 2009 and are growing well.

Advancing UCB's new product pipeline

Beyond Cimzia®, Vimpat® and Neupro®, progress was made with *epratuzumab*, a novel antibody for systemic lupus erythematosus, with the successful completion of its Phase IIb dose-ranging study. In addition, we underscored the value of our strategic partnerships by working with our partner, Amgen, to advance CDP7851, or *anti-sclerostin*, a novel antibody for the treatment of bone loss disorders, into Phase II with trials for the treatment of post-menopausal osteoporosis as well as in fracture healing.

UCB completed two Phase III clinical trials that investigated the efficacy of *brivaracetam*, a new treatment for epilepsy, with one of these trials demonstrating a significant reduction in seizure frequency. After review of these results and discussions with opinion leaders and regulatory authorities, we plan to carry out another Phase III study to confirm the drug's efficacy.

To strengthen and accelerate our drug discovery, we welcomed Dr Ismail Kola to our company as the new leader of UCB NewMedicines™, our drug-discovery-to-proof-of-concept organisation. Ismail has a strong track record in pharmaceutical research of bringing breakthrough medicines from drug discovery into clinical development.

We strengthened our early pipeline in 2009 by moving UCB2892, an H_3 antagonist for neurology, into clinical research Phase I.

Strict management of costs

Launching three new medicines in numerous countries while absorbing the patent loss on two major products required rigorous cost management. In 2008, UCB introduced SHAPE, a programme designed to transform and focus the organisation

Karel Boone, Chairman,
and Hanna, living with epilepsy

on our new products in the market and important projects in our pipeline. By the end of 2009, more than € 150 million had been re-allocated to support the launch and roll-out of Cimzia®, Vimpat® and Neupro®. We also prioritised our country markets, concentrating on North America, Europe, Japan, China, India, Russia, Turkey, Mexico, South Korea and Australia, and divested non-core products in non-strategic emerging markets. In addition, we outsourced, or 'incubated', the development of our preclinical oncology portfolio.

UCB people: strength through adversity

The SHAPE programme and other organisational adjustments in 2008 and 2009 resulted in a 22% reduction in our workforce. While our employees understood the need for this programme, many of our colleagues who had invested many years of their working lives in UCB had to leave the company. A job platform was created to help them take the next step in their professional development, and we are pleased to report that more than 70% of the people who left UCB during this time have found new jobs or alternative career paths.

At the end of 2009, 9 324 people were working for UCB. We want to thank them sincerely for their hard work, resilience and persistence in what has been an unusually challenging year. In addition to seeing their friends and colleagues leave the company as part of the SHAPE programme, they had to adjust to a new organisation, new teams, and new ways of working, as well as overcome product-approval delays and other hurdles essential for success in the biopharmaceutical industry. They also, of course, had to cope with the financial crisis and economic recession, although our business was less affected than many others.

Despite these changes and challenges, more than 2 000 of our colleagues were engaged in patient-centric activities, while our annual management survey reinforced our confidence and pride in our colleagues' ability and their determination to help UCB realise its full potential.

Delivering financial results

UCB revenues reached € 3 116 million in 2009 compared to € 3 601 million in 2008, with underlying profitability (recurring EBITDA) ahead of company guidance at € 698 million compared to € 733 million in 2008. Net profit of € 513 million was impacted positively by one-time gains from divestments, and negatively by one-time costs from restructuring and debt refinancing, and compares to € 42 million in 2008.

UCB's former credit facility, which was due to mature in 2011, was paid down through the successful offering of three bonds and the negotiation of a new credit facility, enabling us to align the maturity profile of our debt much more closely with our expected cashflow, and to improve our financial stability.

Based on our dividend policy, which rewards long-term shareholders and considers the company's longer-term potential, the Board has proposed a gross dividend of € 0.96 per share, which is an increase of 4% over 2008.

Preparing for growth

As we enter a new decade, UCB is well placed to compete in the biopharmaceutical market. While many of our competitors face major patent expiries in the coming years, UCB has now largely overcome the challenges caused by the loss of the Zyrtec® patent and of U.S. exclusivity for Keppra®, although some loss of exclusivity is still to come and this will restrict our growth in 2010 and 2011. After this, we anticipate strong growth driven by Cimzia®, Vimpat® and Neupro® without any further loss of patent exclusivity for many years. In drug discovery and in clinical development, we are also working on a new wave of medicines

Roch Doliveux, CEO,
and Colleen, living with Parkinson's disease

that could offer significant breakthroughs for patients with severe diseases in CNS and immunology.

Putting patients at the heart of our work

Our quest to succeed is ultimately inspired and driven by the millions of patients who suffer from RA, Crohn's disease, lupus, epilepsy, movement disorders and other neurological and immunological disorders. During the year, we continued to involve these people in our work, together with their carers and specialist physicians, so that we can develop added-value therapies that address their unmet needs, both therapeutically and practically, as well as enhance UCB's performance. Examples of our patient-centric approach included: working closely with patients to design a more user-friendly delivery device for Cimzia®; involving sufferers of severe disease in our genetic biology research in order to improve our drug discovery efforts; and producing patient-reported outcomes to strengthen our drug development efforts and regulatory submissions. Our U.S. team spent time renovating the homes of RA patients, amongst other initiatives described in more detail on the following pages.

Priorities for 2010

Our top priority for 2010 is the continued launch and growth of Cimzia®, Vimpat® and Neupro® around the world. UCB's future clearly depends on the performance of its new products and early indicators of sales of these products are promising. Also key is the continued development of our pipeline of next-generation therapies and the enrichment of our early-stage pipeline. Developing the potential of our people is a high priority and we expect to invest significantly in this activity in 2010.

To become a lean, world-class biopharmaceutical company, we have to continue to adapt and strengthen our core processes so that we focus more effectively on our core products, markets and pipeline projects, and develop the agility to absorb the unavoidable effects of healthcare cost containment which are expected to increase around the world.

We want to thank once more all our colleagues at UCB for their persistence, resilience and delivery, our shareholders for their support, our ever-increasing number of partners for their contribution to our mutual success, and the Board for its unique ability to both challenge and encourage us.

Roch Doliveux
Chief Executive Officer

Karel Boone
Chairman

Bringing our vision to life

2009 marked an important turning point in the execution of our strategy. Major milestones achieved are presented in this report.

Juan, living with restless legs syndrome

2009 Milestones

During 2009, we delivered significant improvements across every facet of our business, from research and development to sales and finance, enabling us to provide patients with more innovative, effective therapies and our shareholders with sustainable returns.

Four new products launched

- **Cimzia**®: U.S. and Europe launch for rheumatoid arthritis
- **Vimpat**®: U.S. launch for epilepsy
- **Neupro**®: Europe launch for restless legs syndrome and re-introduction for Parkinson's disease
- **Toviaz**®: U.S. launch (by Pfizer) for overactive bladder

Five compounds in our pipeline progressed

- ***Brivaracetam***: Phase III results in epilepsy
- **Keppra® XR**: Phase III results in epilepsy monotherapy
- **Xyrem**®: Phase III results in fibromyalgia
- ***Epratuzumab***: Phase IIb results in systemic lupus erythematosus
- **CDP7851**: moved to Phase II for fracture healing and post-menopausal osteoporosis

Five regulatory approvals

- **Cimzia**®: U.S. approval for rheumatoid arthritis
- **Cimzia**®: EU approval for rheumatoid arthritis
- **Neupro**®: EU approval for restless legs syndrome
- **Neupro**®: EU approval to re-launch for Parkinson's disease
- **Keppra**®: EU approval for epilepsy in infants and young children

Revenue and REBITDA as expected

- Revenue of € 3 116 million
- Recurring EBITDA of € 698 million
- Net profit of € 513 million

108 000 new patients treated with new products at year end 2009

- 9 000 patients treated with Cimzia®
- 46 000 patients treated with Vimpat®
- 53 000 patients treated with Neupro®

Debt successfully re-financed

- € 1.5 billion revolving credit facility
- € 750 million retail bonds, due 2014
- € 500 million convertible bonds, due 2015
- € 500 million institutional bonds, due 2016
- Lender base diversified
- Maturity profile improved
- Old debt paid down

New partnerships forged

- Pre-clinical oncology projects 'incubated' with Wilex AG
- Co-marketing in Germany expanded with Novartis AG
- Cimzia® commercialisation agreement for Brazil with AstraZeneca plc
- Joined NeuroAllianz consortium
- On-line community for epilepsy patients begun with PatientsLikeMe

Organisation focused

- € 150 million re-allocated to Cimzia®, Vimpat®, Neupro®
- Geographical markets prioritised
- Non-strategic emerging markets divested
- Pre-clinical oncology products 'incubated'
- New research facility opened in the U.K.
- Workforce reduced by 22%
- Operating expenses reduced by 15%
- Cost of sales reduced by 9%

2009 Results

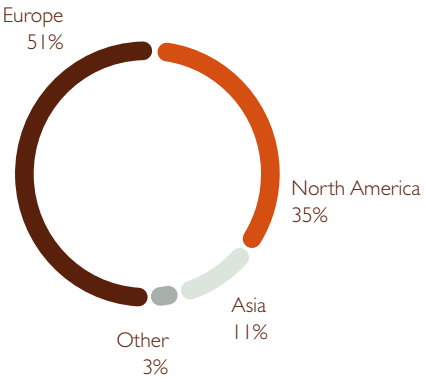
Absorbing most of the first full year of Keppra® generic erosion in the U.S., UCB delivered revenue of € 3 116 million and recurring EBITDA of € 698 million in 2009. Net profit of € 513 million was increased by one-time non-recurring gains from divestments and was reduced by one-time non-recurring restructuring and re-financing charges.

Major products

Products	Compound	Indications	Net sales 2007	Net sales 2008	Net sales 2009
					€ million
CNS					
Keppra®	*levetiracetam*	Several types of epilepsy, including partial onset-seizures	1 026	1 266	913
venlafaxine XR	*venlafaxine*	Depressive and social anxiety disorders	-	10	109
Metadate™ CD/ Equasym™ XL	*methylphenidate HCl*	Attention deficit hyperactivity disorder	79	77	72
Nootropil®	*piracetam*	Regulating cerebral functions	101	93	70
Neupro®	*rotigotine transdermal system*	Restless legs syndrome + Parkinson's disease	52	58	61
Vimpat®	*lacosamide*	Partial-onset-seizures, epilepsy	-	2	46
Immunology & Allergy					
Zyrtec®	*cetirizine*	Allergic rhinitis and chronic idiopathic urticaria	487	249	268
Xyzal®	*levocetirizine*	Allergic rhinitis and chronic idiopathic urticaria	168	173	132
Cimzia®	*certolizumab pegol*	Rheumatoid arthritis + Crohn's disease	1	10	75
Other areas					
Tussionex™	*hydrocodone polistirex and chlorpheniramine polistirex*	Coughs and colds	114	147	147
omeprazole	*omeprazole*	Gastrointestinal ulcers and reflux oesophagitis	147	75	64

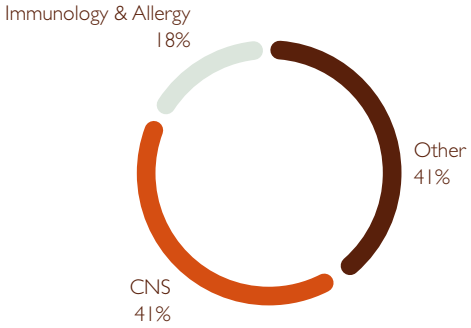
Sales by geographic region - 2009

Total net sales: € 2 683 million



Sales by therapeutic area - 2009

Total net sales: € 2 683 million



Results

€ million	2007	2008	2009
Revenue	3 626	3 601	3 116
Recurring EBITDA	741	733	698
Operating profit (EBIT)	344	113	837
Net profit (after minority interests)	160	42	513

Share information

	2007	2008	2009
Basic earnings per share (€)	0.89	0.24	2.85
Gross dividend per share (€)	0.92	0.92	0.96
Number of shares [1]	180 173 920	180 166 683	180 180 255
Share price (year-end, €)	31.02	23.30	29.22
Market capitalisation (year-end, € billion)	5.7	4.3	5.4

(1) Weighted average number of ordinary shares.

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Pipeline

As a medium-sized biopharma company, UCB has a solid pipeline of 10 large and small molecules, spanning 14 separate indications. Some of these are intended to strengthen the company's positions in disease areas such as epilepsy. Some new medicines could take the company into new areas of severe disease such as systemic lupus erythematosus and osteoporosis.

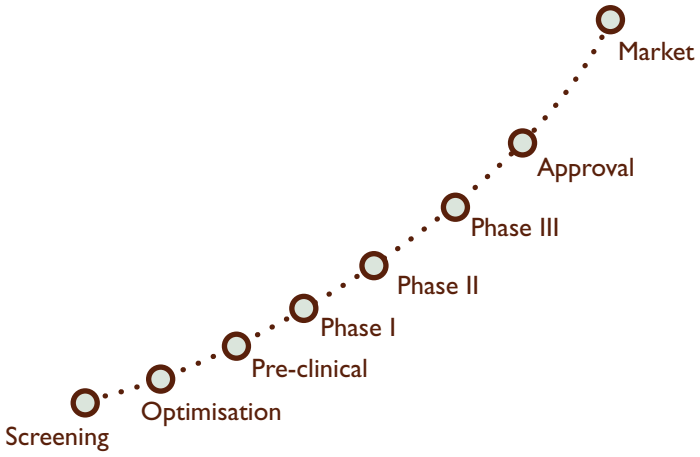
CNS	Indication	Phase I	Phase II	Phase III	Filed
Keppra® *(levetiracetam)*	Epilepsy adjunctive therapy (Japan)				
Neupro® *(rotigotine transdermal patch)*	Advanced Parkinson's disease (U.S.)				
Neupro® *(rotigotine transdermal patch)*	Restless legs syndrome (U.S.)				
Xyrem® *(sodium oxybate)*	Fibromyalgia				
brivaracetam	Epilepsy adjunctive therapy				
Vimpat® *(lacosamide)*	Epilepsy monotherapy (U.S.)				
Vimpat® *(lacosamide)*	Epilepsy paediatric adjunctive therapy(1)				
Vimpat® *(lacosamide)*	Epilepsy adjunctive therapy PGTC(2)				
UCB2892 *(H_3 antagonist)*	Central nervous system				

Immunology	Indication	Phase I	Phase II	Phase III	Filed
Cimzia® *(certoluzimab pegol)*	Ankylosing spondylitis				
Cimzia® *(certoluzimab pegol)*	Psoriatic arthritis				
Cimzia® *(certoluzimab pegol)*	Juvenile rheumatoid arthritis				
Cimzia® *(certoluzimab pegol)*	Rheumatoid arthritis (Japan)				
epratuzumab	Systemic lupus erythematosus				
CDP7851 *(anti-sclerostin)*	Post-menopausal osteoporosis				
CDP7851 *(anti-sclerostin)*	Fracture healing				
CDP6038 *(anti-IL6)*	Autoimmune diseases				

Small molecule drug (chemical production) Antibody-based large molecule drug (biotechnology production)

(1) Paediatric 2-17 years
(2) Primary generalised tonic clonic

Short introduction to the R&D steps in the biopharma industry



Screening (1-2 years)

Year '0': identification of new leads

Research into the causes and mechanisms of diseases leads to the identification of targets for pharmaceutical intervention for the treatment of the disease. At UCB, as a biopharmaceutical company, chemical entities (often several hundred thousand molecules) may be screened for activity against the target Alternatively biological molecules (for example antibodies) which interact with and modify targets may be identified by a number of different techniques.

Optimisation (1-2 years)

The lead substances from the screening process are evaluated in more detail by testing in cell cultures, tissue samples and other techniques. The most promising entities are further optimised and subjected to further testing. This enables substances which have potential value as therapeutic agents to be identified and taken forward as clinical candidates.

Pre-clinical development (1 year)

Safety testing and development of dosage form

During this phase of development, safety testing of the compound is started, as well as pharmacological characterisation and the evaluation of pharmacokinetic parameters. Although the use of animals is avoided wherever possible, some animal studies have to be conducted to meet regulatory and scientific requirements. Safety testing and monitoring continues in parallel with clinical development, in order to ensure the safety of the clinical trial participants. An appropriate dosage form for clinical trials will be developed and characterised. The activities to develop a manufacturing process will continue in parallel with clinical development.

Clinical Phase I (1 year)

Safety and pharmacokinetics in humans

Phase I clinical trials, which have to be approved by regulatory authorities as well as an independent ethics committees, are designed to determine tolerability and safety and are generally carried out in healthy volunteers. Trials normally consist of 20-80 subjects and evaluate single and then multiple doses of the new drug. Pharmacokinetics will be determined as well as the effects of food, interactions with other drugs etc and if possible some early indication of efficacy will be sought.

Clinical Phase II (2-2.5 years)

Demonstration of therapeutic efficacy

Phase II trials are carried out in patients (generally 100 to 500) and are designed to determine the optimal dosage of the drug to show efficacy accompanied by a suitable safety profile.

Clinical Phase III (>2 years)

Proof of efficacy and safety

Phase III clinical trials are conducted in large numbers of patients (sometimes several thousand) in order to confirm the therapeutic efficacy and safety of the new medicine in the target patient population.

Approval (14-24 month)

International approval processes

Approval to market a new pharmaceutical product is granted by the relevant authority (FDA in the U.S., EMA in Europe, etc.) after review of extensive documentation. The approval application consists of data relating to the synthesis, dosage form, pre-clinical characterisation, clinical trial results, packaging, product name and package insert.

Market

About 10 years from the original screening: a new drug will be launched

The new drug is introduced to the market with a brand name and is made available to doctors and patients as soon as feasible. Even after market launch the sponsors are required to undertake post-marketing surveillance to monitor a drug's safety as some adverse reactions are only detected through a substantial patient population. On average, only one out of 10 000 molecules reaches the market. Thus with a normal patent life of 20 years, about half of that is taken up in drug development;

Bringing our vision to life

Our vision is to be the patient-centric global biopharmaceutical leader, transforming the lives of people with severe diseases. This report describes the progress we made in 2009 in bringing our vision to life.

Stephanie, living with rheumatoid arthritis

Long-term Strategy

UCB has a clear long-term strategy to realise its vision. Since 2004, when the company was a diversified pharmaceuticals, chemicals and films conglomerate, we have successfully delivered the first three stages of this five-step strategy and are now poised to enter the 'growth' phase.

Transformation (2004-2005)

The transformation of UCB into a biopharmaceutical company with a development portfolio of small- and large-molecule drugs was achieved through the acquisition in 2004 of Celltech, the leading British biotech company, and the divestment of non-core businesses in 2005. By the end of 2005, UCB had a globally networked research organisation capable of capturing the combined potential of biology and chemistry.

Scale (2006)

The acquisition of Schwarz Pharma in 2006 enriched the company's late-stage pipeline, enhancing the company's short- to mid-term commercial potential.

Execution (2007-2009)

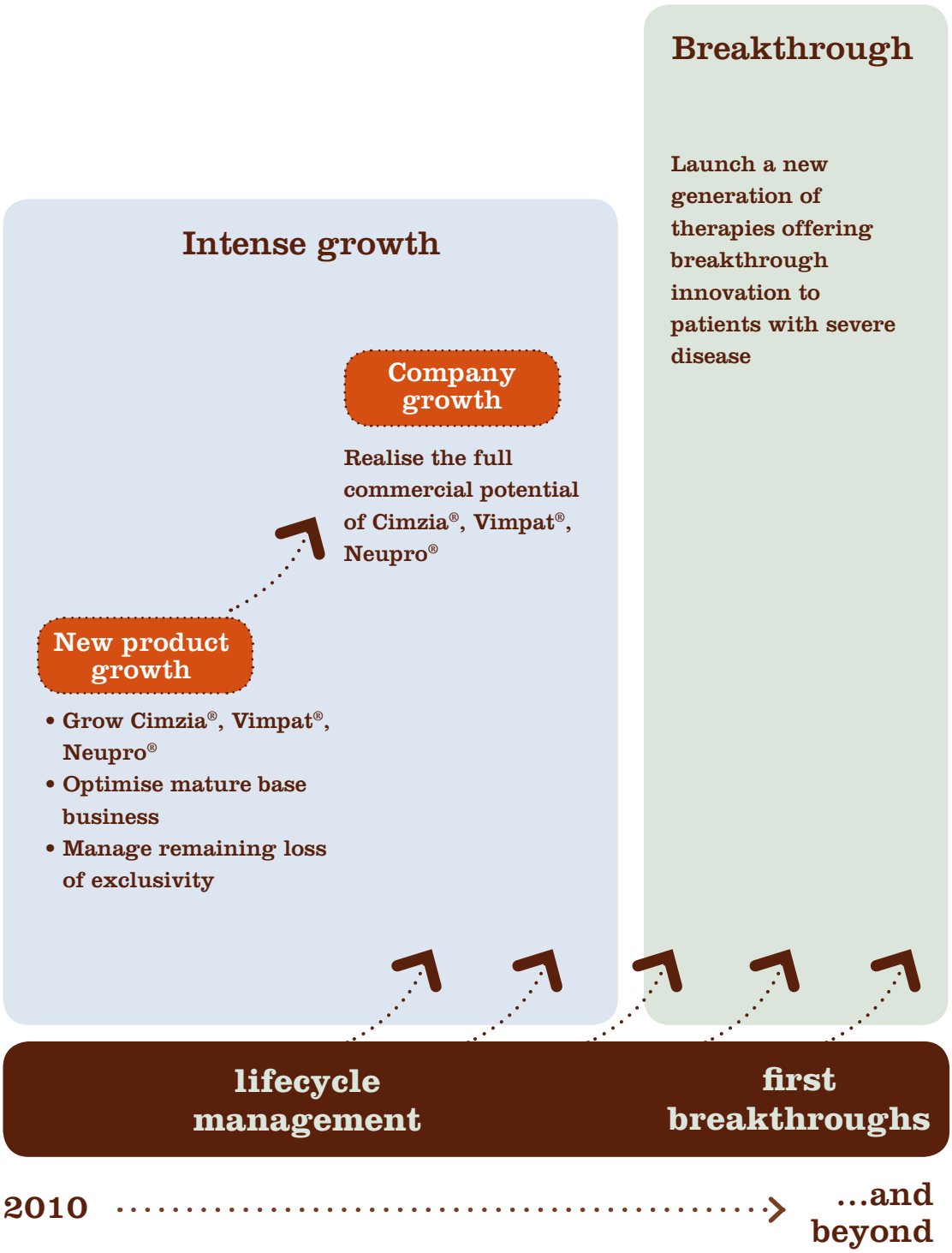
During this phase we prepared for the growth stage of our strategy by making significant investments and changing the shape of our organisation. Investments were made in R&D to build and progress our new product pipeline and in launching new products. Three major products were developed, approved and launched: Cimzia®, Vimpat® and Neupro®. Increased focus and cost containment mitigated the loss of patents and exclusivity protecting Keppra® and Zyrtec® around the world. Country markets were also prioritised. In addition, our SHAPE programme re-allocated resources and focused activities on the core therapeutic areas for UCB of the central nervous system (CNS) and immunology, and simplified the organisation, improving our agility, competitiveness and profitability.

Growth

From 2010, UCB expects its new products to lay the foundation for a return to growth. We expect new product growth to be followed by company growth. This, in turn, will enable increased investment in the research and development of new products. Currently, UCB has 10 molecules in its development pipeline across 14 indications, all of them being developed for the treatment of severe diseases of the CNS and immunology.

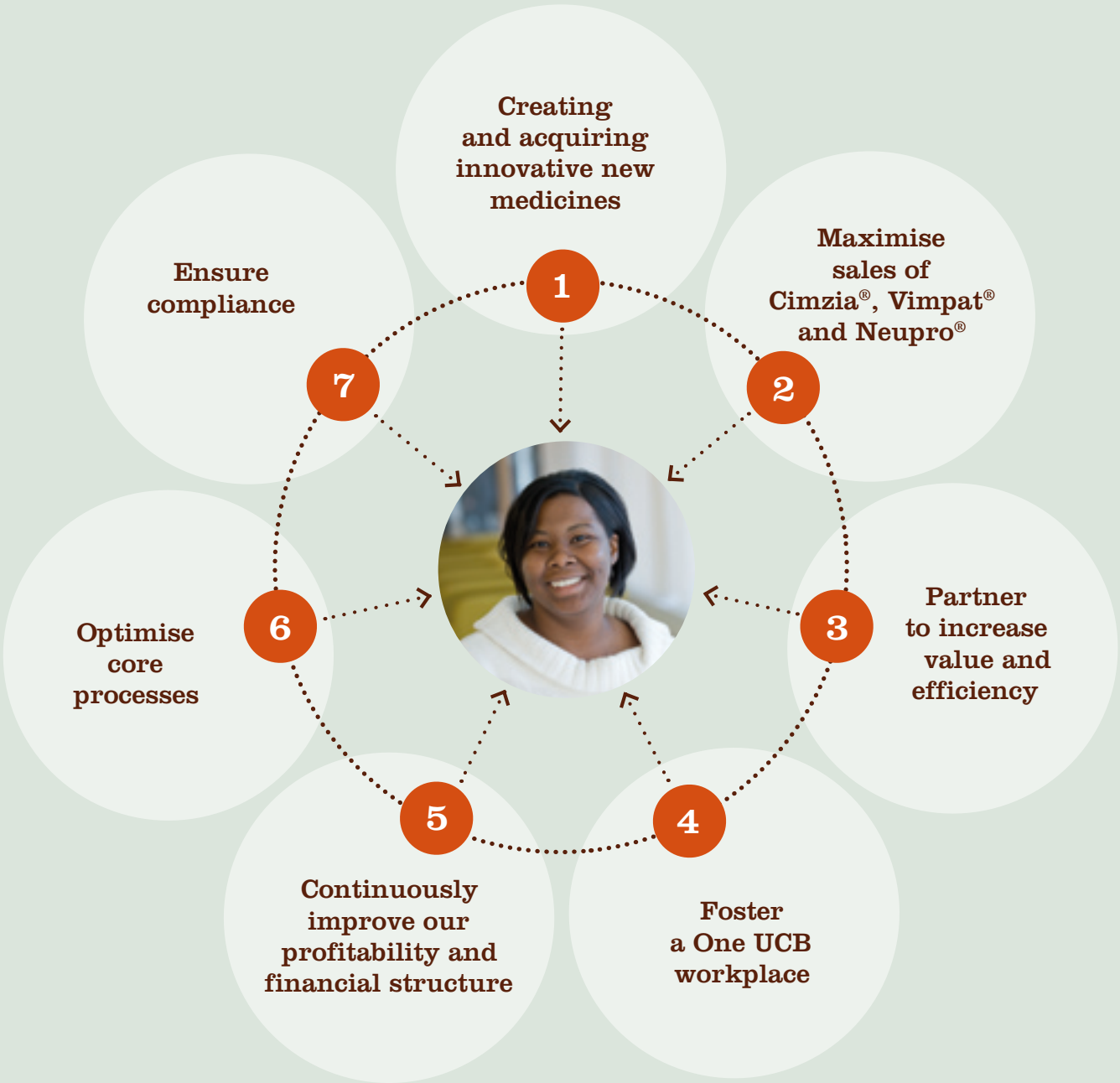
Breakthrough

Using our expertise in biology and chemistry, we are working on long-term research projects that could transform the way severe diseases are treated. These initiatives include four pre-clinical projects that are using our proprietary A2Hit™ technology to combine the convenience of small orally available molecules with the efficacy and precision-targeting of large molecules.


Breakthrough
Launch a new generation of therapies offering breakthrough innovation to patients with severe disease
Intense growth
Company growth
Realise the full commercial potential of Cimzia®, Vimpat®, Neupro®
New product growth
• Grow Cimzia®, Vimpat®, Neupro®
• Optimise mature base business
• Manage remaining loss of exclusivity
lifecycle management
first breakthroughs
2010
...and beyond

Operational Strategies

Seven operational strategies have been developed to focus and direct UCB towards its vision, which is to become the patient-centric global biopharmaceutical leader, transforming the lives of people living with severe diseases.



2010 Priorities

We have set objectives for each of our seven operational strategies, aligned them across all functions and cascaded them down to all departments and to individual employees.

1. **Meet unmet patient needs in severe CNS and immunology diseases by creating and acquiring innovative new medicines, and delivering solutions beyond novel medicines**

- Strengthen our early development pipeline
- Deliver new solutions for patients, beyond the medicine

2. **Maximise sales of Cimzia®, Vimpat® and Neupro® while maximising the value of 'optimised' assets**

- Higher sales of Cimzia®, Vimpat® and Neupro® by improving patient access

3. **Partner to increase value and efficiency by teaming up with organisations who can either offer the best technologies and capabilities or who can carry out transactional and other less differentiating activities**

- Implement out- and in-licensing deals to increase the value of our assets
- Enhance cost and quality through partners throughout the organisation, from accounting to chemistry research services

4. **Foster a 'One UCB' workplace where people can express their talent and performance**

- Move to a learning organisation
- Encourage all employees to implement their personal development plans

5. **Continuously improve profitability and financial structure**

- Clear objectives set for each part of the organisation, addressing both profitability and the use of working capital

6. **Optimise core processes to create a leaner, more networked biopharma organisation**

- Implement one enterprise resource planning platform globally
- Invest in quality and lean processes and/or outsource

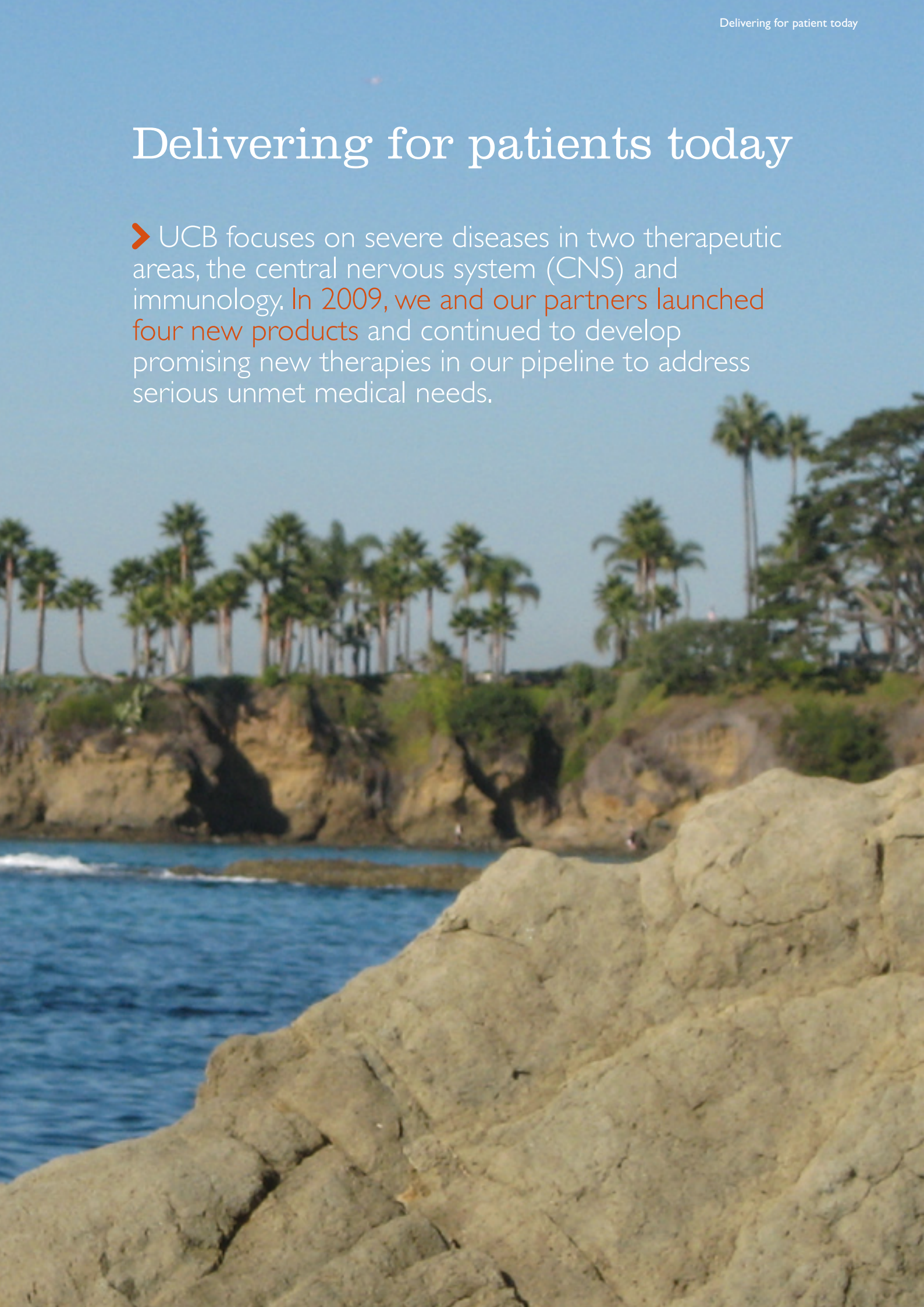
7. **Ensure compliance in everything we do to protect our patients and reputation**

- Ensure compliance throughout the organisation
- Ensure compliance in all interactions with external stakeholders

Veronica, living with epilepsy

Delivering for patients today

UCB focuses on severe diseases in two therapeutic areas, the central nervous system (CNS) and immunology. In 2009, we and our partners launched four new products and continued to develop promising new therapies in our pipeline to address serious unmet medical needs.



Central Nervous System (CNS)

Epilepsy

Epilepsy is the most common serious brain disorder, affecting about 50 million people worldwide. During the year, we built on our long-standing leadership in this field by launching Vimpat® in the U.S and in 14 EU countries. With its novel mode of action, Vimpat® is now benefiting more than 46 000 people.

About the disease and patients' unmet needs

Epilepsy is excessive electrical activity in the nerve cells of the brain that leads to seizures, ranging from strange sensations, emotions and behaviour to convulsions, muscle spasms and loss of consciousness. Partial seizures are confined to one part of the brain, while generalised seizures result from simultaneous disturbances in the whole of the brain.

The causes of the disease, which is diagnosed by its symptoms and recordings of electrical activity in the brain, are not fully known. Although it can be triggered by head injuries, strokes, brain damage at birth and brain tumours, a vast majority of cases have no apparent cause. However the physical, psychological and social impacts of the disease are very well understood and profound. The unpredictability of the seizures, their physical effects and the heavy social stigma attached to the disease, affect every part of a person's life, including their education, employment and independence. Many people with epilepsy are depressed, have poor self-esteem and live in fear of the next seizure. They are also more likely to have accidents and injuries than the rest of the population, and their risk of premature death is two to three times greater than average.

Most people with epilepsy take antiepileptic drugs (AEDs) to try to control their seizures and, ideally, to be seizure-free with minimal side effects. While some patients' seizures can be controlled with a single AED, 30-40% of people may need two or more drugs, known as 'combination therapy'. Unfortunately, up to 30% of people with epilepsy do not respond to currently available treatments and still have uncontrolled seizures, highlighting the need for new, more effective AEDs.

Products

Vimpat® launched in the U.S. and 14 countries in Europe

Available in a flexible and convenient range of formulations Vimpat® (*lacosamide*) is a new antiepileptic drug with a novel mode of action.

In controlled clinical studies Vimpat® demonstrated additional control of partial-onset seizures regardless of patients' current or prior antiepileptic drug therapy and when added to the most commonly used newer and older AEDs. In a long term study, adult patients treated with Vimpat® achieved sustained reductions in partial-onset seizures with most patients staying on treatment after one year.

First launched in the U.K. and Germany in September 2008, Vimpat® is now available in 14 markets in Europe and the U.S. Over 46 000 people with uncontrolled partial-onset seizures are already experiencing this innovative addition to UCB's epilepsy franchise.

In the EU, Vimpat® is approved as adjunctive therapy in the treatment of partial-onset seizures, with or without secondary generalisation in patients with epilepsy aged 16 years and older. In the U.S., Vimpat® is approved as adjunctive therapy for the treatment of partial-onset seizures in people with epilepsy aged 17 years and older.

Preclinical studies indicate that Vimpat® has a novel mode of action. Although the precise mechanism by which Vimpat® exerts its antiepileptic effect in humans has yet to be fully elucidated, clinical studies of the drug's tolerability and efficacy demonstrate that it helps meet a critical unmet need for people living with uncontrolled epilepsy when added to a wide range of first and second generation AEDs.

Turning up the epilepsy patient volume

In 1998, a young carpenter named Stephen Haywood was diagnosed with ALS (amyotrophic lateral sclerosis). His family began searching the world for ideas to extend his life and improve the way he lives. One of those ideas came to fruition seven years later when they launched PatientsLikeMe, an Internet-based community of patients sharing their experiences, treatment strategies and learning in severe and life-changing disease areas like ALS, multiple sclerosis, Parkinson's disease, HIV or fibromyalgia.

In June 2009, UCB and PatientsLikeMe announced a partnership to create a privacy-protected, on-line epilepsy community with the aim of capturing the real-world experiences of people living with epilepsy. The community allows patients to share their real-time day-to-day progress in controlling their seizures and achieving their treatment goals with the community and, in doing so, help patients and caregivers, researchers and industry learn more about the disease.

Ben Haywood, Stephen's father and President of PatientsLikeMe, says: "By joining forces with companies like UCB, we can turn up the volume of the patient voice for those who are committed to hearing it. It is exciting to have us all working together toward better treatments and better care."

Raffaele, living with epilepsy

Epilepsy
in the seven major markets

- prevalence 6.1 million people[1]
- market size US$ 3.8 billion[2]

1 Decision Resources, 2008 - 2 DataMonitor, 2007

Recent data from long-term clinical trials of Vimpat®, first presented in 2009, confirmed the sustained efficacy and consistent tolerability profile already seen in earlier studies. Responder rates for Vimpat® have now been maintained for up to three years of treatment, and the incidence of treatment emergent adverse events after a median of two years of treatment were similar to those reported in short-term, double-blind trials.

As experience in clinical practice continues to confirm evidence from clinical trials, it is becoming apparent that Vimpat® is on track to become a first-choice adjunctive treatment to both older and newer AEDs for adults with uncontrolled partial seizures.

Given UCB's focus and strong commitment to epilepsy indications, we have no immediate plans with *lacosamide* in diabetic neuropathic pain.

Keppra® new indications and monotherapy use help optimise sales

The cornerstone of our epilepsy franchise, Keppra® (*levetiracetam*), continued to generate double-digit net sales growth in Europe. This achievement was helped by expanding the drug's broad spectrum of indications. In September 2009, for example, Keppra® was approved in the EU as adjunctive therapy for the treatment of partial-onset seizures in infants and young children aged from one month to under four years. Keppra® is increasingly used as a single agent therapy, or monotherapy, in Europe.

In the U.S., where Keppra® experienced its first full year of generic competition, we continued to offer clinicians and patients the opportunity to simplify adjunctive therapy of partial-onset seizures with our once-daily formulation, Keppra® XR (500 mg extended-release tablet) as well as by introducing a new tablet strength (750 mg extended-release tablet).

Keppra® is currently under review by the Japanese Pharmaceutical and Medical Device Agency. If approved, Keppra® will enjoy eight years of exclusivity in Japan.

In emerging markets, such as Korea and China, Keppra® further extended its range of indications in line with those in Europe and the U.S. and additional launches are expected in 2010.

Pipeline

Brivaracetam Phase III to continue

In 2009, we announced results from two Phase III clinical trials to assess the efficacy and safety of the novel molecule, *brivaracetam*, as adjunctive treatment of partial-onset seizures in adults with epilepsy. Results were also released for a third, controlled safety and tolerability study.

In one study, a statistical significantly greater reduction in partial-seizure frequency was seen with *brivaracetam* 50 mg/day than placebo. The second study did not achieve statistical significance in the primary efficacy endpoint: the percentage reduction in partial-onset seizure frequency per week during the 12 week treatment period with *brivaracetam* 50 mg/day over placebo.

Data from the safety and tolerability study N 1254 confirmed that *brivaracetam* was generally well tolerated, with the majority of reported adverse events being mild to moderate in severity, across the dose range without titration.

Based on further analysis of the existing data as well as discussions with the European and U.S. health authorities, the decision has been made to conduct one additional Phase III trial. UCB remains committed to bring *brivaracetam* to patients living with epilepsy.

‘Dogs do not see disability’

Canine Assistants (CA) is a U.S.-based non-profit organisation that provides trained service dogs to improve the lives of people with physical disabilities, epilepsy or other special needs. Since 1991, CA has placed nearly 1 000 dogs with recipients in 46 states. Since 2005, UCB has committed more than $1 million to support CA’s seizure response dogs, which now represent more than 60% of CA applications. UCB is now supporting a similar programme in Europe.

Jennifer Arnold, President and Chief Executive of Canine Assistants, established the organisation out of the frustrations she experienced as a physically challenged person with multiple sclerosis.

Using dog-training techniques originally developed by the Russian army, CA dogs are taught for 18 months by professionals to perform tasks such as retrieving the phone, helping to press the Emergency Medical Service (EMS) button and pulling wheelchairs. Dogs and masters are then matched at two-week recipient training camps.

“I think one of the greatest gifts our dogs give is the fact that they do not see disability,” said Jennifer. “Your reflection, in the eyes of a dog, is one of total perfection.”

The dog in the photograph is Chelsea, owned by Taylor. Taylor was 15 years old when he was diagnosed with epilepsy. Since then, he and his family have seen some difficult times including the arrival of Hurricane Katrina which wiped out the family business. But two months later Chelsea was given to Taylor, completely transforming his and his family’s life, and giving him the much-needed emotional support that saw him through two brain surgeries last year. During this time, staff at LSU Medical Center, Louisiana, allowed Chelsea onto the ward and the dog never left Taylor’s bedside.

Taylor, living with epilepsy, and Chelsea, his canine assistant.

Restless legs syndrome

Restless legs syndrome is a chronic neurological disorder that causes uncomfortable burning, tingling, gnawing and pulling sensations in the legs, leading to an irresistible urge to move about. In 2009, we launched Neupro® in the U.K., Germany and Austria for RLS, and, prepared for its release in the U.S. in 2010, subject to FDA approval.

About the disease and patients' unmet needs

Restless legs syndrome (RLS) usually occurs deep within the lower part of the legs, but it can also affect feet and thighs, as well as, more rarely, the arms and hands. Although the exact cause of RLS is unclear, the condition may be more common during pregnancy and in people with low iron levels and advanced kidney disease. There also appears to be a genetic link and a connection with the chemical dopamine, as some people with RLS respond to treatments that boost levels of this chemical.

RLS affects both men and women of any age, although its prevalence is slightly higher in women and the symptoms often more severe in middle-aged people and the elderly.

Many people with RLS describe how they have waited months or years to get a diagnosis and even longer to find a treatment that relieves their symptoms. More significantly, they also report that their RLS severely affects their ability to take part in many everyday activities, such as travelling long distances by aeroplane or car, sitting in meetings at work, or going to concerts, the theatre or the cinema.

Restless legs syndrome in the seven major markets

- prevalence 54 million people[1]
- market size US$ 588 million[2]

1 Decision Resources, 20082 DataMonitor, 2007

Product

Neupro® launched in Europe

Neupro® (*rotigotine transdermal patch*) is the first and only transdermal patch for every stage of idiopathic Parkinson's disease and moderate to severe idiopathic restless legs syndrome. Formulated as a transdermal patch for true continuous drug delivery, it provides stable drug levels in the bloodstream, 24 hours a day.

In June 2009, Neupro® was launched in the U.K., Germany and Austria for the symptomatic treatment of moderate to severe RLS in adults. The distribution of the drug was supported by the implementation of a cold-chain storage and distribution system.

Following receipt of a Complete Response Letter from the FDA in December 2008, UCB hopes to receive FDA approval and so be able to extend the availability of Neupro® to patients with moderate to severe RLS in the U.S. Following submission to the FDA of an extensive update on Neupro® and the cold-chain storage and distribution system in June 2009, dialogue with the FDA continues, and UCB anticipates making Neupro® available in the U.S. again during 2010, subject to FDA approval of our cold-chain storage and distribution system.

Enabling people living with RLS to help others with RLS

In December 2008, people with severe RLS from Germany, Sweden and Spain came to Brussels (Belgium) to volunteer as RLS Advocates. Their reason: to help others to avoid the problems they have faced living with RLS and to gain a better understanding of the disease.

The RLS Advocate programme is an unbranded, disease awareness programme for people living with RLS, supported by UCB. Its mission is to provide awareness, education, motivation and hope to people and their families living with this severe disease.

Through the programme, the advocates intend:
- To inspire and empower others to make proactive choices regarding their health
- To motivate others to achieve their goals in life
- To provide hope

In their first year, the RLS Advocates have had over 1 000 personal interactions, with 200 of these being face-to-face meetings with patients, carers and healthcare professionals.

Maria-Jose, living with RLS

Parkinson's disease

An estimated 4 million people around the world have Parkinson's disease: a chronic, progressive movement disorder. The convenience and efficacy of our novel, round-the-clock therapy, Neupro®, was made available in Europe in June 2009 and is now delivering relief to more than 53 000 patients.

About the disease and patients' unmet needs

Parkinson's disease (PD) is caused by a gradual loss of nerve cells in the brain that produce a chemical called dopamine. As levels of dopamine fall, the symptoms of the disease, which can include tremors and slowness of movement, gradually develop, often in two stages. In the early stages of the disease, symptoms start to affect the sufferers' everyday activities, such as washing, getting dressed, walking, speaking and writing, so treatment is needed to try to restore dopamine levels. In late-stage Parkinson's disease, people develop movement problems, including abnormal involuntary movements, "wearing off" of symptom control, and unpredictable switching between periods of normal and reduced mobility, so-called "on-off" effects.

Currently, there is no cure for the disease. Existing treatments, such as dopamine agonists and *levodopa*, aim to control the symptoms, while minimising side effects, by boosting dopamine levels and relieving motor and non-motor symptoms.

Parkinson's disease in the seven major markets

- prevalence 3.1 million people[1]
- market size US$ 2.1 billion[2]

1 Decision Resources, 2008 - 2 DataMonitor, 2008

Product

Neupro® returns to Europe with strong support

Neupro® (*rotigotine transdermal patch*) is the first and only transdermal patch for every stage of idiopathic Parkinson's disease and moderate to severe idiopathic restless legs syndrome. Formulated as a transdermal patch for true continuous drug delivery, it provides stable drug levels in the bloodstream, 24 hours a day.

In June 2009, Neupro® began a full return to European markets for the treatment of people with idiopathic Parkinson's disease[1]. Over 53 000 people in Europe are now being treated with Neupro® and experiencing the advantages of its unique round-the-clock rotigotine patch delivery system with its proven ability to relieve the symptoms of Parkinson's.

The renewed availability followed a decision by the European Commission to lift prescribing restrictions introduced in June 2008. These restrictions had limited treatment to Parkinson's patients already established on Neupro® while a new cold-chain storage and distribution system was developed to meet the need for refrigeration of the product from manufacturer to patient.

Following full implementation of this system, refrigerated stocks of Neupro® are available in all doses in European countries where the drug is marketed for idiopathic Parkinson's disease[1]. These markets include: Germany, Italy, Spain, the U.K. and 15 smaller EU countries, as well as Australia and Hong Kong.

Preparing for a return of Neupro® in the U.S.

UCB is committed to bringing Neupro® back to patients in the U.S., where the product was marketed for the treatment of the signs and symptoms of early stage idiopathic Parkinson's disease until its withdrawal in April 2008. Following submission to the FDA of an extensive update on Neupro® and cold-chain storage and distribution in June 2009, dialogue with the FDA continues, and UCB hopes to be able to make Neupro® available again during 2010, subject to FDA approval.

1 In the European Union, Neupro® is indicated for the treatment of signs and symptoms of early-stage idiopathic Parkinson's disease, as monotherapy, or in combination with *levodopa* over the course of the disease through to late stages when the effect of *levodopa* wears off or becomes inconsistent and fluctuations of the therapeutic effect occurs.

Providing solutions beyond our medicines from unique patient insight

Patient advisory boards are a wonderful way of understanding the issues and concerns of people living with a chronic condition.

In 2009, UCB wanted to better understand the impact of Parkinson's disease (PD) on the daily lives of people affected by it. A forum was established in collaboration with the European Parkinson's Disease Association (EPDA), and two patient advisory boards were also set up to understand the impact of PD on patients and their care-givers and to understand the information needs along the patient journey.

Consolidation of the findings from both the patient forum and advisory boards has enabled UCB to identify patient and carer support programmes which provide solutions beyond the benefits of our medicines.

Veronica, living with Parkinson's disease

Ryan, living with Crohn's disease

Delivering for patients today

UCB's focus on severe diseases of the central nervous system (CNS) and in immunology goes beyond drug development and marketing. We are also looking for patient solutions beyond the benefits of our medicines.

Immunology

Rheumatoid arthritis

Cimzia® was approved and launched for the treatment of rheumatoid arthritis in the U.S. and in Europe in 2009, making it the only PEGylated anti-TNF therapy on the market for this chronic, progressive and disabling autoimmune disease.

About the disease and patients' unmet needs

Rheumatoid arthritis (RA) is a chronic, systemic disorder that causes the immune system, which usually fights infection, to rapidly attack the joints, resulting in painful inflammation, known as arthritis, and structural damage that can be disabling. This slows patients down, ultimately leading to a substantial loss of functioning and mobility that limits a patient's ability to live their life. This impact is not only limited to the physical dimensions of quality of life but also extends to psychosocial domains such as mental health and social functioning.

Over 5 million people suffer from the slowing of function and difficulty in mobility of RA in the major seven markets. Women are three times more likely to be affected than men. Although RA can affect people of all ages, the onset of the disease usually occurs between 35-55 years of age.

Rheumatoid arthritis in the seven major markets

- prevalence 5.1 million people[1]
- market size US$ 8.2 billion[1]

1 Decision Resources, 2008

Doctors are still unable to pinpoint the exact cause of RA. It is thought that genetic, environmental and hormonal factors all play a role. Many scientists believe that there are environmental factors, notably bacteria and/or viruses that can trigger the development of RA in susceptible individuals.

Symptoms may come and go and vary in severity from patient to patient. The main symptoms are joint stiffness and pain, swelling, reduction in mobility, appearance of nodules or lumps under the skin, reduction in mobility. These symptoms often lead to permanent damage of joints and bones. As this damage occurs,

patients may find their movement becomes more restricted, and this can lead to difficulty in undertaking even the simplest everyday tasks. In more severe cases, RA can eventually lead to disability.

The cost of work-related disability from RA is often a larger societal burden than the cost of treatment. In fact, the total costs to society are estimated at € 45.3 billion in Europe alone, with these costs driven by loss of work capacity.

As there is currently no cure for RA, treatment goals centre on disease management. A multidisciplinary approach should be taken with treatment aimed at:

- Rapidly relieving symptoms and controlling disease activity
- Preventing joint damage and deformity
- Maintaining function of the affected joints and preventing disability

Product

Cimzia® launched in the U.S. and the EU

In 2009, Cimzia® (*certolizumab pegol*) was approved for the treatment of rheumatoid arthritis in the U.S, Canada and all 27 European member states. Cimzia® has a design that makes it unlike any other anti-TNF, or biological, drug. Tumour necrosis factor or TNF plays a key role in inflammation. Cimzia® contains only the Fab' part of a recombinant antibody. The Fc region, which is not required for binding to TNF, is replaced by polyethylene glycol (PEG). Therefore, rather than being a full antibody to TNF-alpha, Cimzia® is one arm of a monoclonal antibody with a monovalent Fab' antigen-binding unit that targets TNF-alpha. PEG is a water-soluble polymer that can be conjugated to biological products to enhance their pharmacokinetics and pharmacodynamics. PEGylated drug therapies have been in clinical practice since 1990 and therapeutic areas in which PEGylated molecules have been

Raising the profile of rheumatoid arthritis

Run in seven countries by UCB, a survey of just under 2 000 women living with rheumatoid arthritis pointed to the severe emotional impact on people and their families. In particular the disease reduces their enjoyment of festive times like Christmas. The survey also showed that almost half of patients are not talking to their physician about pain control options. In response to these survey findings, UCB, in conjunction with Britain's National Rheumatoid Arthritis Society developed a '12 Tips for Christmas' guide to managing and enjoying the hectic holiday season, published online several weeks before Christmas.

Alison, living with rheumatoid arthritis

An easy, friendly self-injection device

Self-injection presents a dexterity challenge for many patients suffering from rheumatoid arthritis, as our patient research has revealed. To produce a more patient-friendly syringe, we turned to OXO®, an American company that specialises in designing and creating easy and comfortable-to-use consumer products for a wide spectrum of users including those with limited dexterity.

UCB and OXO®'s design and engineering teams worked with rheumatoid arthritis patients to come up with a prototype new syringe. Patient input led to the redesign of various aspects of the syringe, including an extended flange to accommodate different grip styles and strengths, a larger, soft plunger-thumb pad, a magnified barrel for easy reading and easy-to-open packaging.

The new syringe carries the Ease-of-Use Commendation from America's Arthritis Foundation™.

used include neutropenia, leukaemia, hepatitis C and macular degeneration.

Cimzia® has a high-affinity neutralising potency and a specificity for human TNF-alpha, a key pro-inflammatory cytokine with a central role in inflammatory processes. PEGylation prolongs the circulation time of the Fab' part of the antibody, providing stable plasma levels by delaying the metabolism and elimination of the Fab' from the circulation. The size (40 kD) and molecular architecture of the PEG molecule were carefully selected to achieve the desired half-life of 14 days. A single site of attachment was chosen in order to maintain high affinity to TNF. Finally, because it lacks the Fc region of the antibody, Cimzia® does not induce Fc-mediated effects in vitro, including antibody-dependent cell-mediated cytotoxicity and complement-dependent cell lysis.

The rapid response seen with many Cimzia® patients in our clinical trials allows physicians to make early treatment decisions and has proven long-term benefits for patients:

Long-term benefit: the fast response to Cimzia® is associated with lower disease activity in the long-term (post-hoc analysis)
Tight control: the fast response of Cimzia® may facilitate early decision making (at week 12), a key factor in tight control strategies
Burden of disease: rapid and sustained improvements in inflammatory outcomes (EULAR response) reduce the burden of inflammation on patients
Patient confidence: the fast response to Cimzia® may provide patients with initial assurance that their new therapy is working

‘RAmodelling’ Audrey’s home

Audrey has been living in the same house for 57 years. She spent her childhood in this home. She got married, had two sons and watched her grandchildren grow up there. She cared for a wheelchair-bound diabetic mother in this house. She mourned the loss of a son at this house and she wound up in a wheelchair herself with rheumatoid arthritis at this house. Now living alone, time is catching up with Audrey and her house in northwest Atlanta. But she faces her challenges with a determination and a humour many others in her predicament might not have.

Despite her predicament, Audrey’s faith and humour were evident the day a team from UCB showed up at her door as part of the ‘UCB RAmodel programme’ conducted in partnership with the Arthritis Foundation, Home Depot and Atlanta’s Grady Health System.

To make living in her home easier, the UCB team performed home enhancements on Audrey’s house as well as the homes of 14 other people living with arthritis in the Atlanta area. UCB staff did yard work, installed new door handles and locks, and installed bathroom support rails to make it easier for these arthritis patients to live in their homes.

“I never thought I’d be blessed like this, but God sends you people who will help you. I bless all of you”, said Audrey, thanking UCB employees for their work inside her home.

“The RAmodel programme gave us an opportunity to meet with patients,” said David Robinson, Vice-President and General Manager of UCB’s Immunology Business Unit. “Things that seem simple such as turning door knobs, opening a cabinet or changing a light bulb, can be very difficult for RA patients. We came out here to make these patients’ lives a little easier.”

Audrey, living with RA, with UCB staff

Crohn's disease

Crohn's disease can have a severe social and physical impact on the lives of the estimated one million people suffering from this disease. Cimzia®, the only PEGylated anti-TNF drug approved for Crohn's disease, continued to make advances in the U.S., where it has achieved a 18% share of new prescriptions of the subcutaneous anti-TNF market for this disease since its U.S. launch in April 2008.

About the disease and patients' unmet needs

With Crohn's disease (CD), the body's immune system begins attacking healthy cells in the gastrointestinal tract, causing inflammation. Because it is caused by the immune system, CD is classified medically as an autoimmune disorder. This means that the body is producing antibodies against itself. Together with ulcerative colitis, CD belongs to the group of illnesses called inflammatory bowel disease (IBD).

The lives of people with CD are frequently disrupted by flare-ups of the condition, which can lead to an urgent need to use the bathroom, stomach pain and fever. Coupled with the fact that the condition is often diagnosed in young adults, a time in life when one is typically faced with major life-decisions such as college, new jobs and relationships, CD limits a sufferer's ability to lead a normal life.

The disease tends to run in families with studies showing that 20-25% of patients with CD have a close relative with either CD or ulcerative colitis. There is also a geographical North-South divide with a higher incidence reported in Northern Europe and North America compared to Southern Europe and Asia.

There is still some uncertainty about how CD is caused. A number of genetic and environmental factors are associated with it but their role is not clear. However, the disease is thought to be an abnormal response of the body's immune system to bacteria found in the intestines. Many scientists now believe that the interaction of an outside agent, a bacterium or virus, with the immune system may trigger an attack on the lining of the intestines causing chronic inflammation and ultimately ulcerations and bowel injury.

The most common symptoms reported by Crohn's patients include: diarrhoea, fever, nausea, abdominal pain and severe weight loss. These debilitating symptoms are often accompanied by

Crohn's disease in the seven major markets

- prevalence 1 million people[1]
- market size US$ 1.5 billion[2]

1 Decision Resources, 2008 - 2 Decision Resources, 2007

depression as the disease has a significant impact on the quality of a patient's life.

Product

Cimzia® gains momentum in U.S.

Cimzia® (*certolizumab pegol*) is UCB's PEGylated anti-TNF biological therapy, now helping to bring back a degree of freedom to Crohn's patients in the U.S. and Switzerland.

With Crohn's disease, the body produces too much of a protein called tumour necrosis factor (TNF), triggering the inflammation of the digestive tract and causing the disease's painful symptoms. Inhibiting the action of TNF can help reduce the associated inflammation.

Cimzia® has a high affinity for human TNF, selectively neutralising its pathophysiological effects.

For the Crohn's disease patient, Cimzia® offers:

- Sustainable results – 2.5 years of maintaining remission without dose escalation
- Stable dosing – one predictable once-every-four-weeks dose
- Low injection-site pain – less burning and stinging (<2%)

Cimzia® in the U.S. continues to gain momentum with almost 14 000 patients being treated with Cimzia® at the end of 2009.

Cimzia® in Europe

UCB intends to move ahead in ulcerative colitis, a major unmet medical need in IBD.

Creating educational opportunities for RA and Crohn's communities

"A scholarship programme that recognises and rewards your ability to take control of RA – and not let it control you."

That is how www.reachbeyondra.com describes the UCB-sponsored scholarship programme for RA patients and immediate family members who want to enroll in an associate, undergraduate or graduate degree, or a trade school educational programme in the U.S. and in Canada. In 2010, UCB is again offering 30 one-time grants of $ 10 000 each.

A similar scholarship programme exists for people with Crohn's disease, again with 30 grants of $ 10 000.

Go to www.crohnsandme.com for the stories of Tommy, Lauren and many others who are benefiting from the scholarships.

Some of UCB's scholarship winners in 2009

Systemic lupus erythematosus

Systemic lupus erythematosus attacks cells and tissue in the body, resulting in inflammation and tissue damage. Our antibody-based therapy for this disease, *epratuzumab*, is currently in development and produced encouraging Phase IIb results during 2009.

About the disease and patients' unmet needs

Systemic lupus erythematosus (SLE), or lupus, is a chronic, autoimmune disease that can damage any part of the body, including skin, joints, and organs inside the body, resulting in inflammation and tissue damage. Immunological aberrations in SLE patients produce excessive amounts of antibodies directed against self, "auto-antibodies". Chronic means that the signs and symptoms tend to last longer than several weeks and often for many years. It is a disease of flares (the symptoms worsen and you feel ill) and remissions (the symptoms improve and you feel better). Some patients experience a relatively benign disease with little medical intervention, while others can have a serious and aggressive progression that can lead to significant and potentially life-threatening damage to organs such as the kidneys, brain, heart and lungs.

No cure for SLE yet exists. There is a 85% five-year survival rate. The morbidity and mortality of SLE results from tissue damage due to disease progression. However, people with non-organ threatening aspects of SLE can lead a full and normal life.

The cause of SLE is unknown, but is thought to be multi-factorial with genetic, hormonal and environmental factors playing a role. SLE is difficult to diagnose because:

- It is a multi-system disease. Generally, before this type of disease can be diagnosed there need to be symptoms in many parts of the body that support the presence of a multi-system disease
- The disease develops slowly and evolves over time, symptoms come and go, and it can take months or years for enough symptoms to be present and to allow for a defined diagnosis
- There is no single diagnostic test for SLE and the physician needs to conduct a full examination and various tests before coming to a conclusion

Doctors generally diagnose patients by consulting a list of 11 criteria developed by the American College of Rheumatology

Systemic lupus erythematosus in the seven major markets

- prevalence 0.6 million people[1]
- market size € 670 million[2]

1 Decision Resources, 2008 - 2 DataMonitor, 2007

(ACR). A person needs to satisfy at least four out of the 11 criteria, serially or simultaneously, during any interval of observation before the diagnosis can be made. These criteria include signs and symptoms typically occurring in SLE such as excessive auto-antibodies, lupus rashes, non-erosive arthritis, renal disorders, and serositis manifestations.

There is a lack of definitive epidemiological information on SLE, but there are known to be substantial differences in rates of incidence and prevalence across the world. In 2008 there were 343 000 diagnosed adult cases of SLE in the U.S. and 129 600 in the five largest countries in the EU. The Lupus Foundation of America estimated that between 1.5-2 million Americans have a form of SLE. SLE is about seven times more common in women than men, particularly those of childbearing age (15-40 years). Additionally, the prevalence and prognosis of SLE differs among ethnic groups, with African-American and Hispanic people three times more susceptible to the disease than Caucasians. Asians are also at higher risk of developing the disease. In China, it is estimated that more people have SLE than rheumatoid arthritis, and in Japan 100 000 people are estimated to have SLE.

Pipeline

Phase II trial suggests activity for *epratuzumab*

Epratuzumab, which is a humanised anti-CD22 antibody that targets B-cells, is being developed by UCB for the treatment of autoimmune diseases, and the first indication being targeted is systemic lupus erythematosus. The molecule is licensed from our partner, Immunomedics Inc. Results from the recent EMBLEM™ Phase IIb study showed that all *epratuzumab* doses, which ranged from 200 mg to 3 600 mg cumulative dose administered during one 12-week treatment cycle, had numerically superior response rates, although not statistically significant, on the primary efficacy endpoint compared to placebo at week 12. Patients receiving cumulative *epratuzumab* doses of 2 400 mg during one 12-week treatment cycle showed twice the response rate of placebo. The data indicate the clinical benefit of *epratuzumab* in patients with SLE, as previously reported at both the ACR 2008 Congress and the EULAR 2008 Congress.

A Phase III clinical trial programme is planned to start in 2010. The study design is expected to be in line the Phase IIb trial design and will be finalised after consultation with regulatory authorities in the U.S. and EU. Full Phase IIb data abstracts have been accepted for the World Lupus Congress in June 2010

Raising the profile of SLE

In life-changing conditions, it is important for both patients and carers to understand the effects of diseases on patients' lifestyles, especially when the conditions are unpredictable and there are no proven treatments.

In June 2009, UCB published the results of an international online survey of over a 1 000 people living with SLE, undertaken together with Lupus Europe and the Lupus Foundation of America, the two advocacy groups representing people living with SLE, also known as lupus. Particularly significant was the high impact on their working life: nearly 30% of respondents are not employed due to their condition, while most of those in work reported increased absenteeism.

Bone loss disorders - Osteoporosis

More than 64 million people in the seven largest markets suffer from osteoporosis, mainly women, and its prevalence is expected to rise as the population ages. Our pioneering monoclonal-antibody therapy for this condition, CDP7851, has entered Phase II trials for fracture healing and post-menopausal osteoporosis.

About the disease and patients' unmet needs

Osteoporosis is a skeletal disorder characterised by compromised bone strength leading to an increased susceptibility to fractures, especially of the hip, spine and wrist, although fractures do occur elsewhere.

Bone strength comprises both bone density and bone quality. Bone density, measured by mass per unit volume, in any given individual is determined by peak bone mass and amount of bone loss. Bone quality refers to architecture, turnover, damage accumulation of microfractures, for instance, and mineralisation.

Osteoporosis can have a number of causes, but is often due to the breakdown of bone, known as bone resorption, exceeding bone formation with a net loss of bone mass. For some individuals, osteoporosis is a result of, or further complicated by, not developing peak bone mass through childhood to young adulthood. The end result is an increase in bone fragility because of thinner, more porous bones.

Osteoporosis itself has no specific symptoms and, despite the availability of diagnostic tests, many patients go undiagnosed and untreated. As a result, many patients with osteoporosis are unaware that they have the disease even after they have suffered their first or even multiple fractures.

Osteoporosis treatment and prevention is important as osteoporotic fractures are a common cause of disability and represent a significant economic burden on most healthcare systems around the world. For example, a hip fracture almost always requires hospitalisation and major surgery. It can impair a person's ability to walk unassisted and may cause prolonged or permanent disability or even death. Spinal or vertebral fractures also have serious consequences, including loss of height, severe back pain and deformity.

Osteoporosis in the seven major markets

- prevalence 64 million people[1]
- market size US$ 5.7 billion[2]

1 Decision Resources, 2008 - 2 DataMonitor, 2007

Pipeline

CDP7851 enters new Phase II trials

Sclerostin is a naturally occurring protein that regulates the rate of bone formation. It plays a critical role in controlling bone mass by inhibiting the activity of bone-forming cells called osteoblasts. UCB's collaboration with Amgen to develop CDP7851 (the '*sclerostin* antibody', also known as AMG785), a humanised monoclonal antibody that neutralises *sclerostin* and acts to increase bone formation without increasing bone resorption, is progressing.

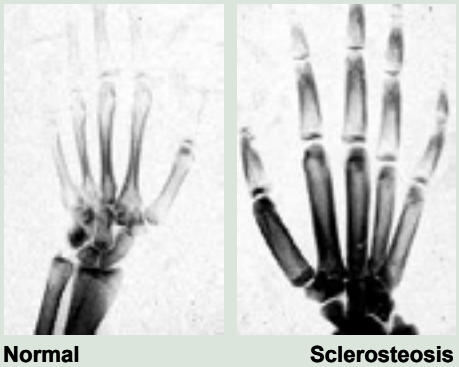
This agent is in Phase II development investigating the safety and efficacy of the drug compared to placebo in the treatment of postmenopausal women with low bone mineral density, and also the effect of the drug compared to placebo in reducing fracture-healing time. Initial Phase II studies are expected to report topline results in 2012.

From genetic insight to a bone growth antibody

The origin of UCB's *sclerostin* programme, now partnered with Amgen, was the genetics of a small population of Afrikaners suffering from the rare, inherited condition of sclerosteosis, which is characterised by bone overgrowth throughout life.

In 2001, UCB reported a proprietary new target using molecular analysis, establishing that the condition of sclerosteosis develops due to the early termination of a protein known as *sclerostin*, triggering bone deposition and high bone density. This provided the paradigm for our research in this area.

Sclerostin plays a critical role in controlling bone mass by inhibiting the activity of bone-forming cells called osteoblasts. The mechanism of action for *sclerostin* is thought to be through inhibition of the 'Wnt' signaling pathway. *Sclerostin*-deficiency in humans, caused by mutations in the *sclerostin* gene (SOST), results in the inherited high bone mass condition called sclerosteosis. Mice that are genetically *sclerostin*-deficient (SOST knock-out mice) have high bone mass which mimics the high bone mass found in humans with sclerosteosis.



Normal Sclerosteosis

Strategic Partners

Because we recognise that we cannot always bring innovative therapies to patients on our own, we have teamed up with over 30 companies across the pharmaceutical industry, from drug discovery to marketing. We are also involved in several hundred collaborative alliances which support our drug discovery activity.

Partnership goals

- Optimise the value produced together in the partnership
- Meet the needs and expectations of our partners through innovation, flexibility and creativity
- Be considered and measured as a great partner by our past, present and future partners

Examples of our partnerships

Wilex: early drug development in oncology

Wilex AG is a biopharmaceutical company based in Munich (Germany) whose mission is to develop drugs with a low side effect profile and targeted treatments of different types of cancer as well as diagnostic agents for the detection of tumours.

UCB has a rich pre-clinical portfolio of drugs directed at oncology targets. However, because our resources are focused on our core disease areas of CNS and immunology, we needed a partner to ensure their continued development. We entered into a strategic partnership with Wilex in January 2009. They will develop our pre-clinical oncology portfolio of two small molecule and three monoclonal antibody programmes.

Wilex's expertise in oncology, its shared vision with UCB and its willingness to collaborate in a unique partnership model make it an ideal partner to progress our oncology assets to the clinic and beyond. Although oncology falls outside our current disease area focus, this agreement allows innovative potential medicines to continue their development through the clinic in a focused environment and with no loss of development time. UCB participates as a strategic investor in Wilex by investing in the company and makes payments to Wilex on the achievement of milestones such as the application for Phase I trials and the start of the first clinical trial. UCB retains exclusive rights to re-purchase each of the five programmes

Amgen: clinical development in bone disorders

The U.S. company Amgen discovers, develops, manufactures and delivers innovative human therapeutics. A biotechnology pioneer since 1980, Amgen was one of the first companies to realise the new science's promise by bringing safe and effective medicines from lab, to manufacturing plant, to patient. Amgen therapeutics have changed the practice of medicine, helping millions of people around the world in the fight against cancer, kidney disease, rheumatoid arthritis and other serious illnesses.

UCB and Amgen continue to develop CDP7851 (also known as AMG785), a humanised antibody against *sclerostin* for the treatment of osteoporosis and fracture healing. The product is currently in Phase II for both indications with top line results expected in 2012. The agreement is a co-development with commercial rights shared by both companies. By combining our forces, we bring the scale and skills necessary to bring the potential benefits of this compound to patients.

Developing the science behind the *sclerostin* antibody approach has been a true partnership between UCB and Amgen. The novel mechanism of action, which was shown in pre-clinical models to both build new bone and block bone resorption, is hoped to bring valuable new benefits to patients suffering from bone disorders, such as osteoporosis and fractures.

AstraZeneca: marketing Cimzia® in Brazil

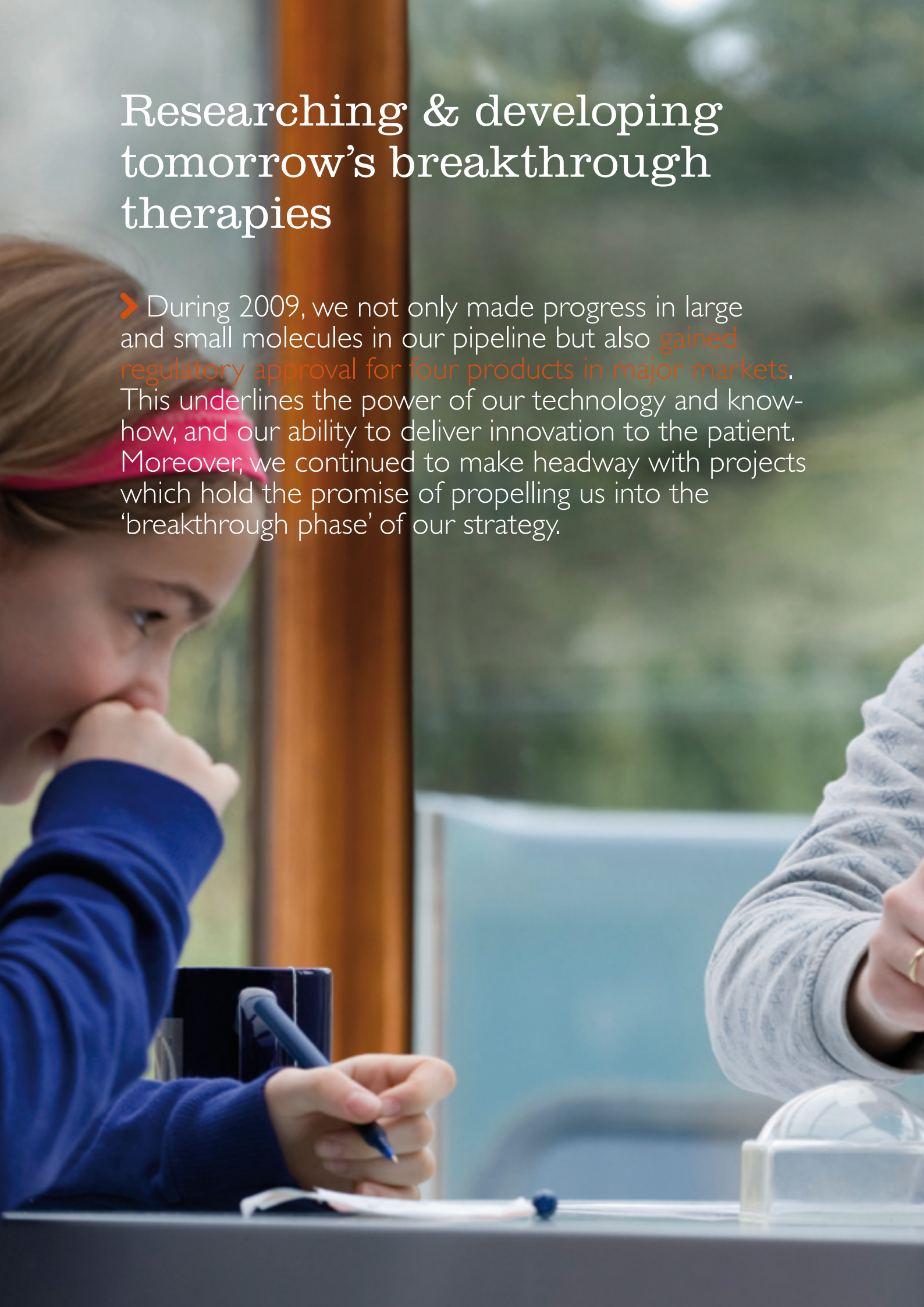
AstraZeneca is one of the world's leading pharmaceutical companies with healthcare sales of US$ 31.6 billion and is a leader in gastrointestinal, cardiovascular, neuroscience, respiratory, oncology and infectious disease medicines

September 2009 saw UCB and AstraZeneca form a partnership to register and commercialise Cimzia® in Brazil. Under the partnership agreement, AstraZeneca will register Cimzia® for rheumatoid arthritis and Crohn's disease, and upon approval will be the exclusive distributor of Cimzia® in Brazil.

This partnership with AstraZeneca will help UCB commercialise its products in Brazil and foster the growth of UCB's affiliate there. Leveraging AstraZeneca's expertise in regulatory affairs, sales and marketing in Brazil will also ensure that as many Brazilian patients as possible get access to the innovative medicine, Cimzia®.

Researching & developing tomorrow's breakthrough therapies

During 2009, we not only made progress in large and small molecules in our pipeline but also gained regulatory approval for four products in major markets. This underlines the power of our technology and know-how, and our ability to deliver innovation to the patient. Moreover, we continued to make headway with projects which hold the promise of propelling us into the 'breakthrough phase' of our strategy.



Nele, living with lupus

Research

UCB NewMedicines™, which is responsible for drug discovery to clinical proof of concept, had a productive year. Highlights of 2009 included an innovative antibody targeted at immunology indications achieving Investigational New Drug status; and a new compound entering first-in-human trials for the central nervous system.

Role and mission

Established in 2008, the goal of UCB NewMedicines™ is to deliver high-value, differentiated projects to the UCB pipeline, from discovery up to clinical proof of concept, so that the company can ultimately produce a new generation of breakthrough therapies, the fifth phase of our long-term strategy. After clinical proof of concept, our Global Projects & Development organisation is responsible for moving products through full development, in close consultation with the regulatory authorities, to secure marketing approval.

UCB NewMedicines™ is structured around two European 'research hubs', Braine-l'Alleud (Belgium) focusing on CNS diseases and Slough (U.K.) focusing on immunological disorders. Both hubs not only have a wealth of skills, therapeutic experience and proprietary technology, but also extensive networks of partnerships with academia and industry, enabling us to access novel technologies, targets and collaborative services.

The organisation strives to discover both first-in-class and best-in-class medicines that set new standards for patient care by:

- Using novel technologies that combine biology and chemistry
- Addressing novel modalities, targets and pathways
- Tailoring medicines for the best patient outcome and compliance
- Finding the most patient-friendly formulations and delivery channels for new molecular structures.

What makes us different?

Rapid delivery: UCB NewMedicines™ has a strong focus on rapid delivery. This includes fast-tracking selected priority programmes so that they can be brought to first-in-human

studies more quickly than accepted industry benchmarks. We are also piloting a 'Biotech Smart' approach with several priority programmes in a bid to accelerate their progress to the clinical proof-of-concept stage.

An extensive network of partners: UCB NewMedicines™ is building an externally-connected, 'open innovation' business model, recognising that if we make the best use of both internal and external ideas we optimise our chances of success. This is exemplified by the elaborate partnering network UCB NewMedicines™ has quickly established, helping us increase value and efficiency as well as stimulating innovation. To support this collaborative mindset, UCB NewMedicines™ is adopting a range of tools and web platforms that allow greater sharing of ideas and communication with colleagues and partners inside and outside the organisation.

Close involvement with physicians and patients: we involve physicians and patients at the earliest stages of the drug discovery process in order to provide an in-depth understanding of how treatments and their delivery can be optimised and translated into truly patient-differentiated programmes.

Leading-edge technology and know-how: we have a number of proprietary platforms that give us an edge in our drug discovery efforts. Examples include our pioneering knowledge of synaptic vesicle biology which drives much of our CNS research, and our powerful UCB SLAM (Selected Lymphocyte Antibody Method) technology, which enables us to produce antibodies with a high affinity for their target proteins and to select antibodies with novel functions.

UCB NewMedicines™ also has a world-class platform for antiepileptic drug discovery. During 2009, we made progress in executing a focused strategy for creating new treatment options for drug refractory epilepsy and a prophylactic or curative treatment for this disease.

Leading UCB NewMedicines™ into its next phase

In November 2009, Dr Ismail Kola joined UCB as Executive Vice President and President of UCB NewMedicines™, to lead our internal and external discovery of new medicines and to move UCB NewMedicines™ beyond its current achievements to deliver UCB's breakthrough phase.

"Throughout my career I have sought three key elements in R&D organisations," said Ismail on joining. "Great people, conducting great science, in the quest for great products. I am excited by the science going on at UCB, by some of the unique capabilities the organisation has, and most of all by the people. We have the necessary platforms in place to build the breakthrough phase pipeline we are charged with delivering."

"What I am seeking to create is a scientific buzz, an excitement, tied to effective execution and delivery. I am a great believer that people should focus 80% on their deliverables, on projects and generating new data, but keep 20% of their time free to do some 'rock turning' , exploratory science from where the truly innovative and differentiating ideas can come."

Ismail Kola, EVP of Drug Discovery and President of UCB NewMedicines™

New biologics pilot plant

In February 2009, we announced plans to build a € 65 million 'Biologics Pilot Plant' on our site in Braine-l'Alleud (Belgium), supported by the Walloon Government. The plant, which will produce mammalian cell culture-derived therapeutic proteins for use in clinical trials, will allow us to further optimise the bio-manufacturing processes for our biological compounds under development, extending our knowledge and competencies in this field. The biologics pilot plant is expected to be operational in 2012.

Major breakthrough projects: we advanced well with a series of 'breakthrough projects'. The aim of one of these projects is to discover novel treatments that combine the therapeutic benefits of injectable antibody drugs with the convenience of an orally-administered small molecule. More generally, our goal is to use antibody drug discovery together with small molecule research to identify small molecules that mimic the effects of antibodies by interacting with the same target proteins. This innovative approach to drug discovery has already delivered several promising patent filings, with more in the pipeline.

Building our 'open innovation' model

UCB NewMedicines™ has several hundred collaborative alliances, ranging from partnerships with European and U.S. academic groups to multiple industrial partnerships, as well as memberships of major government-led consortia. Reflecting the European locations of our two UCB NewMedicines™ hubs, most of our academic collaborations – more than 150 partnerships – are in Belgium, Germany and the U.K.

UCB is also a significant contributor to the Innovative Medicines Initiative (IMI), the largest European public-private medical partnership, formed by the European Commission and the European Federation of Pharmaceutical Industries (EFPIA). Established as a Joint Technology Initiative under the 7th Framework Programme, IMI provides € 2 billion over a five-year period to promote medical innovation in Europe and address R&D bottlenecks. UCB NewMedicines™ is participating in 10 of the consortia within IMI, offering expert input on topics such as neurodegenerative disorders, pain research, immunogenicity, predictive toxicology, pharmacovigilance and translational safety biomarkers.

UCB is the principal industrial partner in the NeuroAllianz consortium for multiple therapeutic projects targeting chemistry and biology research in novel purinergic mechanisms. The goal of the consortium, which is a strategic alliance between academia

and the biopharma industry, is to accelerate the translation of basic research into commercial opportunities for the diagnosis and treatment of neurological diseases, including epilepsy and pain. Supported by €40 million of funding from the German government, NeuroAllianz is centred around the "PharmaCenter Bonn", and comprises several academic groups from the University of Bonn (Germany).

NEUREDGE and NEUROCOM are public-private partnerships between UCB and Liège University (Belgium), financed by the Walloon Region. NEUREDGE focuses on the development of new animal models of epileptogenesis and pharmacoresistance and the exploration of the molecular and cellular mechanisms underlying these processes, with a particular focus on the role of inflammation. NEUROCOM, in turn, concentrates on achieving a better understanding of the function of SV2 proteins and their modification in epilepsy and neurodegenerative diseases such as Alzheimer's and Parkinson's. One important component is the development of synaptic vesicle protein 2 (SV2) PET ligands that will markedly facilitate the translation between preclinical research and clinical trials.

We are also involved in the BioWin project Hope4PD, which brings together industry and academia to work on the characterisation and development of compounds for two innovative target groups in the area of Parkinson's disease.

Phase I projects

- **CDP6038 (*anti-IL 6*)**
  Potential for immunology indications including rheumatoid arthritis
- **UCB2892 (*H_3 antagonist*)**
  Potential for cognitive disorder indications
- **WX554 *(MEK inhibitor)***
  Oncology molecule being developed by Wilex

New biologics R&D centre

We underlined our determination to remain at the forefront of antibody research and development by opening our new 'Biologics R&D Centre' in Slough (U.K.) in July 2009. The £ 25 million centre, which adds to our existing world-class antibody research and development capabilities in Slough, houses translational bioprocess activities for taking innovative medicines from the laboratory to patients, from late research to pre-launch. This includes making sure the drugs can be made at the right scale, cost and purity so that every patient receives a safe and effective medicine.

Development

Our Global Projects & Development organisation demonstrated the value of empowering its multidisciplinary development teams by:

- securing regulatory approval for Cimzia® for the treatment of rheumatoid arthritis in the U.S. and all EU states,
- gaining regulatory approval for the re-introduction of Neupro® in Europe for Parkinson's disease, and approval for restless legs syndrome,
- generating positive Phase IIb data for *epratuzumab* in lupus as well as Phase III data for *brivaracetam* in epilepsy.

Role and mission

The mission of Global Projects and Development is to develop innovative medicines to treat patients suffering from severe diseases. At UCB, we focus on developing new medicines for severe diseases of the central nervous system (CNS) and immunological disorders. It is important to patients with chronic diseases that medicines deliver real, tangible and sustained therapeutic benefit, within a reasonable amount of time, in order to have a positive impact on the quality of their lives. Additionally, in today's world of limited resources for health care, the use of new treatments must add proven incremental benefit to patients if it is to be adopted by health care providers and reimbursed by health care payers.

We are committed to listening to patients, their families and caregivers, and health care professionals to ensure that our innovations result in meaningful improvements in the lives of people living with severe diseases. By maintaining our intense focus on patients, we develop products to meet their unmet needs.

What makes us different?

Empowered, multidisciplinary teams: at UCB, we empower teams of experts to drive our pipeline projects along the value chain. Empowered teams are responsible for drug development projects from candidate selection to the market, and beyond, through the various lifecycle management activities which aim to maximise patient benefit and the economic value of a molecular or biological entity. Each team member brings expertise in a specific aspect of drug development such as manufacturing, commercialisation, safety, quality, regulatory affairs or medical compliance.

Iris Löw-Friedrich, EVP Global Projects & Development

As a team, they endeavour to understand the disease, its effect on patients, and the underlying science. The team designs and implements all strategies and operational plans required to progress their project. With a sense of passion, urgency, and ownership, they strive to deliver innovative patient solutions, minimising the time to market and maximising the value and quality of our products.

Speed and efficiency: empowered project teams combine expertise, fast decision-making and focus in order to drive successful registration and commercialisation of a new medicine. They are supported by department heads who ensure the availability of expertise, resources, and operational excellence. Finally, a light and decisive pipeline project governance allows us to align resources, optimise portfolio decisions and provide project support. Ultimately, this project-centred approach fosters quality, efficiency, and cost-effectiveness of our drug development process from bench to market, all to benefit patients.

Proven ability to deliver: thanks to our empowered teams, we have been very successful in obtaining marketing approvals in the last two years. We have managed to transform our projects into products. UCB is now diligently and ambitiously managing our late-stage pipeline, maximising the promise of our three key products: Cimzia®, Vimpat®, and Neupro®. The feedback we are getting from patients and doctors is that our drugs address special needs and provide patients with crucial new therapy options.

Promising mid-stage pipeline: in addition to this late-stage pipeline, UCB has developed a promising mid-stage pipeline that combines interesting science with a clear potential to address unmet needs. Besides *brivaracetam*, a Phase III project for epilepsy, *epratuzumab* is an advanced pipeline programme in UCB's immunology disease portfolio. This project may provide new hope for the hundreds of thousands of people around the world living with systemic lupus erythematosus (SLE, also known as lupus) as no new treatment has been approved for this severe disease for over five decades. CDP7851 is a Phase II programme to develop a novel anabolic therapy for bone loss disorders such as post-menopausal osteoporosis and bone fractures. This antibody approach, the inhibition of the *sclerostin* protein, has the potential to transform the treatment of bone disease.

UCB has a clear vision to build leadership in our chosen therapeutic areas. Through innovation and a focus on patients, we are delivering a challenging but promising portfolio of new medicines for severe diseases.

2009 achievements

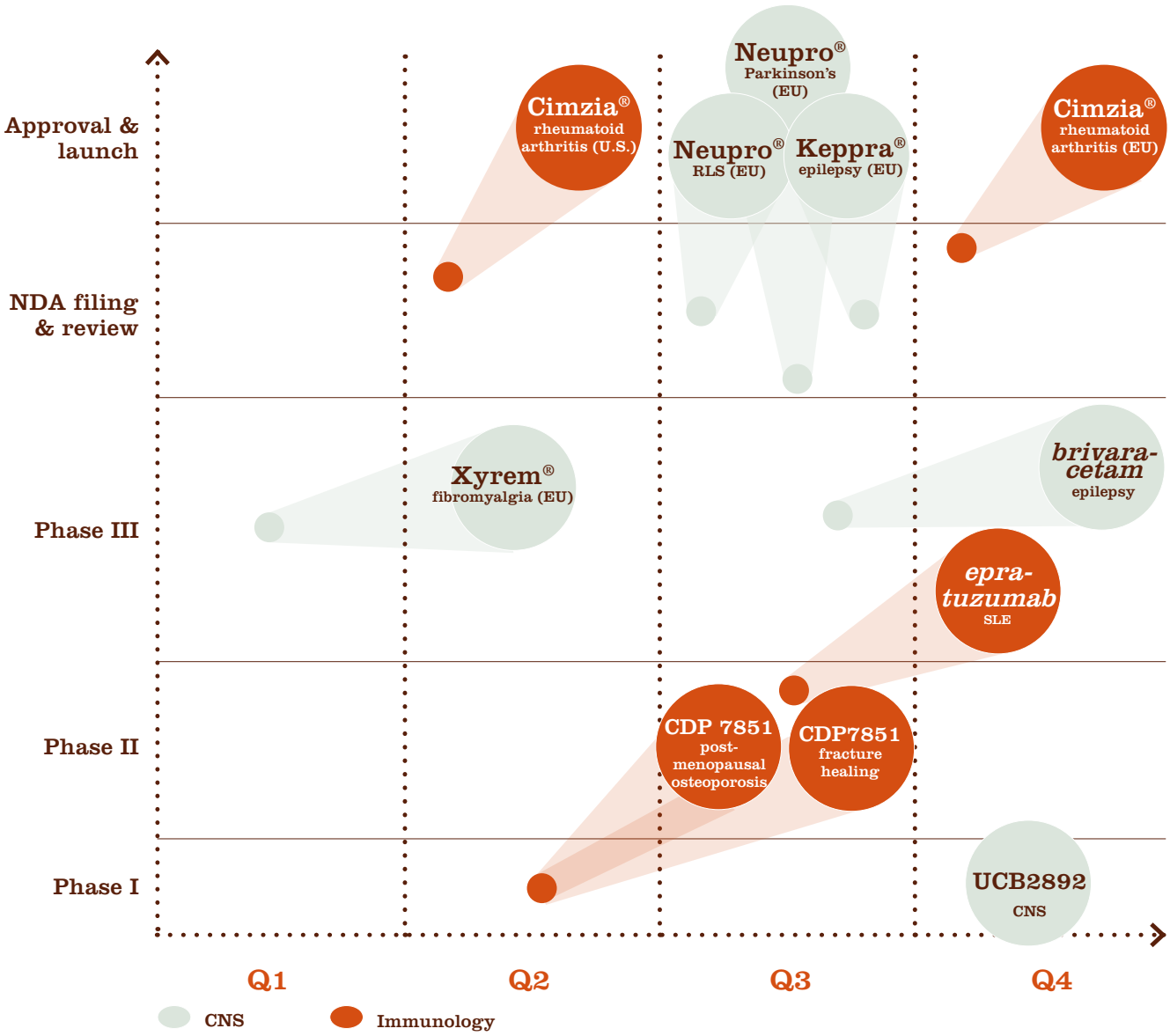
In 2009, UCB Global Projects and Development successfully delivered major benefits to patients through marketing authorisation approvals for Cimzia® for adult patients with rheumatoid arthritis in both the EU and the U.S. Cimzia® is the only PEGylated anti-TNF that is fast and lasting across a broad range of clinical endpoints while providing a patient-focused treatment experience. Emphasising our commitment to patients, UCB offers Cimzia® in a patient-designed pre-filled syringe resulting from the UCB partnership with OXO® GOOD GRIPS®.

In an important step forward in UCB's commitment to people with Parkinson's disease and restless legs syndrome (RLS), UCB obtained regulatory approval to return Neupro® to the market in the EU. Neupro® can now be prescribed to early and late stage patients with idiopathic Parkinson's disease in Europe and is newly available for the symptomatic treatment of moderate to severe idiopathic RLS in adults. This follows UCB's implementation of a cold-chain storage and distribution system.

In addition to these major milestones, UCB continues to maximise the benefit of our late-stage products (Cimzia®, Vimpat®, and Neupro®) by fully investigating their potential for use in additional treatment indications and by expanding the availability of our products with regulatory approvals in other important markets.

Additional major pipeline milestones have included positive Phase IIb results for *epratuzumab* for the treatment of patients with systemic lupus erythematosus and positive Phase III results for Xyrem® (*sodium oxybate*)for the treatment of fibromyalgia.

2009 achievements in clinical development and regulatory approval



For full details of our development pipeline, see page 13.

A patient-centric approach to clinical research

At UCB, we use 'patient-reported outcomes', to ensure that the patient perspective is captured and taken into account in the development decisions around new drugs.

A patient-reported outcome is any measure of health status reported directly by the patient without any interpretation of a health care provider. This outcome is collected in a systematic way using rigorously developed and validated questionnaires. Within UCB clinical trials, for example, patient-reported outcomes are tracked and measured along with clinician-reported outcomes. In this way, we capture the patient's experience so we can better understand the impact of our medicines on patients' lives. These insights provide additional information above and beyond the standard diagnostic tools of the physician, helping us understand the true burden of disease and the treatment impact on the patient.

The outcomes reported by patients are collected and analysed in the same way as other clinical trial endpoints and the results are reported within the regulatory submissions for review and approval by regulatory agencies. Once a therapy is approved for prescribing, these outcomes may be communicated to patients. These patient-reported outcomes are expressed in a clear and understandable way for non-physicians. For example, several patient-reported outcomes were assessed in Cimzia® rheumatoid arthritis clinical trials. These results demonstrated that Cimzia® treated patients experienced significant improvements in physical function, tiredness, physical and mental health (health-related quality of life) as well as increased productivity at work and within the home compared to patients treated with placebo.

The assessment of patient-reported outcomes is key to understanding the burden of disease and treatment impact in severe diseases. In conditions such as fibromyalgia and idiopathic Parkinson's disease (PD), patient-reported outcomes are key endpoints. In the RECOVER study, the first to address non-motor symptoms in subjects with idiopathic PD in a controlled setting, Neupro® treatment was associated with improvements in non-motor symptoms as a whole, and particularly in sleep/fatigue, mood/cognition and pain.

To further ensure the accurate and appropriate inclusion of the patient's perspective at UCB, we have patient-reported outcomes scientists who maintain excellence in the field of patient-reported outcomes by being experts in both the appropriate tools to assess outcomes, and in the implementation and interpretation of regulatory guidelines for these outcomes.

Dorothy Keininger, Patient-Reported Outcomes Skill Leader, and Thomas, living with epilepsy.

Fostering our talent & capabilities

Human talent is the greatest asset of any organisation that aspires to be a global biopharmaceutical leader. We have a rich and diverse pool of talent supported by the organisation necessary to leverage its full potential. In 2009, we strengthened our talent pool, our organisation and, consequently, our ability to deliver.

Ursula, living with Parkinson's disease

People & Talent

Over the years, and more recently through the SHAPE programme, UCB has been transforming itself. Today the company has a global, rejuvenated and diverse workforce of more than 70 nationalities. The company's richness of scientific and medical knowledge and skills is seen in the high-levels of education across the company. We are now leveraging this talent by providing an environment where people can express it.

Fabrice Enderlin, EVP Corporate Human Resources & Communication

Implementing change with care while continuing to deliver

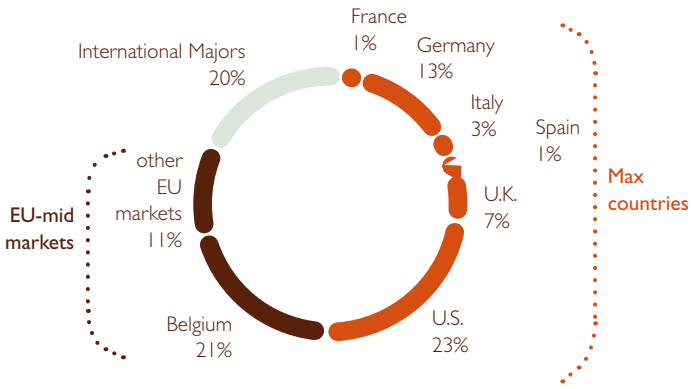
Our principle initiative of 2009 was the implementation of the SHAPE programme, whose objective was to transform UCB into a lean biopharma company and to focus the organisation onto its future opportunities. Between August 2008 and December 2009, more than 22% of the company's workforce left the company, creating considerable change for our teams and processes.

The programme was implemented with two key objectives in mind: respect for the people affected, and ensuring the continued supply of medicines to patients. Both objectives were met.

Our 'Change with Care' approach offered support to staff during this transitional period. As a result, more than 70% of former employees affected by the SHAPE programme in 2008 and 2009 have already identified a suitable solution through the redeployment and outplacement programmes which UCB put in place, either through a new job, a company start-up or through personal projects. Moreover, during this period of change, patients were seamlessly supplied with their treatments as UCB staff ensured business continuity.

Employees by region - 2009

Total number of employees: 9 324



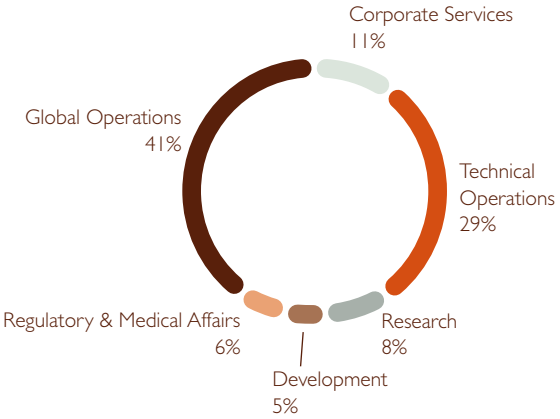
From human resources to human talents

A major priority at UCB is to create a positive environment where both company and individual objectives can be met and people can express their talents. Employees are coached and encouraged to learn and innovate, to work in cross-functional project teams, and to pursue formal training. New technologies such as e-learning tools are used to provide self-learning opportunities.

In 2009, we invested more than € 20 million in training and development. This included coaching and mentoring, management development, and scientific, technical and compliance training. A major investment has been in the training of staff who interact with physicians and patients.

Employees by function - 2009

Total number of employees: 9 324



Rewarding performance

Key to anyone's performance is the recognition of skills, abilities and performance. UCB has a clearly defined and universally practised performance management system. With measurable annual objectives and continuous feedback throughout the year, the system ensures that each employee is accountable for meeting their objectives and gains recognition for their personal contribution to the company's results.

Individual awards that allow management to recognise excellence are available. All employees are encouraged to complete their 'Personal Development Plan' which defines personal career objectives and how they can be pursued within the organisation.

To build and track its talent pool, we use a structured 'Employee Development Review' which addresses questions of succession planning, next steps for high-achievers, and the development and movement of candidates to best fit UCB's ambition to become a global biopharma leader.

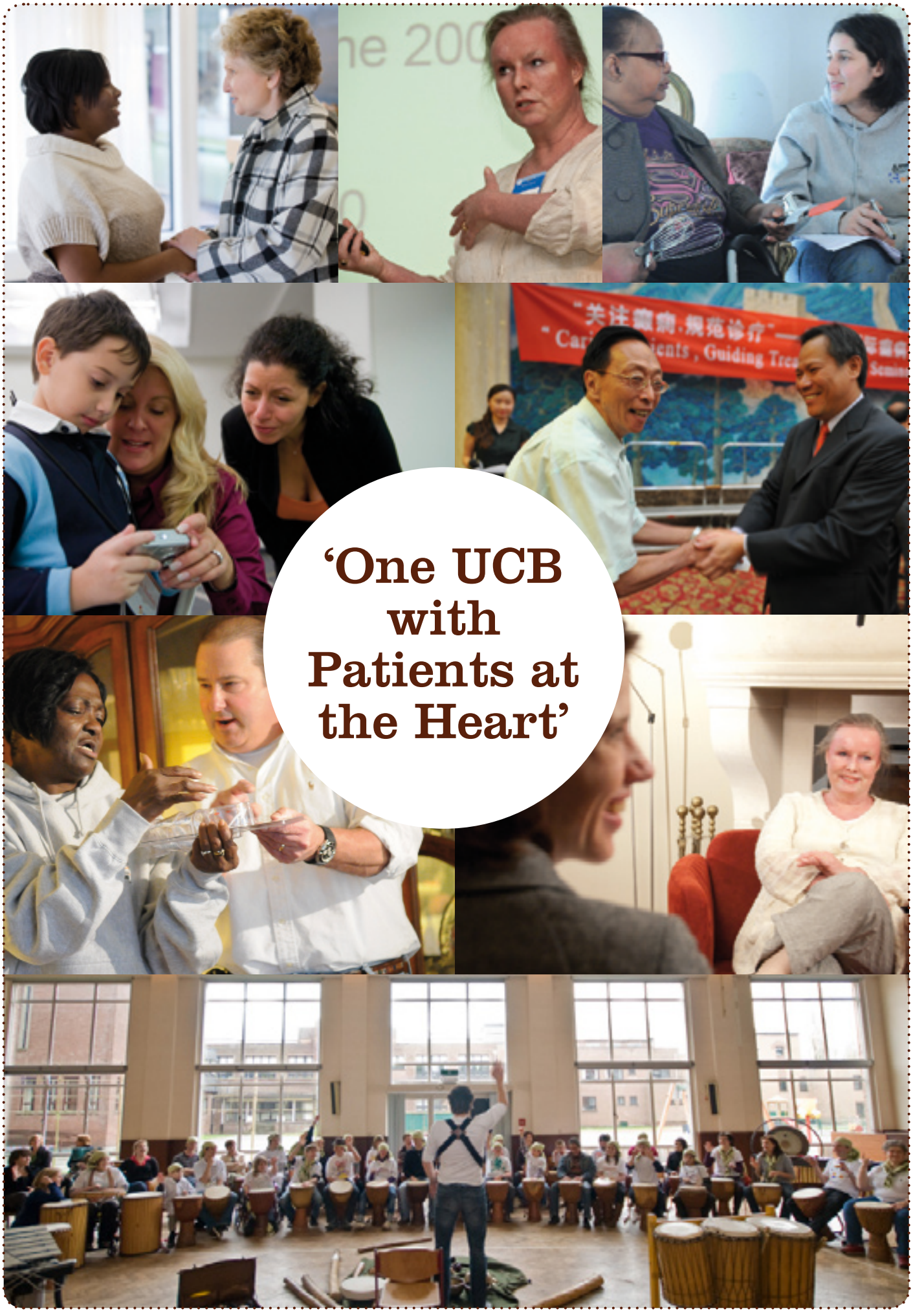
Strengthening engagement and values

Important at UCB are a set of internal values that show the way for decision making, problem solving and how we interact with people internally and externally. 'Patients at the Heart' is a core concept. Patients, their input, personal stories, and their understanding of their diseases, motivate people at UCB and direct them in new ways to think and act. With more than 2 000 people involved in patient-centric activities in 2009, we are embedding patient-centricity in our culture. We believe this can fuel our passion to deliver innovative science and solutions to people living with severe diseases.

Measuring as a basis for improvement

While managing change and developing talent might be seen as 'soft' topics, UCB is committed to measuring progress in these areas. Management surveys are regularly carried out to assess our ability to drive change and reach our goals.

Results from the 2009 survey, in which more than 1 000 managers provided feedback, pointed to progress in several dimensions such as alignment on objectives and an improved capability to lead change, empower and make decisions. A strong coherence across the company to the idea of 'One UCB with Patients at the Heart' and other core values remains a real strength within the company which we shall continue to foster.



‘One UCB with Patients at the Heart’

Global Operations

Mark McDade, EVP Global Operations

Our Global Operations organisation, which is responsible for the commercialisation of our products, enables UCB to deliver its therapies to patients around the world.

2009 achievements

- Cimzia®, Vimpat® and Neupro® launched in 39 countries, treating more than 108 000 new patients by year-end
- In Europe, delivered more than € 500 million in Keppra® sales
- Divested operations and products in approximately 50 non-core emerging market countries for € 515 million
- Through efforts conducted in 2009, achieved Cimzia® approval by NICE in the U.K. in January 2010
- Created unique support programs for patients to talk about the impact of their disease on their lives and their families, underlining our commitment to the highest standards for patient-centred services. Each patient story provides insight and inspiration for future research in UCB's laboratories.

We have prioritised and focused our activities into 'Max' countries, EU mid-markets and International Major Markets.

Max countries
United States and the EU5 (France, Germany, Italy, Spain and the United Kingdom)

EU mid-markets
Austria, Belgium, Bulgaria, Czech Republic, Denmark, Finland, Greece, Hungary, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Sweden, Switzerland

International major markets
Australia, Brazil, CIS, China, India, Japan, South Korea, Mexico, New Zealand, Russia, South-East Asia, Turkey

Technical Operations, QA & HSE

Our Technical Operations, Quality Assurance and HSE[1] group made progress on several fronts during 2009, from consolidating production sites to finalising the harmonisation of quality compliance across the company.

Michele Antonelli, EVP Technical Operations, Quality Assurance & HSE

2009 achievements

- Consolidating production sites and contract manufacturing partners
- Re-engineering our manufacturing, supply chain, process development and performance management processes
- Controlling inventory growth
- Sourcing our new products from at least two sites, internal or external, to ensure continuity of patient supply
- Redesigning the product distribution flow from our two hubs: Braine-l'Alleud (Belgium) for EU and Rest of World, and Atlanta (U.S.) for North America
- Centralising principal functions in Belgium
- Gaining approval for the plan to build our pilot bio-plant in Braine-l'Alleud (Belgium) for the production and supply of recombinant mammalian anti-bodies and proteins for use in research and development
- Completing the harmonisation of quality compliance across the whole company, which led to the introduction of state-of-the-art electronic tools for the management of documentation, pharmacovigilance, electronic batch records, and a new enterprise resource planning system
- Fostered a high level of regulatory confidence through 30 successful health authority inspections

Together with specific sourcing and contracting initiatives, these achievements have generated significant savings in manufacturing costs, while ensuring increased quality and business continuity.

1 Health, Safety and Environment

Finance & IT

Detlef Thielgen, EVP & Chief Financial Officer

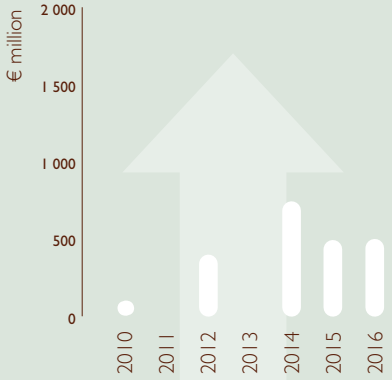
UCB's Finance department successfully refinanced more than € 3.25 billion of debt during 2009, among other achievements.

2009 achievements

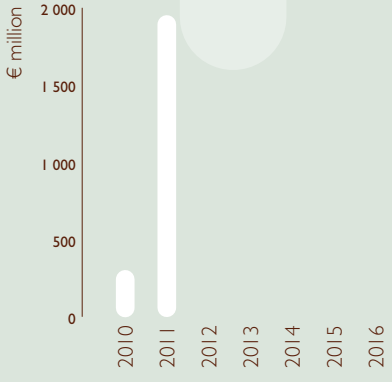
- Outsourcing and off-shoring transactional finance activities
- Refinancing our debt and diversifying our lender base in order to optimise our maturity profile. This included successfully placing a convertible bond, a Euro bond for retail investors and a Euro institutional bond with a combined principal amount of € 1.75 billion; and securing a three-year (plus one year renewal option) revolving syndicated loan facility with several core banks raising € 1.5 billion from the international loan market
- Supporting strategic initiatives such as divesting non-strategic products and non-core emerging markets and 'incubating' the company's pre-clinical oncology portfolio with Wilex
- Implemented alternative financing models throughout the value chain
- Began to roll-out a major global IT programme designed to integrate and standardise business processes within functions and across countries

Debt maturity profile before and after refinancing

After refinancing



Before refinancing



Legal, Pharmacovigilance & Risk Management

To systematically identify, assess and manage risks, the company's Risk Management Committee rolled out an enhanced Risk Management Control process in 2009.

As a biopharmaceutical company, UCB operates in a heavily regulated environment worldwide. Laws and regulations impact every aspect of our business. Risk for the biopharmaceutical industry has increased more rapidly than for virtually any other industry and non-compliance creates risks to patients as well as legal, financial, regulatory and reputational risks.

The Legal Group which includes the Intellectual Property department and Global Clinical Safety and Pharmacovigilance is led by the Chairman of UCB's Risk Management Committee and General Counsel. It proactively partners with its 'clients' within the company in order to identify, anticipate and resolve legal risks and issues.

Central to UCB is concern for the patients that use our drugs. Our Global Clinical Safety & Pharmacovigilance group vigorously monitors our developmental and marketed drugs to ensure that regulatory authorities that regulate and healthcare professionals that prescribe our products are aware of the current safety profile of our products. UCB regards this to be a key function within the company and has devoted essential resources to meet this ongoing responsibility.

2009 achievements

In 2009, the company's Risk Management Committee focused on systematising risk identification, risk assessment and risk remediation. An enhanced Risk Management Process was also rolled out. A review of specific risk areas has been conducted including, but not limited to, promotional activities, interaction with health care providers, pharmacovigilance, regulatory authority investigations and inspections, product labelling, intellectual property and product liability litigation, freedom to operate and all good clinical, laboratory and manufacturing practice matters.

Bob Trainor, EVP & General Counsel

Corporate Social Responsibility

Acknowledging the importance of corporate social responsibility (CSR) as a corporate citizen, UCB is producing its first CSR report in 2010.

GRI compliant

While UCB has always developed therapies and care programmes for patients, support programmes for employees and is respectful of the environment, our first CSR report allows us to set a CSR baseline and to start continuously enhancing our corporate, social and environmental responsibility.

To measure progress, we will report key performance indicators according to the Global Reporting Initiative (GRI) guidelines, which provide an internationally accepted framework for CSR reporting. This approach is entirely voluntary and adapted to UCB's own requirements.

The UCB 2009 CSR Report complies with the GRI application level C+, containing a minimum of 10 performance indicators and 28 profile disclosures. The report is certified by PricewaterhouseCoopers.

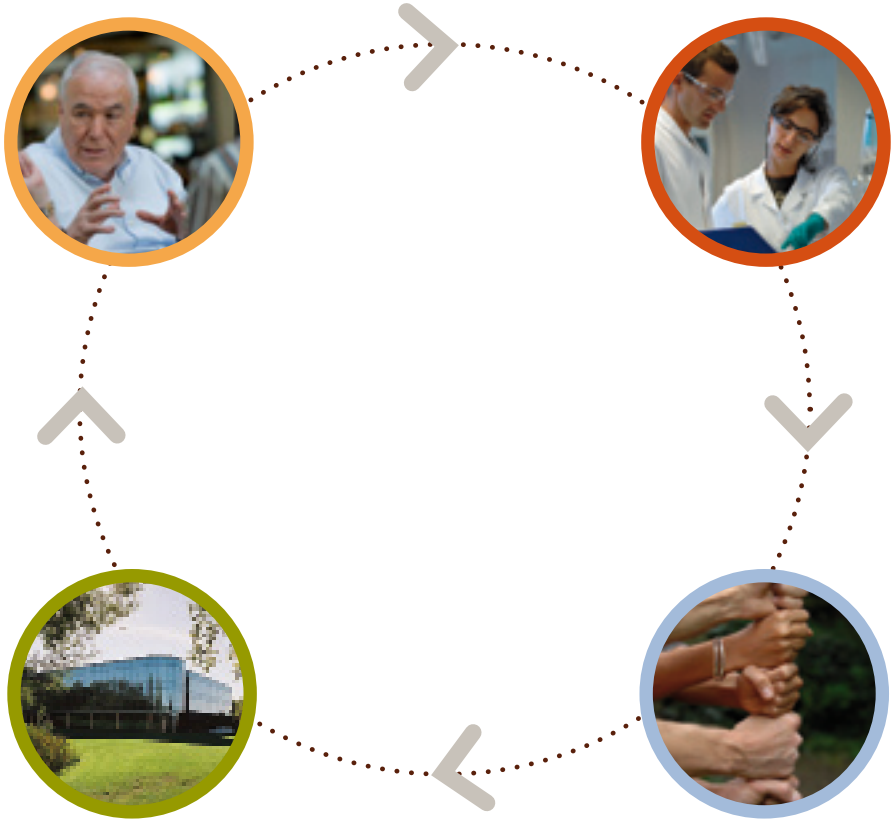
The UCB 2009 CSR Report, which will be available on the UCB website (www.ucb.com), is built on the following four pillars:

Patients

- Quality and safety of drugs
- Access to healthcare and medicines
- Socio-economic value of innovation
- Connecting with patients
- Cooperation with public authorities

People

- Responsible Human Resources management
- Employee relations and communications
- Occupational health and safety
- Diversity
- Rewarding performance
- Developing talents and careers
- Care for the community



Planet

- Waste management
- Reducing energy consumption and CO_2 emissions
- Responsible purchasing
- Soil protection

Ethics

- Compliance, integrity and ethical business conduct
- Bio-ethics
- Use of laboratory animals
- Clinical trials

Notes

Key Figures

Financial Data 2009

€ million	2007	2008	2009
Results			
Revenue	3 626	3 601	3 116
Net sales	3 188	3 027	2 683
Cost of sales	- 1 047	- 1 146	- 1 025
Research & development expenses	- 788	- 767	-674
Other operating expenses	- 1 310	- 1 157	- 964
Recurring EBIT (recurring operating profit)	480	531	453
Recurring EBITDA	741	733	698
EBIT (operating profit)	344	113	837
Net profit (after minority interests)	160	42	513

€ million	2007	2008	2009
Financial positions			
Cash & cash equivalents	479	463	486
Net financial debt	1 915	2 443	1 752
Cash flow from operating activities	490	366	295
Share information			
Basic earnings per share (€) (1)	0.89	0.24	2.85
Gross dividend per share (€)	0.92	0.92	0.96
Number of shares (2)	180 173 920	180 166 683	180 180 255
Share price (year-end, €)	31.02	23.30	29.22
Market capitalisation (year-end, € billion)	5.7	4.3	5.4
Other			
Number of employees (year-end)	12 102	11 292	9 324
Average US$/€ exchange rate	1.369	1.462	1.391

(1) Earnings per share, see Note 37 of the consolidated financial statements

(2) Weighted average number of ordinary shares

Note: see the Operating and Financial Review in the separate Management Report at the back of this Annual Report for the consolidated financial statements and a full commentary on our 2009 financial results.

Information for investors

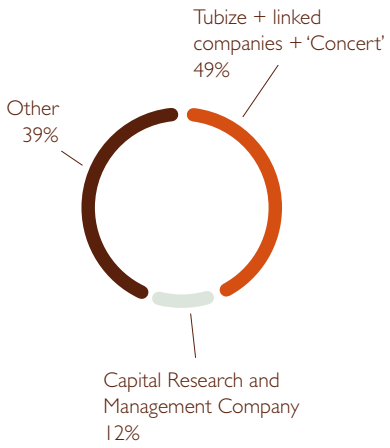
	2007	2008	2009
Market capitalisation (year-end, € billion)	5.7	4.3	5.3
Basic earnings per share (€) [1]	0.89	0.24	2.85
Gross dividend per share (€)	0.92	0.92	0.96
Net dividend per share (€)	0.69	0.69	0.72
Year-end share price (€)	31.02	23.30	29.22
High of the year (€)	54.10	25.90	31.50
Low of the year (€)	30.30	21.30	19.17
Average daily share trading volume	685 893	452 632	382 566
Number of shares [2]	180 173 920	180 166 683	180 180 255
Number of shares (fully diluted)	183 371 920	182 591 255	186 431 127

(1) Earnings per share, see Note 37 of the consolidated financial statements
(2) Weighted average number of ordinary shares

Financial calendar

Annual General Meeting + interim update	29 April 2010
Dividend payment (coupon n° 12)	6 May 2010
2010 half-year financial results	2 August 2010
Interim update	21 October 2010

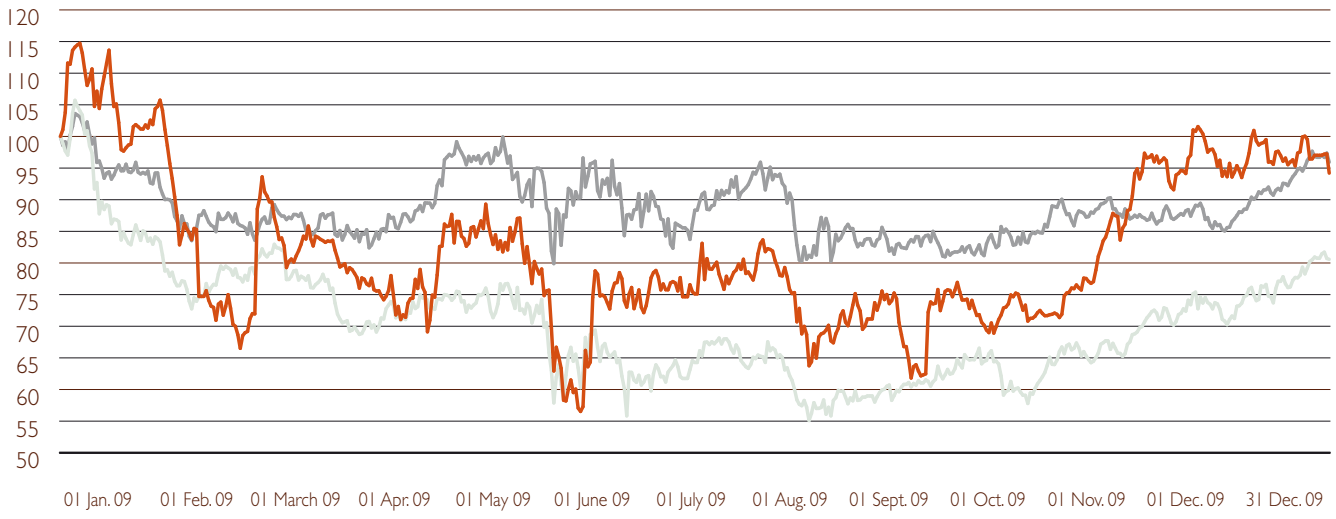
Shareholders 2009



Share price evolution

(Index : 100 = 1 January 2009)

UCB share price (€) vs MCSI Pharmaceuticals / Biotech indices (€)



On 31 December 2009, UCB market capitalisation reached € 5.4 billion (€ 5 357 926 819), representing 4.012 % of the Bel20 index and 0.33 % of the Euronext 100 index.

- UCB share price (€)
- MSCI European Pharma/Biotech index (€)
- MSCI U.S. Pharma/Biotech index (€)

Glossary

A2 Hit™ A breakthrough drug discovery technology combining biology and chemistry. Using antibodies to find the exact site on a protein where a disease process can be inhibited, targets are then validated and used to create a new generation of small chemically-derived molecules

Complete Response Letter
The FDA sends applicants a CRL to indicate that the review cycle for an application is complete but that the application is not yet ready for approval

EBIT Earnings Before Interest and Taxes, or, operating profit

EMA European Medicines Agency: responsible for the evaluation of medicinal products designed to protect and promote human and animal health

EVP Executive Vice President

FDA U.S. Food and Drug Administration: the agency within the U.S. Department of Health and Human Services is responsible for protecting and promoting the nation's health

NDA New Drug Application is the data file submitted to a regulatory authority to gain approval for market introduction

REBIT Recurring EBIT: operating profit adjusted for impairment charges, restructuring expenses, and other exceptional income and expenses.

REBITDA Recurring EBITDA - Recurring Earnings Before Interest, Taxes, Depreciation and Amortisation charges: operating profit adjusted for amortisation, depreciation, impairment charges, restructuring expenses and other exceptional income and expenses.

Seven major markets
The seven countries which make up the majority of the global pharmaceutical market: France, Germany, Italy, Japan, Spain, the U.K. and U.S.

SLAM Selected Lymphocyte Antibody Method: a technology used to rapidly isolate functionally active antibodies

Weighted average number of ordinary shares
The number of ordinary shares outstanding at the beginning of the period, adjusted by the number of shares bought back or issued during the period, multiplied by a time-weighting factor

Management Report of the Board of Directors & Report of the Statutory Auditor 2009

Annual report 2009

Directors and Auditors

Board of Directors

Karel Boone, Chairman
Evelyn du Monceau, Vice Chair
Roch Doliveux, Executive Director
Prince Lorenz of Belgium, Director
Armand De Decker, Director
Peter Fellner, Director
Jean-Pierre Kinet, Director
Thomas Leysen, Director
Tom McKillop, Director - as from 6 November 2009
Gerhard Mayr, Director
Norman J. Ornstein, Director
Arnoud de Pret, Director
Bridget van Rijckevorsel, Director
Patrick Schwarz-Schütte, Director - until 30 April 2009
Gaëtan van de Werve, Director

Michèle de Cannart, Secretary of the Board

Statutory Auditors

Emmanuèle Attout - until 30 April 2009
Daniel Goossens - until 30 April 2009
PricewaterhouseCoopers represented by Bernard Gabriëls - as from 30 April 2009

Honorary Directors

André Jaumotte, Honorary Chairman
Willy De Clercq, Honorary Chairman
Mark Eyskens, Honorary Chairman
Georges Jacobs, Honorary Chairman
Daniel Janssen, Honorary Deputy Chairman
Alan Blinken
Michel Didisheim
Anne Janssen
Eric Janssen
Guy Keutgen
Paul Etienne Maes
Jean-Louis Vanherweghem
Jean-Charles Velge

Honorary Chairmen of the Executive Committee

Georges Jacobs
Daniel Janssen
Paul Etienne Maes

Management Report of the Board of Directors & Report of the Statutory Auditor 2009

Corporate Governance Statement

As a Belgian-headquartered company with a commitment to the highest standards of corporate governance, UCB Board of Directors adopted the Charter of Corporate Governance in October 2005, as required by the Belgian Code on Corporate Governance (first edition). UCB has adopted the Belgian Code of Corporate Governance (second edition) published on March 2009 (hereafter the "Code") as its reference Code taking into account the specific international aspects of the Company. On December 2009 the Board has revised the Charter of Corporate Governance to adapt it to the Code requirements.
This Charter, which is available on our website (www.ucb.com), describes the main aspects of UCB 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 corporate governance. This includes changes to UCB corporate governance together with relevant events that took place during the year 2009, such as changes in UCB capital or shareholder structure, the modifications in the Board of Directors' and committees' composition, the main features of UCB's internal control and risk management systems, and the remuneration report. It also includes explanations, where applicable, of any deviations from the Code.

1. Capital and shares

1.1. Capital

The capital of UCB has not been modified in 2009 on 31 December 2009 it amounts to € 550 095 156, represented by 183 365 052 shares.

1.2. Shares

Since 29 February 2008, the share capital of UCB is represented by 183 365 052 shares. Shares may be registered or dematerialised 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 into 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 have been since 1 January 2008, automatically converted into dematerialised shares.

As from 1 January 2008, all bearer shares deposited for registration on such custody or investment account are automatically converted into dematerialised 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.

1.3. 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 for one ordinary share: following the annulment and exercise of part of these warrants, 54 700 warrants may be exercised up to 31 May 2012.
- The 236 700 warrants issued in 2000 each confer the right to subscribe for one ordinary share: following the annulment and exercise of part of these warrants, 51 500 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 capital would be € 550 616 856 and the number of shares issued by UCB would be 183 538 952.

Defensive warrants were also issued following a decision by the General Meeting of Shareholders in 2008, 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 by Financière de Tubize S.A., UCB reference shareholder on 24 April 2008.

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 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.

1.4. Convertible bonds

UCB issued senior unsecured 4.5% bonds due 2015 for an aggregate principal amount of € 500 million, placed with institutional investors following an accelerated book-building procedure on 30 September 2009 (the "Bonds").

The Extraordinary General Meeting of Shareholders decided on 6 November 2009 to attach a conversion right to these Bonds.

Each Bond has a denomination of € 50 000 and may be converted as from 2 December 2009 until 15 October 2015 for a conversion price of € 38.746 per share. Upon receipt of a conversion request from a bondholder, the UCB Board has the option, in its sole discretion but in the best interest of the Company, (i) to issue new shares, (ii) to deliver existing shares, (iii) to make cash settlement in lieu of delivering shares or (iv) to make a combination of these three options.

If all of the Bonds were to be converted into new shares at the conversion price, UCB would issue 12 904 558 new shares.

The conversion price may have to be revised in accordance with anti-dilution provisions of the terms and conditions of the Bonds or in case of change of control.

The Bonds are listed on the EURO MTF market of the Luxembourg stock exchange.

1.5. Treasury shares

On 31 December 2009, 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 2009, UCB Fipar S.A. held a total of 3 169 050 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, 50 384 shares in 2008 and 128 116 shares in 2009. As of 31 December 2009, UCB S.C.A. held one UCB share.

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 plans. For more information on UCB S.A. stock option plans (see Note 25).

According to a decision of the shareholders meeting held on 6 November 2009 the Board of Directors is authorised, for an unlimited duration in time, in accordance with Article 622, § 2, section 2, 1°, of the Belgian Companies Code, to dispose of the company's own shares on or outside the stock exchange, by way of sale, exchange, contribution or any other kind of disposal. This authorisation is applicable for the disposal of the company's shares held by a direct subsidiary of the company within the meaning of Article 627 of the Companies Code.

According to a decision of the same shareholders meeting the Board of Directors of the Company and the Boards of its direct subsidiaries is authorised, for a period of five years starting 7 November 2009, to acquire shares of UCB, up to maximum 20% of the issued shares, for exchange values equivalent to the closing price of the UCB share on Euronext Brussels on the day immediately preceding the acquisition, plus a maximum of 15% or minus a maximum of 15%, taking also into account any applicable legal requirement.

2. Shareholders and shareholders structure

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

Financière de Tubize S.A. has made a transparency notification of its holding in UCB on 1 September 2008 in compliance with the Law of 2 May 2007 relating to the publication of significant shareholdings in listed companies. According to Article 3, §1, 13° of the Law of 2 May 2007, Financière de Tubize S.A. acts in concert with Schwarz Vermögensverwaltung GmbH, KBC Bank N.V., Degroof Corporate Finance S.A. and Imofig S.A., Levimmo S.A., Compar Finance S.A., Pharmahold S.A. and Cosylva S.A., with which Financière de Tubize S.A. has signed separate shareholders agreements.

Their holdings are listed under N° 4 to 10 in the table hereafter. The shares that are covered by these agreements, including the shares held by Financière de Tubize S.A. represent 48.72% of the share capital of the company.

Around 54.14% of Financière de Tubize S.A. is held by the Janssen family.

In accordance with the notifications made in compliance with the Law of 2 May 2007, the present UCB major shareholdings are:

UCB Controlling and major shareholdings on 30 October 2008

		Current shareholding	Voting right	Date (according to the notification in compliance with the law of 2 May, 2007)
	Capital €	**550 095 156**		
	Shares	**183 365 052**		
1	Financière de Tubize SA (Tubize)	66 370 000	36.20 %	1 September 2008
2	UCB Fipar SA	3 175 478	1.73%	1 September 2008
3	UCB SCA	12 000	0.01%	1 September 2008
4	Schwarz Vermögensverwaltung GmbH	9 885 618	5.39%	1 September 2008
5	KBC Bank NV	2 289 318	1.25%	1 September 2008
6	Banque Degroof SA			
	through Degroof Corporate Finance SA	450 000		1 September 2008
	through Imofig SA	219 230		1 September 2008
		669 230	0.36%	1 September 2008
7	Levimmo SA	1 230 770	0.67%	1 September 2008
8	Compar Finance SA	1 900 000	1.04%	1 September 2008
	Compar Finance SA holds additionally 165 830 UCB shares outside the concert			
9	Pharmahold SA	1 900 000	1.04%	1 September 2008
	Pharmahold SA holds additionally 1 100 000 UCB shares outside the concert			
10	Cosylva SA	1 900 000	1.04%	1 September 2008
	Cosylva SA holds additionally 1 100 000 UCB shares outside the concert			
	Tubize+ linked companies + concert 4,5,6,7,8,9,10	89 332 414	48.72%	1 September 2008
11	Capital Research and Management Company (voting interests)	21 717 895	11.84%	30 October 2008
	which include the UCB shares held by Euro Pacific Growth Fund which exceed 3% of UCB share capital			
Tubize has declared acting in concert separately with each of the shareholders 4,5,6,7,8,9,10 for the number of shares as indicated				

Additional UCB shares held by persons acting in concert with Tubize, but which are not included in the concert agreements with Tubize

	Current shareholding	Voting right	Date (according to the notification in compliance with the law of 2 May 2007)
KBC Groep (trough affiliates others than KBC Bank)	325 640	0.18%	1 September 2008
Compar Finance SA	165 830	0.09%	1 September 2008
Pharmahold SA	1 100 000	0.60%	1 September 2008
Cosylva SA	1 100 000	0.60%	1 September 2008
Total voting rights held by persons acting in concert with Tubize including Tubize		50.19%	

The remaining of UCB shares are held by the public.

Communication by virtue of Article 74, §7 of the Law of 1 April 2007 relating to public takeover bids, made jointly by 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 following shareholders of UCB S.A., acting in concert, by virtue of Article 74, §7 of the Law of 1 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.	66 370 000	36.20%
Schwarz Vermögensverwaltung GmbH & Co KG	9 885 618	5.39%
UCB Fipar S.A.	3 176 578	1.73%
Total of the voting rights	79 432 196	43.32%

3. Board of Directors and Board committees

3.1. Board of Directors

Composition of the Board of Directors and independent directors

From 1 January until 30 April 2009, the composition of the Board of Directors was as follows:

Karel Boone, Chairman
Evelyn du Monceau, Vice-Chair
Roch Doliveux, Executive Director
Prince Lorenz of Belgium
Peter Fellner
Gerhard Mayr
Arnoud de Pret
Bridget van Rijckevorsel
Patrick Schwarz-Schütte
Gaëtan van de Werve
Armand De Decker
Jean-Pierre Kinet
Thomas Leysen
Norman J. Ornstein

Patrick Schwarz-Schütte retired at the General Meeting of Shareholders on 30 April 2009.

At the Extraordinary General Meeting of Shareholders held on 6 November 2009 one additional non-executive director was appointed : Sir Tom McKillop.

Tom McKillop was born in Ayrshire, Scotland in 1943 and educated at Irvine Royal Academy, Glasgow University and Centre de Mecanique Ondulatoire Appliquee (Paris). He joined ICI's Corporate Research Laboratory at Runcorn in 1969 and his research interests ranged from synthetic chemistry to quantum mechanics and molecular biology. In 1975 he moved to ICI Pharmaceuticals Division and held a number of increasingly senior Research and Development positions until his appointment in 1989 as Technical Director and Deputy Chairman of ICI Pharmaceuticals, a role in which he had global responsibility for Research, Development, Medical and Production. In 1994, he was appointed Chief Executive Officer of Zeneca Pharmaceuticals - Zeneca having demerged from ICI in 1993 - and, on completion of the merger of Astra and Zeneca in April 1999, he became Chief Executive of AstraZeneca PLC, a position he held until retiring on 31 December 2005. His wider industry activities included periods as Chairman of the British Pharma Group, President of the European Federation of Pharmaceutical Industries and Associations, Chairman of the Pharmaceutical Industry Task Force, and as a member of The European Round Table of Industrialists and the European Financial Round Table. Currently Sir Tom is president of The Science Council and a non-executive director of Almirall Prodesfarma SA. He has previously served as Chairman of the Royal Bank of Scotland, and as a non-executive director of BP plc, Amersham International plc (now GE Healthcare) and Lloyds TSB plc. During his career Sir Tom has received many scholarly awards and fellowships and was knighted in 2002 for services to the pharmaceutical industry.

Since 24 April 2008 Karel Boone is Chairman of the Board of Directors.

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. Roch Doliveux is an Executive Director, and is therefore not an independent director. Peter Fellner has been CEO of Celltech Group until April 2003 and for this reason Peter Fellner did not qualify to be an independent director for a period of five years, until May 2008. It will be proposed to the Shareholders' meeting to be held on 29 April 2010, to recognise this independence, according to the law.

Patrick Schwarz-Schütte was Chairman of the Management Board of Schwarz Pharma AG until the end of 2006 and consequently does not qualify as independent director.

Karel Boone serves his fourth term as a Director since his last reelection on 30 April 2009 and for this sole reason does not qualify as an independent Director. However the Board of Directors considers Karel Boone as being independent in his judgment, especially considering the Company's business which has long cycles.

Prince Lorenz of Belgium, Armand De Decker, Gerhard Mayr, Jean-Pierre Kinet, Norman Ornstein, Thomas Leysen, Tom McKillop and since May 2008 Peter Fellner 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:

	First appointed as Director	End of term of office	Independent Director
Karel Boone, Chairman	2000	2012	x (until 30 April 2009)
Evelyn du Monceau, Vice Chair	1984	2011	
Roch Doliveux, Executive Director	2004	2010	
Prince Lorenz of Belgium	2001	2010	x
Armand De Decker	2008	2011	x
Peter Fellner	2005	2011	
Jean-Pierre Kinet	2008	2011	x
Thomas Leysen	2008	2011	x
Tom McKillop	2009	2012	x
Gerhard Mayr	2005	2011	x
Norman J. Ornstein	2008	2011	x
Arnoud de Pret	2005	2011	
Bridget van Rijckevorsel	1992	2011	
Gaëtan van de Werve	2006	2012	

The mandates of Roch Doliveux and of Prince Lorenz of Belgium will expire at the General Meeting of Shareholders of 29 April 2010. Prince Lorenz of Belgium is not candidate for re-election. Roch Doliveux' mandate will be submitted for renewal at this meeting.

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

Functioning of the Board of Directors

In 2009, the Board of Directors met eight times. The attendance rate of the members was the following:

Karel Boone, Chairman	100%
Evelyn du Monceau, Vice Chair	100%
Roch Doliveux, Executive Director	100%
Prince Lorenz of Belgium	88%
Armand De Decker	75%
Peter Fellner	88%
Jean-Pierre Kinet	100%
Thomas Leysen	100%
Tom McKillop - as from 6 November 2009	100%
Gerhard Mayr	88%
Norman J. Ornstein	88%
Arnoud de Pret	100%
Bridget van Rijckevorsel	100%
Patrick Schwarz-Schütte - until 30 April 2009	50%
Gaëtan van de Werve	100%

During 2009, the Board of Directors' main areas of discussion, review and decision were: UCB strategy, the reports of the Audit Committee and of the Remuneration and Nomination Committee, UCB corporate governance and organisation with the further implementation of the SHAPE initiative, the appointments reserved for the Board, the remuneration policies, the management and financial reporting, R&D, the debt refinancing and funding diversification, investment programmes 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 interests not covered by the legal provisions on conflicts of interests.

During 2009, the Board of Directors pursued an induction programme - started in 2008 for its new directors on UCB corporate governance and on directors' duties and responsibilities - to cover the various areas of expertise required in a biopharmaceutical company, notably: R&D, operational matters, management of intellectual property, business development, technical operations, finance, information processing, people management and risk management.

Board of Directors: assessment

In 2008 and early 2009 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 optimise 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 Chair of the Remuneration and Nomination Committee.

For further information on the process, please refer to the Charter of Corporate Governance (section 3.5) available on UCB website.

3.2. Board committees

Audit Committee

Since the General Meeting of Shareholders of 24 April 2008 the composition of the Audit Committee is the following:

	End of term of office	Independent Director
Arnoud de Pret, Chairman	2011	
Karel Boone	2012	x (until 30 April 2009)
Prince Lorenz of Belgium	2010	x

Prince Lorenz of Belgium fulfills the independence criteria set by the Company Code and the three members of the Audit Committee have the competencies in accounting and audit matters as required by Article 526bis §2 of same code. Karel Boone meets all the independence criteria set by the law and by the Belgian Code on Corporate Governance except that he had served three terms of office as a Board member of UCB before his reelection in 2009. As his total term does not exceed twelve years, the Board estimates that his nine years experience as a Director does not affect his independence of judgment in all matters submitted to the Board and the Board committees.

The Audit Committee met four times in 2009 with an attendance rate of 83%. Half of the meetings were held in the presence of the external auditors.

The Audit Committee meetings were attended by Detlef Thielgen, Executive Vice President & Chief Financial Officer; Doug Gingerella, Vice President Global Internal Audit/M&A; Bernard Lauwers, Vice President Financial Control (once), Olaf Elbracht, Vice President Reporting & Consolidation, Michèle de Cannart, Vice President & General Secretary who acted as secretary and once by Filip Vanbrabant who acted as Secretary. Two meetings were partly attended by Bob Trainor, Executive Vice President & General Counsel and also Chairman of the Group's Risk Management Committee and one meeting by Jean-Marie Schollaert, Group Risk Director. Two meetings were attended by Nasreen Vadachia, Associate Director IFRS Competence Center. Another meeting was attended by Christian Capouillez, Financial Shared Services, and by Philippe Waty, Vice President Corporate Compensation/Benefits.

Remuneration and Nomination Committee

The composition of the Remuneration and Nomination Committee is the following:

	End of term of office	Independent Director
Evelyn du Monceau, Chair	2011	
Karel Boone	2012	x (until 30 April 2009)
Thomas Leysen - as from 26 February 2010	2011	x
Gerhard Mayr	2011	x
Gaëtan van de Werve	2012	

Karel Boone meets all the independence criteria set by the law and by the Belgian Code on Corporate Governance except that he had served three terms of office as a Board member of UCB before his reelection in 2009. As his total term does not exceed twelve years, the Board estimates that his nine years experience as a Director does not affect his independence of judgment in all matters submitted to the Board and the Board committees. All members of the the Remuneration and Nomination Committee are independent from management.

For more information, please refer to the Charter of Corporate Governance (section 4.3.2) available on UCB website.

The Remuneration and Nomination Committee met three times in 2009 with an attendance rate of 100%.

The committee was attended by Roch Doliveux, Chairman of the Executive Committee, except when discussing issues relating to himself and by. Fabrice Enderlin, Executive Vice President Human Resources, who acts as secretary.

In 2009 and according to its terms of reference (see Charter of Corporate Governance), the Remuneration and Nomination Committee reviewed the appointment proposals to be submitted to Board approval, the performance of the Executive Committee members and their remuneration. It reviewed the succession planning of the CEO and of the other members of the Executive Committee. It reviewed and submitted to Board approval the remuneration policy and the long term incentives to be granted to the company management and the performance criteria to which these grants were linked.

3.3. Executive Committee

Composition of the Executive Committee:

Until 31 August 2009 the composition of the Executive Committee was the following:
Roch Doliveux, CEO & Chairman of the Executive Committee
Melanie Lee, Executive Vice President & President UCB NewMedicines™
Robert Trainor, Executive Vice President & General Counsel
Detlef Thielgen, Executive Vice President & Chief Financial Officer
Iris Löw-Friedrich, Executive Vice President Global Projects & Development, Chief Medical Officer
Fabrice Enderlin, Executive Vice President Corporate Human Resources
Mark McDade, Executive Vice President Global Operations
Michele Antonelli, Executive Vice President Technical Operations & Quality Assurance

Melanie Lee decided to leave the UCB Group on 31 August 2009 and Ismaïl Kola was appointed Executive Vice President & President UCB NewMedicines™ on 23 November 2009.

The composition of the Executive Committee is currently the following:
Roch Doliveux, CEO & Chairman of the Executive Committee
Robert Trainor, Executive Vice President & General Counsel
Detlef Thielgen, Executive Vice President & Chief Financial Officer
Iris Löw-Friedrich, Executive Vice President Global Projects & Development, Chief Medical Officer
Fabrice Enderlin, Executive Vice President Corporate Human Resources
Mark McDade, Executive Vice President Global Operations
Michele Antonelli, Executive Vice President Technical Operations & Quality Assurance
Ismaïl Kola, Executive Vice President & President UCB NewMedicines™

Functioning of the Executive Committee:

The Executive Committee has met twice a month in 2009.

There were no transactions or contractual relationships in 2009 between UCB, including its related companies, and a member of the Executive Committee that could create a conflict of interests.

4. Remuneration report

4.1. Remuneration of the Directors and of the members of the Board committees

The Directors and Board Committee members are compensated for their services through a cash-based compensation programme. The level of pay has been set based on benchmarks which include the remuneration of Board members of comparable U.S. companies and European biopharmaceutical companies. No long-term equity incentives are currently granted. The level of pay was approved at the General Meeting of Shareholders of 24 April 2008 and since then, the remuneration of UCB directors as follows:

Annual emoluments:	
Directors	€ 60 000
Chairman of the Board	€ 120 000
Vice Chair	€ 90 000
Board of Directors attendance fees (per meeting):	
Directors	€ 1 000
Chairman of the Board of Directors	€ 2 000
Vice Chair	€1 500
Other Board activities – Annual compensation:	
Members of the Board committees	€ 7 500
Chairman of the Board committees	€ 15 000

In application of these rules, the total remuneration of directors and Board committee members for 2009 in UCB was as follows:

	Remuneration
Karel Boone, Chairman	€ 151 000
Evelyn du Monceau, Vice Chair	€ 117 000
Roch Doliveux, Executive Director [1]	€ 68 000
Prince Lorenz of Belgium	€ 74 500
Armand De Decker	€ 66 000
Peter Fellner	€ 67 000
Jean-Pierre Kinet	€ 68 000
Thomas Leysen	€ 68 000
Tom McKillop - as from 6 November 2009	€ 12 000
Gerhard Mayr	€ 74 500
Norman J. Ornstein	€ 67 000
Arnoud de Pret	€ 83 000
Bridget van Rijckevorsel	€ 68 000
Patrick Schwarz-Schütte - until 30 April 2009	€ 21 000
Gaëtan van de Werve	€ 75 500

4.2. Remuneration of the members of the Executive Committee:

This section describes the guiding principles of our Global Rewards programme, and more specifically our executive compensation programme, as well as providing an overview of our executive compensation structure. It also provides a detailed analysis of the link between performance and levels of pay and documents the decision making process around executive compensation as it relates to our corporate governance guidelines.

Global reward principles

To accomplish our company goals within a highly competitive business environment we need highly qualified and talented executives working in a high performance culture. To maintain this type of culture with fully engaged employees, it is critical to have a competitive Global Rewards Programme. The objectives of the UCB Global Rewards Programme are:

- to provide a strong motivation for reinforcing our business strategy and the achievement of our corporate goals.
- to link employees' pay to their contributions as well as the overall success of the business.
- to be fair and equitable and enables us to attract and retain talent on a global scale.
- to place an emphasis on pay for performance.

The Global Rewards Programme supports this drive and vision. It is designed to work internally and externally to attract, engage, develop, retain and reward the industry's best talent.

For our executive compensation programme, pay is closely linked to not only short-term company performance but also the long-term sustainability and allow to recognise and reward high performance..

Composition and market competitiveness of the Executive compensation programme

The policy of remuneration for members of the Executive Committee is set by the Board of Directors on the basis of recommendations by the Remuneration and Nomination Committee. The policy ensures that the compensation programmes of the members of the Executive Committee, including stock options and awards, pension schemes and termination arrangements, are fair and appropriate to attract, retain and motivate management, are reasonable in view of the company economics and the relevant practices of comparable global biopharmaceutical companies.

Our executive committee compensation packages are composed of two main elements:

- Base salary (a fixed element of pay)
- Variable pay (consisting of a cash bonus and long-term incentives)

Each year the Remuneration and Nomination Committee considers the appropriate mix and level of cash and equity awards to offer based on recommendations from the Corporate Human Resources department. These recommendations are reviewed with our independent compensation consultant, Towers Watson, and also with Hewitt as a secondary reference, to ensure the competitiveness of our total remuneration. A survey is conducted every other year to assess the competitiveness of the packages. The data is aged in the years in which a survey is not conducted, based on global market movements within Executive compensation.

1 The details of the remuneration of the executive function of Roch Doliveux are highlighted in section 3.2 and 3.3.

UCB benchmarks its total cash compensation against a defined peer group of international companies within the Biopharmaceutical sector (companies with pharmaceutical or biotechnology activities). The actual compensation level for each individual is determined according to the benchmark and taking into account their performance and level of experience in relation to the benchmark.

The remuneration of the members of the Executive Committee is reviewed on an annual basis by the Remuneration and Nomination Committee. The amount of remuneration is determined in consideration of the nature and extent of the responsibilities of each member of the Executive Committee and in line with their individual performance.

Fixed element of pay

Base salary:

The base salary compensates the individual for their position in the organisation, relative to the market and with respect to their level of experience in the role.

Variable pay

Cash bonus:

The cash bonus is designed to compensate the performance of the company and of the individual over a time horizon of one year. The corporate and individual objectives are set at the beginning of the year by the Remuneration and Nomination Committee, upon proposal of the Executive Committee and are approved by the Board of Directors.

For all executive committee members the corporate performance represents 75% of the target and individual performance objectives 25% of the target.

For 2009 the corporate objective was based on target versus actual adjusted net profits after tax. The Remuneration and Nomination Committee has discretionary power after consultation with the Audit Committee, to amend the budgeted target in case of exceptional circumstances such as a major re-organisation of the company assets, acquisitions and divestments.

The payout guidelines for the corporate component are defined by the percentage of actual Adjusted Net Profits After Tax versus the budget. The payout level for results between 90% and 110% of the target is linear, with a corresponding level of bonus payout. Higher levels of corporate performance result in a relatively higher level of payout, with performance in excess of 150% of target resulting in a 200% payout (the maximum plan payout). Similarly, a poorer performance results in a diminished level of payout with a payout level of 10% for results of less than 50% of target and 5% for less than 25% of target. The payout can also be reduced to zero.

In addition, for the individual portion of the bonus, Roch Doliveux assesses the performance of the other Executive Committee members and makes the recommendation for the bonus payout to the Remuneration and Nomination Committee. The Remuneration and Nomination Committee assesses the performance of Roch Doliveux and also approves the actual payout for each of the Executive Committee members.

In discussing performance, the Remuneration and Nomination Committee deliberates not only the achievement of the financial and quantitative objectives of each of the Executive Committee members but also the non-financial aspects, including the extent to which the individuals have carried out their duties in line with the company values and expected leadership behaviours.

Long-term incentives:

Our remuneration philosophy and practice is to link a significant portion of equity-based compensation to short and long-term company financial and non-financial performance and strategic goals. The long-term incentives are benchmarked against European pharmaceutical company practices. The long-term incentive plan is a three-tiered programme which includes a stock option plan, free share plan (stock award) and a performance share plan.

Stock option:

Eligibility for participation in the Stock Option Plan is at management discretion and is based on satisfactory performance. 25% more or less than the target grant may be awarded based on minimum performance criteria being met. The vesting period is typically three years from date of grant but can be longer based on local legislative requirements. In the United States, Stock Appreciation Rights are granted instead of stock options to comply with local legislation. These follow the same vesting rules as the Stock Option plan and result in employees receiving a cash amount equal to the appreciation of UCB stock instead of actual shares.

Stock award:

The Stock Award Plan provides conditional rights to UCB common stock fulfilled upon remaining in employment with UCB up to three years after the grant date. The vesting period is three years from date of grant. Our Executive Committee members are eligible for participation at the Board's discretion, based on satisfactory performance. The plan allows for a range of 25% more or less than the target number of awards, depending on the level of performance of each individual.

Performance share plan:

This plan ensures a strong link between pay and performance by rewarding only the highest performers within the senior executive group. On an annual basis there are approximately 25 eligible executives. Performance shares are grants of UCB common stock, awarded only to those executive committee members who have achieved the highest two levels of performance ratings. In addition, certain conditions must be met at the time of vesting as defined by the Remuneration and Nomination Committee and the Board. For the 2009 grant the metrics are Net Debt reduction (for 50%) and EBITDA (for 50%) targets.

The vesting period is three years. The number of shares awarded is adjusted at the end of the vesting period based on the company's performance goals as determined by the Remuneration and Nominating Committee. If actual company performance is below 100% of the target or the beneficiary leaves prior to vesting, then typically no shares are awarded. The maximum award is capped at 150% of the individual target.

In some countries delivery of the award may also be made in «phantom shares», depending on the local legislative environment.

In 2010 the Remuneration & Nomination Committee has approved the introduction of a third performance measure for the Performance Share Plan, being Net Sales Growth. For the 2010 grant the metrics will be Net Debt reduction (for 25%), EBITDA (for 50%) targets and Net Sales growth (for 25%).

Other remuneration elements:

Members of the Executive Committee are also typically entitled to participate in an extra-legal pension plan, an international healthcare plan and executive life insurance as are available to other senior executives. As we have an international executive committee across several different countries, each plan varies in line with the local competitive and legal environment. Executive Committee members are also provided with certain executive perquisites such as a company car and tax return preparation. All these elements are disclosed in the remuneration statement.

The remuneration policy for the members of the Executive Committee is extensively described in UCB Charter of Corporate Governance (under 4.1) available on the UCB website.

Termination arrangements:

Given the international character of our Executive Committee, as well as the dispersement of our various activities across different geographies, our members have employment agreements governed by different legal jurisdictions.

The service contract for Roch Doliveux 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 a change of control, the lump sum will be equal to 36 months.

Ismail Kola also holds a Belgian employment contract and does have a termination clause which would entitle him to a severance payment of 18 months base salary and bonus in case the contract is terminated by the company. This was implemented at the time of recruitment as a result of the previous conditions held by Ismail Kola in the U.S. and in view of the international environment in which we operate. In case of a change of control of UCB, this payment would be equivalent to 24 months base salary and bonus.

For Iris Löw-Friedrich, who has a German employment agreement, it is worth noting that executive termination conditions in Germany are relatively protective and are governed by the individual employment contract. In the case of Iris Löw-Friedrich, the employment contract provides a minimum of six months' notice and a termination indemnity equal to one year base salary and bonus. Overall this would represent an 18 months termination package.

For our Executive Committee members, Robert Trainor and Mark McDade, who both hold U.S. employment agreements, a clause specifying a termination payment in case of a change of control was added into their employment agreements during 2009. The clause entitles them to 18 months base salary and bonus should there be an involuntary termination of the agreement by the company in case of a change of control. The decision to add these clauses was to ensure a better protection of the Executive Committee members with U.S. employment agreements who do not enjoy the same level of protection as their European counterparts.

Level of Pay - Chairman of the Executive Committee and CEO

The remuneration of the Chairman of the Executive Committee and CEO, Roch Doliveux, is composed of the above-mentioned elements being base salary, short-term incentive and long-term incentive, each carrying a similar weight in terms of target value.

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 and CEO by UCB or any other of its affiliates in 2009 amount to:

- Base salary (perceived in 2009): € 1 238 303
- Short-term incentive (bonus): bonus to be paid in 2010 and relating to the financial year 2009: € 738 995
- Long-term incentive (number of UCB shares and options): see section 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: € 1 418 552 [1]

The CEO's total compensation (base salary + bonus + long-term incentives) for 2009 amounts to € 2 858 192 (excluding pension contributions and other benefits), which is 4.3% higher than in 2008. This is caused by the higher value of UCB shares and options granted in 2009, however his total cash (base + bonus) has only increased by 0.8%.

For 2010, the Board has approved a salary increase of 3% to position his fixed income at € 1 275 452.

Career entrepreneurship

Roch Doliveux has contributed a portion of his compensation to a fund (Caring Entrepreneurship Fund) which he has set up as part of the King Baudouin Foundation to allow initially employees, who were impacted by the reorganisation inside UCB, to realise a personal project/initiative and to start a new business.

The Caring Entrepreneurship Fund focuses on supporting entrepreneurship in the field of health and wellness. Further details can be found in the Corporate Social Responsibility section.

Level of Pay - Other members of the Executive Committee

The remuneration of the Executive Committee members is composed of the above-mentioned, elements being base salary, short-term incentive and long-term incentive.

The amount of compensation stated below, reflects the amount the Executive Committee members have earned in 2009 based on their effective period in service as Executive Committee members (see above section 'Composition of Executive Committee').

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 2009 amount to:

- Base salaries: € 2 863 556
- Short-term incentive (bonus): bonuses (to be paid in 2010 and relating to financial year 2009): € 1 604 883
- Long-term incentive (number of UCB shares and options): see section below.
- Other components of the remuneration, such as the cost of pension, insurance coverage, termination indemnity, retention awards, monetary value of other fringe benefits, with an explanation and if appropriate, the amounts of the main components: € 3 931 417

The aggregated Executive Committee compensation (base salary + bonus + LTI) for 2009 amounts to: € 6 168 001 (excluding pension contributions and other benefits).

Special provisions related to recruitment

In addition to the regular salary received by Ismail Kola during 2009, in the framework of his recruitment, Ismail Kola also received the following benefits:

- 30 000 phantom stocks as a sign-on award to partially compensate the loss of previously held long-term incentives, vesting over a period of three years.
- Relocation assistance

1 This amount includes the retirement benefit (based on service cost): € 1 122 943

Long-term incentives (LTI) granted in 2009

	Stock Options (1)	Binomial Value of the Stock Options (in €) (2)	Stock Awards (3)	Binomial Value of the Stock Awards (in €) (4)	Performance Shares (5)	Binomial Value of Performance Shares (in €) (6)	LTI Total binomial value (in €) (7)
Roch Doliveux	36 000	205 560	24 000	427 326	29 000	248 008	880 894
Melanie Lee	0	0	0	0	0	0	0
Bob Trainor	15 000	85 650	7 500	133 539	8 750	74 830	294 019
Detlef Thielgen	13 200	75 372	6 600	117 515	7 000	59 864	252 751
Iris Loew-Friedrich	15 000	85 650	7 500	133 539	8 750	74 830	294 019
Fabrice Enderlin	12 000	68 520	7 200	128 198	7 000	59 864	256 582
Mark McDade	12 000	68 520	12 200	217 224	7 000	59 864	345 608
Michele Antonelli	12 000	68 520	7 200	128 198	7 000	59 864	256 582
Ismaïl Kola (8)	n/a	n/a	n/a	n/a	n/a	n/a	

(1) number of rights to acquire one UCB share at a price of € 21.38 (€ 22.19 for Bob Trainor and Mark McDade) between 1 April 2012 and 31 March 2019 (between 1 January 2013 and 31 March 2019 for Roch Doliveux, Fabrice Enderlin, Detlef Thielgen and Michele Antonelli).

(2) The 2009 value of stock options has been calculated based on the binomial methodology at € 5.71.

(3) number of UCB shares to be delivered for free after a vesting period of three years if still employed by UCB – including phantom stock awards and special additional grant to Mark McDade.

(4) The 2009 value of stock awards has been calculated based on the binomial methodology at € 17.81 per share award (as defined by Towers Watson). Under the plan rules, the participants will receive the shares after a vesting period of three years to the extent that the participants remain under employment with UCB.

(5) 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 – including phantom performance shares.

(6) The 2009 value of performance shares has been calculated based on the binomial methodology at € 8.55 per performance share (as defined by Towers Watson). Under the plan rules, the participants will receive shares after an expiration of three years to the extent that the participants remain under employment with UCB and to the extent that the two performance conditions approved by the Remuneration Committee will be met.

(7) Binomial valuation: an objective technique for pricing long-term incentives and which determines a fair value of the stock price over the life of an option or a long-term incentive grant.

(8) Ismail Kola joined UCB on 23 November 2009. He was granted a sign on phantom stock award of 30 000 shares on 1 December 2009. Those will vest as follows: 5 000 phantom stocks on 1 December 2010, 10 000 phantom shares on 1 December 2011 and 15 000 phantom shares on 1 December 2012. Each vesting will occur to the extent that Ismail Kola remains in employment with UCB.

Stock option exercises and stock awards vested in 2009

	Stock Options (1)		Stock Awards (1)	
€	Number of options received upon exercise	Value realised upon exercise	Number of shares received upon vesting	Value realised upon vesting (2)
Roch Doliveux	-	-	15 000	337 350
Robert Trainor	-	-	5 000	112 450
Melanie Lee	-	-	5 000	112 450

(1) Iris Loew-Friedrich, Detlef Thielgen, Fabrice Enderlin, Michele Antonelli, Marc Mc Dade and Ismail Kola joined UCB after the 2006 LTI grant.

(2) Represents the market value of the shares delivered on the vesting date, determined as the average of the high and the low price of UCB shares on that date

The General Shareholders Meeting on 30 April 2009 approved the allocation of free shares under the stock award and performance share plans.

5. Main features of the Company's internal control and risk management systems

5.1. Internal control

The Board of Directors is the Company's governing body, and one of its roles is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risks to be assessed and managed. Company management is responsible for establishing and maintaining adequate internal controls to provide reasonable assurance regarding the achievement of objectives of the reliable nature of financial information, compliance with relevant laws and regulations, and performing internal control processes within the Company in the most efficient manner.

The Audit Committee assists the Board of Directors in its responsibility of monitoring the management of the Company and the Group as a whole, and in the monitoring the effectiveness of the company's overall internal control processes, the monitoring of the financial overall reporting process and monitoring the Global Internal Audit function and its effectiveness.

The Global Internal Audit function provides independent, objective assurance activities designed to evaluate, add value and improve the Company's internal control and operations, by bringing a systematic, disciplined approach to the evaluation of, and recommending enhancements to, the Company's governance, compliance, risk management, and internal control processes.

5.2. Risk management

A global Risk Management policy, applicable for the whole UCB Group and its affiliates worldwide, describe UCB's commitment to provide an effective risk management system across the company in order to minimise its exposure to risks that could threaten UCB's corporate objectives.

The Board of Directors is responsible for approving the UCB Group's strategy, goals and objectives and overseeing the establishment, implementation and review of the Group's risk management system.

The Board of Directors is assisted by the Audit Committee in its responsibility in the area of appreciation of risk and risk management, and the Audit Committee examines on a regular basis the areas where risk could significantly affect the Group's financial situation and reputation, and monitors the overall risk management process of the Company.

The Corporate Risk Management Committee, consisting of Executive Committee members and senior management representatives of all business functions, and reporting to the Executive Committee, provides strategic leadership that endorses the corporate risk assessment and prioritisation process that drives the establishment of risk mitigation plans within all business functions and operations, supported by a global risks management system to effectively and efficiently assess report, mitigate and manage actual or potential risk or exposures. The chairman of the Corporate Risk Management Committee provides periodic status updates directly to the Audit Committee.

The Executive Committee is responsible for implementing the risk management strategy and objectives, and the Global Internal Audit function is responsible for independently and regularly reviewing and validating the risk management process in the Company and jointly agreeing with the Business Functions on actions to mitigate and control assessed risks.

6. 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 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 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: www.ucb.com

7. External audit

The auditors ('Collège of Commissaires') for the UCB Group and UCB S.A. were until 30 April 2009 Daniel Goossens and Emmanuèle Attout. The general meeting of shareholders held on that date appointed PricewaterhouseCoopers (PwC) as external auditors for the Company for the legal term of three years. The firm PwC has been appointed as external auditors in the affiliates of the UCB Group worldwide.

The 2009 fees paid by UCB to its auditors amounted to:

€	Audit	Audit-related	Other	Total
PricewaterhouseCoopers (in Belgium)	440 000	139 425	0	579 425
PricewaterhouseCoopers (outside Belgium)	1 645 712	3 388	171 259	1 820 359
Total	**2 085 712**	**142 813**	**171 259**	**2 399 784**

8. Information requested under Article 34 of the Royal Decree of 14 November 2008

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 section 1.3):

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

As from 29 February 2008, the capital of the company amounted 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 (see section 1).

8.2. 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 up shares according to Article 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 15 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 30 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 above-mentioned 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 subsection b) above, the sale may take place on conditions no less favourable than those set out in the above-mentioned notification for the benefit of the candidate presented for approval."

To date, the capital of the company is fully paid up.

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

There are no such securities. For more details, see section 1.3.

8.4. 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.

8.5. 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.

8.6. 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. and the Schwarz Family Holding signed on 24 September 2006.

Under this Shareholders' agreement, the Schwarz Family Holding agreed not to transfer (as defined in the Shareholders Agreement) at least 41.58% of the new UCB shares it will receive if [1] 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 1 June 2010, an additional 20.79% of the UCB shares received by the Schwarz Family Holding under the offer will remain under lock-up until 1 June 2011.

As to the UCB shares that are subject to lock-up, Financière de Tubize S.A. 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, Financière de Tubize S.A. shall not transfer any UCB shares which it acquired pursuant to its right of first offer for up to four 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 Financière de Tubize S.A. in UCB S.A. falls below 33%; (ii) the shareholding of the Janssen Family in Financière de Tubize S.A. falls bellow 50% or (iii) if Financière de Tubize S.A. or the Janssen Family decides to tender any of their shares in UCB S.A. or Financière de Tubize S.A., respectively, in a public takeover bid for UCB S.A. or Financière de Tubize S.A.

Under the same shareholders' agreement the Schwarz Family Holding and Financière de Tubize S.A. 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 Financière de Tubize S.A. 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, Financière de Tubize S.A. shall have a casting vote.

At the relevant General Meeting of Shareholders, the Schwarz Family Holding and Financière de Tubize S.A. 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.

8.7. 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 of Shareholders and at all times subject to dismissal by the General Meeting of Shareholders.

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 of Shareholders.

The General Meeting of Shareholders 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 of Shareholders 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 Charter of Corporate Governance as follows:

1 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 10 November 2006 the Schwarz Family Holding accepted to exchange their Schwarz Pharma AG shares during the first acceptance period of the offer ending 8 December 2006

"....

Composition of the Board of Directors

Composition

The Board is of the opinion that a number of between 10 and 15 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 candidates are available for consultation on the UCB website (www.ucb.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 and proposed to the Board for discussion and definition.

Duration of mandates and age limit

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

Moreover, an age limit of 70 has been stipulated; this takes effect on the day of the General Meeting of Shareholders following the 70th 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 website (www.ucb.com).

The Board of Directors likewise indicates whether or not the candidate meets the independence criteria, in particular those stipulated by law in Article 526ter 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.

8.8. 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 (see point 5).

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, risk tolerance and key policies;*
   Monitoring of :
   - *management 's performance and implementation of the company's strategy*
   - *the effectiveness of the Board's Committees*
   - *the performance of the external auditor;*
2. *Appointment or removal:*
   - *from among its members, of the Chairman of the Board, after a consultation of all Board members conducted by the Chair of the Remuneration and Nomination Committee*
   - *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

- Reviews the succession planning for the Company's Chairman of the Executive Committee and the other Executive Committee members proposed by the Remuneration and Nomination Committee;

3. *Ensure the integrity and timely disclosure of the financial statements of the UCB Group and UCB S.A. and of material financial and non financial information to shareholders and financial markets;*
4. *Approve the framework of internal control and risk management set up by the executive management and controlled by the internal audit with direct access to the Audit Committee;*
5. *Preparation of the General Meeting of Shareholders and of the decisions proposed to be considered at the meeting;*
6. *Executive management structure and general organisation of UCB (and of the Group);*
7. *Approval of the annual budget (including the R&D programme and the capital plan) and any increase in the overall annual budget (including the R&D and the capital plan);*
8. *The long-term or major finance operations;*
9. *Creating, establishing, closing, settling or transferring subsidiaries, branches, production locations or major divisions exceeding a value of € 50 million;*
10. *Allotment, merger, division, purchase, sale or pledging of instruments and shares to a value exceeding € 20 million and involving third parties;*
11. *Purchase, sale or pledging of property assets to a value exceeding € 50 million and leases over a period exceeding nine years for an aggregate amount of expenditures exceeding € 20 million;*
12. *The terms and conditions of plans for the grant of stock and stock options to employees;*
13. *To be informed, at the end of every semester, of the charitable donations in excess of € 10 000 YTD to each single beneficiary;*
14. *At the request of the Chairman of the Executive Committee, the Board may also be asked to pronounce in the event of diverging opinions among a majority of the members of the Executive Committee and its Chairman."*

No authorisation of the shareholders exists at this date allowing the Board or Board members to issue new company Shares.

According to a decision of the shareholders meeting held on 6 November 2009 the Board of Directors of the Company and the Boards of its direct subsidiaries is authorised, for a period of five years starting 7 November 2009, to acquire shares of UCB, up to maximum 20% of the issued shares, for exchange values equivalent to the closing price of the UCB share on Euronext Brussels on the day immediately preceding the acquisition, plus a maximum of 15% or minus a maximum 15% taking also into account any applicable legal requirement.

8.9. 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

- Subscription agreement between UCB S.A., Barclays Bank PLC, BNP Paribas, KBC Financial Products UK Limited, ABN AMRO Bank N.V. (London Branch), Calyon, and Commerzbank AG, dated 30 September 2009, which Change of Control clause was approved by the general shareholders meeting held on 6 November 2009
- Subscription agreement between UCB S.A., Fortis Bank S.A, ING Belgium S.A. and KBC S.A., dated 23 October 2009, which Change of Control clause was approved by the general shareholders meeting held on 6 November 2009
- Subscription agreement between UCB S.A, Calyon, Commerzbank AG, ING Belgium S.A., Merrill Lynch International, The Royal Bank of Scotland, Mizuho International, Fortis Bank S.A., and Banco Santander S.A., dated 10 December 2009, which Change of Control clause will be submitted to the approval of the general shareholders meeting to be held on 29 April 2010
- Facilities agreement between UCB S.A, Commerzbank Aktiengesellschaft, FORTIS BANK S.A./NV, and Mizuho Corporate Bank Nederland N.V. as co-ordinators, mandated lead arrangers and bookrunners, ABN AMRO Bank NV, Belgian branch, Banco Santander, S.A. London Branch, Bank of America Securities limited, Calyon, ING Belgium S.A./NV, KBC Bank NV, and The Bank of Tokyo-Mitsubishi UFJ, Ltd. as mandated lead arrangers and Bookrunners and Banque LBLux S.A., Barclays Capital, Bayerische Landesbank, Intesa Sanpaolo S.p.A., Sumitomo Mitsui Banking Corporation and WestLB AG as mandated lead arrangers, dated 14 December 2009, which Change of Control clause will be submitted to the approval of the general shareholders meeting to be held on 29 April 2010
- 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 2009, the following number of stock awards and performance shares are outstanding:

- 377 135 stock awards, of which 90 175 will vest in 2010
- 463 800 performance shares, of which 212 000 will vest in 2010

8.10. 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

- For more details, see section 4.2 on the main contractual terms on hiring and termination arrangements for the Chief Executive Officer and members of the Executive Committee. No other agreements provide for a specific compensation of Board members in case of termination because of a takeover bid.
- In the U.S. six employees benefit from a change of control clause that guarantees their termination compensation if the employment of the employee ceases because of a takeover bid. In Europe one employee benefits from such a clause.

9. Application of Article 523 of the Company Code

Excerpt from the minutes of the meeting of the Board of Directors held on 27 February 2009

Present:
Karel Boone, Chairman
Evelyn du Monceau, Vice Chair
Roch Doliveux, Director
Peter Fellner, Director
Jean-Pierre Kinet, Director
Thomas Leysen, Director
Gerhard Mayr, Director - by phone
Norman J. Ornstein, Director
Arnoud de Pret, Director
Bridget. van Rijckevorsel, Director
Gaëtan van de Werve, Director

Excused:
Prince Lorenz of Belgium, Director
Armand De Decker, Director
Patrick Schwarz-Schütte, Director

In attendance:
Michèle de Cannart, General Secretary

(...)
Concerning the long-term incentive philosophy and the 2009 LIT grants, one Director, Roch Doliveux, stated that he had a direct financial interest in said decisions. In accordance with Art. 523 of the Company Code, this Director withdrew from the meeting in order not to attend the discussion by the Board of Directors concerning this topic, nor to participate in the vote.

The Board of Directors established that Art. 523 of the Company Code was applicable to these operations:

- Approval of the stock option plan 2009
- Approval of the stock award plan 2009
- Approval of the performance share plan 2009

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 stated the following:

9.1. Approval of the UCB stock option plan 2009

- The present operation is designed, as in the past, to promote shareholding by some 1 050 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 basically 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.

Distribution

The Board of Directors approved the recommendations of the Remuneration and Nomination Committee concerning the rules of the stock option allocation on the basis of job category and level of responsibility. Thus a number of 3 200 000 (± 25%) options shall be allocated to some 1 050 executives grade 6 and above of the UCB Group.

Stock Appreciation Rights

In the U.S., UCB will grant Stock Appreciation Rights rather than Stock Options in order to avoid the more stringent regulations.

The Stock Appreciation Rights Plan follows the rules of the UCB Stock Option Plan but instead of granting real shares, it provides its beneficiaries with the ability to benefit from the appreciation in value of the same number of shares of UCB stock over the same period. Instead of receiving shares, the participants will receive cash at the moment of exercise.

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 2009)
- or the closing price of the day preceding the offer (31 March 2009).

UCB will determine a different exercise price for those eligible employees subject to legislation which requires a different exercise price in order to benefit from a reduced taxation.

Vesting

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, for the beneficiaries residing in Belgium the vesting will occur on the 1 of January of the fourth calendar year following the year of the grant and for the beneficiaries residing in France, the vesting will occur on the day following the fourth anniversary of the grant.

Conditions

The Board approved the conditions of the offer of the UCB Stock Option Plan 2009.

9.2. Approval of the UCB Stock Award Plan 2009

- 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 the 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 a vesting period (normally three years) after grant date.

- The financial consequences of the operation for the company basically 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 they are held.

Distribution

The Board of Directors approved the recommendations of the Remuneration and Nomination Committee concerning the rules of the free share grant on the basis of job category and level of responsibility. Thus a number of 145 000 (± 25%) shares shall be allocated to 43 Senior Executives within the Group.

Conditions

The Board approved the conditions of the offer of the UCB Stock Award Plan 2009.

9.3. Approval of the UCB Performance Share Plan 2009

- 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 markets, 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 payout will vary from 0% to 150% of the granted amount, depending on the level of achievement of the performance conditions.

- The financial consequences of the operation for the company basically 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 133 000 (± 25%) shares shall be allocated to 27 Senior Executives within the Group.

Conditions

The Board approved the conditions of the offer of the UCB Performance Share Plan 2009.

9.4. Allocation of Stock Awards and Performance Shares 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 for 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.

9.5. 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 finalise 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 be available on request or on our website.

1.1. Key highlights

- **Revenue** in 2009 decreased by 13%. Net sales went down by 11% as a consequence of the generic competition to Keppra® in the U.S., partially compensated by the good performance of Keppra® in Europe and by the new product launches of Cimzia® and Vimpat®. Royalty income and fees was down by 43% as a result of a 2008 settlement agreement. Other revenue increased by 15% due to higher contract manufacturing sales and the good performance of Xyzal® in the U.S.

- **Recurring EBITDA** reached € 698 million compared to € 733 million in 2008, well in line with company guidance of more than € 680 million, reflecting the revenue decrease mostly offset by lower operating expenses following the implementation of the SHAPE programme.

- **Net profit** increased from € 42 million in 2008 to € 513 million in 2009, reflecting higher non-recurring income stemming from capital gains partly used up for restructuring and one time cost related to UCB's refinancing. Adjusted for these, net profit would have been above company guidance (€ 580 million). **Net profit adjusted** for non-recurring items reached € 226 million, 16% lower than last year as a result of lower recurring EBITDA.

€ million	Actual		Variance	
	2009	2008	Actual rates	Cst rates
Revenue	**3 116**	**3 601**	**-13%**	**-14%**
Net sales	2 683	3 027	-11%	-12%
Royalty income & fees	227	396	-43%	-39%
Other revenue	206	178	15%	13%
Gross profit	**2 091**	**2 455**	**-15%**	**-16%**
Marketing & selling expenses	-781	-928	-16%	-18%
Research & development expenses	-674	-767	-12%	-11%
General & administrative expenses	-189	-228	-17%	-15%
Other operating income/expenses (-)	6	-1		
Recurring EBIT (REBIT)	**453**	**531**	**-15%**	**-15%**
Non recurring income/expenses (-)	384	-418	n.s.	n.s.
EBIT (operating profit)	**837**	**113**	**n.s.**	**n.s.**
Net financial expenses	-162	-156	4%	4%
Profit before income taxes	**675**	**-43**	**n.s.**	**n.s.**
Income tax expenses	-168	30	n.s.	n.s.
Profit from continuing operations	**507**	**-13**	**n.s.**	**n.s.**
Profit from discontinuing operations	7	55	n.s.	n.s.
Minority interest	-1	-1		
Net profit (after minority interests)	**513**	**42**	**n.s.**	**n.s.**
Recurring EBITDA	**698**	**733**	**-5%**	**-6%**
Adjusted net profit	**226**	**270**	**-16%**	**-18%**
Capital expenditures (including intangible assets)	87	179		
Net financial debt	1 752	2 443		
Cash flow from operating activities	295	366		
Number of shares - non-diluted	**180**	**180**		
EPS (€ per non-diluted share)	**2.85**	**0.24**	**n.s.**	**n.s.**
Adjusted EPS (€ per non-diluted share)	**1.25**	**1.50**	**-16%**	**-18%**

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

1.2. 2009 key events

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

Important agreements / initiatives

- **Strategic alliance with Wilex:** In January 2009, UCB and Wilex AG announced a strategic alliance to develop the UCB pre-clinical oncology portfolio, comprising two small-molecule programmes and three antibody programmes.
- **Divestment of UCB business in selected emerging markets:** In the first quarter of 2009, UCB concluded a transaction with GlaxoSmithKline (GSK) for the divestiture of selected smaller emerging markets.
- **Divestment of gastro-intestinal drug to Eumedica:** UCB announced in February 2009 the sale of the world-wide rights to its gastro-intestinal product, Somatostatine-UCB™, to Eumedica.
- **Divestment of Equasym™ to Shire:** UCB announced in February 2009 the sale of the world-wide rights, except for the U.S., Canada and Barbados, and relevant staff, for Equasym™ IR/XL to Shire plc.
- **UCB and Novartis to expand cooperation in Germany:** UCB and Novartis announced in August 2009 that they entered into a licensing agreement for cardiovascular and diabetes products in Germany.
- **Alliance with AstraZeneca in Brazil:** In September 2009, UCB and AstraZeneca have entered into a partnership to register and commercialise UCB's Cimzia® (*certolizumab pegol*) in Brazil. Under the agreement, AstraZeneca will register Cimzia® and upon approval will be the exclusive distributor of Cimzia® in Brazil.

Regulatory update and pipeline progress

CNS

- At the end of April 2009, UCB announced first results from its Phase III studies of ***brivaracetam*** in **epilepsy**. One study met its primary efficacy endpoint while the second study did not meet its primary efficacy endpoint. A third safety and tolerability study confirmed *brivaracetam* was well tolerated. Based on further analysis as well as discussions with the European and U.S. health authorities, the decision has been made to conduct one additional Phase III trial. UCB remains committed to bring *brivaracetam* to epilepsy patients.
- At the end of May 2009, UCB received a CHMP positive opinion recommending that the European Commission lifts the treatment restrictions for **Neupro®** *(rotigotine)* in Europe and allows Neupro® to be available to all patients with **Parkinson's disease** and to be launched for the treatment of moderate to severe **restless legs syndrome** (**RLS**). The Commission's decision confirming this recommendation was received on 29 June 2009. In the U.S., a dialogue is ongoing with the FDA to bring Neupro® back to U.S. patients. At the end of June, UCB has submitted extensive information on Neupro® and the proposed cold-chain storage and distribution system to the FDA. UCB is in continuous dialogue with the FDA and subject to FDA approval, Neupro® is expected to be made available to U.S patients during 2010.
- UCB launched **Vimpat®** *(lacosamide)* in the U.S. for add-on treatment in adults with partial-onset **epilepsy** in the first week of June 2009. This new antiepileptic drug with a novel mechanism of action helps address a critical unmet medical need for the people living with uncontrolled epilepsy.
- In June 2009, Jazz Pharmaceuticals, Inc. and UCB announced positive preliminary top-line results from the second of two Phase III clinical trials of **Xyrem®** (*sodium oxybate* - JZP-6) for the treatment of **fibromyalgia**. With no prescription medicines approved yet for fibromyalgia in Europe, UCB feels particulalry motivated to move forward in that indication in Europe, given the strong Phase III data now available. Consequently, UCB is in positive discussions with the EMA on this topic and shall communicate the next steps once discussions with EMA are finalised.
- The Phase II clinical trial for **CDP323**, an oral small molecule VLA4 inhibitor, for the treatment of relapsing **multiple sclerosis** (MS) was discontinued on June 30. Preliminary interim efficacy analysis showed that patients enrolled in this clinical trial did not benefit as expected from CDP323 compared to placebo after a six month treatment period.
- In February 2009 UCB announced, one has no immediate plans for the further development of ***lacosamide*** in **fibromyalgia** or in **migraine prophylaxis** nor for ***rotigotine*** in **fibromylagia** (all in clinical Phase IIa) since the respective proof of concept studies did not achieve statistical significance for the primary endpoints.
- In September 2009, the European Commission granted marketing authorisation for **Keppra®** *(levetiracetam)* as adjunctive treatment of **partial-onset seizures** in infants and young children aged one month to under four years.
- In the area of central nervous system, a new compound was introduced to the Phase I program: **UCB2892**, a H_3 antagonist with potential for **cognitive disorders**.

Immunology

- **Cimzia®** *(certolizumab pegol)* for adult patients suffering from moderate to severe **rheumatoid arthritis** (**RA**) was approved by the FDA in May 2009. Cimzia® was made available for patients in an exclusively designed, patient-friendly prefilled syringe resulting from the UCB partnership with OXO®. In October 2009, the European Commission approved Cimzia® for the treatment of moderate to severe active rheumatoid arthritis adults inadequately responsive to disease-modifying anti-rheumatic drugs. In the same month, Cimzia® was launched in Germany and the UK.
- In August 2009, UCB and Immunomedics announced positive top-line results from UCB's Phase IIb clinical study comparing ***epratuzumab*** to placebo in patients with **systemic lupus erythematosus (SLE)**. After completion of a detailed analysis of the full Phase IIb study data, the decision has been made to move forward with this project. A Phase III clinical trial programme is planned to start in 2010. The study design is expected to be in line with the Phase IIb trial design and will be finalised after consultation with regulatory authorities in the U.S. and EU. Full Phase IIb data abstracts have been accepted for presentation at the World Lupus Congress in June 2010.

- UCB's collaboration with Amgen to develop **CDP7851** («*sclerostin* antibody» also known as AMG 785), a novel anabolic therapy for **bone loss disorders** is progressing. Following encouraging first-in-human data, UCB and Amgen initiated a Phase II study in post-menopausal osteoporosis (PMO) investigating the effect of the drug compared to placebo in the treatment of post-menopausal women with low bone mineral density. UCB and Amgen also initiated a Phase II study to investigate the effect of the drug compared to placebo in fracture healing. These studies are expected to complete in 2012.
- The initial clinical trial results involving patients taking ***certolizumab pegol*** for the induction of remission in patients with moderate to severe **Crohn's disease (CD)** were numerically superior at all time points, but were not statistically significant in the overall population meaning the primary end point was not achieved. Given the regulatory requirements, an approval for CD in Europe is not achievable with the current database. However, UCB intends to move ahead in ulcerative colitis, a major unmet medical need in inflammatory bowel diseases (IBD).

Other

- **Toviaz®** (*fesoterodine fumarate*) was launched by Pfizer in the U.S. in the first week of April for the treatment of **overactive bladder**, following FDA approval in October 2008. In Europe, Toviaz® was launched by Pfizer mid-2008. UCB is entitled to receive royalties on the combined sales of Toviaz® and Pfizer's *tolterodine* product franchise.
- **MEK inhibitor:** Our partner Wilex announced in October 2009 that the German Federal Institute for Drugs and Medical Devices (BfArM) approved a Phase I trial of the MEK inhibitor WX-554 acquired from UCB as part of its strategic alliance with UCB.

2. Management report[1]

Scope change: UCB pursued its transformation towards becoming the global biopharma leader by acquiring Schwarz Pharma in 2006. UCB has consolidated the balance sheet of the Schwarz Pharma Group since 31 December 2006. The results of the Schwarz Pharma group of companies have been consolidated as from 1 January 2007 onwards. UCB announced on 8 May 2009 that it intented to acquire the outstanding Schwarz Pharma shares held by the minority shareholders by way of a "squeeze-out" procedure. UCB owns 100% of the outstanding shares as of 8 July 2009.

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

Recurring operating profit: Transactions and decisions of a one-time nature that affect UCB's results are shown separately ("non-recurring" items). Besides EBIT (earnings before interest and taxes or operating profit), a line for "recurring EBIT" (REBIT or recurring operating profit), reflecting the ongoing profitability of the company's biopharmaceutical activities, is included. The recurring EBIT is equal to the line "operating profit before impairment, restructuring and other income and expenses" reported in the consolidated financial statements.

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

2.1. Net sales by product

€ million	Actual		Variance	
	2009	2008	Actual rates	Cst rates
Core products				
Cimzia®	75	10	n.s.	n.s.
Vimpat®	46	2	n.s.	n.s.
Neupro®	61	58	5%	7%
Other products				
Keppra® (includ. Keppra® XR)	913	1 266	-28%	-28%
Zyrtec® (includ. Zyrtec-D®/Cirrus®)	268	249	8%	1%
Tussionex™	147	147	0%	-5%
Xyzal®	132	173	-23%	-22%
venlafaxine XR	109	10	n.s.	n.s.
Metadate™ CD/Equasym™ XL	72	77	-6%	-10%
Nootropil®	70	93	-25%	-20%
omeprazole	64	75	-14%	-18%
Other	726	867	-16%	-16%
Total net sales	**2 683**	**3 027**	**-11%**	**-12%**

Net sales amount to € 2 683 million or 11% lower than the period before.

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

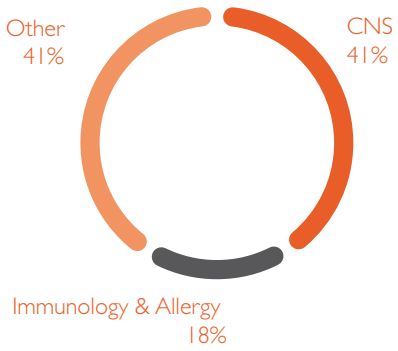
Core Products

- **Cimzia®** (*certolizumab pegol*), approved in the U.S. in April 2008 to reduce signs and symptoms of Crohn's disease (CD) and approved in the U.S. (May 2009) and in Europe (October 2009) for patients suffering from moderately to severely active rheumatoid arthritis (RA), reached net sales of € 75 million.
- **Vimpat®** (*lacosamide*), for epilepsy, available in Europe since September 2008 and launched in the U.S. in June 2009 as an add-on therapy for the treatment of partial-onset seizures reached net sales of € 46 million.
- **Neupro®** (*rotigotine*), for Parkinson's disease, showed net sales increasing from € 58 million in 2008 to € 61 million in 2009 following a U.S. recall announced in March of 2008 and, since June 2008, the Neupro® supply in Europe limited to patients already established on the drug. To address this issue, UCB has implemented a cold-chain storage and distribution system in Europe. Since end of June 2009, Neupro® is available again to all patients in Europe with idiopathic Parkinson's disease and also newly available as a treatment option for the symptomatic treatment of adult patients with idiopathic moderate to severe restless legs syndrome (RLS).

Other products

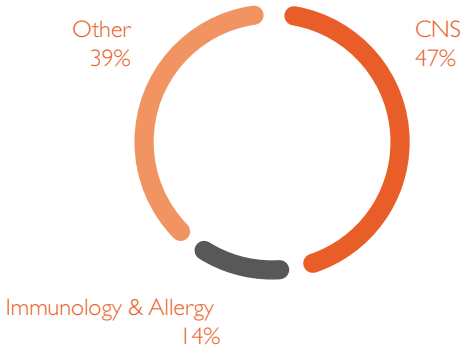
- **Keppra®** (*levetiracetam*), for epilepsy, reached net sales of € 913 million (of which € 55 million for Keppra® XR) which is 28% lower than last year in euro, due to post-patent expiry erosion in North America (-58%), extending market leadership in Europe (+25%), and a decrease of 21% in the Rest of World driven by the divestiture to GSK in selected markets.
- **Zyrtec®** (*cetirizine*, including Zyrtec®-D/Cirrus®), for allergy, increased net sales by € 19 million or 8% from € 249 million to € 268 million, reflecting a decrease of 16% in European sales due to a less severe pollen season compared to last year, an increase of 37% in Japanese sales from a severe pollen-season and the successful launch of the pediatric indications and new formulations. Emerging Markets sales were negatively impacted due to the divestment in non-core emerging markets to GSK.
- **Tussionex™** (*hydrocodone polistirex and chlorpheniramine polistirex*), the anti-tussive, achieved net sales of € 147 million, at the same level as last year. The market shift to codeine-based products was compensated by a strong flu-season.
- **Xyzal®** (*levocetirizine*), for allergy, made net sales of € 132 million, a decrease of 23% compared to 2008, with a less severe pollen season compared to last year in most European countries. Xyzal® U.S. sales are not consolidated. UCB's part of the profit-sharing agreement with sanofi-aventis in the U.S. is reported under the line «other revenue» for an amount of € 47 million in 2009, an increase of 19% compared to last year.
- ***Venlafaxine XR***, a product to treat major depressive and social anxiety disorders, reached net sales of € 109 million in the U.S. UCB holds exclusive rights from Osmotica to market and sell *venlafaxine hydrochloride XR* in the U.S.
- **Metadate™ CD** (*methylphenidate HCl*), for attention deficit and hyperactivity disorder, made net sales of € 72 million, a decrease of 6%. This product is sold under the trademark Metadate™ CD in the U.S. (€ 69 million) and was sold under the trademark Equasym™ XL in Europe and Rest of World (€ 3 million in total, a decrease of 78% due to the sale of Equasym® IR and Equasym® XL to Shire early 2009).
- **Nootropil®** (*piracetam*), for cognitive disorders, saw a decline in net sales of 25% from € 93 million to € 70 million, in both Europe and the Rest of World.
- ***Omeprazole***, a generic product for hyperacidity disease, made net sales of € 64 million, 14% lower than last year, mainly as a result of further generic entries into the U.S. market.
- **Other products:** Net sales for other products decreased 16% from € 867 million to € 726 million, with the main negative factors being U.S. products facing generic competition, the maturity of the portfolio and product divestments early in the year.

Net sales - 2009



€ 2 683 million

Net sales - 2008



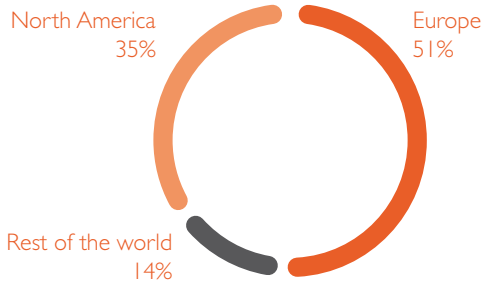
€ 3 027 million

2.2. Net sales by geographical area

- **North America** net sales reported by UCB amounted to € 948 million as per end December of 2009, down by 20% from the year before. Cimzia®, approved since April 2008 to reduce the signs and symptoms of Crohn's disease (CD) and approved since May 2009 for patients suffering from moderately to severely active rheumatoid arthritis (RA), reached net sales of € 70 million. The antiepileptic drug Vimpat®, available as an add-on therapy for the treatment of partial-onset seizures, was launched in May 2009 and reached net sales of € 30 million. No Neupro® net sales were recorded in the U.S. since the product recall announced in March of 2008. The Keppra® franchise, after loss of exclusivity late 2008 of Keppra® IR and partially offset by the launch of Keppra® XR, declined to € 320 million in 2009, down by 58% year-over-year. Tussionex™ net sales represented € 147 million, at the same level as last year. The market shift to codeine-based products was compensated by a strong flu-season. *Venlafaxine XR* accounted for € 109 million. Net sales of the attention deficit and hyperactive disorder drug, Metadate™ CD, increased by 14%. The net sales of other products amounted to € 141 million, an increase of € 19 million in comparison with 2008.
- **Europe** net sales totalled € 1 370 million in 2009, down by 3% compared to 2008. Cimzia® net sales reached € 5 million. Net sales of € 16 million were contributed by the new anti-epileptic drug Vimpat® which was launched in the first two European countries during the fourth quarter 2008 with further national launches during 2009. Neupro® net sales of € 60 million, an increase of 14% year-over-year. Keppra® net sales represented € 545 million, an increase of 25% compared to the same period of last year. The decrease in the allergy drugs Xyzal® and Zyrtec® was due to a less severe pollen season compared to last year in most European countries. Nootropil® still accounted for € 57 million of Europe net sales. All other products contributed € 500 million to European net sales, a reduction of 19% versus the previous year.
- "**Rest of World**" net sales amounted to € 375 million in 2009, a decrease of 7%. In Japan, Zyrtec® net sales amounted to € 152 million or an increase of 37% compared to last year. Zyrtec® net sales in the other Rest of World countries decreased and amounted to € 29 million. Keppra® net sales declined 21% year-over-year and the net sales of other products decreased by 18% due to the sale of certain distribution activities and affiliates in selected emerging markets to GSK on 31 March 2009.

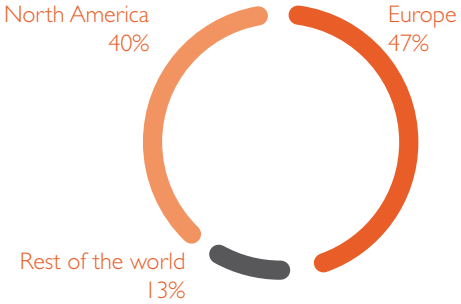
€ million	Actual		2009 / 2008 variance			
			Actual rates		Cst rates	
	2009	2008	€ million	%	€ million	%
Net sales North America	**948**	**1 193**	**-244**	**-20%**	**-289**	**-24%**
Core Products						
Cimzia®	70	8	63	n.s.	59	n.s.
Vimpat®	30	0	30	n.s.	28	n.s.
Neupro®	0	5	-5	n.s.	-5	n.s.
Other products						
Keppra® (including Keppra® XR)	320	768	-448	-58%	-462	-60%
Tussionex™	147	147	-1	0%	-8	-5%
venlafaxine XR	109	10	99	n.s.	94	n.s.
Metadate™ CD	69	60	8	14%	5	8%
omeprazole	63	73	-10	-14%	-13	-18%
Other	141	122	19	16%	13	11%
Net sales Europe	**1 370**	**1 414**	**-44**	**-3%**	**-4**	**0%**
Core Products						
Cimzia®	5	2	3	n.s.	3	n.s.
Vimpat®	16	2	14	n.s.	14	n.s.
Neupro®	60	53	7	13%	8	16%
Other products						
Keppra®	545	437	107	25%	122	28%
Xyzal®	114	143	-29	-20%	-27	-19%
Zyrtec® (including Cirrus®)	73	87	-14	-16%	-10	-12%
Nootropil®	57	69	-12	-18%	-8	-12%
Other	500	621	-121	-19%	-107	-17%
Net sales Rest of World	**375**	**404**	**-29**	**-7%**	**-51**	**-13%**
Zyrtec® (including Cirrus®)	183	153	30	19%	9	6%
Keppra®	48	60	-12	-21%	-10	-17%
Xyzal®	17	26	-9	-36%	-9	-34%
Nootropil®	13	24	-11	-47%	-11	-45%
Other products	114	140	-25	-18%	-30	-21%
Unallocated	**-11**	**17**				
Total net sales	**2 683**	**3 027**	**-344**	**-11%**	**-371**	**-12%**

Net sales - 2009



€ 2 683 million

Net sales - 2008



€ 3 027 million

2.3. Royalty income & fees

€ million	Actual		Variance	
	2009	2008	Actual rates	Cst rates
Biotechnology IP	116	318	-63%	-60%
Toviaz®	41	5	n.s.	n.s.
Zyrtec® U.S.	23	30	-22%	-26%
Other	48	43	9%	4%
Royalty income & fees	**227**	**396**	**-43%**	**-40%**

Royalty income & fees for 2009 amounted to € 227 million, down by € 169 million or 43% compared to the same period last year, as a result of a 2008 settlement agreement amounting € 205 million. Excluding the settlement related income, royalty income & fees would have amounted € 191 million in 2008, resulting in an increase of 19% in 2009, mainly due to higher royalties paid by Pfizer for the overactive bladder treatment Toviaz®. Royalties for UCB's biotechnology intellectual property increased with 3% not taking into account the 2008 settlement agreement. Zyrtec® U.S. royalty income received on the over-the-counter sales amounted to € 23 million in 2009 compared to € 26 million in the same period last year. Royalty expenses are reported as part of cost of sales.

2.4. Other revenue

€ million	Actual		Variance	
	2009	2008	Actual rates	Cst rates
Contract manufacturing sales	94	42	125%	119%
Xyzal® U.S. milestones / profit sharing	47	39	19%	13%
Provas™ profit sharing	26	23	11%	11%
Otsuka	26	20	29%	36%
fesoterodine milestones	0	24	n.s.	n.s.
Other	14	30	-40%	-40%
Other revenue	**206**	**178**	**15%**	**13%**

Other revenue for 2009 amounted to € 206 million, up by 15% or € 28 million. The increase of contract manufacturing sales to € 94 million, 125% higher compared to the same period last year, was essentially the result of the agreements with GSK and Shire announced in 2009.

Profit-sharing with sanofi-aventis on Xyzal® in the U.S. generated € 47 million which represents UCB's 40% share of the gross profit from the U.S.$ 186 million Xyzal® sales in the U.S. compared to U.S.$ 149 million in 2008.

The profit-sharing agreement with Novartis on the cardiovascular drug Provas® in Germany represents € 26 million, up by 11%.

The Otsuka-related other revenue pertains to milestones recognised as part of the agreements entered into by Otsuka and UCB in June 2008 for Keppra® and Cimzia® in Japan whereby UCB and Otsuka will co-promote Keppra® for the adjunctive treatment of partial-onset seizures and Cimzia® for the treatment of Crohn's disease.

2.5. Gross profit

€ million	Actual		Variance	
	2009	2008	Actual rates	Cst rates
Revenue	**3 116**	**3 601**	**-13%**	**-14%**
Net sales	2 683	3 027	-11%	-12%
Royalty income & fees	227	396	-43%	-39%
Other revenue	206	178	15%	13%
Cost of sales	**-1 025**	**- 1 146**	**-11%**	**-11%**
Cost of sales products & services	-769	-847	-9%	-9%
Royalty expenses	-128	-205	-37%	-37%
Amortisation of intangible assets linked to sales	-128	-95	35%	36%
Gross profit	**2 091**	**2 455**	**-15%**	**-16%**
of which				
Products & services	2 119	2 358	-10%	-11%
Net royalty income	100	191	-48%	-42%
Amortisation of intangible assets linked to sales	-128	-95	35%	36%

Gross profit of € 2 091 million is 15% lower than 2008 following the decrease of net sales and increased royalty expenses of the newly launched products and amortisation of these products.

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

- **Cost of sales for products & services:** The cost of sales for products and services decreased by € 78 million from € 847 million in 2008 to € 769 million in 2009. This reduction is the combined result of industrial efficiencies on yield and discards, consolidation of external partners, reduction of workforce and large improvements in biotech production.
- **Royalty expenses:** Royalties decreased from € 205 million in 2008 to € 128 million in 2009, due to the € 134 million settlement agreement in 2008. Without this settlement, the royalty expenses would have increased by 81% as a result of royalties relating to the newly launched products (Cimzia®, Vimpat® and *venlafaxine XR*).

€ million	Actual		Variance	
	2009	2008	Actual rates	Cst rates
Biotechnology IP	-33	-161	-80%	-77%
Other	-95	-43	121%	115%
Royalty expenses	**-128**	**-205**	**-37%**	**-37%**

- **Amortisation of intangible assets linked to sales:** under IFRS 3 (Business Combinations), UCB has reflected on its balance sheet a significant amount of intangible assets relating to the Celltech and Schwarz Pharma acquisitions (in-process Research & Development, manufacturing know-how, royalty streams, trade-names, etc.), which gave rise to amortisation expenses of € 128 million in 2009, compared to € 95 million in 2008, reflecting the amortisation of the intangible assets relating to newly-launched products.

2.6. Recurring EBIT and recurring EBITDA

€ million	Actual		Variance	
	2009	2008	Actual rates	Cst rates
Revenue	**3 116**	**3 601**	**-13%**	**-14%**
Net sales	2 683	3 027	-11%	-12%
Royalty income	227	396	-43%	-39%
Other revenue	206	178	15%	13%
Gross profit	**2 091**	**2 455**	**-15%**	**-16%**
Marketing & selling expenses	-781	-928	-16%	-18%
Research & development expenses	-674	-767	-12%	-11%
General & administrative expenses	-189	-228	-17%	-15%
Other operating income/expenses(-)	6	-1		
Total operating expenses	**-1 638**	**-1 924**	**-15%**	**-15%**
Recurring EBIT (REBIT)	**453**	**531**	**-15%**	**-17%**
Add: Amortisation of intangible assets	142	105		
Add: Depreciation charges	102	97		
Recurring EBITDA (REBITDA)	**698**	**733**	**-5%**	**-6%**

Operating expenses, encompassing marketing & selling expenses, Research & Development expenses, general & administrative expenses and other operating income/expenses, reached € 1 638 million in 2009, 15% lower than last year, reflecting:

- € 147 million lower **marketing & selling expenses**, or a reduction of 16%, driven substantially by the SHAPE programme.
- € 93 million lower **research & development expenses**, or a 12% reduction, reflecting the pipeline progress leading to approvals and launches of new products like Vimpat® and Cimzia®.
- € 38 million lower **general & administrative expenses**, or a reduction of 17%, reflecting the impact of the SHAPE programme.

Recurring EBIT is down by 15% due to the increase of amortisation of intangible assets.

Recurring EBITDA is down by 5% to € 698 million compared to 2008, reflecting the decrease in revenue and gross profit off-set by a corresponding reduction in operating expenses.

2.7. Net profit and adjusted net profit

€ million	Actual		Variance	
	2009	2008	Actual rates	Cst rates
Recurring EBIT	**453**	**531**	**-15%**	**-17%**
Impairment charges	-126	-160	n.s.	n.s.
Restructuring expenses	-73	-272	n.s.	n.s.
Gain on disposals	594	0	n.s.	n.s.
Other non recurring income/expenses(-)	-11	14	n.s.	n.s.
Total non recurring income/expenses(-)	384	-418	n.s.	n.s.
EBIT (operating profit)	**837**	**113**	**639%**	**614%**
Net financial expenses	-162	-156	4%	4%
Profit before income taxes	**675**	**-43**	**n.s.**	**n.s.**
Income tax expenses	-168	30	n.s.	n.s.
Profit from continuing operations	**507**	**-13**	**n.s.**	**n.s.**
Add: Profit from discontinued operations	7	55	n.s.	n.s.
Less: Minority interests	-1	-1	n.s.	n.s.
Net profit	**513**	**42**	**n.s.**	**n.s.**
After-tax non-recurring items & financial one-offs	-298	339		
Profit from discontinued operations	-7	-55		
Tax one-offs	17	-56		
Adjusted net profit (after minority interests)	**226**	**270**	**-16%**	**-18%**

- **Total non-recurring income/expenses (-)** amounted to € 384 million pre-tax income, compared to € 418 pre-tax expense in 2008. The 2008 non-recurring items predominantly include restructuring and integration charges of € 272 million pre-tax as a consequence of the SHAPE programme, including the closure of the Cambridge research site in the U.K. and impairment charges related to the reduction in value in use of some of the tangible assets as a consequence of the SHAPE programme. The 2009 non-recurring items include restructuring charges amounting up to € 73 million mainly for the organisational changes in Belgium and the U.K. announced in November 2009 and the exit of the primary care sector in the U.S. announced in January 2010. The impairment on intangible assets reflects mainly the already announced impairment on the development project CDP323 and reduction in value in use of other intangible and tangible assets for a total of € 126 million. The gain on disposal amounts to € 594 million before tax or € 477 million net after tax gains mainly on the divestitures of commercial operations and product distribution rights for selected smaller markets to GlaxoSmithKline, the divestiture of Equasym® to Shire, and the divestiture of Somatostatine-UCB™ to Eumedica, all announced in February this year.
- **Net financial expenses** increased from € 156 million in 2008 to € 162 million in 2009, or by € 6 million. Last year the financial expenses included € 16 million guaranteed dividend for the Schwarz minority shareholders, interest charges on increased net debt from the continued tendering of Schwarz Pharma shares and the impact of an adverse evolution of trading currencies versus the euro, while the financial expenses in 2009 include the debt re-financing and certain expenses related to re-financing, amongst others and accelerated amortisation of arrangement fees and termination of hedge-accounting on existing interest rate hedges.
- The **average tax rate** on recurring activities is 31% in 2009 compared to 28% in the same period of last year. When including non-recurring items, the average tax rate decreases to 25% as a result of the lower taxes which apply to the divestiture of certain distribution activities and affiliates.
- **Net profit after minority interest** for the year reached € 513 million, i.e. € 471 million above prior year, reflecting the higher non-recurring income.
- Adjusting for the after-tax impact of non-recurring items and financial one-offs and for the after-tax contribution from discontinued operations, **adjusted net profit** reached € 226 million, which is 16% below the € 270 million of adjusted net profit for 2008.

3. Capital expenditure

The tangible capital expenditure resulting from UCB biopharmaceutical activities amounted to € 38 million in 2009 compared to € 104 million in 2008.

The 2009 investments reflect essentially maintenance, improvement and replacement capital expenditure, as well as investment behind new products and delivery mechanisms. Acquisition of intangible assets reached € 49 million in 2009 (versus € 75 million in 2008) for the payment of licence products, milestones and software.

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 € 3 million has been accounted for in 2009 (in addition to the € 5 million reported at the end of 2008) as a pre-payment and is recognised in expenses over the life of the contract from the time the assets will be in use. Depreciation charges on this investment are recognised in the cost of goods sold and are added back for recurring EBITDA calculation purposes.

4. Balance sheet

- **Intangible assets:** Further to the ongoing amortisation of the intangible assets related to the acquisition of Celltech and Schwarz Pharma (€ 122 million), the impairment (€110 million) mainly on the development project CDP323, the divestitures of product distribution rights for selected smaller markets to GSK and the impact of the declining U.S. dollar and increasing British pound, intangible assets decreased by € 203 million from € 2 169 million at 31 December 2008 to € 1 953 million at 31 December 2009.
- **Goodwill:** A € 27 million decrease in goodwill between 31 December 2008 and 31 December 2009 reflects the impact of the declining U.S. dollar and increasing British pound.
- **Other non-current assets:** Other non-current assets reduced by € 120 million, mainly driven by further depreciation and impairment of tangible assets and lower other long term receivables.
- **Current assets:** The decrease from € 1 837 million as of 31 December 2008 to € 1 793 million as of 31 December 2009 mainly as a reduction of trade receivables due to lower sales and the execution of the refinancing as well as some divestitures.
- **Shareholders' equity:** UCB's shareholders' equity, at € 4 417 million, increased by € 400 million between 31 December 2008 and 31 December 2009. Whilst equity increased by the amount of net profit after minority (€ 513 million) and released cash flow hedges (€ 100 million), equity decreased by € 166 million as the result of dividends declared on the 2008 results, € 54 million caused by cumulative translation adjustments due to the declining U.S. dollar and increasing British pound, and positive fair value adjustments recognised in equity.
- **Non-current liabilities:** The decrease in non-current liabilities from € 2 953 million to € 2 641 million is mainly related to the new credit facility and the bond issues.
- **Current liabilities:** The decrease in current liabilities from € 2 554 million to € 2 062 million results from a decrease in the provisions related to the SHAPE programme, repayment of the debt and a decrease in trade and other liabilities.
- **Net debt:** The net debt of € 1 752 million represents a reduction of € 691 million compared to € 2 443 million as of end December 2008.

5. Cash flow statement

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

- **Cash flow from operating activities:** The decrease in cash flow from operating activities from € 366 million to € 295 million results from payments related to the SHAPE programme, inventory for new product launches and a reduction of trade receivables and payables.
- **Cash flow from investing activities:** The improvement of the cash flow from investing activities from € 673 million outflow in 2008 to € 472 million inflow in 2009 results mainly from the divestitures of commercial operations and product distribution rights for selected smaller markets to GSK, the divestiture of Equasym® to Shire, the divestiture of Somatostatine-UCB™ to Eumedica. The cash outflows are related to the acquisition of remaining Schwarz Pharma shares of € 94 million in 2009, partially offset by lower spending in tangible and intangible fixed assets.
- **Cash flow from financing activities** decreased with € 735 million due to the refinancing and the dividend payment relating to the 2008 results.

6. Outlook 2010

2010 is expected to see an increased focus on UCB core assets, a re-deployment of its resources, a further advancement of R&D and a simplification of its organisation, while successfully delivering UCB new medicines to patients.

- **Revenue** is expected to reach approximately € 3.0 billion in 2010 due to the fully annualised generic competition to Keppra® in the U.S., the impact of divested products and further erosion of our mature products, partially offset by the performance of newly launched products.
- **Recurring EBITDA** is expected to reach approximately € 700 million.
- **Core EPS** is expected to reach € 1.76

Consolidated Financial Statements

1. Consolidated income statement

For the year ended 31 December € million	Note	2009	2008
Continuing operations			
Net sales	5	2 683	3 027
Royalties		227	396
Other revenue	9	206	178
Revenue		**3 116**	**3 601**
Cost of sales		-1 025	-1 146
Gross profit		**2 091**	**2 455**
Marketing & selling expenses		-781	-928
Research & development expenses		-674	-767
General & administrative expenses		-189	-228
Other operating income/expenses (-)	12	6	-1
Operating profit before impairment, restructuring and other income and expenses		**453**	**531**
Impairment of non-financial assets	13	-126	-160
Restructuring expenses	14	-73	-272
Other income and expenses	8,15	583	14
Operating profit		**837**	**113**
Financial income	16	59	28
Financing costs	16	-221	-184
Profit/loss (-) before income taxes		**675**	**-43**
Income tax expense (-)/ credit	17	-168	30
Profit/loss (-) from continuing operations		**507**	**-13**
Discontinued operations			
Profit from discontinued operations	7	**7**	**55**
Profit		**514**	**43**
Attributable to:			
Equity holders of UCB SA		513	42
Minority interest		1	1
Basic earnings per share (€)			
from continuing operations	37	2.81	-0.07
from discontinued operations	37	0.04	0.31
Total basic earnings per share		**2.85**	**0.24**
Diluted earnings per share (€)			
from continuing operations	37	2.71	-0.07
from discontinued operations	37	0.04	0.30
Total diluted earnings per share		**2.75**	**0.23**

2. Consolidated statement of comprehensive income

For the year ended 31 December € million	Note	2009	2008
Profit for the period		**514**	**43**
Other comprehensive income			
Net gain/loss(-) on available for sale financial assets	18	0	0
Income tax		0	0
		0	0
Exchange differences on translation of foreign operations		-54	13
Effective portion of gains/losses(-) on cash flow hedges	18	102	-160
Income tax		-2	14
		100	-146
Net gain/loss(-) on hedge of net investment in foreign operation	18	0	0
Income tax		0	0
		0	0
Other comprehensive income/loss (-) for the period, net of tax		**46**	**-133**
Total comprehensive income for the period, net of tax		**560**	**-90**
Attributable to:			
Equity holders of UCB S.A.		560	-90
Minority interests		0	0
Total comprehensive income for the period, net of tax		**560**	**-90**

3. Consolidated statement of financial position

For the year ended 31 December € million	Note	2009	2008
ASSETS			
Non-current assets			
Intangible assets	19	1 953	2 169
Goodwill	20	4 552	4 579
Property, plant and equipment	21	534	623
Deferred income tax assets	31	158	161
Employee benefits	32	12	8
Financial and other assets (including derivative financial instruments)	22	117	147
Total non-current assets		**7 326**	**7 687**
Current assets			
Inventories	23	405	363
Trade and other receivables	24	819	859
Income tax receivables		14	11
Financial and other assets (including derivative financial instruments)	22	53	104
Cash and cash equivalents	25	486	463
		1 777	**1 800**
Assets of disposal group classified as held for sale	6	17	37
Total current assets		**1 794**	**1 837**
Total assets		**9 120**	**9 524**
EQUITY AND LIABILITIES			
Equity			
Capital and reserves attributable to UCB shareholders	26	4 415	4 015
Minority interest		2	2
Total equity		**4 417**	**4 017**
Non-current liabilities			
Borrowings	28	23	1 996
Bonds	29	1 654	0
Other financial liabilities (including derivative financial instruments)	30	130	103
Deferred income tax liabilities	31	404	441
Employee benefits	32	104	106
Provisions	33	211	251
Trade and other liabilities	34	115	56
Total non-current liabilities		**2 641**	**2 953**
Current liabilities			
Borrowings	28	566	917
Other financial liabilities (including derivative financial instruments)	30	63	129
Provisions	33	169	257
Trade and other liabilities	34	1 036	1 159
Income tax payables		228	87
		2 062	**2 549**
Liabilities of disposal group classified as held for sale	6	0	5
Total current liabilities		**2 062**	**2 554**
Total liabilities		**4 703**	**5 507**
Total equity and liabilities		**9 120**	**9 524**

4. Consolidated statement of cash flows

For the year ended 31 December € million	Note	2009	2008
Profit for the year attributable to equity holders of UCB SA		**513**	**42**
Minority interest		1	1
Depreciation of property, plant and equipment	10,21	78	75
Amortisation of intangible assets	10,19	142	105
Impairment of non-financial assets	10,13	126	160
Impairment of financial assets	16,22	3	0
Loss/gain (-) on disposals of property, plant and equipment		0	0
Loss/gain (-) on disposals other than property, plant and equipment		-102	0
Share-based payment expense	27	16	14
Profit from discontinued operations	7	-7	-55
Profit from disposed operations, other than discontinued operations		-501	0
Net interest income(-)/expense		131	110
Net non-cash financing costs		-31	131
Financial derivatives – changes in fair value & cash flow hedges transferred to equity	16	80	-22
Guaranteed dividend related to the Schwarz Pharma minority shareholders	3.1	0	16
Dividend income	16	-1	0
Income tax expense/credit (-)	17	168	-30
Cash flow from operating activities before changes in working capital, provisions and employee benefits		**616**	**547**
Decrease/increase (-) in inventories		-5	-57
Decrease/increase (-) in trade & other receivables and other assets		58	36
Increase/decrease (-) in trade & other payables		-21	-36
Increase/decrease (-) in provisions and employee benefits		-135	137
Net cash generated from operating activities		**513**	**627**
Interest received		64	84
Interest paid		-194	-199
Income taxes paid		-88	-146
CASH FLOW FROM OPERATING ACTIVITIES		**295**	**366**
Acquisition of intangible assets	19	-49	-75
Acquisition of property, plant and equipment	21	-38	-104
Acquisition of minority interests in Schwarz Pharma AG, net of cash acquired	3.1	-94	-505
Acquisition of other investments		-12	0
Proceeds from sale of intangible assets		111	0
Proceeds from sale of property, plant and equipment		23	3
Proceeds from sale of subsidiaries, net of cash disposed		0	0
Proceeds from sale of businesses, net of cash disposed	8.1	515	6
Proceeds from sale of other investments		16	2
Dividends received	16	1	0
CASH FLOW FROM INVESTING ACTIVITIES		**473**	**-673**
Proceeds from issuance of share capital		0	0
Proceeds from borrowings	28	528	530
Repayment of borrowings	28	-2 830	-86
Proceeds from bonds issuance	29	1 735	0
Repayment of finance lease liabilities		-2	-2
Purchase(-)/re-issuance of treasury shares	26	0	2
Dividend paid to UCB shareholders net of dividend paid on treasury shares		-167	-166
CASH FLOW FROM FINANCING ACTIVITIES		**-736**	**278**
CASH FLOWS FROM DISCONTINUED OPERATIONS		**0**	**19**
NET INCREASE/DECREASE (-) IN CASH AND CASH EQUIVALENTS		**32**	**-10**
Cash and cash equivalents less bank overdrafts at the beginning of the year	25	434	444
Effect of exchange rate fluctuations		0	0
CASH AND CASH EQUIVALENTS LESS BANK OVERDRAFTS AT THE END OF THE YEAR	25	**466**	**434**

5. Consolidated statement of changes in equity

2009 - € million	Attributed to equity holders of UCB S.A.										
	Share capital & share premium	Treasury shares	Retained earnings	Other reserves	Cumulative translation adjustments	Available for sale financial assets	Cash flow hedges	Net investment hedge	Total	Minority interests	Total stockholders' equity
Balance at 1 January 2009	**2 151**	**-125**	**2 276**	**232**	**-469**	**0**	**-105**	**55**	**4 015**	**2**	**4 017**
Profit for the period			513						513	0	513
Other comprehensive income/loss (-)					-54	0	100		46		46
Total comprehensive income			513		-54	0	100		559	0	559
Dividends			-166						-166		-166
Share-based payments			10						10		10
Transfer between reserves		3	-3						0		0
Treasury shares		-3							-3		-3
Capital increase											
Balance at 31 December 2009	**2 151**	**-125**	**2 630**	**232**	**-523**	**0**	**-5**	**55**	**4 415**	**2**	**4 417**

2008 - € million	Attributed to equity holders of UCB S.A.										
	Share capital & share premium	Treasury shares	Retained earnings	Other reserves	Cumulative translation adjustments	Available for sale financial assets	Cash flow hedges	Net investment hedge	Total	Minority interests	Total stockholders' equity
Balance at 1 January 2008	**2 151**	**-127**	**2 393**	**232**	**-482**	**0**	**41**	**55**	**4 263**	**1**	**4 264**
Profit for the period			42						42	1	43
Other comprehensive income/loss (-)					13	0	-146		-133		-133
Total comprehensive income			42		13	0	-146		-91	1	-90
Dividends			-166						-166		-166
Share-based payments			14						14		14
Transfer between reserves		3	-3						0		0
Treasury shares		-1							-1		-1
Capital increase	0								0		0
Change in accounting policy – IFRIC 14, IAS 19			-4						-4		-4
Balance at 31 December 2008	**2 151**	**-125**	**2 276**	**232**	**-469**	**0**	**-105**	**55**	**4 015**	**2**	**4 017**

6. 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 focused on severe diseases in two therapeutic areas namely Central Nervous System disorders and Immunology.

The consolidated financial statements of the company as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries. Within the Group, only UCB Pharma S.A., a wholly owned subsidiary, has a branch in the U.K. that is integrated into 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 the Euronext Brussels Stock Exchange.

The Board of Directors approved these consolidated financial statements and the statutory financial statements of UCB S.A. for issue on 26 February 2010. 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 29 April 2010.

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's 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 sharebased 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 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.

Where necessary, the comparatives have been reclassified in order to enhance inter-period comparability of information presented in current and prior years.

2.2. Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2009:

- IFRS 8, *Operating Segments* introduces the `management approach´ to segment reporting. This standard requires a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Group Chief Operating Decision Maker (CODM) in order to assess each segment's performance and to allocate resources to them and replaces the requirement to determine primary (geographical) and secondary (business) reporting segments of the Group. Adoption of this standard did not have any effect on the financial position or performance of the Group. Under the management approach, UCB decided to present a single operating segment, that being Biopharmaceuticals (refer to Note 5).

- IAS 23 (Revised), *Borrowing costs*. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The Group has amended its accounting policy accordingly by removing the option of immediately expensing those borrowing costs. In accordance with the transitional requirements of the Standard this has been adopted as a prospective change. Therefore, borrowing costs have been capitalised on qualifying assets with a commencement date on or after 1 January 2009. No changes have been made for borrowing costs incurred prior to this date that have been expensed. The adoption of this amendment has had no financial impact for the year ended 31 December 2009.

- IAS 1 (Revised), *Presentation of financial statements*. The revised standard prohibits the presentation of items of income and expenses (that is, `non-owner changes in equity´) in the statement of changes in equity, requiring `non-owner changes in equity´ to be presented separately from owner changes in equity. All `non-owner changes in equity´ are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income).

The group has elected to present two statements: an income statement and a statement of comprehensive income. The consolidated financial statements have been prepared under the revised disclosure requirements.

- **IFRS 7** (Amendment), *Financial instruments: Disclosures*. The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 4. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 4.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group:

- **IFRS 2** (Amendment), *Share-based payment – Vesting conditions and cancellations.*
- **IAS 32** (Amendment), *Financial instruments: Presentation,* and **IAS 1** (Amendment), *Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation.*
- **IFRS 1** (Amendment), *First time adoption of IFRS* and **IAS 27,** *Consolidated and separate financial statements – Cost of an investment in a subsidiary, jointly controlled entity or associate.*
- *Improvements* to IFRS's (May 2008).
- **IFRIC 13**, *Customer Loyalty Programmes.*
- **IFRIC 15**, *Agreements for construction of real estates.*
- **IFRIC 16**, *Hedges of a net investment in a foreign operation.*
- **IFRIC 9**, *Reassessment of Embedded Derivatives* and **IAS 39**, *Financial Instruments: Recognition and Measurement.*
- **IFRIC 18**, *Transfer of assets from customers.*

2.3. New standards and interpretations not yet adopted

The following standards, amendments to existing standards, and interpretations have been published and are mandatory for the Group accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

- **IAS 27** (Revised), *Consolidated and separate financial statements* (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with noncontrolling interests from 1 January 2010.

- **IFRS 3** (Revised), *Business combinations* (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, the definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.

  All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The changes to IFRS 3 and IAS 27 above will affect future acquisitions or loss of control and transactions with minority interests. The group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

- **IAS 39** (Amendment), *Financial instruments: Recognition and Measurement – Eligible Hedged Items* (effective 1 July 2009) addresses the designation of a one sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The Group will apply the amendment from 1 January 2010.

  It is not expected to have any impact on the Group's financial statements.

- **IFRIC 17**, *Distribution of non-cash assets to owners* (effective from 1 July 2009). The Interpretation clarifies that: a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; an entity should measure the dividend payable at the fair value of the net assets to be distributed; and an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. The Group will apply IFRIC 17 from 1 January 2010. It is not expected to have any impact on the Group's financial statements.

- Improvements to IFRS's (effective from 1 January 2010). In April 2009, the IASB issued omnibus amendments to its standards, primarily with a view to remove inconsistencies and to clarify wording. The amendments will not have any impact on the Group operations.

- **IFRS 2** (Amendment), *Share-based payment – Group cash-settled share-based payments* (effective from 1 January 2010). The amendment clarifies the scope and the accounting for group cash-settled share-based payment transactions in the separate financial statements of an entity. The Group will apply the amendment from 1 January 2010. The amendment will not have any impact on the financial position or performance of the Group.

- **IFRS 1** (Amendment), *First time adoption of IFRS* – Additional exemptions for first time adopters (effective from 1 February 2010). The amendment provides additional exemptions from full retrospective application of IFRS for the measurement of oil and gas assets and leases. This amendment will have no impact on the Group because it is not a first time adopter of IFRS.

- **IAS 32** (Amendment), *Financial instruments; presentation – Classification of rights issues* (effective from 1 January 2010). The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met. Application of the amendment is retrospective and will result in the reversal of profits or losses previously recognised. This amendment will have no impact on the Group because it has not done any rights issues.

- **IAS 24** (Amendment), *Related party disclosures* (effective from 1 January 2011). The revised Standard simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarifies the definition of a related party. The Group is still evaluating the impact of this amendment on the financial statements.

- **IFRS 9,** *Financial instruments* (effective from 1 January 2013). IFRS 9 is part of wider project to replace IAS 39 *Financial Instruments*: Recognition and Measurement over the next year. The first phase of the IAS 39 replacement project deals with the classification and measurement of financial assets only. The standard simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of financial assets. The guidance in IAS 39 on impairment of financial assets, hedge accounting, financial liabilities and derecognition continues to apply. The aim is to replace IAS 39 in its entirety by the end of 2010. The Group will apply IFRS 9 retrospectively from 1 January 2013.

- **IFRIC 14** (Amendment), *Prepayments of a Minimum Funding Requirement* (effective from 1 January 2011). The amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. The Group is still evaluating the impact of this amendment on the financial statements.

- **IFRIC 19,** *Extinguishing Financial liabilities with Equity Instruments* (effective from 1 July 2010) clarifies the requirements of IFRSs when an entity negotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial laibility fully or partially. The Group will apply this interpretation from 1 January 2011. It is not expected to have any impact on the Group's financial statements.

2.4. 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 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.

Inter-company 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 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% - 50% of the voting rights. The Group investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group 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 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 interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of animpairment 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.

2.5. Segment reporting

The Group's activities are in one segment, Biopharmaceuticals. There are no other significant classes of business, either singularly or in aggregate. The Chief Operating Decision Makers, that being the Executive Committee, review the operating results and operating plans, and make resource allocation decisions on a company-wide basis, therefore UCB operates as one segment.

2.6. Foreign currency translation

Equivalent of € 1	Closing rate		Average rate	
	2009	2008	2009	2008
U.S.D	1.433	1.395	1.391	1.462
JPY	133.5	126.7	130.0	150.3
GBP	0.888	0.957	0.891	0.795
CHF	1.483	1.491	1.510	1.585

The following important exchange rates were used in preparing the consolidated financial statements:

The closing rates represent spot rates as at 31 December 2009 and 31 December 2008.

Functional and presentation currency

Items included in the individual financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated Financial statements are presented in euro (€), which is the functional currency of the company, and the presentation currency of the Group.

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 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 (referred to as 'cumulative translation adjustments').

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.

2.7. Revenue

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. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved.

Revenue represents the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group activities. Revenue is shown net of value added tax, returns, rebates, trade discounts, and cash discounts related to Medicaid in the U.S. and similar programmes in other countries.

Sale of goods

Revenue from the sale 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.

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.

2.8. Cost of sales

Cost of sales includes primarily the direct production costs, related production overheads 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'.

2.9. Other revenue

Other revenue comprises revenue generated through out-licensing and profit-sharing agreements as well as contract manufacturing agreements. Other revenue is recognised as it is earned or as the related service is performed.

The Group receives from third parties upfront, milestone and other similar payments related to the sale or out-licensing of products. Revenue associated with performance milestones is recognised based upon the achievement of the milestone event if the event is substantive, objectively determinable and represents an important point in the development life cycle of the pharmaceutical product. Upfront payments and license fees for which there are subsequent deliverables are initially reported as deferred income and are recognised as revenue when earned over the period of the development collaboration or the manufacturing obligation.

2.10. Research & development

Internally-generated intangible assets - research & development expenditure

All internal research & development costs are expensed as incurred. Due to long development periods and significant uncertainties related to the development of new products (such as the risks related to the outcome of clinical trials as well as the likelihood of regulatory approval), it has been concluded that the Group internal development costs in general do not qualify for capitalisation as intangible assets.

Acquired intangible assets

In-process research & development projects acquired either through in-licensing arrangements, business combinations or separate purchases are capitalised as intangible assets.

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

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

Assets that have an indefinite useful life such as goodwill are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are presented in the income statement under the 'impairment of non-financial assets' caption.

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'.

The gains and losses arising upon 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'.

2.12. Income taxes

The tax expense for the period comprises current and deferred income taxes. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries operate and generate taxable income.

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

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 future taxable profits will be available against which deductible temporary differences can be utilised. Deferred income tax is not accounted for if it arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction (other than in a business combination) that at the time of the transaction affects neither accounting nor 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 not discounted.

2.13. Intangible assets

Patents, licenses, trademarks and other intangible assets

Patents, licenses, trademarks and other intangible assets (collectively referred to as 'intangible assets') are shown at historical cost. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

Intangible assets (except for goodwill) 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 based on the lower of the contract life or the economic useful life (between five to 20 years). Intangible assets (except for goodwill) are considered to have a finite 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 (three to five years) on a straight-line basis.

2.14. Goodwill

Goodwill arises when the cost of a business combination at the date of acquisition exceeds the fair value of the Group share of the net identifiable assets of the acquired subsidiary. Goodwill is initially recognised as an asset at cost and is subsequently carried at cost less accumulated impairment losses. Goodwill related to the acquisition of subsidiaries is presented separately on the face of the balance sheet, whereas goodwill arising upon acquisition of associated companies is included in the investment in associated companies.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to segments.

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. Impairment losses on goodwill are not reversed.

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 of the entity.

In the event that 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.

2.15. 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 its 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 a qualifying asset are capitalised as part of the cost of that asset.

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 expensed as they are incurred.

Land is not depreciated.

Depreciation is calculated using the straight-line method to allocate the cost of assets, other than land and properties under construction, to their residual values over their estimated useful lives. Depreciation commences when the asset is ready to be used.

The residual value and the useful life of an asset are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) is(are) 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 indicative of land and buildings held to earn rentals. Such assets are initially carried at 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.

2.16. 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.

2.17. 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.

Estimated cash flows are discounted using an appropriate rate that reflects current market assessments of the time value of money and the risks specific to the asset or the CGU.

An impairment loss is recognised directly in the income statement. Non-financial 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 dépréciation or amortisation, if no impairment loss had been recognised. Impairment losses on goodwill are never reversed.

2.18. Financial assets

Classification

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 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.

Recognition and 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 arederecognised 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.

The fair value of listed investments is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are recognised in the income statement in the period in which they arise while gains or losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity. On disposal/impairment of available for-sale financial assets, any cumulative gains or losses that have been deferred in equity are recycled to the income statement.

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.

2.19. 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.

Derivative financial instruments are initially recorded at fair value and 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 offsetting 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.

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 notclosely 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.

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 is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately 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 recycled to the income statement when the foreign operation is partially disposed of or sold.

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 dérivative financial instruments that do not qualify for hedge accounting are recognised immediately in the income statement within 'financial income'.

2.20. Inventories

Raw materials, consumables and goods purchased for resale are valued at the lower of cost and 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.

2.21. Trade receivables

Trade receivables are recognised initially 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 uncollectable, it is written off against the allowance account for trade receivables.

2.22. 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.

2.23. Non-current assets (or disposal groups) 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 when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Non-current assets and disposal groups are measured at the lower of the carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Impairment losses upon initial classification as held for sale are recognised in the income statement. Non-current assets classified as held for sale are not depreciated nor amortised.

2.24. 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.

2.25. 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 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.

2.26. Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted into ordinary shares at the option of the Issuer. The number of shares to be issued does not vary with changes in their fair value. Due to the existence of the Option by the Issuer to redeem in cash, convertible bonds have been separated into a debt and a derivative component.

Upon initial recognition of the bond, the fair value of the debt component is determined based on the present value of the contractually determined stream of cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option. Subsequent to initial recognition, the Debt component is measured based on its amortised cost, using the effective interest method.

The remainder of the proceeds is allocated to the conversion option and recognised within 'Other derivatives'. Subsequent to initial recognition, the Derivative component is measured at fair value, with all gains and losses upon re-measurement being recognised in the Income Statement.

Transaction costs that are directly attributable to the bond offering and incremental, are included in the calculation of the amortised cost, using the effective interest method, and are amortised through the Income Statement over the life of the instrument.

2.27. Trade payables

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

2.28. Employee benefits

Pension obligations

The Group has both defined benefit and defined contribution retirement benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligations to pay further contributions in the event that the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. 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.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation less the fair value of plan assets which is then adjusted for unrecognised actuarial gains and losses and unrecognised past service costs. Any asset resulting from this calculation is limited to the total of any unrecognised actuarial losses and past service costs plus the present value of economic benefits *available* in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is *available* to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

The Group defined benefit obligation is calculated by independent actuaries using the 'projected unit credit method' with actuarial valuations being carried out regularly, at each balance sheet date for the main plans. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using yields on AA credit-rated bonds that have maturity dates approximating the terms of the Group obligations and that are denominated in the same currency in which the benefits are expected to be paid.

Actuarial gains and losses are amortised over the expected average remaining working lives of the employées participating in the plan, in accordance with 'the corridor approach'. Therefore, actuarial gains and losses are recognised as income or expenses when the cumulative unrecognised actuarial gains or losses at the end of the previous reporting period exceed 10% of the greater of the present value of the retirement benefit obligation and the fair value of the plan assets.

Other long-term employee benefits

Some Group companies provide post-retirement healthcare benefits to their retirees. The Group 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 methodology used for defined benefit plans except that all actuarial gains and losses are recognised immediately and no 'corridor' is applied and all past service costs are 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.

The fair value of the employee services received in exchange for the grant of stock options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the stock options granted, excluding the impact of any non-market service and performance vesting conditions (for example profitability, remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in the assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied.

The fair value of the stock option plan is measured at the grant date using the Black-Scholes valuation model which takes 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 vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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.

2.29. Provisions

Provisions are recognised in the balance sheet when:

- There is a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- 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 required 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 the Group accounting policies

Revenue recognition

The nature of the Group 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 contingent consideration with respect to the Schwarz Pharma acquisition

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.

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 two 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 five 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 of Schwarz Pharma AG to either purchase their minority interests or pay a yearly guaranteed dividend. From an accounting perspective, the domination and profit transfer agreement was treated as part of the business combination and the liability towards the remaining minority shareholders of Schwarz Pharma AG was considered to represent 'contingent consideration' in a business combination. Accordingly, upon initial recognition a financial liability was recognised and the minority interests of Schwarz Pharma AG were derecognised (as at 31 December 2007). Payments to the minorities subsequent to initial recognition are considered as contingent consideration and therefore adjust the cost of the acquisition and ultimately Goodwill.

Since claims were filed before the competent court in Germany contesting the offered compensation, and management's position in the previous year-end was not to terminate the agreement early, the liability towards the Schwarz Pharma minority shareholders was measured in 2008 based on the net present value of the guaranteed dividend that would be paid for an indefinite period to those minority shareholders who have not tendered their shares.

During August 2009, the squeeze out process was finalized and hence the commercial register of the Local Court of Düsseldorf registered the resolution of the General Meeting of Schwarz Pharma AG of July 8, 2009 on the transfer of the shares of the minority shareholders of Schwarz Pharma AG to UCB SP GmbH, Monheim (Principal Shareholder) in return for cash compensation of € 111.44 per share.

Consequently all remaining shares of the minority shareholders of Schwarz Pharma AG were transferred to UCB SP GmbH and Schwarz Pharma AG became a fully owned subsidiary of the UCB Group. Due to the settlement with the remaining minority shareholders during 2009, the Group no longer recognises a financial liability related to the Domination and Profit Transfer agreement (2008: € 95 million). In 2008, the financial liability towards the remaining minority shareholders of Schwarz Pharma AG was presented under the Note 30, Other financial liabilities.

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.

Sales allowances

The Group has accruals for expected sales returns, charge-backs and other rebates, including Medicaid in the U.S. and similar rebates in other countries. Such estimates are based on analyses of existing contractual obligations or legislation, historical trends and the Group experience. Management believes that the total accruals for these items are adequate, based upon currently available information. As these deductions are based on management estimates, the actual deductions might differ from these estimates. Such differences could impact the accruals recognised in the balance sheet in future periods and consequently the level of sales recognised in the income statement in future period. 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 € 1 953 million (Note 19) and goodwill with a carrying amount of € 4 552 million (Note 20). 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 equates to the period thèse 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 equates 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 whenever 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 at year-end:

- Growth rate: 3.0%
- Discount rate in respect of Goodwill and Intangibles related to existing products: 9.9%
- Discount rate in respect of Intangibles related to in-process R&D compounds: 13.0%

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 33. 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

The Group currently has many defined benefit plans, which are disclosed in Note 32. The calculation of the assets or liabilities related to these plans is 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 covering areas such as future withdrawals of participants from the plans and estimates of life expectancy. The actuarial assumptions used might differ materially from actual results due to changes in market and economic conditions, higher or lower employee turnover, longer or shorter life spans of participants, and other changes in the factors being assessed. These differences could impact the assets or liabilities recognised in the balance sheet in future periods.

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 exposure to the above-mentioned risks, the Group policies and processes for managing these risks and Group management of capital. Risk management is carried out by the Group 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 & Consolidation department, Financial Control department, Internal Audit department, Tax department and Treasury & Risk department.

The FRMC is responsible for:

- Reviewing the results of UCB risk assessment;
- Approval of the recommended risk management strategies;
- Monitoring compliance with the financial market risk management policy;
- Approval of policy changes; and
- Reporting to the Audit Committee.

The Group 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 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 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 enters into derivative financial instruments and also incurs financial liabilities in order to manage market risk. Where possible the Group seeks to apply hedge accounting in order to manage volatility in the income statement. It is the Group 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 U.S. 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 six and maximum 26 months of anticipated cash flows derived from sales, royalties or out-licensing revenues provided that no natural hedges exist.

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 foreign operations in the U.S. is managed through borrowings denominated in U.S. dollar. This provides an economic hedge. Currency exposure arising from the net assets of the Group foreign operations in Switzerland is managed through forward contracts. The Group investments in other subsidiaries are not hedged by means of borrowings or forward contracts as those currencies are not considered to be material or are long-term neutral.

The effect of translation exposure arising from the consolidation of the foreign currency denominated Financial statements of the Group foreign subsidiaries is shown as a cumulative translation adjustment in the Group consolidated statement of changes in equity.

Effect of currency fluctuations

At 31 December 2009, if the euro had strengthened or weakened by 10% against the following currencies with all other variables being held constant, the impact on equity and post-tax profit for the year would have been as follows:

€ million	Change in rate	Impact on Equity: loss(-)/gain	Impact on Income Statement : loss(-)/gain
At 31 December 2009			
USD	+10%	-120	5
	-10%	151	-7
GBP	+10%	-28	-1
	-10%	34	1
CHF	+10%	-34	11
	-10%	41	-13
At 31 December 2008			
USD	+10%	-60	-4
	-10%	89	0
GBP	+10%	-42	-8
	-10%	51	10
CHF	+10%	-36	10
	-10%	44	-12

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 both fixed and floating, as described in Note 28. The Group uses interest rate derivatives to manage its interest rate risk, as described in Note 36.

The Group designates derivative financial instruments (interest rate swaps) as hedging instruments, under fair value hedges, to fixed rate financial assets and liabilities. Both the derivative financial instrument and the hedged item are accounted for at fair value through profit or loss.

The Group also designates derivative financial instruments (interest rate swaps) as hedging instruments, under cash flow hedges, to floating rate financial assets and liabilities. Changes in fair value of such derivative financial instruments are accounted for through equity or through profit or loss only in cases where hedge accounting would no longer be applicable.

Effect of interest rate fluctuations

A 100 basis points increase in interest rates at balance sheet date would have increased equity by € 8 million (2008: € 54 million); a 100 basis points decrease in interest rates would have decreased equity by € 8 million (2008: € 54 million).

A 100 basis points increase in interest rates at balance sheet date would have increased profit and loss by € 8 million (2008: € 0 million); a 100 basis points decrease in interest rates would have decreased profit and loss by € 9 million (2008: € 0 million).

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.

Following the issuance by the Group of a € 500 million convertible bond maturing in 2015 (conversion rate at € 38.746), the fair value of the derivative linked to the convertible bond is recorded as a derivative financial liability (refer to Note 36). Changes in the fair value of the derivative, due to remeasurement, are recorded through profit and loss (2009: € 5 million – refer to Note 16).).

Other amounts subject to market price risk are 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 U.S., due to the sales via wholesalers (Note 24). 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 highquality 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 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 25) € 486 million (2008: € 463 million)
- Marketable non-equity securities (Note 22) € 2 million (2008: € 3 million)
- Unutilised committed facilities (Note 28) € 1 056 million (2008: € 502 million)

At the balance sheet date, the Group's existing committed facilities amounted to € 1 500 million which fall due in December 2012 with a one year extension option subject to Lender's approval in December 2010.

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

€ million	Note	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2009						
Bank Borrowings	28	530	529	0	1	0
Debentures and other short term loans	28	15	14	1	0	0
Finance lease liabilities	28	24	2	4	14	4
Convertible Bond	29	421	0	0	0	421
Retail Bond	29	739	0	0	739	0
Institutional Eurobond	29	494	0	0	0	494
Trade and other liabilities	34	1 151	1 036	24	56	35
Bank overdrafts	28	20	20	0	0	0
Interest rate swaps			-22	-11	22	3
Forward exchange contracts used for hedging purposes						
Outflow			906	188		
Inflow			905	199		
Forward exchange contracts and other derivative financial instruments at fair value through profit or loss						
Outflow			2 321		209	
Inflow			2 317		203	
At 31 December 2008						
Bank Borrowings	28	2 844	872	294	1 678	0
Debentures and other short term loans	28	14	13	1	0	0
Finance lease liabilities	28	26	2	3	5	16
Convertible bonds						
Fixed rate bonds						
Trade and other liabilities	34	1 215	1 159	11	19	26
Bank overdrafts	25	29	29	0	0	0
Interest rate swaps			-17	-29	-19	
Forward exchange contracts used for hedging purposes						
Outflow			568	430		
Inflow			547	413		
Forward exchange contracts and other derivative financial instruments at fair value through profit or loss						
Outflow			892			
Inflow			923			

4.4. Capital risk management

The Group policy with respect to managing capital is to safeguard the Group ability to continue as a going concern in order to provide returns to shareholders and benefits to patients and to reduce the Group 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	2009	2008
Total borrowings (Note 28)	589	2 913
Bonds (Note 29)	1 654	0
Less: cash and cash equivalents (Note 25), available-for-sale debt securities (Note 22) and cash collateral related to the financial lease obligation	-491	-470
Net debt [1]	1 752	2 443
Total equity	4 417	4 017
Total financial capital	6 169	6 460
Gearing ratio	**28%**	**38%**

1 Net debt is explained in the glossary enclosed at the end of this document.

4.5. Fair value estimation

The fair value of financial instruments traded in active markets (such as available for sale financial assets) 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 established valuation techniques such as option pricing models and estimated discounted values of cash flows. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

Quoted market prices are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of the 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 quoted forward exchange rates at the balance sheet date.

The carrying amount less impairment provision of trade receivables and trade payables 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.

Fair value hierarchy

Effective 1 January 2009, the Group adopted the Amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. The Amendment requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial assets measured at fair value

€ million 31 December 2009	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale assets				
Quoted Equity securities	7	0	0	7
Quoted Debt securities (Note 22)	5	0	0	5
Derivative financial assets (Note 36)				
Forward foreign exchange contracts – cash flow hedges	0	22	0	22
Forward exchange contracts – fair value through the profit and loss	0	32	0	32

Financial liabilities measured at fair value

€ million 31 December 2009	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial liabilities (Note 36)				
Forward foreign exchange contracts – cash flow hedges	0	10	0	10
Forward exchange contracts – fair value through the profit and loss	0	43	0	43
Interest rate derivatives – cash flow hedges	0	12	0	12
Interest rate derivatives – fair value through profit and loss	0	51	0	51
Derivative linked to convertible bond	0	67	0	67

During the reporting period ending 31 December 2009, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

5. Segment reporting

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

5.1. Product sales information

Net sales consists of the following:

€ million	2009	2008
Cimzia®	75	10
Vimpat®	46	2
Neupro®	61	58
Keppra® (includ. Keppra® XR)	913	1 266
Zyrtec® (includ. Zyrtec-D®/Cirrus®)	268	249
Tussionex™	147	147
Xyzal®	132	173
venlafaxine XR	109	10
Metadate™ CD/Equasym™ XL	72	77
Nootropil®	70	93
omeprazole	64	75
Other products	726	867
Total net sales	**2 683**	**3 027**

5.2. Geographic information

The table below shows sales in each geographic market in which customers are located:

€ million	2009	2008
North America	948	1 192
Germany	295	289
France	194	194
Italy	141	142
Spain	145	130
U.K. and Ireland	153	140
Belgium	44	50
Rest of the world	763	890
Total net sales	**2 683**	**3 027**

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

€ million	2009	2008
North America	95	109
Germany	57	70
France	2	2
Italy	4	5
Spain	0	0
U.K. and Ireland	104	153
Belgium	189	193
Rest of the world	83	91
Total	**534**	**623**

5.3. Information about major customers

UCB has no large customers which individually account for more than 10% of the total net sales at the end of 2009 (2008: two large customers).

In the U.S. sales to 3 wholesalers accounted for approximately 87% of U.S. sales (2008: 89%).

6. Non-current assets held for sale

6.1. Disposal of non-core distribution activities

Non current assets held for sale with respect to non-core distribution activities amounted to € 0 million (2008: € 29 million) since the disposal group was sold during 2009. The comparative amount comprised mainly of assets that were sold to GlaxoSmithKline (refer to note 8).

€ million	Note	2009	2008
Assets classified as held for sale			
Property, plant and equipment	21	0	1
Intangible assets	17	0	20
Inventories		0	2
Trade and other receivables		0	11
Total		**0**	**34**
Liabilities classified as held for sale			
Trade and other payables		0	5
Total		**0**	**5**
Cumulative loss recognised directly in equity relating to disposal group classified as held for sale			
Foreign exchange translation adjustments		0	-1
Total		**0**	-1

6.2. Other non-current assets held for sale

At 31 December 2009, non-current assets held for sale included Intangible assets with carrying values of € 14 million (2008: nil) and Property, plant and equipment with carrying values of € 3 million (2008: € 3 million) in aggregate with respect to other non-core assets held for sale. The completion dates for the transactions are expected during the course of 2010.

€ million	Note	2009	2008
Intangible assets	19	14	0
Property, plant and equipment	21	3	3
Total		**17**	**3**

7. Discontinued operations

The profit from discontinued operations of € 7 million (2008: € 55 million) arose due to the partial reversal of provisions related to the legacy chemical activities, including terminations for environmental claims for sites for which UCB retained liability and which were settled in the past 12 months.

8. Disposal of business unit other than discontinued operations

8.1. Divestiture of certain products and affiliates in selected emerging markets to GlaxoSmithKline.

On 23 January 2009, UCB announced its decision to sell certain distribution activities and affiliates in selected emerging markets to GlaxoSmithKline. The sale was completed on 31 December 2009. The total consideration received amounted to € 515 million. The capital gain on this disposal is explained below;

€ million	31 December 2009
Property, plant and equipment	1
Intangible assets	19
Inventories	1
Current assets	10
Total assets	**31**
Trade payables	5
Other current liabilities	5
Total liabilities	**10**
Total cash consideration	**515**
Initial price adjustment	
Net assets disposed of	-21
Provisions, liabilities and curtailment gain remaining with UCB	-1
Gain on disposal	**493**

The gain on disposal is presented under the heading «Other income and expenses» (Note 15).

8.2. Divestiture of the anti-haemorrhagic product Somatostatine-UCB™ to Eumedica.

On 11 February 2009, UCB announced the sale of the world-wide rights to its anti-haemorrhagic product Somatostatine-UCB™ to Eumedica. The sale was completed on 31 December 2009. The consideration received amounted to € 22 million. The gain on disposal is presented under the heading «Other income and expenses» (Note 15).

8.3. Divestiture of Equasym® to Shire.

On 20 February 2009, UCB agreed to the sale of Equasym® IR and Equasym® XL (methylphenidate HCl) for the treatment of attention deficit hyperactivity disorder (ADHD) to Shire, a specialty biopharmaceutical company. The sale was completed on 1 April 2009. The total consideration received amounted to € 55 million. The gain on disposal is presented under the heading «Other income and expenses» (Note 15).

9. Other revenue

€ million	2009	2008
Revenue generated by means of profit-sharing agreements	74	78
Upfront and milestone payments	38	58
Contract manufacturing revenues	94	42
Total other revenue	**206**	**178**

The revenue generated through profit-sharing agreements relates primarily to the following items:

- Revenue from the co-promotion of Xyzal® in the U.S. with sanofi-aventis, and
- Revenue from the co-promotion of Provas™ in Germany with Novartis.

During 2009, UCB received milestone payments from different parties, the details of which have been noted below:

- Keppra® and Cimzia® related milestones due to the agreement entered into between Otsuka and UCB to co-promote Keppra® for the adjunctive treatment of partial-onset seizures and Cimzia® for the treatment of Crohn's disease in Japan, and
- Other milestones recognised as part of a licensing deal on non-core mature gastro-intestinal products signed early in 2008.

The increase in revenue from contract manufacturing activities is mainly linked to the toll manufacturing agreements entered into with GSK and Shire (announced earlier this year) as well as contract manufacturing revenue earned on Delsym™ .

10. Operating expenses by nature

The table below illustrates certain items of expense recognised in the income statement using a classification based on their nature within the Group:

€ million	Note	2009	2008
Employee benefit expenses	11	809	938
Depreciation of property, plant and equipment	21	78	75
Amortisation of intangible assets	19	142	105
Impairment of non-financial assets	13	126	160
Total		**1 155**	**1 278**

11. Employee benefit expense

€ million	Note	2009	2008
Wages and salaries		569	673
Social security costs		98	129
Post-employment benefits – defined benefit plans	32	29	15
Post-employment benefits – defined contribution plans		18	19
Share-based payments to employees and directors	27	16	14
Insurance		37	29
Other employee benefits		42	59
Total employee benefit expense		**809**	**938**

The total employee benefit expense has been allocated along functional lines within the income statement, except in the case of discontinued operations where they have been included, if relevant, in the determination of the profit from discontinued operations. Other employee benefits consist mainly of termination benefits, severance payments, and other long-term/short-term disability benefits.

Headcount at 31 December	2009	2008
Hourly Paid	1 111	1 300
Monthly Paid	4 238	5 614
Management	3 975	4 378
Total	**9 324**	**11 292**

Further information regarding post-employment benefits and share-based payments can be found in Notes 27 and 32.

12. Other operating income/expenses (-)

Other operating income/expenses(-) amounted to € 6 million (2008: € -1 million) and consists mainly of the reimbursement of charges from insurance companies of € 1 million (2008: € 2 million), as well as the amortisation of non-production related intangible assets of € 2 million (2008: € 3 million); the reversal of provisions of € 13 million (2008: € 7 million); the impairment in respect of trade receivables € 7 million (2008: € 3 million) and integration expenses of € 0 million (2008: € -5 million).

13. Impairment of non-financial assets

A review of the recoverable amounts of the Group assets resulted in the recognition of impairment charges amounting to € 126 million (2008: € 160 million).

As a result of the yearly impairment testing of the trademarks, patents and licences, an impairment charge of € 7 million (2008: € 2 million) was recognized.The impairment charge with respect to the other intangible assets of € 103 million (2008: € 10 million) includes the impairment on the development project CDP323 (as announced in July 2009) and the impairment of know-how pertaining to certain manufacturing processes.

The impairment charge related to the Group property, plant and equipment amounted to € 16 million (2008: € 148 million).

14. Restructuring expenses

The restructuring expenses as at 31 December 2009 amount to € 73 million (2008: € 272 million) and can be attributed to the organisational changes in Belgium and the UK announced in November 2009, the exit from the primary care sector in the US announced in February 2010 and other severance costs. In 2008 the restructuring expenses included the restructuring and integration charges as a consequence of the SHAPE programme, as well as the closure of the Cambridge research site in the United Kingdom.

15. Other income and expenses

Other income amounted to € 583 million (2008: € 14 million) and comprised of the following items:

- the realized gain on the divestiture of certain products and affiliates in selected emerging markets to GlaxoSmithKline for € 493 million (Note 8.1);
- the realized gain on the divestiture of the anti-haemorrhagic product Somatostatine-UCB™ to Eumedica (Note 8.2);
- the realized gain on the divestiture of Equasym® to Shire (Note 8.3);
- other expenses amounting to € 11 million related to contract manufacturing capacity for biologicals, compared to € 14 million other income in 2008 mainly attributable to proceeds from a litigation claim that was favourably settled.

16. Financial income and financing costs

The net financing costs for the year amounted to € 162 million (2008: € 156 million). The breakdown of the financing costs and financial income is as follows:

16.1. Financing costs

€ million	2009	2008
Interest expenses on :		
• Convertible Bond	-6	0
• Retail Bond	-4	0
• Institutional Eurobond	-2	0
• Other borrowings	-93	-140
Interest expenses related to interest rate derivatives	-32	8
Interest rate derivatives: cash flow hedges transferred from equity	-40	0
Net foreign exchange losses	0	-51
Fair value losses on foreign exchange derivatives	-40	0
Impairment on equity securities	-3	0
Financial charges on finance leases	-1	-1
Total financing costs	**-221**	**-184**

16.2. Financial income

€ million	2009	2008
Interest income:		
• On bank deposits	5	23
• Provisions: unwinding of discount	0	0
Dividend income	1	0
Net foreign exchange gains	42	0
Fair value gain on foreign exchange derivatives	0	22
Net gain on derivative component of convertible bond	5	0
Net gain/losses(-) on sale of equity financial derivatives	10	0
Net gain/losses(-) on sale of debt securities	0	0
Ineffective portion of cash flow hedges	0	0
Guaranteed dividend related to the Schwarz Pharma minority shareholders	0	-16
Net other financial income/expense(-)	-4	-1
Total financial income	**59**	**28**

17. Income tax expense (-)/credit

€ million	2009	2008
Current income taxes	-213	-103
Deferred income taxes	45	133
Total income tax expense(-)/ credit	**-168**	**30**

The Group operates in various territories and is therefore subject to income taxes in many different tax jurisdictions.

The income tax expense on the Group profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

€ million	2009	2008
Profit/loss(-) before tax	675	-43
Income tax expense(-)/credit calculated at domestic tax rates applicable in the respective countries	-182	3
Tax effects of:		
Expenses not deductible for tax purposes	-123	-119
Non-taxable income	236	146
Tax credits	30	3
Variation in tax rates	1	0
Other tax rate effects	41	20
Current tax adjustments related to prior years	-44	18
Deferred tax adjustments related to prior years	-17	1
Reversal of write-downs/write-downs(-) of previously recognised deferred tax assets	-108	-35
Withholding tax impact on inter-company dividends	-1	-5
Other taxes	-1	-2
Total income tax expense(-)/credit	**-168**	**30**

%	2009	2008
Effective tax rate	**24.9**	**69.8**

The change in the effective tax rate is mainly attributable to the realization of capital gains taxed at reduced rates or exempted, the reversal of certain non-recurring deferred tax liabilities and the finalization of certain tax audits.

The income tax charged/credited (-) to equity during the year is as follows:

€ million	2009	2008
Current tax	0	0
Deferred tax:		
Arising upon the adoption of IFRIC 14 – Onerous minimum funding requirements	0	-2
Effective portion of changes in fair value of cash flow hedges	-2	14
Income taxes recognised in equity	**-2**	**12**

18. Components of other comprehensive income

€ million	2009	2008
Available for sale financial assets:		
Gains/losses(-) arising during the year	0	0
Less: Reclassification adjustment for gains/losses(-) included in the income statement	0	0
	0	**0**
Cash flow hedges:		
Gains/losses(-) arising during the year	27	-134
Less: Reclassification adjustment for gains/losses(-) included in the income statement	-75	26
	102	**-160**
Net investment hedge:		
Gains/losses(-) arising during the year	0	0
Less: Reclassification adjustment for gains/losses(-) included in the income statement	0	0
	0	**0**

19. Intangible assets

€ million	2009 Trademarks, patents and licences	2009 Other	2009 Total
Gross carrying amount at 1 January	**1 541**	**978**	**2 519**
Additions	16	33	49
Disposals	-28	-3	-31
Transfer from one heading to another	0	7	7
Transfer to assets held for sale	-17	0	-17
Effect of movements in exchange rates	-11	16	5
Gross carrying amount at 31 December	**1 501**	**1 031**	**2 532**
Accumulated amortisation and impairment losses at 1 January	**-276**	**-74**	**-350**
Amortisation charge for the year	-132	-10	-142
Disposals	23	1	24
Impairment losses recognised in the income statement	-7	-103	-110
Transfer from one heading to another	-16	15	-1
Transfer to assets held for sale	3	0	3
Effect of movements in exchange rates	2	-5	-3
Accumulated amortisation and impairment at 31 December	**-403**	**-176**	**-579**
Net carrying amount at 31 December	**1 098**	**855**	**1 953**

€ million	2008 Trademarks, patents and licences	2008 Other	2008 Total
Gross carrying amount at 1 January	**1 078**	**1 468**	**2 546**
Additions	52	23	75
Disposals	-8	-4	-12
Transfer from one heading to another	450	-429	21
Transfer to assets held for sale	-23	0	-23
Effect of movements in exchange rates	-8	-80	-88
Gross carrying amount at 31 December	**1 541**	**978**	**2 519**
Accumulated amortisation and impairment losses at 1 January	**-179**	**-74**	**-253**
Amortisation charge for the year	-95	-10	-105
Disposals	8	4	12
Impairment losses recognised in the income statement	-2	-10	-12
Transfer from one heading to another	3	0	3
Transfer to assets held for sale	-14	1	-13
Effect of movements in exchange rates	3	15	18
Accumulated amortisation and impairment at 31 December	**-276**	**-74**	**-350**
Net carrying amount at 31 December	**1 265**	**904**	**2 169**

The Group amortises all intangible assets. The amortisation of intangible assets is allocated to cost of sales for all 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 intangible assets arose from previous acquisitions. During 2009, the Group acquired intangible assets totalling € 49 million (2008: € 75 million). These additions related mainly to the acquisition of licensed products, and the payment of milestones with respect to certain in-licencing agreements. This includes the strategic alliance with Wilex for the development of the preclinical oncology (announced early in 2009) and the licencing agreement with Novartis for cardiovascular and diabetes products in Germany (announced in August 2009). In addition to the above, the Group made additions to software and also capitalised eligible software development costs.

During the year, the Group recognised total impairment charges of € 110 million (2008: € 12 million) on its intangible assets, mainly on the development project CDP323 and the know-how pertaining to certain manufacturing processes. The impairment charges are detailed in Note 13 and have been presented in the income statement under the caption 'impairment of non-financial assets'.

20. Goodwill

€ million	2009	2008
Cost at 1 January	**4 579**	**4 403**
Adjustment related to Schwarz acquisition (Note 3.1.)	-1	201
Effect of movements in exchange rates	-26	-25
Net book value at 31 December	**4 552**	**4 579**

The adjustment to goodwill pertains to the final squeeze-out process related to the Schwarz Pharma acquisition in 2006. Reference can be made to Note 3.1 for further details.

The Group tests goodwill for impairment at each reporting date or more frequently if there are indications that goodwill might be impaired. The 'recoverable amount' of a CGU is determined based on 'value in use' calculations.

These calculations are based on cash flow projections as derived from financial budgets approved by management which cover a period of 10 years. Given the nature of the industry, these long-term projections are used to fully model the appropriate product lifecycles based on the patent expiry and therapeutic area. Cash flows beyond the projected forecast period are extrapolated using estimated growth rates stated below. The growth rate does not exceed the longterm average growth rate for the relevant territories in which the CGU operates. The discount rate (refer below) is derived from a capital asset pricing model adjusted to reflect the specific risks relating to the assets, the company risk profile and the industry within which it operates. Since after-tax cash flows are incorporated into the calculation of the 'value in use' of the CGU's, a post-tax discount rate is used in order to remain consistent.

The use of the post-tax discount rate approximates the results of using a pre-tax rate applied to pre-tax cash flows.

Key assumptions used for the value in use calculations:

€ millions	2009	2008
Discount rate	9.9%	10.5%
Growth rate	3.0%	3.0%

21. Property, plant and equipment

€ million	2009				
	Land and buildings	Plant and machinery	Office, computer equipment, vehicles & other	Assets under construction	Total
Gross carrying amount at 1 January	**515**	**509**	**144**	**60**	**1 228**
Additions	8	15	7	8	38
Disposals	-5	-6	-5	-2	-18
Transfers from one heading to another	18	7	6	-42	-11
Transfer to assets held for sale	0	0	0	0	0
Effect of movements in exchange rates	0	1	0	1	2
Gross carrying amount at 31 December	**536**	**526**	**152**	**25**	**1 239**
Accumulated depreciation at 1 January	**-165**	**-345**	**-87**	**-8**	**-605**
Depreciation charge for the year	-23	-38	-17	0	-78
Impairment charge	0	-6	-10	0	-16
Disposals	-16	5	7	0	-4
Transfers from one heading to another	0	0	-1	0	-1
Transfer to assets held for sale	0	0	0	0	0
Effect of movements in exchange rates	0	-1	0	0	-1
Accumulated depreciation at 31 December	**-204**	**-385**	**-108**	**-8**	**-705**
Net carrying amount at 31 December	**332**	**141**	**44**	**17**	**534**

€ million	2008				
	Land and buildings	Plant and machinery	Office, computer equipment, vehicles & other	Assets under construction	Total
Gross carrying amount at 1 January	**452**	**428**	**109**	**222**	**1 211**
Additions	22	41	15	26	104
Disposals	-20	-21	-20	0	-61
Transfers from one heading to another	73	61	41	-183	-8
Transfer to assets held for sale	-12	0	-1	0	-13
Effect of movements in exchange rates	0	0	0	-5	-5
Gross carrying amount at 31 December	**515**	**509**	**144**	**60**	**1 228**
Accumulated depreciation at 1 January	**-135**	**-235**	**-83**	**0**	**-453**
Depreciation charge for the year	-20	-36	-19	0	-75
Impairment charge	-34	-104	-2	-8	-148
Disposals	16	19	23	0	58
Transfers from one heading to another	-3	10	-7	0	0
Transfer to assets held for sale	8	0	1	0	9
Effect of movements in exchange rates	3	1	0	0	4
Accumulated depreciation at 31 December	**-165**	**-345**	**-87**	**-8**	**-605**
Net carrying amount at 31 December	**350**	**164**	**57**	**52**	**623**

None of the Group property, plant and equipment is subject to restrictions on title. Nor has any property, plant and equipment been pledged as security for liabilities.

During 2009, the Group acquired property, plant and equipment totalling € 38 million (2008: € 104 million).

These additions related mainly to improvement and replacement capital expenditure as well as investments supporting new product and delivery mechanisms.

During the year, the Group recognised total impairment charges of € 16 million (2008: € 148 million) on its property, plant and equipment. The impairment charges are detailed in Note 13 and have been presented in the income statement under the caption 'impairment of non-financial assets'.

Investment property is recorded at historical cost less accumulated depreciation. Since such investment property does not represent a substantial amount in relation to total property, plant and equipment, preparation of an external expert opinion on fair value was dispensed with. It is presumed that the fair value corresponds to the book value.

21.1. Capitalised borrowing costs

During the 12 months of 2009, no borrowing costs were capitalised since there were no qualifying assets included in 'Assets under construction' during the course of the year.

21.2. Leased assets

UCB leases buildings and office equipment under a number of finance lease agreements. The carrying value of the leased buildings is € 60 million (2008: € 50 million).

22. Financial and other assets

22.1. Non-current financial and other assets

€ million	2009	2008
Available-for-sale financial assets (refer below)	11	4
Cash deposits	7	8
Derivative financial instruments (Note 36)	12	1
Reimbursement rights with respect to German Defined Benefit plans	23	22
Other financial assets	64	91
Non-current income tax receivable	0	21
Total financial and other assets at year end	**117**	**147**

22.2. Current financial and other assets

€ million	2009	2008
Clinical trial material	9	35
Available-for-sale financial assets (refer below)	2	3
Derivative financial instruments (Note 36)	42	66
Total financial and other assets at year end	**53**	**104**

22.3. Available-for-sale financial assets

The current and non-current available-for-sale financial assets comprise the following:

€ million	2009	2008
Equity securities	8	0
Debt securities	5	7
Total available-for-sale financial assets at year end	**13**	**7**

The movement in the carrying values of the available-for-sale financial assets is as follows:

€ million	2009		2008
	Equity securities	Debt securities	Debt securities
At 1 January	0	7	8
Additions *	11	1	0
Disposals	0	-3	-2
Revaluation through equity	0	0	1
Gain/loss(-) reclassified from equity to the income statement	0	0	0
Impairment charge (note 16)	-3	0	0
At 31 December	**8**	**5**	**7**

The Group has investments in listed debt securities, mainly issued by European governments as well as by some financial institutions. These bonds have been classified as available-for-sale and are measured at fair value.

The fair value of the listed debt securities is determined by reference to published price quotations in an active market.

None of these financial assets is either past due or impaired at year end.

* On 9 January 2009, UCB and Wilex, a listed specialist oncology development company, entered into a strategic partnership. Under the terms of the deal, Wilex acquired worldwide rights to develop UCB's entire pre-clinical oncology portfolio, and UCB became a strategic investor in Wilex by acquiring a 13% stake for € 10 million. Therefore the major additions for the year relate to the acquisition of shares in Wilex.

23. Inventories

€ million	2009	2008
Raw materials and consumables	152	162
Work in progress	143	59
Finished goods	88	116
Goods purchased for resale	22	26
Inventories	**405**	**363**

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to € 637 million (2008: € 656 million). There are no inventories pledged for security, nor is there any inventory stated at net realisable value. The write-down on inventories amounted to € 17 million in 2009 (2008: € 21 million) and has been included in cost of sales.

24. Trade and other receivables

€ million	2009	2008
Trade receivables	645	676
Less: provision for impairment	-7	-10
Trade receivables – net	638	666
VAT receivable	22	24
Interest receivables	9	32
Prepaid expenses	27	35
Accrued income	8	6
Other receivables	48	42
Royalty receivables	67	54
Trade and other receivables	**819**	**859**

The carrying amount of trade and other receivables approximates their fair values. With respect to trade receivables, the fair value is estimated to be the carrying amount less the provision for impairment and for all other receivables the carrying value approximates fair value given the short-term maturity of these amounts.

There is some concentration of credit risk with respect to trade receivables. The Group co-operates with dedicated wholesalers in certain countries. The largest outstanding trade receivable in 2009 from a single customer is 23% (2008: 16%) from McKesson Corp. U.S.

The aging analysis of the Group trade receivables at year-end is as follows:

€ million	2009		2008	
	Gross carrying amounts	Impairment	Gross carrying amounts	Impairment
Not past due	409	0	442	0
Past due – less than one month	37	0	36	0
Past due more than one month and not more than three months	12	0	26	-1
Past due more than three months and not more than six months	159	-1	142	-3
Past due more than six months and not more than one year	8	-3	14	-1
Past due more than one year	20	-3	16	-5
Total	**645**	**-7**	**676**	**-10**

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 69% (2008: 71%) of the outstanding balance at the balance sheet date.

The movement in the provision for impairment in respect of trade receivables is shown below:

€ million	2009	2008
Balance at 1 January	**-10**	**-5**
Impairment charge recognised in the income statement	-7	-7
Utilisation/reversal of provision for impairment	10	2
Effects of movements in exchange rates	0	0
Balance at 31 December	**-7**	**-10**

The other classes within trade and other receivables do not contain impaired assets.

The carrying amounts of the Group trade and other receivables are denominated in the following currencies:

€ million	2009	2008
EUR	248	311
USD	384	356
JPY	40	57
GBP	32	28
Other currencies	115	107
Trade and other receivables	**819**	**859**

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.

25. Cash and cash equivalents

€ million	2009	2008
Short-term bank deposits	297	200
Cash equivalents	135	209
Cash at bank and on hand	54	54
Cash and cash equivalents	**486**	**463**
Bank overdrafts (Note 28)	-20	-29
Cash and cash equivalents, less bank overdrafts as reported in the cash flow statement	**466**	**434**

26. Capital and reserves

26.1. Share capital and share premium

The issued share capital of the company amounted to € 550 million (2008: € 550 million), and is represented by 183 365 052 shares (2008: 183 365 052 shares). The company's shares are without par value. At 31 December 2009, 72 423 070 shares were registered and 110 941 982 were bearer/dematerialised shares. The holders of UCB shares are entitled to receive dividends as declared and are also entitled to one vote per share at the Shareholders' meeting of the company. There is no authorised, unissued capital.

At 31 December 2009, the share premium reserves amounted to € 1 601 million (2008: € 1 601 million).

26.2. Treasury shares

The Group acquired 128 116 treasury shares for a total amount of € 3 million (2008: 50 384 shares for a total amount of € 1 million) and reissued 146 329 treasury shares for a total amount of € 3 million (2008: 100 598 shares for a total amount of € 3 million).

The Group retained 3 169 051 (2008: 3 187 264) treasury shares at 31 December 2009. These treasury shares have been acquired in order to honour the exercise of share options and share awards granted to the Board of Directors and certain categories of employees. UCB Fipar or UCB SCA have the right to resell these shares at a later date.

26.3. Other reserves

Other reserves amounted to € 232 million (2008: € 232 million) and relate to the IFRS acquisition value surplus that arose during the Schwarz Pharma business combination.

26.4. Cumulative translation adjustments

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

27. Share-based payments

The Group operates several equity-based compensation plans, including a share option plan, a share appreciation rights plan, a share award plan and a performance share plan to compensate employees for services rendered.

The share option plan, the share award plan and the performance share plan are equity-settled, whereas the share appreciation rights plan is a cash-settled plan. Besides these plans, the Group also operates employee share purchase plans in the U.K. and the U.S.

27.1. Share option plan 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:

- The average of the closing price of the UCB shares on Euronext Brussels, during the 30 days preceding the offer or
- 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 subject to legislation which requires a different exercise price in order to benefit from reduced taxation. The options become exercisable after a vesting period of three years, except for those eligible employees subject to legislation which requires a longer vesting period in order to benefit from reduced taxation. If an employee leaves the Group, his/her options usually lapse upon expiry of a period of six months. Options are 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, and the options are not transferable (except in case of death).

The Share Appreciation Rights (SAR's) plan has similar characteristics to the share option plan, except that it is reserved for UCB employees in the U.S. This plan is cash-settled. All share options granted to U.S. option holders in 2005 and 2006 were transformed into SAR's, except for three employees. Since 2007 all eligible U.S. employees have been granted SAR's.

27.2. Share award plan

The Remuneration Committee granted free UCB S.A. shares to Senior Executives. The free shares have service conditions attached to them whereby beneficiaries are required to remain in service for three years post grant date Share awards lapse upon leaving the Group, except upon leaving on retirement or death in which case they vest immediately. The beneficiary is not entitled to dividends during the vesting period.

27.3. Performance share plan

The Remuneration Committee granted performance shares to Senior Executives who achieved an outstanding performance. The performance shares are conditional on the beneficiary completing three years of service (the vesting period) and are also subject to the fulfilment of certain performance conditions.

Performance Shares lapse upon leaving the Group, except upon leaving on retirement or death in which case they vest immediately. The beneficiary is not entitled to dividends during the vesting period.

27.4. Phantom share option, share award and performance share plans

The Group also has phantom share option, phantom share award and performance phantom share plans (collectively referred to as 'phantom plans'). These phantom plans apply to certain employees who have an employment contract with certain affiliates of the Group and are governed under similar rules to the Group share option, share award and performance share plans except for their settlement.

27.5. Employee share purchase plans in the U.S.

The plan is intended to provide employees of UCB affiliates in the U.S. with an opportunity to purchase common shares of the Group. Shares are acquired at a discount of 15% which is funded by UCB. Employees save a defined percentage of their salary through payroll deduction and shares will be purchased with after-tax employee contributions. The shares are held by an independent third party banking institution in an account in the employee's name.

The limit placed on employees' participation in the plan is as follows:

- Between 1% and 10% of each participant's compensation;
- US$ 25 000 per year per participant;
- Maximum of US$ 5 million total ownership by U.S. employees in all forms of share plans over a rolling period of 12 months.

As of 31 December 2009, the plan had 688 participants (2008: 544). There are no specific vesting conditions and the share-based payment expense incurred for this plan is immaterial.

27.6. Share savings plan in the United Kingdom

The purpose of this plan is to encourage the holding of UCB shares by employees in the U.K. Participants save a certain portion of their salary through payroll deductions and UCB matches every 5 shares bought by each participant with 1 free share. Shares are held in an account in the employee's name by an independent company that acts as a trustee.

Employee contributions to the plan are limited to the lower of:

- 10% of each participant's compensation
- GBP 1 500 per year per participant.

As of 31 December 2009, the plan had 52 participants (2008: 119) and the share-based payment expense incurred for this plan is immaterial.

27.7. Share-based payment expense

The total share-based payment expense incurred for the Group equity-based compensation plans amounted to € 16 million (2008: € 14 million), and has been included in the relevant functional lines within the income statement as follows:

€ million	2009	2008
Cost of sales	2	1
Marketing & selling expenses	4	4
Research & development expenses	4	4
General & administrative expenses	6	5
Total operating expense	**16**	**14**
Of which, Equity-settled:		
Share option plans	7	8
Share award plans	3	3
Performance share plan	1	3
Employee share purchase plans	0	0
Of which, Cash-settled:		
Share appreciation rights plan	4	0
Phantom share option, share award and performance share plans	1	0

27.8. Share option plans

The movements in the number of share options outstanding and their related weighted average exercise prices as at 31 December are:

	2009			2008		
	Weighted average fair value	Weighted average exercise price	Number of share options	Weighted average fair value	Weighted average exercise price	Number of share options
Outstanding at 1 January	**6.61**	**33.31**	**5 597 630**	**8.13**	**40.54**	**3 840 821**
+ New options granted	5.37	21.41	1 914 800	4.28	22.18	2 288 100
(-) Options forfeited	5.75	28.38	700 511	7.56	37.63	530 277
(-) Options exercised	4.40	26.46	6 214	7.13	25.87	1 014
(-) Options expired	0	0	0	0	0	0
Outstanding at 31 December	**6.30**	**30.24**	**6 805 705**	**6.61**	**33.31**	**5 597 630**
Number of options fully vested:	0	0	0	0	0	0
At 1 January			618 530			577 421
At 31 December			1 383 005			618 530

The share options outstanding as at 31 December 2009 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	1 967
31 May 2013	[26.58 – 27.94]	219 732
05 April 2014	31.28	3 106
31 August 2014	[40.10 – 40.20]	357 200
31 March 2015	[37.33 - 37.60]	464 200
31 March 2016	[40.14 - 40.57]	696 800
31 March 2017	[43.57 - 46.54]	1 364 900
31 March 2018	[22.01 – 25.73]	1 856 700
31 March 2019	[21.38 – 22.75]	1 841 100
Total outstanding		**6 805 705**

The weighted average fair value of the share options granted during 2009 was € 5.37 (2008: € 4.28).

The fair value has been determined based on the Black-Scholes valuation model.

The volatility was determined primarily by reference to historically observed share prices of UCB over the last five years. 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 the fair value of the share options are:

		2009	2008
Share price at grant date	€	22.75	22.80
Weighted average exercise price	€	21.41	22.18
Expected volatility	%	31.73	25.23
Expected option life	Years	5	5
Expected dividend yield	%	4.04	4.12
Risk free interest rate	%	3.48	3.98
Expected annual forfeiture rate	%	7.00	7.00

27.9. Share appreciation rights (SAR's) plan

The movements of the SAR's and the model inputs as at 31 December 2009 can be found in the table below. The fair value of the SAR's at grant date is determined using the Black-Scholes model. The fair value of the liability is remeasured at each reporting date.

		2009 Number of SAR's	2008 Number of SAR's
Outstanding rights as of 1 January		**1 192 000**	**749 700**
+ New rights granted		565 000	592 500
(-) Rights forfeited		241 000	150 200
(-) Rights exercised		0	0
Outstanding rights as of 31 December		**1 516 000**	**1 192 000**
The significant assumptions used in the measurement of the fair value of the share appreciation rights are:			
Share price at year end	€	29.22	23.30
Exercise price	€	22.19	22.01
Expected volatility	%	32.82	30.74
Expected option life	Years	5	5
Expected dividend yield	%	3.15	4.03
Risk free interest rate	%	2.79	3.36
Expected annual forfeiture rate	%	7.00	7.00

27.10. Share award plans

The share-based payment expense related to these share awards is spread over the vesting period of three years.

The beneficiaries are not entitled to dividends during the vesting period. The movement in the number of share awards outstanding at 31 December is as follows:

	2009		2008	
	Number of shares	Weighted average fair value (€)	Number of shares	Weighted average fair value (€)
Outstanding at 1 January	**302 205**	**36.27**	**293 100**	**41.55**
+ New share awards granted	115 655	23.16	101 005	22.80
(-) Awards forfeited	19 480	33.93	20 700	39.14
(-) Awards vested and paid out	116 775	40.65	71 200	38.08
Outstanding at 31 December	**281 605**	**29.23**	**302 205**	**36.27**

27.11. Performance Share plans

The movement in the number of performance shares outstanding at 31 December is as follows:

	2009		2008	
	Number of shares	Weighted average fair value (€)	Number of shares	Weighted average fair value (€)
Outstanding at 1 January	**354 675**	**38.00**	**283 000**	**43.54**
+ New performance shares granted	98 925	22.75	94 675	22.80
(-) Performance shares forfeited	45 500	37.67	8 000	43.57
(-) Performance shares vested	20 375	38.08	15 000	43.57
Outstanding at 31 December	**387 725**	**34.14**	**354 675**	**38.00**

27.12. 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.

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, 173 900 may still be exercised. These warrants expire progressively between 2010 and 2013.

The movement in the number of options and warrants not accounted for under IFRS 2 can be described as follows:

	2009		2008	
	Number of shares options	Weighted average fair value (€)	Number of shares options	Weighted average fair value (€)
Outstanding at 1 January	**715 288**	**40.34**	**730 303**	**40.37**
(-) Options forfeited	63 623	42.23	15 015	41.79
(-) Options expired	31 500	43.19	0	0
Outstanding at 31 December	**620 165**	**40.00**	**715 288**	**40.34**

28. Borrowings

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

€ million	Carrying amount		Fair value	
	2009	2008	2009	2008
Non-current				
Bank borrowings	1	1 972	1	1 972
Finance leases	22	24	22	24
Total non-current borrowings	**23**	**1 996**	**23**	**1 996**
Current				
Bank overdrafts	20	29	20	29
Current portion of bank borrowings	529	872	529	872
Debentures and other short-term loans	15	14	15	14
Finance leases	2	2	2	2
Total current borrowings	**566**	**917**	**566**	**917**
Total borrowings	**589**	**2 913**	**589**	**2 913**

28.1. Bank borrowings

On 15 December 2009, UCB S.A. announced the successful negotiation and conclusion of a new € 1.5 billion revolving credit Facility. The purpose of this Facility, together with the bond issuances detailed in note 29, was to refinance the Company's € 4 billion Syndicated Loan Facility Agreement arranged in connection with the 2006 acquisition of Schwarz Pharma, which had been amortized to € 3.3 billion and was due to mature in October 2011.

The new facility expires on 31 December 2012 with a one-year extension option at the end of the first year, subject to lenders' approval. At year-end, the total amount drawn down under the facility was € 444 million (2008: € 2 854 million). The Borrowings linked to the new Facilities agreement bear interest using a Euribor or Libor floating interest rate plus a margin depending on the UCB leverage ratio within the covenants of the agreement.

On 31 December 2009, the Groups weighted average interest rate was 4.69% (2008: 4.62%) prior to hedging. The floating interest rate payments are subject to designated cash flow hedges and fixed interest rate payments are subject to designated fair value hedges, thereby fixing the weighted average interest rate for the Group at 6.04% (2008: 4.55%) post hedging. The fees paid for the arrangement of the bonds, in note 29, and the new facilities agreement are amortized over the life of the instruments.

Where applicable under hedge accounting, the fair value of the non-current borrowings is determined based on the present value of the payments associated with the debt instruments, using the applicable yield curve and UCB credit spread for the various different currencies.

Since the bank borrowings are at a floating interest rate that is reset every six months, the carrying amount of the bank borrowings equates to its fair value. With respect to the current borrowings, the carrying amounts approximate their fair values as the effect of discounting is considered to be insignificant.

Please refer to Note 4.3 for the maturity analysis of the Group borrowings (excluding other financial liabilities).

The carrying amounts of the Group borrowings are denominated in the following currencies:

€ million	2009	2008
EUR	206	1 573
USD	324	1 271
Total interest bearing loans by currency	530	2 844
Bank overdrafts - EUR	20	29
Debentures other than short term loans - EUR	15	14
Finance lease liabilities - EUR	24	26
Total borrowings	**589**	**2 913**

28.2. Finance lease liabilities – Minimum lease payments

€ million	2009	2008
Amounts payable under finance leases:		
1 year or less	2	2
1-2 years	4	3
2-5 years	14	5
More than 5 years	4	16
Present value of finance lease liabilities	**24**	**26**
Less: amount due for settlement within 12 months	2	2
Amount due for settlement after 12 months	**22**	**24**

Management considers that the carrying value of the Group finance lease liabilities approximate their fair value.

29. Bonds

The carrying amounts and fair values of bonds are as follows:

€ million	Coupon rate	Maturity date	Carrying amount		Fair value	
			2009	2008	2009	2008
Non-current						
Convertible Bond	4.50%	2015	**421**	0	**490**	0
Retail Bond	5.75%	2014	**739**	0	**777**	0
Institutional Eurobond	5.75%	2016	**494**	0	**503**	0
Total non-current bonds			**1 654**	0	**1 770**	0

29.1. Convertible bond

During September 2009, UCB issued senior unsecured convertible bonds amounting to € 500 million. The closing date for the transaction was 22 October 2009 and the bonds will mature on 22 October 2015 (i.e. 6 year duration).

The convertible bonds were issued and will be redeemed at 100% of their principal amount and bear a coupon of 4.5%, payable semi-annually in arrears. The conversion premium has been set at € 38.746.

Bondholders have the right to convert the Bonds into new and/or existing shares of the Company and/or receive an amount in cash, based on the volume weighted average price of UCB's shares during 10 dealing days commencing on the 5th dealing day following the exercise of the conversion right at the option of the Company.

The fair value of the debt component is based on the present value of the contractually determined stream of cash flows discounted at the rate of interest applied at the time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option. The residual amount, being the difference between the total gross proceeds on bond issuance and the fair value of the debt component, is attributed to the fair value of the Derivative component (refer to note 36).

At 31 December 2009, the debt component is measured based on its amortised cost, using an effective interest rate of 7.670% per annum. In accordance with IAS39, the remaining transaction costs included in the calculation of the effective interest rate will be amortised over the expected life of the instrument (i.e. 6 years). The bonds have been listed on the Luxembourg Stock Exchange.

The fair value of the debt component of the convertible bond at 31 December 2009 amounted to € 490 million. The fair value is determined by a third party financial institution.

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

€ million	2009	2008
Debt component upon initial recognition at 22 October 2009	428	0
Effective interest expense (Note 16)	6	0
Nominal interest accrued for/not yet due	-4	0
Interest paid	0	0
Remaining unamortised transaction costs	-9	0
Debt component at 31 December 2009	**421**	**0**

29.2. Retail bond

During October 2009, UCB completed a public offering of € 750 million fixed rate bonds, due in 2014 and aimed at retail investors. These retail bonds will be redeemed at 100% of their principal amount and carry a coupon of 5.75% per annum while their effective interest rate is 5.75% per annum. The bonds have been listed on the Luxembourg Stock Exchange.

29.3. Institutional Eurobond

In December 2009, UCB completed an offering of € 500 million senior unsecured bonds, due in 2016 and aimed at institutional investors. The bonds were issued at 99.635% and will be redeemed at 100% of their principal amount. These bonds carry a coupon of 5.75% per annum while their effective interest rate is 5.8150% per annum. The bonds have been listed on the Luxembourg Stock Exchange.

30. Other financial liabilities

€ million	Carrying amount		Fair value	
	2009	2008	2009	2008
Non-current				
Financial liability related to the Domination and Profit Transfer Agreement	0	23	0	23
Derivative financial instruments (Note 36)	130	80	130	80
Total non-current other financial liabilities	**130**	**103**	**130**	**103**
Current				
Financial liability related to the Domination and Profit Transfer Agreement	0	72	0	72
Derivative financial instruments (Note 36)	53	57	53	57
Other financial liabilities	10	0	10	0
Total current other financial liabilities	**63**	**129**	**63**	**129**
Total other financial liabilities	**193**	**232**	**193**	**232**

During August 2009, UCB finalised the squeeze-out process of Schwarz Pharma AG and consequently Schwarz Pharma AG is now a fully owned subsidiary. The financial liability related to the Domination and Profit Transfer Agreement between UCB SP Gmbh and Schwarz Pharma AG (refer to Note 3.1) was settled.

31. Deferred tax assets and liabilities

31.1. Recognised deferred tax assets and liabilities

€ million	2009	2008
Intangible assets	-391	-486
Property, plant and equipment	-9	0
Inventories	58	118
Trade and other receivables	54	70
Employee benefits	14	20
Provisions	22	27
Other short-term liabilities	-27	-32
Tax losses	210	85
Unused tax credits	42	4
Write-down of previously recognised deferred income tax assets	-219	-86
Total deferred tax liabilities (net)	**-246**	**-280**

31.2. Unutilised tax losses

The amount and expiry date of unutilised tax losses for which no deferred tax asset is recognised in the balance sheet is detailed below:

€ million	2009	2008
Expiry dates:		
1 year or less	0	1
1-2 years	0	1
2-3 years	9	7
3-4 years	1	5
More than 4 years	14	16
Without expiration	980	648
Unutilised tax losses	**1 004**	**678**

31.3. 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 € 9 million (2008: € 8 million).

31.4. 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 € 593 million (2008: € 604 million) have not been recognised in view of the uncertain character of the recovery.

32. 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.

32.1. Defined contribution plans

Post-employment benefit plans are classified as 'defined contribution' plans if the Group pays fixed contributions into a separate fund or to a third party financial institution and will have no further legal or constructive obligation to pay further contributions. Therefore no assets or liabilities are recognised in the Group balance sheet in respect of such plans, apart from regular prepayments and accruals of contributions.

32.2. 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 in funds under the control of the 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 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 gains and losses are amortised over the expected average remaining working lives of the employees participating in the plan, in accordance with the 'corridor approach'. Therefore, actuarial gains and losses are recognised as income or expenses when the cumulative unrecognised actuarial gains or losses at the end of the previous reporting period exceed 10% of the greater of the present value of the retirement benefit obligation and the fair value of the plan assets.

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 amounts recognised in the balance sheet are determined as follows:

€ million	2009	2008
Present value of funded obligations	484	398
Fair value of plan assets	-404	-351
Deficit /surplus(-) for funded plans	80	47
Present value of unfunded obligations	81	73
Unrecognised actuarial gains/losses(-)	-78	-46
Adjustment in respect of minimum funding requirements	0	4
Effect of the Asset ceiling limit under IAS19, paragraph 58(b)	2	18
Net liability in respect of defined benefit plans	**85**	**96**
Add : Liability with respect to cash settled share based payments (Note 27)	7	2
Total employee benefit liabilities	**92**	**98**
Of which:		
Portion recognised in non-current liabilities	104	106
Portion recognised in non-current assets	-12	-8

UCB total non-current employee benefit liabilities amount to € 104 million (2008: € 106 million) of which € 7 million (2008: € 2 million) is related to the Group liability for cash settled share-based payments (Note 27).

The movement in defined benefit obligation over the year is as follows:

€ million	2009	2008
At 1 January	**471**	**529**
Current service cost	18	22
Interest cost	28	27
Contribution by plan participants	1	2
Amendments	0	0
Actuarial gains and losses	76	-4
Exchange difference	14	-56
Benefits paid	-26	-38
Premiums, taxes, expenses paid	-3	-2
Liabilities acquired in a business combination	0	0
Curtailments and settlements	-14	-9
At 31 December	**565**	**471**

The movement in the fair value of plan assets of the year is as follows:

€ million	2009	2008
At 1 January	**351**	**462**
Expected return on plan assets	24	29
Actuarial gains/losses(-) on plan assets	14	-80
Exchange difference	14	-60
Employer contribution	41	38
Employee contribution	1	2
Benefits paid	-26	-37
Premiums, taxes, expenses paid	-3	-2
Plan settlements	-12	-1
Assets acquired in a business combination	0	0
At 31 December	**404**	**351**

The fair value of plan assets amounts to € 404 million (2008: € 351 million), representing 71% (2008: 75%) of the benefits accrued to members for both funded and unfunded plans. The total deficit of € 161 million (2008: € 120 million) is expected to be eliminated over the estimated remaining average service period of the current membership.

The expenses recognised in the consolidated income statement are as follows:

€ million	2009	2008
Current service cost	18	22
Interest cost	28	27
Expected return on plan assets & reimbursement assets	-25	-30
Actuarial gain(-)/loss recognised	-1	0
Amortisation of past service cost[1]	0	0
Amortisation of net gain(-)/loss[1]	24	0
Adjustment in respect of minimum funding requirements	0	-1
Effect of the asset ceiling limit under IAS19, paragraph 58(b)	-17	5
Curtailment gain(-)/loss recognised	-1	-8
Settlement gain(-)/loss recognised	3	0
Total expense recognised in income statement	**29**	**15**

The split of the recognised expense by functional line is as follows:

€ million	2009	2008
Cost of sales	-8	-4
Marketing & Selling expenses	-3	-1
Research & Development expenses	-10	-6
General & Administrative expenses	-8	-4
Total	**-29**	**-15**

1 Includes the effect of applying paragraph 58A of IAS 19

The actual return on plan assets is € 38 million (2008: € -51 million) and the actual return on reimbursement rights is € 0 million (2008: € 0 million).

The principal weighted average actuarial assumptions used were as follows:

€ million	2009	2008
Discount rate	5.26%	5.92%
Expected rate of salary increases	4.05%	4.16%
Inflation rate	2.91%	2.52%
Expected long-term rate of return on plan assets	6.57%	6.59%
Assumed health-care trend rate		
- immediate trend rate	8.60%	7.00%
- ultimate trend rate	4.50%	4.50%
- year that the rate reaches ultimate trend rate	2028	2028

Plan assets comprise the following:

	2009		2008	
	Percentage of plan assets	Expected return on plan assets	Percentage of plan assets	Expected return on plan assets
Equity securities	29.72%	7.73%	26.50%	8.65%
Debt securities	24.64%	5.24%	49.06%	6.17%
Real estate	0.72%	5.25%	0.74%	6.51%
Other	44.91%	5.04%	22.24%	5.11%

A one percentage point increase or decrease in the assumed health-care trend (i.e. medical inflation) rate would have the following effect:

€ million	1% Increase	1% Decrease
Effect on the total service cost and interest cost	5	-11
Effect on the defined benefit obligation	22	-22

Amounts for the current and previous four periods (since transition to IFRS) are as follows:

€ million	2009	2008	2007	2006	2005
At 31 December					
Present value of the defined benefit obligation	565	471	529	590	540
Fair value of plan assets	404	351	462	472	438
Surplus/Deficit(-) in the plan before adjustments	-161	-120	-67	-118	-102
Experience adjustments arising on plan liabilities	3	9	6	3	8
Experience adjustments arising on plan assets	-14	80	3	-9	-38

The Group expects to contribute € 29 million (2008: € 36 million) to its defined benefit plans in 2010.

33. Provisions

The movements in provisions have been disclosed below:

€ million	Environment	Restructuring	Other	Total
At 1 January 2009	**63**	**221**	**224**	**508**
Arising during the year	0	69	24	93
Unused amounts reversed	-1	-18	-11	-30
Unwinding of discount	-4	0	0	-4
Transfer from one heading to another	0	3	0	3
Effect of movements in exchange rates	0	0	-1	-1
Utilised during the year	-1	-154	-34	-189
At 31 December 2009	**57**	**121**	**202**	**380**
Non-current portion	55	15	141	211
Current portion	2	106	61	169
Total provisions	**57**	**121**	**202**	**380**

33.1. Environmental provisions

UCB has in the past retained certain environmental liabilities which were associated to the acquisition of Schwarz Pharma and the divestiture of Surface Specialties. The latter relates to the divested sites on which UCB has retained full responsibility in accordance with the contractual terms agreed upon with Cytec Industries Inc. In 2009 a part of the provisions related to the Surface Specialties business was reversed. The provisions have been discounted at a rate of 3.78% (2008: 3.4%).

33.2. Restructuring provisions

The main increase in the 2009 restructuring provision can be attributed to the organisational changes in Belgium and the UK (announced in November 2009) and the exit from the primary care sector in the US (announced in January 2010). On the other hand the provision was utilised in view of the 2008 SHAPE programme (announced in August 2008). Refer to Note 14 for further information on the SHAPE programme.

33.3. 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 legal advisers and experts in the different domains.

34. Trade and other liabilities

34.1. Non-current trade and other liabilities

€ million	2009	2008
GSK / Sumitomo (Japan)	14	18
GSK Japan (Switzerland)	14	16
Other payables	87	22
Total non-current trade and other liabilities	**115**	**56**

34.2. Current trade and other liabilities

€ million	2009	2008
Trade payables	287	385
Taxes payable, other than income tax	25	23
Payroll and social security liabilities	110	132
Other payables	75	44
Deferred income linked to Collaboration agreements [1]	42	49
Other Deferred income	59	13
Royalties payable	45	26
Rebates/discount payable	234	291
Accrued interest	37	75
Other accrued expenses	122	121
Total current trade and other liabilities	**1 036**	**1 159**

(1) The Group entered into various collaboration agreements with third parties. The defered income relates to upfront payments received from such third parties and will be amortised to income over the duration of the agreement.

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.

35. Financial instruments by category

€ million At 31 December 2009 Assets as per balance sheet	Note	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	22	0	0	0	13	13
Derivative financial assets	36	0	32	22	0	54
Trade and other receivables – including prepaid expenses	24	819	0	0	0	819
Cash and cash equivalents	25	486	0	0	0	486
Total		**1 305**	**32**	**22**	**13**	**1 372**

€ million At 31 December 2009 Liabilities as per balance sheet	Note	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Borrowings	28	0	0	589	589
Bonds	29	0	0	1 654	1 654
Derivative financial liabilities	36	161	22	0	183
Trade and other liabilities	34	0	0	1 151	1 151
Other financial liabilities	30	0	0	10	10
Total		**161**	**22**	**3 404**	**3 587**

€ million At 31 December 2008 Assets as per balance sheet	Note	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	22	0	0	0	7	7
Derivative financial assets	36	0	61	6	0	67
Trade and other receivables: including prepaid expenses	24	859	0	0	0	859
Cash and cash equivalents	25	463	0	0	0	463
Total		**1 322**	**61**	**6**	**7**	**1 396**

€ million At 31 December 2008 Liabilities as per balance sheet	Note	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Borrowings	28	0	0	2 913	2 913
Derivative financial liabilities	36	30	107	0	137
Trade and other liabilities	34	0	0	1 215	1 215
Other financial liabilities	30	95	0	0	95
Total		**125**	**107**	**4 128**	**4 360**

36. Derivative financial instruments

€ million	Assets		Liabilities	
	2009	2008	2009	2008
Forward foreign exchange contracts – cash flow hedges	22	6	10	47
Forward foreign exchange contracts – fair value through profit and loss	32	61	43	30
Interest rate derivatives – cash flow hedges	0	0	12	60
Interest rate derivatives – fair value through profit and loss	0	0	51	0
Derivative linked to convertible bond (Note 29)	0	0	67	0
Total	**54**	**67**	**183**	**137**
Of which:				
Non-current - (Notes 22&30)	**12**	**1**	**130**	**80**
Current - (Notes 22&30)	**42**	**66**	**53**	**57**

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

The cash flow hedges entered into by the Group were assessed to be highly effective and as at 31 December 2009, a net unrealised gain of € 100 million (2008: net unrealised loss of € 146 million) after deferred taxes was included in equity in respect of these contracts. These gains/losses will be recycled to the profit or loss in the period during which the hedged forecast transactions affect the profit or loss.

The ineffective portion recognised in the profit or loss that arises from cash flow hedges amounts to € 0 million (2008: € 0 million).

36.1. Foreign currency derivatives

The Group policy with respect to the use of financial derivative contracts is described in Note 4 'financial risk management'.

The Group entered into several forward foreign exchange contracts in order to hedge a portion of highly probable future sales and royalty income, expected to occur in 2010.

The fair values of the foreign currency derivative contracts are as follows:

€ million	Assets		Liabilities	
	2009	2008	2009	2008
USD	31	2	32	54
GBP	5	41	3	0
EUR	17	13	9	17
PLN	0	7	1	0
MXN	0	2	0	0
JPY	1	1	1	5
CHF	0	0	4	0
Other currencies	0	1	3	1
Total foreign currency derivatives	**54**	**67**	**53**	**77**

The foreign currency derivatives maturity analysis is noted below:

€ million	2009	2008
1 year or less	-9	12
1-5 years	10	-22
Beyond 5 years	0	0
Total foreign currency derivatives – net asset/(net liability)	**1**	**-10**

The following table shows the split of foreign currency derivatives by currency of denomination (currencies sold view) as at 31 December 2009.

Notional amounts in € million	USD	GBP	EUR	JPY	CHF	Other currencies	Total
Forward contracts	529	56	710	32	265	42	1 634
Currency swaps	1 071	425	368	23	4	69	1 960
Option / collar	70	0	0	0	0	0	70
Total	**1 670**	**481**	**1 078**	**55**	**269**	**111**	3 664

36.2. Interest rate derivatives

The Group uses various interest rate derivative contracts to manage its exposure to interest rate movements on its variable rate borrowings. The re-pricing dates and amortisation characteristics are aligned with those of the floating rate syndicated loan recorded in Borrowings. The outstanding interest rate derivative contracts are as follows:

Contract type	Nominal values of contracts (million)	Average rate (- is payer / + is receiver)	Plus margin of points (- is payer / + is receiver)	For periods from/to		Floating Interest receipts
IRS	EUR 900	-3.22%		31/1/2005	31/1/2012	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
CAP	EUR 50	-4.50%		15/2/2007	15/2/2012	EURIBOR 6 months
IRS	USD 300	-3.40%		22/1/2010	24/1/2011	USD LIBOR 6 months
IRS	USD 400	-3.91%		25/8/2008	25/8/2012	USD LIBOR 6 months
IRS	USD 150	-4.04%		22/1/2010	22/1/2012	USD LIBOR 6 months
IRS	USD 150	-3.69%		22/1/2010	22/1/2013	USD LIBOR 3 months
IRS	USD 100	-3.92%		24/1/2011	22/1/2013	USD LIBOR 3 months
IRS	USD 50	-3.21%		23/1/2012	22/1/2014	USD LIBOR 3 months
IRS	EUR 150	-3.59%		23/1/2012	22/1/2014	EURIBOR 6 months
IRS	EUR 600	1.70%		29/1/2010	31/1/2012	-EURIBOR 6 months
IRS	EUR 680	2.47%		27/11/2009	27/11/2014	-EURIBOR 3 months
IRS	EUR 150	3.09%		23/1/2012	22/1/2014	-EURIBOR 6 months
IRS	USD 150	-3.30%		22/1/2013	22/1/2014	USD LIBOR 3 months
CCIRS	EUR 680	-USD LIBOR 3 Months	-0.23%	22/01/2013	22/01/2014	EURIBOR 3 months

36.3. Hedge of net investment in a foreign entity

In 2006, the company entered into a loan agreement which was partly designated as a hedge of the net investment in the Group U.S. operations. Following an internal corporate restructuring, this net investment hedge relationship was terminated in December 2007.

The unrealised cumulative foreign exchange gain of € 55 million has been reported in a separate component of equity, under 'Net Investment Hedge' in 2007. This unrealised gains/losses will remain in equity and will only be recycled to profit or loss when the Group no longer holds the underlying USD assets.

36.4. Derivative linked to Convertible Bond

Due to the existence of the cash settlement option by the Issuer (refer to Note 2.26), a portion of the proceeds received, upon issuance of the Convertible Bond, has been recognised as a derivative financial liability, to be measured at fair value through profit and loss.

37. Earnings per share

37.1. Basic earnings per share

€	2009	2008
From continuing operations	2.81	-0.07
From discontinued operations	0.04	0.31
Basic earnings per share	**2.85**	**0.24**

Basic earnings per share is calculated by dividing the profit attributable to shareholders 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.

37.2. Diluted earnings per share

€	2009	2008
From continuing operations	2.71	-0.07
From discontinued operations	0.04	0.30
Diluted earning per share	**2.75**	**0.23**

Diluted earnings per share are calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Potential dilutive effects arise from the convertible debt instruments and the employee stock option plans. If the outstanding instruments were to be converted than this would lead to a reduction in interest expense and the reversal of the mark to market adjustment of the related derivative financial liability.For the share 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:

37.3. Earnings

(a) Basic

€ million	2009	2008
Profit/(loss) from continuing operations attributable to shareholders of UCB SA	506	-13
Profit from discontinued operations	7	55
Profit attributable to shareholders of UCB SA	**513**	**42**

(b) Diluted

€ million	2009	2008
Profit/(loss) from continuing operations attributable to shareholders of UCB SA	506	-13
Adjustments for:		
- interest expense on convertible debt (net of tax)	3	0
- fair value gain (-)/loss on derivative linked to convertible bond (net of tax)	-3	0
Profit/(loss) from continuing operations used to determine diluted EPS	506	-13
Profit from discontinued operations	7	55
Adjusted profit attributable to shareholders of UCB SA	**513**	42

37.4. Number of shares

In thousands of shares	2009	2008
Weighted average number of ordinary shares for basic earnings per share	180 180	180 167
Adjusted for:		
share options	3 742	2 424
assumed conversion of convertible debt	2 509	0
Weighted average number of ordinary shares for diluted earnings per share	**186 431**	**182 591**

On 24 April 2008, 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 40). 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 2009 and have not been taken into account in the calculation of diluted earnings per share.

38. Dividend per share

The gross dividends paid in 2009 and 2008 were € 169 million (€ 0.92 per share) and € 169 million (€ 0.92 per share) respectively. A dividend in respect of the year ended 31 December 2009 of € 0.96 per share, amounting to a total dividend of € 176 million, is to be proposed at the annual general meeting of the shareholders on 29 April 2010.

In accordance with IAS 10, Events after the reporting period, the proposed dividend has not been recognised as a liability at year-end.

39. Commitments and contingencies

39.1. Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

€ million	2009	2008
Less than one year	28	37
Between one and five years	86	79
More than five years	34	7
Total	**148**	**123**

The Group has a number of non-cancellable operating leases primarily related to company cars and office spaces.

The leases cover an initial period of three to five years. Lease payments are increased annually to reflect market rentals. None of the leases include contingent rentals. In 2009, € 54 million (2008: € 62 million) was recognised as an expense in the income statement in respect of operating leases.

39.2. Capital Commitments

At 31 December 2009, the Group has committed to spend € 55 million (2008: € 9 million) mainly with respect to capital expenditure on property, plant and equipment in Belgium. The Group will start the construction of a biological plant in May 2010. This project is expected to be completed in mid-2013. The plant will be financed partially by government grants, as well as loans.

The Group has entered into several in-licensing agreements with different counterparties. At 31 December 2009, the Group had commitments payable within the coming year of approximately € 8 million (2008: € 10 million) with respect to intangible assets. These payments are usually due upon achievement of specified milestone events for products under development and in-licensed from third parties. Besides the above-mentioned R&D milestones, sales milestones might also be due within the coming year, however given the uncertainty over the timing and the measurement of the amounts involved, these milestones have not been reflected above.

39.3. Guarantees

With respect to the syndicated loan facilities agreement, UCB and certain of its affiliates have provided certain Financial guarantees towards the consortium of banks. Furthermore, certain financial arrangements have been put in place with the Walloon Region amounting to € 40 million.

Additionally, the company has provided guarantees to XL Winterthur International amounting to US$ 6 million (2008: US$ 6 million), as well as guarantees to Zurich Insurance Company amounting to € 30 million (2008: € 30 million) in respect of reinsurance liabilities. The company has also provided guarantees to Sandoz GmbH of € 8 million (2008: € 8 million) in respect of manufacturing capacity arrangements. With respect to the former chemical activities of the Group, UCB has provided guarantees to the public waste agency of Flanders, OVAM, pertaining to environmental liabilities of € 13 million (2008: € 13 million).

39.4. Contingent liabilities

It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for in Note 33 (2008: € 3 million).

39.5. Contingent assets

On 26 April 2005 UCB and Lonza AG entered into a strategic bio-manufacturing alliance. UCB and Lonza signed a longterm supply agreement, whereby Lonza will manufacture PEGylated antibody fragment-based bulk actives for UCB.

Lonza has built a commercial scale biopharmaceutical manufacturing facility which 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.

40. Related party transactions

40.1. Intra-group sales and services

During the financial years ended 31 December 2009 and 2008, 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 affiliates as well as centralised functions and activities carried out by the UCB Group in order to optimise operations through economies of scale and scope.

40.2. Financial transactions with related parties other than UCB S.A. affiliates

There are no financial transactions with other related parties other than affiliates of UCB S.A.

40.3. Defensive warrants

On 24 April 2008, 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 holders 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 23 April 2013. UCB shares resulting from the exercise of these warrants will be issued with reference to the market price over a period prior to issuance.

40.4. Key management compensation

Key management compensation as disclosed below comprises compensation recognised in the income statement for members of the Board of Directors and the Executive Committee, for the portion of the year where they exercised their mandate.

€ million	2009	2008
Short-term employee benefits	8	10
Termination benefits	2	0
Post-employment benefits	2	2
Share-based payments	4	3
Total key management compensation	**16**	**15**

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 share options, share awards and performance shares as further explained in Note 25. 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.

41. Events after the balance sheet date

Strategic Neurology and Immunology focus reinforced in the U.S., leading to an organisational change

On 29 January 2010, UCB announced its decision, in line with its long-term strategy to transform itself into a leading biopharmaceutical leader focused on severe diseases (including epilepsy, Crohn's disease, Parkinson's disease, and rheumatoid arthritis), to exit the primary care sector in the U.S., effective March 1, 2010.

Revocation of cash settlement option linked to convertible bond

On 26 February 2010, UCB announced its decision to revoke the cash settlement option linked to the convertible bond. Therefore, the fair value of the derivative component linked to the convertible bond (Note 36) has been reclassified to equity on 26 February 2010.

42. UCB companies

The Group has investments in the following subsidiaries, all of which have been consolidated:

Name and office	Holding
Australia	
UCB Australia Pty Ltd. - Level 1, 1155 Malvern Road – 3144 Malvern, Victoria	100%
Austria	
UCB Pharma GmbH – Geiselbergstrasse 17-19, 1110 Wien	100%
Belgium	
UCB Fipar S.A. - Allée de la Recherche 60 – 1070 Brussels (BE0403.198.811)	100%
UCB-Actias S.A. (in liquidation) - 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%
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%
Immo UCB Braine S.A. – Allée de la Recherche 60 – 1070 Brussels (BE0820.150.341)	100%
Brazil	
UCB Holdings do Brasil Ltda – Rua Sao Joaquin 249, Sala 13 Bairrio Liberdade – Sao Paulo 01508-001	100%
Bulgaria	
UCB Bulgaria EOOD - 15, Lyubata Str., Fl. 4 apt. 10-11, Lozenetz, Sofia 1407	100%
Canada	
UCB Pharma Canada Inc. - 4145 North Service Road 200 - ON L7L 6A3 Burlington	100%
China	
UCB Trading (Shanghai) Co Ltd. - Suite 2802 Raffles City Shanghai Office Tower, 268 Tibet Road Central, 200001 Shanghai	100%
UCB Pharma Ltd. – Unit 515, 5/F South Tower, World Finance Center The Gateway, Harbour City – Hong Kong	100%
Zhuhai Schwarz Pharma Company Ltd. – Block A. Changsa Industrial zone. Qianshan District – 519070 Zhuhai Guangdong Province	75%
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%
Finland	
UCB Pharma OY Finland – Itsehallintokuja 6 – 02600 Espoo	100%

France	
UCB France S.A. – 420 rue d'Etienne d'Orves – 92700 Colombes	100%
UCB Pharma S.A. - 420 rue d'Etienne d'Orves – 92700 Colombes	100%
Germany	
UCB SP Gmbh - Alfred Nobel Strasse, 10 - 40789 Monheim am Rhein	100%
Vedim Pharma GmbH- Alfred Nobel Strasse, 10 - 40789 Monheim am Rhein	100%
UCB GmbH - Alfred Nobel Strasse, 10 - 40789 Monheim am Rhein	100%
Celltech Pharma GmbH & Co Kg – Alfred-Nobel Strasse 10 – 40789 Monheim am Rhein	100%
Celltech Pharma Beteiligungs GmbH – Alfred-Nobel Strasse 10 - 40789 Monheim am Rhein	100%
Schwarz Pharma AG - Alfred Nobel Strasse, 10 - 40789 Monheim am Rhein	100%
Schwarz Biosciences GmbH – Alfred-Nobel-Strasse 10- 40789 Monheim am Rhein	100%
Sanol GmbH – Alfred-Nobel-Strasse 10- 40789 Monheim am Rhein	100%
Schwarz & Co Immobiliengesellschaft Zwickau – Galileistrasse 6 – 08056 Zwickau	100%
Schwarz & Co Immobiliengebäudegesellschaft Zwickau – Galileistrasse 6 – 08056 Zwickau	100%
Schwarz Pharma Produktions GmbH – Alfred-Nobel-Strasse 10- 40789 Monheim am Rhein	100%
Schwarz Pharma Deutschland GmbH AG – Alfred-Nobel-Strasse 10- 40789 Monheim am Rhein	100%
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%
Hungary	
UCB Hungary Ltd. – Obuda Gate Building Arpád Fejedelem útja 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. (in liquidation) - 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	100%
Kudco Ireland Ltd – Shannon Industrial Estate – Shannon County Clare	100%
Italy	
UCB Pharma SpA – Via Gadames 57 – 20151 Milano	100%
Japan	
UCB Japan Co Ltd. – Ochanomizu Kyoun Bldg 2-2, Kanda-Surugadai – 101-0062 Chiyoda-Ku, Tokyo	100%
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%
Mexico	
UCB de Mexico S.A. de C.V. – Homero#440, 7fl Col. Chapultepec Morales – 11570 Mexico D.F.	100%
Vedim S.A. de C.V. - Homero#440, 7fl Col. Chapultepec Morales – 11570 Mexico D.F.	100%
Netherlands	
UCB Finance NV – Lage Mosten 33 – 4822 NK Breda	100%
UCB Pharma BV - Lage Mosten 33 – 4822 NK Breda	100%

Medeva Holdings BV - Lage Mosten 33 – 4822 NK Breda	100%
Medeva BV - Lage Mosten 33 – 4822 NK Breda	100%
Norway	
UCB Pharma AS – Grini Naeringspark 86 – 1361 Osteras, Baerum	100%
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%
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%
Romania	
UCB Pharma Romania S.R.L. - 37 Paris Street, Bucharest 011814	100%
Russia	
UCB Pharma LLC – Shturvaluaya 5 Bldg 1 – 125364 Moscow	100%
Schwarz Pharma ooo (in liquidation) – Kantemirovskaja 58 – 115477 Moscow	100%
South Korea	
Korea UCB Co Ltd. – 1674-1, Seocho-dong, Seocho-gu, 137-881 Seoul	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%
Sweden	
UCB Pharma AB (Sweden) – Stureplan 4C 4van - 11435 Stockholm	100%
Switzerland	
UCB Farchim S.A. – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%
UCB Investissements S.A. – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%
Doutors Réassurance S.A. – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%
Cogefina S.A. – 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 S.A. – Chemin de Croix Blanche 10 – 1630 Bulle	100%
Turkey	
UCB Pharma AS – Rüzgarlibahçe, Cumhuriyet Caddesi Gerçekler Sitesi, B-Blok Kat:6, Kavacik, Beykoz - 34805 Istanbul	100%
Melusin Ilac ve Maddeleri Pazarlama TLS – Besiktas 4 Levent Selvili Sok n° - Istanbul	100%
U.K.	
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 U.K. 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%
UCB Ireland – 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 (U.K.) Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100%
Oxford GlycoSciences – 208 Bath Road – SL1 3WE Slough, Berkshire	100%
Oxford GlycoSciences (U.K.) 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%
Schwarz Pharma Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%
Schwarz Pharmaceuticals Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%
Medo Pharmaceuticals Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%

U.S.

UCB Holdings Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%
Fipar U.S. 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 Pharco Inc. – 300 Delaware Avenue – 19801 Wilmington Delaware	100%
Celltech U.S. LLC – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington Delaware	100%
Celltech Manufacturing CA Inc. – CT 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. – CT Corporation System, 111 Eight Avenue, NY, 10011 New York	100%
Upstate Pharma LLC – CT Corporation System, 111 Eight Avenue, NY, 10011 New York	100%
Cistron Biotechnology Inc. - Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%
Schwarz Biosciences Inc. – 1209 Orange Street - 19801 Wilmington Delaware	100%
Schwarz Pharma Inc - 2711 Centerville Road Suite 400 - 19808, Wilmington , Delaware	100%
Schwarz Pharma Manufacturing Inc. – 251 E. Ohio Street Suite 1100 –46204 Indianapolis	100%
Kremers Urban Development Company - 2711 Centerville Road — 19808 Wilmington Delaware	100%
SRZ Properties Inc. - 2711 Centerville Road Suite 400 — 19808 Wilmington Delaware	100%
CPM Properties Inc. – 1209 Orange Street – 19801 Wilmington Delaware	100%
Kremers Urban LLC – 2711 Centerville Road Suite 400 – 19808 Wilmington Delaware	100%
Schwarz Pharma LLC – 1209 Orange Street – 19801 Wilmington Delaware	100%

43. Responsibility statement

We hereby confirm that, to the best of our knowledge, the consolidated financial statements as of 31 December 2009, prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and with the legal requirements applicable in Belgium, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation as a whole, and that the management report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed by Roch Doliveux (CEO) and Detlef Thielgen (CFO) on behalf of the Board of Directors.

Report of the Statutory Auditor

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE CONSOLIDATED ACCOUNTS OF THE COMPANY UCB SA/NV AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2009.

As required by law and the company's articles of association, we report to you in the context of our appointment as the company's statutory auditor. This report includes our opinion on the consolidated accounts and the required additional disclosure.

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 2009, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated accounts comprise the consolidated statement of financial position as of 31 December 2009 and the consolidated statement of income, changes in shareholders' equity, comprehensive income 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 statement of financial position amounts to EUR 9 120 million and the consolidated statement of income shows a profit for the year (group share) of EUR 513 million.

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 Réviseurs 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 provides a reasonable basis for our opinion.

In our opinion, the consolidated accounts give a true and fair view of the Group's net worth and financial position as of 31 December 2009 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 remark

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 remark, 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, 1 March 2010

The statutory auditor
PricewaterhouseCoopers Reviseurs d'Entreprises / Bedrijfsrevisoren
Represented by

Bernard Gabriëls
Bedrijfsrevisor

Abbreviated Statutory Financial Statements of UCB S.A.

1. Introduction

In accordance with the Belgian Company Code, 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.

The Statutory Auditor have issued an unqualified audit opinion and certify that the non-consolidated Financial statements of UCB S.A. for the year ended 31 December 2009 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.com or on simple request, addressed to:

UCB S.A.
Corporate Communication
Allée de la Recherche 60
B-1070 Brussels (Belgium)

2. Balance sheet

€ million	At 31 December 2009	At 31 December 2008
ASSETS		
Formation expenses	42	20
Intangible assets	1	1
Tangible assets	6	7
Financial assets	5 170	4 805
Fixed assets	**5 219**	**4 833**
Amounts receivable after more than one year	1 317	1 068
Amounts receivable within one year or less	1 391	42
Short-term investments	0	0
Cash at bank and on hand	2	1
Deferred charges and accrued income	14	47
Current assets	**2 724**	**1 158**
Total assets	**7 943**	**5 991**
LIABILITIES		
Capital	550	550
Share premium	1 601	1 601
Reserves	2 017	2 008
Profit brought forward	146	145
Equity	**4 314**	**4 304**
Provisions	2	4
Provisions and deferred taxes	**2**	**4**
Amounts payable after more than one year	1 819	1 446
Amounts payable within one year or less	1 778	213
Accrued charges and deferred income	30	24
Current liabilities	**3 627**	**1 683**
Total liabilities	**7 943**	**5 991**

3. Income statement

€ million	At 31 December 2009	At 31 December 2008
Operating income	47	36
Operating charges	-55	-57
Operating result	**-8**	**-21**
Financial income	253	361
Financial charges	-101	-99
Financial result	**152**	**262**
Operating result before income taxes	**144**	**241**
Exceptional income	49	1
Exceptional charges	-7	-3
Exceptional result	**42**	**-2**
Profit before income taxes	**186**	**239**
Income taxes	0	17
Profit for the year available for appropriation	**186**	**256**

4. Appropriation account

€ million	At 31 December 2009	At 31 December 2008
Profit for the period available for appropriation	186	256
Profit brought forward from previous year	145	145
Profit to be appropriated	**331**	**401**
To legal reserve	0	0
To other reserves	-9	-88
Appropriation to capital and reserves	**-9**	**-88**
Profit to be carried forward	-146	-145
Result to be carried forward	**-146**	**-145**
Dividends	-176	-169
Profit to be distributed	**-176**	**-169**
If the proposed allocation of the profit is approved, the total gross dividend will be fixed at:	€ 0.96	€ 0.92
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:	€ 0.72	€ 0.69

The activities of UCB S.A. generated in 2009 a net profit of € 185 847 178 after income taxes. After taking into account the profit brought forward of € 145 008 590, the amount available form distribution is € 330 855 767.

The Board of Directors proposes to pay a gross dividend of € 0.96 per share, or a total dividend distribution of € 176 030 450. If this dividend proposal is approved by the company's shareholders on their Meeting on 29 April 2010, the net dividend of € 0.72 per share will be payable as of 6 May 2010 against the delivery of coupon nr 12, attached to the company's bearer shares.

5. Summary of significant accounting 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.

5.1. 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'.

5.2. 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 & office machines 33.3%
- Prototype equipment 33.3%

5.3. 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.

5.4. Receivables and liabilities

They are shown at their book value. Receivables have been written down if their repayment, when due, is entirely or partly uncertain and doubtful.

5.5. 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.

5.6. 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.

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.

Core EPS: Adjusted net profit, as defined above, adding back the after tax amortization of intangible assts linked to sales.

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.

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.

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 prevail.

Availability of the Annual Report

The Annual Report is as such available on the website of UCB (www.ucb.com). Other information on the website of UCB or on any other website, does not form part of this Annual Report.

A printed version of the Annual Report is also available and can be obtained in printed form 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

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.

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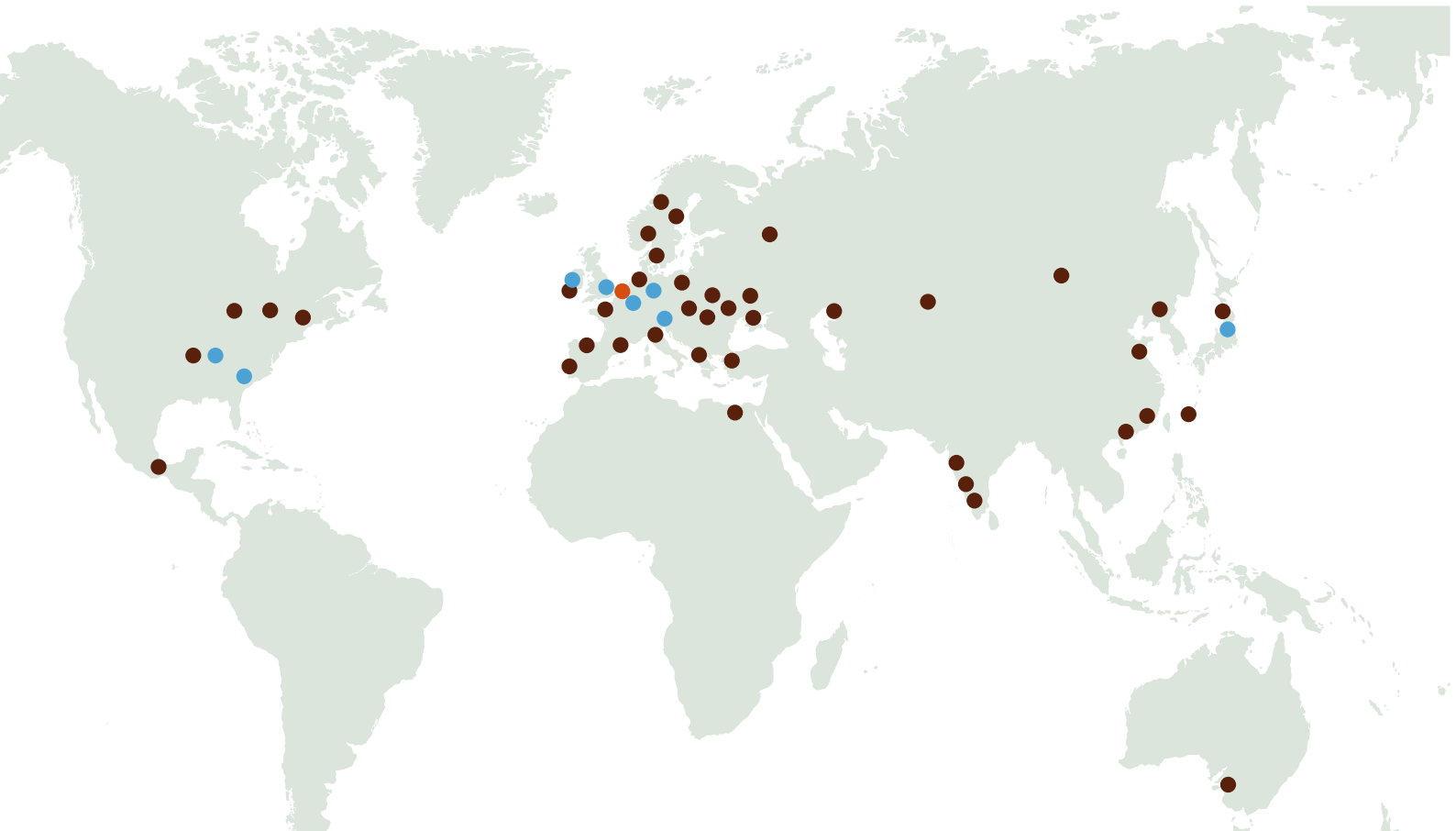
Current litigation

We are actively involved in managing all litigation relating to our products including a limited number of product-related litigations, ANDA patent litigation, a U.S. Department of Justice review of Keppra® promotional practices and reimbursement issues relating to products acquired from Schwarz Pharma. These and other matters could result in possible liabilities or loss of exclusivity for the company.

Our global presence

- Headquarters
- R&D sites
- Commercial or manufacturing sites

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



...and delivering

results

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