

Inspired by **patients.**
Driven by **science.**

Terry, living with Parkinson's disease



2012 | ANNUAL
REPORT



Nele,
living with lupus



Carola,
living with Parkinson's disease



I.	LETTER TO THE STAKEHOLDERS	8
II.	MANAGEMENT REPORT OF THE BOARD OF DIRECTORS	17
	1. Corporate governance statement	18
	2. Business performance review	41
	3. Operating and financial review	44
III.	CONSOLIDATED FINANCIAL STATEMENTS	52
IV.	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	58
V.	RESPONSIBILITY STATEMENT	120
VI.	REPORT OF THE STATUTORY AUDITOR	122
VII.	ABBREVIATED STATUTORY FINANCIAL STATEMENTS OF UCB S.A.	124
VIII.	CORPORATE SOCIETAL RESPONSIBILITY PERFORMANCE REPORT	128



Neil,
scientist at UCB Slough



Carrie,
living with Crohn's disease



“ Inspired by **patients.**
Driven by **science.** ”





Advancing the Pipeline

Central Nervous System (CNS)

		PHASE 1	PHASE 2	PHASE 3	FILING
Neupro® (rotigotine)	advanced Parkinson's disease (Japan) ¹				
Neupro® (rotigotine)	restless legs syndrome (Japan) ¹				
brivaracetam	epilepsy POS ² / adjunctive therapy				
Vimpat® (lacosamide)	epilepsy POS ² / monotherapy (U.S.)				
Vimpat® (lacosamide)	epilepsy POS ² / monotherapy (EU)				
Vimpat® (lacosamide)	epilepsy POS ² / adjunctive therapy (Asia)				
Vimpat® (lacosamide)	epilepsy POS ² / paediatric adjunctive therapy				
Vimpat® (lacosamide)	epilepsy PGTCs ³ / adjunctive therapy				

¹ By our CNS partner in Japan, Otsuka

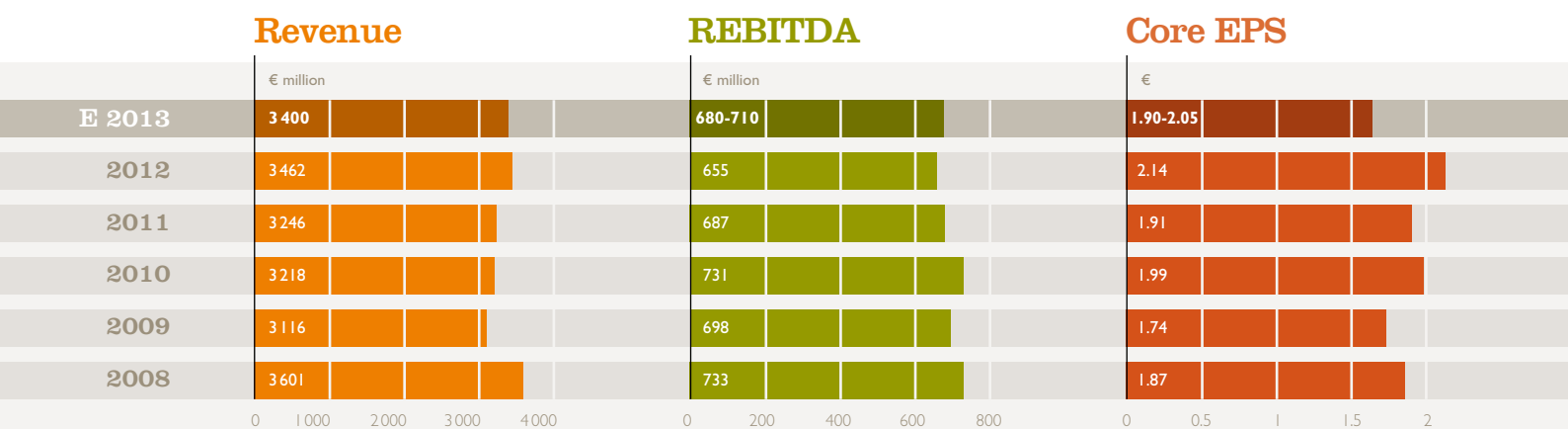
² Partial-Onset Seizures

³ Primary Generalised Tonic Clonic Seizures

Immunology

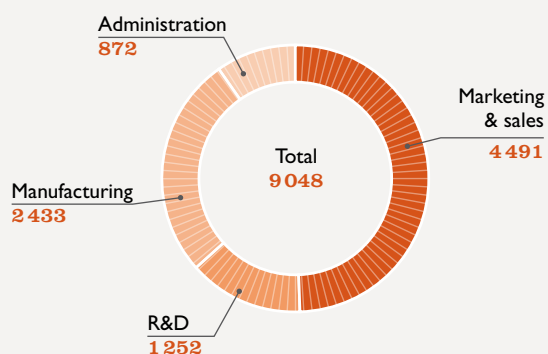
		PHASE 1	PHASE 2	PHASE 3	FILING
Cimzia® (certolizumab pegol)	rheumatoid arthritis (Japan)				
Cimzia® (certolizumab pegol)	axial spondyloarthritis				
Cimzia® (certolizumab pegol)	psoriatic arthritis				
epratuzumab	systemic lupus erythematosus				
Cimzia® (certolizumab pegol)	juvenile idiopathic arthritis				
romosozumab (sclerostin antibody)	post-menopausal osteoporosis				
CDP7657 (anti-CD40L)	systemic lupus erythematosus				
UCB4940	immunological diseases				

Key figures

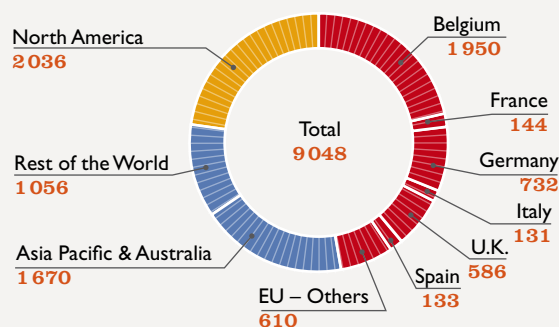


	2008	2009	2010	2011	2012
Revenue	3 601	3 116	3 218	3 246	3 462
Net sales	3 027	2 683	2 786	2 876	3 070
R&D expenses	767	674	705	778	890
Ratio R&D expenses/revenue	21%	22%	22%	24%	26%
Recurring EBIT (REBIT)	531	453	467	439	415
Recurring EBITDA	733	698	731	687	655
Ratio REBITDA/revenue	20%	22%	23%	21%	19%
Net profit	42	513	103	238	252
Core EPS (€ per non-diluted share)	1.86	1.74	1.99	1.91	2.14
Net debt	2 443	1 752	1 525	1 548	1 766
Ratio net debt/REBITDA	3.33	2.51	2.09	2.25	2.70
Equity ratio	42%	48%	51%	51%	49%
Cash flow from operating activities	366	295	506	292	355
Capital expenditure (including intangible assets)	179	87	78	137	221

Employees by function (year-end 2012)



Employees by region (year-end 2012)



EU - Others Austria, Bulgaria, Czech Republic, Denmark, Finland, Greece, Hungary, Ireland, Luxembourg, Netherlands, Poland, Portugal, Romania, Slovakia, Sweden
Asia Pacific & Australia Australia, China, Hong-Kong, India, Japan, South Korea
Rest of the World Brazil, Kazakhstan, Mexico, Norway, Russia, Switzerland, Turkey, Ukraine
North America Canada, U.S.

2012 milestones

> R&D MILESTONES

Cimzia®	rheumatoid arthritis (Japan) – filing (Jan. 2012)
	psoriatic arthritis – Phase 3 results (Feb. 2012)
	rheumatoid arthritis – start of Phase 3 C-Early™ study (Feb. 2012)
	juvenile idiopathic arthritis – start of Phase 3 (Mar. 2012)
	axial spondyloarthritis – Phase 3 results (Apr. 2012)
	rheumatoid arthritis (Japan) – approval (Dec. 2012)
Vimpat®	epilepsy PGTCS / adjunctive therapy – Phase 2 results (Jan. 2012)
	epilepsy POS / adjunctive therapy (Asia) – start of Phase 3 (Nov. 2012)
Neupro®	Parkinson's disease & restless legs syndrome (U.S.) – approval (Apr. 2012)
	Parkinson's disease & restless legs syndrome (EU) – approval of room temperature stable patch (Aug. 2012)
	Parkinson's disease & restless legs syndrome (Japan) – approval (Dec. 2012)
romosozumab	post-menopausal osteoporosis – start of Phase 3 (Apr. 2012)
olokizumab	rheumatoid arthritis – Phase 2 topline results (Sept. 2012)

> FINANCIAL PERFORMANCE

≥ € 3.4

billion revenue

€ 655

million REBITDA

€ 2.14

core EPS

> PARTNERSHIPS

UCB strengthens strategic alliance with WILEX (Jan. & Aug. 2012)

UCB and Astellas announce agreement to jointly develop and commercialize Cimzia® in Japan (Jan. 2012)

UCB and Nodality enter into a multi-year strategic collaboration (Feb. 2012)

UCB and Oxford University announce new R&D partnership (Mar. 2012)

UCB expands in Brazil (May 2012)

UCB-Harvard Research Alliance expands and moves forward (June & Oct. 2012)

UCB and NewBridge Pharmaceuticals Partner for Middle East and African markets (Nov. 2012)

Biotie Therapeutics reported positive Phase 2b topline results for *tozadenant* in Parkinson's disease (Dec. 2012)



Gerhard Mayr,
Chairman of the Board

> CORPORATE GOVERNANCE

Gerhard Mayr became Chairman of the Board (May 2012)

Anna Richo appointed Executive Vice President and General Counsel (Nov. 2012)

Bob Trainor, Executive Vice President and General Counsel, retired (Dec. 2012)

Greg Duncan, Executive Vice President and President North American Operations, left (Feb. 2013)

New organizational structure to deliver superior and sustainable value to patients (Feb. 2013)



Anna S. Richo,
Executive Vice President and General Counsel

Cimzia®

- > Reaching more than 41 000 patients living with Crohn's disease or rheumatoid arthritis, across 34 countries
- > € 467 million net sales
- > Approval in Japan (Dec. 2012)
- > 2 filings (Feb. 2013)
- > 1 indication in development

Vimpat®

- > Reaching more than 234 000 patients living with epilepsy, across 36 countries
- > € 334 million net sales
- > 3 indications in development

Neupro®

- > Reaching more than 148 000 patients living with Parkinson's disease or restless legs syndrome, across 33 countries
- > € 133 million net sales
- > Launch in the U.S. (July 2012)
- > Approval in Japan (Dec. 2012)

Keppra®

- > Reaching thousands of patients living with epilepsy, across 53 countries
- > € 838 million net sales
- > 40% sales increase in the Rest of the World



Gerhard Mayr
Chairman

Roch Doliveux
Chief Executive Officer

Inspired by **patients.**
● Driven by **science.**



Rosanne,
carer of child
with epilepsy



Frauke,
living with
type 2 diabetes
and her friend
Jerome,
living with epilepsy

**Dear shareholders, partners, colleagues,
those living with severe diseases and all,**

**In 2012 we completed UCB's transformation into
a patient-centric biopharmaceutical company.
Thanks to the remarkable achievements of our colleagues at UCB,
we now expect company growth for many years, driven by our
core medicines, emerging markets and new breakthroughs.**

Achieving our targets

During the year, UCB reached the 'crossover point' where the net sales of our new core medicines exceeded those of Keppra®, UCB's leading medicine for many years. Our core medicines – Cimzia®, Vimpat® and Neupro® (CVN), achieved combined sales of € 934 million, touching the lives of nearly 420 000 people living with selected immunological and neurological disorders.

Moreover, Keppra® performed better than expected, resisting generic competition in Europe and the U.S., and enjoying intense growth in Asia driven by Japan, where E Keppra® is co-promoted with Otsuka, a leading CNS company in Japan, and where the medicine has market exclusivity until at least 2018.

UCB's performance in emerging markets was another key driver of growth, with sales of € 628 million, up 22% versus previous year (+16% at constant exchange rate). Our acquisition of a majority stake in Meizler in Brazil means we now have a presence in all the major emerging markets targeted by UCB.

Overall, we achieved our financial targets, with revenues reaching € 3.4 billion (up 7%) intense R&D investment to advance our pipeline as well as expenses to launch Neupro® in the U.S., resulting in underlying profitability (reassured by recurring EBITDA) of € 655 million, net profit after tax of € 252 million translating into core earnings per share of € 2.14.

In line with our stable dividend policy, which considers the long-term potential of the company, the Board of Directors has proposed a gross dividend of € 1.02 per share, up 2%.





Anne,
scientist at UCB
Braine-l'Alleud

“
We are investing 26% of revenue in
a promising pipeline of new medicines.

>>>

Further strengthening our pipeline

UCB's financial achievements were complemented by significant progress with our pipeline. For example, Neupro® was approved and launched in the U.S. in the treatment of Parkinson's disease (PD) and restless legs syndrome (RLS). Neupro® was also approved in Japan on 25 December 2012, as well as Cimzia®. In the first half of 2013, we will launch Cimzia® in Japan with our partner Astellas, the leading immunology company in Japan, while Neupro® will be marketed by Otsuka. We also further differentiated the Cimzia® label in the U.S. and Europe from competitors and completed Phase 3 programs for major new indications for Cimzia®, such as axial spondyloarthritis as well as psoriatic arthritis: the combined prevalence of these two diseases is more than half of the current indications.

In Phase 3 development, UCB's rich pipeline of three new potential medicines continues to strengthen. *Romozosumab* (sclerostin antibody), a potential breakthrough for bone loss disorders, entered Phase 3 in post-menopausal osteoporosis and is being co-developed with our partner Amgen. In addition, *epratuzumab*, a potential novel treatment for lupus, and *brivaracetam*, for epilepsy, both continued to progress through Phase 3.

In our early stage pipeline, we focus on potential breakthroughs that offer true differentiation and systematically discontinue projects that do not. The wealth and quality of our pipeline – internal and external – allows us to make these choices. Consequently, on the one hand we decided not to pursue *olokizumab* into Phase 3 on our own. On the other hand, one of our external programs, *tozadenant*, a novel oral therapy for Parkinson's disease, developed by our partner Biotie, achieved positive Phase 2b results in December 2012.

>>>



Christer, living with Parkinson's disease




Ensuring quality and compliance

Across UCB we continued to operate to the highest standards of quality, safety and compliance. For example, we passed all inspections from regulatory agencies, with no critical findings, and we were identified by WCI as an industry leader in drug safety for our approach to benefit-risk governance. We also successfully implemented our corporate integrity agreement in the U.S. for the second year running.

We further strengthened our reputation as a leading biopharmaceutical company through our new corporate societal responsibility (CSR) strategy, 'societal' reflects

our broad responsibility and commitment to society, embracing environmental and social dimensions. These efforts have been recognized as UCB reached the Top 100 of the world's most sustainable companies, according to Corporate Knights, a Toronto-based specialized media and financial information products company.

Last but not least, the engagement of our colleagues at UCB, which we measure through an annual, company-wide survey, continued to strengthen in 2012, surpassing industry standards according to our survey provider.



Neil, scientist at
UCB Slough

“

Patient-centricity:
Valued medicines and health solutions
that make a difference to people
living with severe diseases.

UCB is entering 2013 from a position of strength.

UCB's advances are all the more impressive given the forces impacting the global biopharmaceutical industry. Our industry is at a major inflection point.

On the one hand, it faces substantial challenges, including the expiries of important patents, stiffer generic competition, declining R&D investments, and rising R&D costs per project. Additionally, the economic crisis has forced governments in Europe and beyond to tighten their healthcare expenditure, which not only affects the industry's commercial prospects, but could also impede patients' access to new medicines in both developing and developed countries.

On the other hand, the forces of demographics aging, the spendable power of baby boomers, the power of energizing technologies, and the advances in science provide unique opportunities for innovative biopharmaceutical companies. At the same time, consumers (patients) are getting more information and power, and greater accountability is to be expected.

Finally, information throughout the health care system is becoming transparent to an extent never experienced before; this builds a basis for comparison and insight that if combined with technological and scientific advances can create the foundation to even better and more economical healthcare for all people.

In this new environment, innovative biopharmaceutical companies that are capable of rapidly harnessing the power of contemporary technologies will have an advantage. In such a complex environment, companies will not be able to provide sustainable value for people living with severe diseases by their internal capabilities alone; they will have to partner and build strategic alliances to combine strength for building unique advantages.

At any inflection point, new leaders emerge and UCB aspires to be one of those leaders. New biopharmaceutical leaders will focus on bringing solutions to people who suffer from severe diseases and on being able to share the value they bring with patients and payers.

Implementing a clear strategy:



Carrie, living with Crohn's disease

Inspired by **patients.** Driven by **science.**

Since 2004, UCB's strategy has focused on delivering superior and sustainable solutions to people who live with severe diseases, targeting two sets of severe diseases: neurological diseases and diseases of the immune system, with a special focus on rheumatologic and gastroenterologic diseases. In each of these areas, we constantly strive to better understand the patients we serve while using contemporary science to create unique solutions and efficient ways to deliver them.

FIVE KEY ENABLERS LIE BEHIND OUR STRATEGY:

1. Fostering connectivity, for example by connecting with the best universities and biotech companies, and with the patients themselves and their caregivers, as well as payers;
2. Developing diverse (and connected) talent;
3. Ensuring compliance with rules and regulations;
4. Ruthlessly eliminating non-core activities;
5. Reaching competitive profitability in the second half of this decade.

Our research strategy focuses on first – or second-in-class – innovative approaches, prioritizing projects that have a clear proof of concept and clear end points. We focus our manufacturing network on R&D scale-up until launch. Where appropriate, we augment our internal capabilities using strategic partnerships, both for large and small molecules, in the commercial phase of the product, while securing cost-effective supply. We have completed our biotech pilot plant in Belgium and are progressing with build-out of our commercial-scale manufacturing biotech plant in Switzerland, initially intended for the manufacture of Cimzia®.

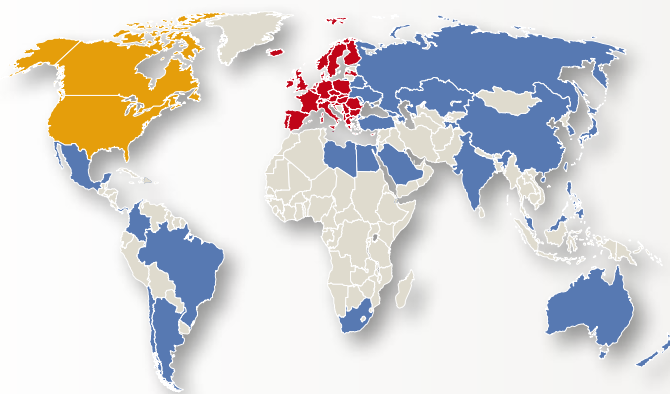
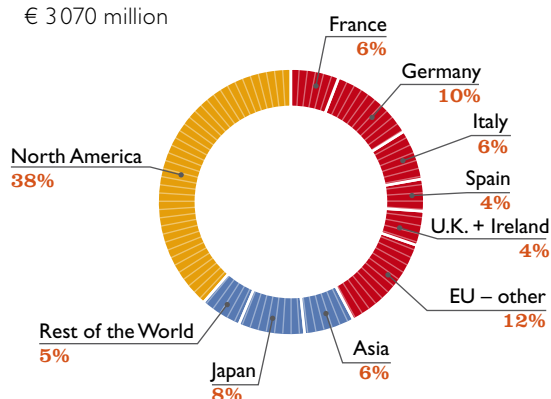
As for our commercial strategy, we have our own presence covering specialist physicians, payers and patient groups, in North America, Europe and major emerging markets, focusing on China, India, Russia, Brazil, Mexico and Turkey, which collectively account for 75% of pharmaceuticals in emerging markets.

In all areas, we continue to learn from best-in-class companies outside the biopharma industry in areas such as innovation, customer insights, cost management and activity-based management.



Net sales – Geographical area (2012)

€ 3070 million



Helping thousands of patients
across 66 countries

Our 2013 Priorities



Aspiring to superior growth

As a result of our strategy, UCB aims to exceed the biopharma industry's compounded growth. We also expect to invest more than our peers in R&D proportionally to our sales while gradually reaching peer profitability through lower marketing and selling expenses as well as general and administrative expenses than our peers.

With no major patent expiry for many years and with three new core medicines fueling our growth, plus a rich pipeline and cutting edge science, UCB is now poised to build a strong global presence in neurology and immunology – and to deliver significant returns to shareholders. Thanks to the current performance and growth of our core medicines, we confirm our ambition to reach more than 1.5 million patients with Cimzia®, Vimpat® and Neupro®, representing peak sales of at least € 3.1 billion in the second half of the decade.

As a result, in 2013 UCB expects revenues to grow by a low-single-digit percent excluding exchange rate impacts to approximately € 3.4 billion, recurring EBITDA between € 680 and € 710 million and a core EPS range of € 1.90 and € 2.05 based on 179 million of shares.

IN 2013, UCB WILL FOCUS ON 7 PRIORITIES:

1. Growing Cimzia®, Vimpat® and Neupro® as we reach more patients
2. Building our emerging market businesses
3. Advancing our late-stage pipeline
4. Bringing innovative breakthrough potential medicines into human clinical trials
5. Ensuring quality and compliance with laws and regulations
6. Improving profitability versus our peers through strict focus on value creation activities
7. Developing passionately engaged colleagues and business partners



People living with severe diseases meeting with UCB employees, at the 'Orchestrate' forum

All our achievements – past, present and future – would not be possible without the insights of patients, physicians, payers and regulators, the commitment of our colleagues and partners, the support of our shareholders, and the leadership of our Board. We would like to thank all of them.

We would especially like to thank the people who live with severe diseases, their families and their physicians and payers for their insights, feedback, knowledge and inspiration.

We are also sincerely grateful for the talented, committed and diverse team of UCB employees around the globe. Human talent is the greatest asset of any organization. We wish to recognize each and every one of our engaged colleagues who invest so much

of their energy every day to make a difference in the lives of people living with severe disease. Your work impacts lives and we know you are committed to follow strict regulatory standards for research, development, manufacturing and distribution of our products to ensure we meet all safety, quality, regulatory, legal and environmental requirements. Without your efforts we would not be making any of this happen.

Last but not least, our thanks go to the UCB Board of Directors for their governance, experience and expertise as well as their support and challenging contribution.

At UCB, we are Inspired by patients, Driven by science, and committed to bring superior and sustainable value to both patients and all our other stakeholders.

Sincerely,

Roch Doliveux
Chief Executive Officer

Gerhard Mayr
Chairman

Upcoming milestones

> R&D MILESTONES

2013	Cimzia®	axial spondyloarthritis	filing U.S. & EU (Feb. 2013)
	Cimzia®	psoriatic arthritis	filing U.S. & EU (Feb. 2013)
	Vimpat®	epilepsy POS / monotherapy (U.S.)	Phase 3 results (Q2 2013)
	Vimpat®	epilepsy POS / paediatric adjunctive therapy	start of Phase 3 (H1 2013)
2014	epratuzumab	systemic lupus erythematosus	Phase 3 results (H1 2014)
	Vimpat®	epilepsy POS / monotherapy (EU)	Phase 3 results (Q4 2014)
	Cimzia®	juvenile idiopathic arthritis	Phase 3 results (H2 2014)
	brivaracetam	epilepsy POS / adjunctive therapy	Phase 3 results (H2 2014)
2015	Vimpat®	epilepsy POS / adjunctive therapy (Asia)	Phase 3 results (H1 2015)
	romosozumab	post-menopausal osteoporosis	Phase 3 results (end 2015)
2016	Cimzia® C-Early™	rheumatoid arthritis	Phase 3 results
	Cimzia® Exxelerate™	rheumatoid arthritis	Phase 3 results

> CVN PEAK SALES (2015-2020)

Cimzia®

≥ € 1.5

billion

Vimpat®

≥ € 1.2

billion

Neupro®

≥ € 400

million

> 2013 FINANCIAL GUIDANCE

≈ € 3.4

billion revenue

€ 680-710

million REBITDA

€ 1.90-2.05

core EPS

II.

II. MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

- 1. Corporate governance statement
- 2. Business performance review
- 3. Operating and financial review





1. Corporate governance statement

Directors and Auditors

BOARD OF DIRECTORS

- ◆ Gerhard Mayr, Chair
- ◆ Evelyn du Monceau, Vice Chair
- ◆ Roch Doliveux, Executive Director
- ◆ Albrecht De Graeve, Director
- ◆ Arnoud de Pret, Director
- ◆ Harriet Edelman, Director
- ◆ Peter Fellner, Director
- ◆ Charles-Antoine Janssen, Director
- ◆ Jean-Pierre Kinet, Director
- ◆ Tom McKillop, Director
- ◆ Norman J. Ornstein, Director
- ◆ Bridget van Rijckevorsel, Director
- ◆ Inge Basteleurs, Secretary of the Board (until 31 December 2012)

STATUTORY AUDITOR

- ◆ PricewaterhouseCoopers, represented by its permanent representative Jean Fossion

HONORARY DIRECTORS

- ◆ André Jaumotte, Honorary Chair
- ◆ Mark Eyskens, Honorary Chair
- ◆ Georges Jacobs de Hagen, Honorary Chair
- ◆ Karel Boone, Honorary Chair
- ◆ Daniel Janssen, Honorary Deputy Chair
- ◆ Prince Lorenz of Belgium
- ◆ Alan Blinken
- ◆ Michel Didisheim
- ◆ Eric Janssen (†)
- ◆ Guy Keutgen
- ◆ Paul Etienne Maes
- ◆ Gaëtan van de Werve
- ◆ Jean-Louis Vanherweghem

HONORARY CHAIRMEN OF THE EXECUTIVE COMMITTEE

- ◆ Daniel Janssen
- ◆ Paul Etienne Maes
- ◆ Georges Jacobs de Hagen

As a Belgian-headquartered company with a commitment to the highest standards of corporate governance, the Board of Directors (hereafter 'the Board') of UCB S.A./N.V. (hereafter 'UCB') adopted a Charter of Corporate Governance in October 2005, as required by the Belgian Code of Corporate Governance (first edition, 2004). As required by article 96 of the Belgian Companies Code, UCB has adopted the Belgian Code of Corporate Governance (second edition, March 2009) (hereafter 'the Code') as its reference code of corporate governance, taking into account the specific international aspects of UCB¹.

This Charter of Corporate Governance, which is available on the UCB website (www.ucb.com/investors/governance/charter), describes the main aspects of UCB's corporate governance, including its governance structure and the terms of reference of the Board, as well as those of its

committees and the Executive Committee. The Charter of Corporate Governance is annually updated, in December, and reviewed by the Board to be in line with the Code and its interpretation.

In accordance with the Belgian Companies Code and with the Code, the following pages provide factual information about UCB's corporate governance. This includes changes to UCB's corporate governance, together with relevant events that took place during 2012, such as changes in UCB's capital or shareholder structure, the modifications in UCB's governance and in the Board's 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.

1.1. | Capital and shares

1.1.1 | CAPITAL

The capital of UCB has not been modified in 2012. On 31 December 2012 it amounted to € 550 095 156, and was represented by 183 365 052 shares.

1.1.2 | SHARES

Since 29 February 2008, the share capital of UCB is represented by 183 365 052 shares (hereafter 'UCB shares'). UCB shares may be registered or dematerialized shares, at the request of the shareholder, or may be bearer shares in accordance with the Law.

Since 1 January 2008, shareholders can no longer request to have their UCB shares converted into bearer UCB shares. Pursuant to the Belgian Law of 14 December 2005, all bearer UCB shares, registered on a custody account or an investment account have been automatically converted into dematerialized UCB shares on 1 January 2008. As from 1 January 2008, all bearer UCB shares deposited for registration on such custody or investment account were automatically converted into dematerialized UCB shares.

Until they are fully paid up, UCB shares are registered and may only be transferred after prior approval by the Board. Registered UCB shares are recorded in a special register.

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

It will be proposed to the Annual Shareholders' Meeting of 25 April 2013 to cancel the possibility to have bearer shares within UCB.

1.1.3 | WARRANTS

In 1999 and 2000 respectively, UCB issued 145 200 and 236 700 warrants:

- ♦ All 145 200 issued in 1999 warrants have expired.
- ♦ The 236 700 warrants issued in 2000 each confer the right to subscribe for one ordinary share: following the cancellation, expiration and exercise of part of these warrants, 32 600 warrants can still be exercised up to 31 May 2013.

Defensive warrants were also issued following a decision by a General Meeting of Shareholders of UCB (hereafter 'General Meeting') 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 to it, confers the right to the joint subscription of 30 million ordinary UCB shares. It was subscribed to by Financière de Tubize S.A., UCB's reference shareholder, on 24 April 2008.

An ad-hoc committee was set up at the same meeting, and the meeting also appointed the members of this committee. This committee decides, in pre-defined circumstances, on the implementation of the warrants and on the approval of all transfers of such warrants. The holders of warrants have entered into an agreement with UCB ensuring compliance with the conditions of issuance and exercise of the warrants.

¹ The Belgian Code of Corporate Governance (second edition) published in March 2009, is available on the website of the Belgian Corporate Governance Committee (<http://www.corporategovernancecommittee.be/>)

The warrants may only be exercised if the ad-hoc committee decides that one of the pre-defined circumstances, associated with a hostile takeover bid, occurs:

- ♦ the launch of a takeover bid by a third party judged to be hostile by the Board;
- ♦ the change of control of UCB 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 manner;
- ♦ the threat of a takeover bid or an operation involving a change of control of UCB.

The defensive warrants and the agreement between the holders of the defensive warrants and UCB expire on 23 April 2013. UCB shares arising from the exercise of these warrants will be issued with reference to the market price over a period prior to their issuance.

1.1.4 | 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 (hereafter the 'Convertible Bond(s)'). An Extraordinary General Meeting decided on 6 November 2009 to attach a conversion right to these Bonds.

Each Convertible 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 UCB share. Upon receipt of a conversion request from a bondholder, the Board has the option, in its sole discretion but in UCB's best interest, (i) to issue new UCB shares, (ii) to deliver existing UCB shares or (iii) to make a combination of these two options.

If all of the Convertible Bonds were to be converted into new UCB shares at the current conversion price, UCB would issue 12 904 558 new shares. The conversion price may have to be revised in accordance with anti-dilution provisions in accordance with the terms and conditions of the Bonds or in case of change of control.

UCB Lux S.A. purchased on 26 April 2012 an amount of € 70 million nominal of the Convertible Bonds and thereafter sold an option equivalent to the one embedded in such bonds to UCB.

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

It will be proposed to the General Meeting of 25 April 2013 to allow a dematerialized register for bonds.

1.1.5 | TREASURY SHARES

UCB acquired 1 426 541 and sold 4 620 025 UCB shares in 2012. On 31 December 2012, UCB held a total of 3 301 706 UCB shares (801 706 shares and 2 500 000 assimilated securities), representing 1.80% of the total number of UCB shares.

UCB Fipar S.A., an affiliate indirectly controlled by UCB, 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, 950 000 UCB shares in 2006 and 1 UCB share in 2012. As of 31 December 2012, UCB Fipar S.A. held a total of 2 691 534 UCB shares (891 534 shares and 1 800 000 assimilated securities) representing 1.47% of the total number of UCB shares.

UCB S.C.A., an affiliate indirectly controlled by UCB, acquired 61 200 UCB shares in 2007, 50 384 UCB shares in 2008, 128 116 UCB shares in 2009 and 239 639 UCB shares in 2010. As of 31 December 2012, UCB S.C.A. no longer holds UCB shares.

The UCB shares were acquired by UCB, UCB Fipar S.A. and UCB S.C.A. in order to cover part of UCB's obligations resulting from the employees' stock option plans, stock award plans and performance share plans and by UCB to cover part of UCB's obligations resulting from the Convertible Bonds.

For additional details, please refer to Note 25.3 Treasury shares.

According to a decision of the General Meeting held on 6 November 2009, the Board is authorized, for an unlimited duration in time, in accordance with article 622, § 2, section 2, 1°, of the Belgian Companies Code, to dispose of UCB shares on or outside the stock exchange, by way of sale, exchange, contribution or any other kind of disposal. This authorization also covers a disposal of UCB shares held by a direct subsidiary of UCB within the meaning of article 627 of the Belgian Companies Code.

According to a decision of the same meeting, the Board and each Board of Directors of UCB's direct subsidiaries are authorized, for a period of five years starting 7 November 2009, to acquire UCB shares, up to maximum 20% of the total number of UCB 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.

It will be proposed to the General Meeting of 25 April 2013 to:

- ♦ institute an authorized capital,
- ♦ modify the modalities of the above authorization by replacing the 15% limit with an upper limit at the highest stock exchange course of the day and a lower floor of € 1 (one euro) and renewing the authorization ahead of term for a period of 5 years, starting 26 April 2013.

1.2. | Shareholders and shareholders structure

UCB's main shareholder is Financière de Tubize S.A., a company listed on Euronext Brussels (hereafter 'Financière de Tubize' or the 'Reference Shareholder').

Financière de Tubize has made a transparency notification of its holding in UCB on 1 September 2008 and in subsequent notifications, in compliance with the Law of 2 May 2007 on the publication of significant shareholdings in listed companies. According to article 3, § 1, 13° of the Law of 2 May 2007,

Financière de Tubize acts in concert with Schwarz Vermögensverwaltung GmbH & Co. KG.

Their holdings are listed under Nos 1-4 in the table hereunder. The shares that are covered by this agreement, including the shares held by Financière de Tubize represent 40.81% of the share capital of UCB.

53.06% of Financière de Tubize is held by the Janssen family.

The remainder of UCB shares is held by the public.

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

1.2.1 | UCB CONTROLLING AND MAJOR SHAREHOLDERS ON 31 DECEMBER 2012

		CURRENT	VOTING	DATE (ACCORDING TO THE NOTIFICATION IN COMPLIANCE WITH THE LAW OF 2 MAY 2007)
Capital €	550095 156			
Shares	183 365 052			
1	Financière de Tubize S.A. (Tubize)	66 370 000	36.20%	5 October 2012
2	UCB S.A.	801 706		31 December 2012
	assimilated securities ¹	2 500 000	1.80%	26 June 2012
	options ²	6 606 638		27 April 2012
3	UCB Fipar S.A.	891 534		31 December 2012
	assimilated securities	1 800 000	1.47%	27 April 2012
4	Schwarz Vermögensverwaltung GmbH & Co. KG	2 471 404	1.35%	5 October 2011
	Tubize + linked companies + concert 4 (excluding options)	7 483 464	40.81%	31 December 2012
5	The Capital Group Companies	20 828 907	11.36%	5 September 2012
6	Vanguard Health Care Fund	5 821 811	3.17%	30 March 2012

¹ Please see press release of 28 June 2012.
² If all options were exercised this would represent an additional voting right of 3.60%.
The information regarding assimilated securities / options is not required by law.

Tubize has declared acting in concert with Schwarz Vermögensverwaltung GmbH & Co. KG.

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

UCB has received the communications made respectively on 22 November 2007, 17 December 2007 and 28 December 2007, by the following shareholders, acting in concert, by virtue of article 74, § 7 of the Law of 1 April 2007.

In summary, since September 2007 and to date the voting rights of these shareholders were allocated as follows:

	SEPTEMBER 2007		DECEMBER 2012	
Financière de Tubize	66 370 000	36.20%	66 370 000	36.20%
Schwarz Vermögensverwaltung GmbH & Co. KG.	9 885 618	5.39%	2 471 404	1.35%
UCB S.A. ¹	-	-	3 301 706	1.80%
UCB Fipar S.A. ¹	3 176 578	1.73%	2 691 534	1.47%
Total voting rights	79 432 196	43.32%	74 834 644	40.81%

¹ The voting rights of the shares of UCB S.A. held by UCB S.A. and its affiliates are suspended in compliance with Article 622, § 1 and 631, § 1 of the Belgian Companies Code.

1.3. | Board of Directors and Board committees

1.3.1 | BOARD OF DIRECTORS

Composition of the Board and independent directors

From 1 January 2012 until 26 April 2012, the composition of the Board was as follows:

- ♦ Karel Boone, Chair
- ♦ Evelyn du Monceau, Vice Chair
- ♦ Roch Doliveux, Executive Director
- ♦ Albrecht De Graeve, Director
- ♦ Arnoud de Pret, Director
- ♦ Peter Fellner, Director
- ♦ Jean-Pierre Kinet, Director
- ♦ Thomas Leysen, Director
- ♦ Gerhard Mayr, Director
- ♦ Tom McKillop, Director
- ♦ Norman J. Ornstein, Director
- ♦ Gaëtan van de Werve, Director
- ♦ Bridget van Rijckevorsel, Director

Alexandre Van Damme resigned as director on 15 March 2012.

At the General Meeting held on 26 April 2012, Thomas Leysen and Gaëtan van de Werve resigned as directors. Tom McKillop has been re-elected for a term of four (4) years as an independent director.

Harriet Edelman and Charles-Antoine Janssen have been elected as directors for a term of four (4) years, Harriet Edelman as an independent director.

Roch Doliveux is the only executive director of UCB and does not qualify as an independent director.

Evelyn du Monceau, Arnoud de Pret, Bridget van Rijckevorsel and Charles-Antoine Janssen are representatives of the Reference Shareholder and, as such, are not eligible to qualify as independent director.

Gerhard Mayr, Albrecht De Graeve, Harriet Edelman, Peter Fellner, Jean-Pierre Kinet, Tom McKillop and Norman Ornstein, meet all the independence criteria stipulated by the Belgian Companies Code, the Board and the Code.

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

	FIRST APPOINTED AS DIRECTOR	END OF TERM OF OFFICE	INDEPENDENT DIRECTOR
Gerhard Mayr, Chair	2005	2015	x
Evelyn du Monceau, Vice Chair	1984	2015	
Roch Doliveux, Executive Director	2004	2013	
Albrecht De Graeve	2010	2013	x
Arnoud de Pret	2005	2015	
Harriet Edelman	2012	2016	x
Peter Fellner	2005	2013	x
Charles-Antoine Janssen	2012	2016	
Jean-Pierre Kinet	2008	2015	x
Tom McKillop	2009	2016	x
Norman J. Ornstein	2008	2015	x
Bridget van Rijckevorsel	1992	2015	

The mandates of Roch Doliveux, Albrecht De Graeve and Peter Fellner will expire at the next General Meeting, to be held on 25 April 2013. After having assessed the potential candidates, the GNCC proposed to the Board that their mandate be renewed. This proposal will be submitted at the next Shareholders General Meeting.

Tom McKillop has reached the age limit. The Board in its meeting of 13 December 2012 decided to make an exception to the age limit of article 3.2.4 of the Corporate Governance Charter for Tom McKillop, given his exceptional experience and expertise as the retired CEO of a major pharmaceutical company and in light of his scientific background.

Peter Fellner will, if reelected, start his fourth term as director and solely for this reason will no longer qualify as an independent director as per the applicable Law.

Pursuant to article 96, § 2, 6° of the Belgian Companies Code, UCB declares currently having three female directors in its Board being 25% of the Board members. When replacements or appointments for the Board are considered, UCB – via its Board and its Governance, Nomination & Compensation Committee ('GNCC') – is systematically taking into account enhancing diversity in the Board, which includes searching for senior female profiles which could add a complementary value to the Board.

Functioning of the Board

In 2012, the Board met seven times. The attendance rate (as from April 2012) of its members was as follows:

Gerhard Mayr, Chair	100%
Evelyn du Monceau, Vice Chair	100%
Roch Doliveux, Executive Director	100%
Albrecht De Graeve	100%
Arnoud de Pret	100%
Harriet Edelman*	100%
Peter Fellner	100%
Charles-Antoine Janssen*	100%
Jean-Pierre Kinet	100%
Tom McKillop	100%
Norman J. Ornstein	100%
Bridget van Rijckevorsel	100%

*Since April 2012

During 2012, the Board's main areas of discussion, review and decision were: UCB's strategy, the reports of the Audit Committee and of the GNCC, UCB's corporate governance and organization, risk and risk management, succession planning, the structuring of the UCB group, tax strategy, the appointments reserved to the Board, the remuneration policies, the management and financial reporting, R&D, the debt refinancing, investment programs and business development proposals, financial and commercial partnerships, license agreements, divestments of non-core activities and assets, reports and resolution proposals to the shareholders as published in the invitations to the General Meetings in compliance with the Belgian Companies Code.

There were no transactions or contractual relationships in 2012 between UCB, including its affiliated companies, and a member of the Board, giving rise to conflicts of interest,

other than that Tom McKillop did not participate in the discussion regarding granting him an exception to the age limit which is stipulated in article 3.2.4. of the Corporate Governance Charter.

During 2012, the Board started an induction program, spread over four induction sessions, for its new directors to cover the various areas of expertise required in a biopharmaceutical company, being:

- Session 1: Legal, Intellectual Property, Internal Audit, Quality Assurance, Drug Safety, Corporate Health safety & environment (HSE) and Risk Management
- Session 2: Finance & Investors information, IT
- Session 3: People and UCB
- Session 4: Global and Technical Operations

Assessment of the Board

In 2011 the Board conducted an internal assessment of its functioning as well as its contribution to the success of UCB. This sets out its strategic mission and aims to optimize the composition and operation of the Board and its committees, as well as its interaction with the CEO and the Executive Committee. It was conducted by the Chair of the Board and the Chair of the GNCC.

1.3.2 | BOARD COMMITTEES

Audit Committee

The Board has set up an Audit Committee which composition, functioning and terms of reference are in accordance with the Belgian Companies Code.

The composition of the Audit Committee (as from 26 April 2012) is as follows:

	END OF TERM OF OFFICE	INDEPENDENT DIRECTOR
Arnoud de Pret, Chair	2015	
Albrecht De Graeve	2013	x
Gerhard Mayr	2015	x

Albrecht De Graeve and Gerhard Mayr fulfill the independence criteria set by article 526ter of the Belgian Companies Code, and all members have the competencies in accounting and audit matters as required by article 526bis, § 2 of the Belgian Companies Code. The Audit Committee's composition complies with the Belgian Companies Code requiring that (at least) one member is an independent director. The Code recommends that a majority of the members of the Audit Committee is independent, which is the case.

The Audit Committee met four times in 2012 with an attendance rate of its members of 100%, except for Albrecht De Graeve, whose attendance rate was 75%. The external auditor attended all or part of all meetings. Each Audit Committee has a part without management presence and just with the internal and/or external auditors' presence.

The Audit Committee meetings were attended by Detlef Thielgen (Executive Vice President & Chief Financial Officer), Doug Gingerella (Senior Vice President Global Internal Audit/M&A), Olaf Elbracht (Vice President Reporting & Consolidation) (three times) and Inge Basteleurs (Vice President Legal Affairs & Secretary General) who acted

as Secretary. Four of the meetings were partly attended by André van der Toorn (Vice President Treasury & Risk Management); two of the meetings were partly attended by Bo Iversen (Vice President Tax), Douglas Minder (Director Financial Collaborations & IFRS Competence Center) and René Broekhuis (Vice President Corporate Compensation & Benefits); one of the meetings was entirely attended by Anna Richo (Executive Vice President & Deputy General Counsel) and partly attended by Robert Trainor (Executive Vice President & General Counsel), Caroline Vancoillie (Senior Director Reporting & Consolidation), Raf Remijns (Director Treasury & Corporate Finance) and Aaron Bartlone (Senior Vice President Corporate SA and HS).

In 2012, and according to its terms of reference (see Charter of Corporate Governance available on UCB website), the Audit Committee monitored the financial reporting process, the company's internal control and risk management systems and their effectiveness, the internal audit and its effectiveness, the statutory audit of the annual and consolidated accounts and the independence of the external auditor including the provision of additional services to UCB for which the Audit Committee reviewed and authorized the fees. In addition, the Audit Committee reviewed the impairments, corporate restructuring projects, the equity value of the subsidiaries, risk management (including litigation and tax), IFRS, and the external auditor satisfaction surveys.

Governance, Nomination & Compensation Committee ('GNCC')

The Board has set up a Governance, Nomination & Compensation Committee ('GNCC'). Its composition from 26 April 2012 until 31 December 2012 was as follows:

	END OF TERM OF OFFICE	INDEPENDENT DIRECTOR
Evelyn du Monceau, Chair	2015	
Gerhard Mayr	2015	x
Tom McKillop	2016	x

A majority of the members of the GNCC meet the independence criteria set by article 526ter of the Belgian Companies Code and all members have the competencies and the expertise required in matters of remuneration policies as required by article 526quater, § 2 of the Belgian Companies Code.

The GNCC met four times in 2012 with an attendance rate of its members of 100%. The committee was attended by Roch Doliveux (Chair of the Executive Committee), except when discussing issues relating to him, and by Fabrice Enderlin (Executive Vice President Human Resources and Communication), who acts as secretary, except when discussing issues relating to him and CEO compensation.

In 2012, and according to its terms of reference (see Charter of Corporate Governance available on UCB website), the GNCC 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.

The GNCC was on 26 April 2012 tasked by the Board to supervise and report about governance at UCB, be responsible for the Corporate Governance Charter and the Corporate governance statement.

Scientific Committee

On 10 June 2010, the Board set up, from amongst its members, a Scientific Committee to assist the Board in its review of the quality of UCB R&D science and its competitive standing.

The committee members who have outstanding scientific medical expertise are the following:

	END OF TERM OF OFFICE	INDEPENDENT DIRECTOR
Peter Fellner	2013	x
Jean-Pierre Kinet	2015	x

The Scientific Committee met three times in 2012 with an attendance rate of its members of 100%.

The members of the Scientific Committee meet regularly with the Executive Vice-President & President UCB NewMedicines™. The members of the Scientific Committee are also closely involved in the activities of UCB's Scientific Advisory Board (SAB), composed of external leading scientific medical experts. The SAB was created in September 2005 by the Executive Committee to critically review the R&D activities of UCB, provide scientific appraisal and strategic input as to the best way for UCB to become a thriving biopharmaceutical leader and to advise the Executive Committee on the strategic choices related to early stage R&D. The Scientific Committee reports to the Board on the SAB's appraisal of UCB's research activities and strategic orientations.

Composition of the Executive Committee

Since 1 January 2012 until 31 October 2012, the composition of the Executive Committee was as follows:

- ◆ Roch Doliveux, CEO & Chair of the Executive Committee
- ◆ Greg Duncan, Executive Vice President & President of North American Operations
- ◆ Fabrice Enderlin, Executive Vice President Corporate Human Resources & Communication
- ◆ Ismail Kola, Executive Vice President & President UCB NewMedicines™
- ◆ Iris Löw-Friedrich, Executive Vice President Global Projects & Development, Chief Medical Officer
- ◆ Mark McDade, Executive Vice President Global Operations
- ◆ Jean-Christophe Tellier, Executive Vice President & President of European Operations
- ◆ Detlef Thielgen, Executive Vice President & Chief Financial Officer
- ◆ Robert Trainor, Executive Vice President & General Counsel (until 31 December 2012)

As of 31 December 2012, Robert Trainor retired as Executive Vice President & General Counsel. As of 1 November 2012, Anna Richo joined the Executive Committee as Executive Vice President & Deputy General Counsel. On 1 January 2013, Anna Richo replaced Robert Trainor as Executive Vice President and General Counsel.

Greg Duncan left UCB's Executive Committee end of January 2013.

Since 1 February 2013, the composition of the Executive Committee was hence as follows:

- ◆ Roch Doliveux, CEO & Chair of the Executive Committee
- ◆ Fabrice Enderlin, Executive Vice President, Corporate Human Resources, Communication and Corporate Societal Responsibility
- ◆ Ismail Kola, Executive Vice President & President UCB NewMedicines™
- ◆ Iris Löw-Friedrich, Executive Vice President, Biopharma Development Solutions and Chief Medical Officer
- ◆ Mark McDade, Executive Vice President, Established Brands, Solutions and Supply
- ◆ Anna Richo, Executive Vice President & General Counsel
- ◆ Jean-Christophe Tellier, Executive Vice President, Biopharma Brands and Solutions
- ◆ Detlef Thielgen, Executive Vice President & Chief Financial Officer

Functioning of the Executive Committee

In 2012, the Executive Committee met two to three days a month.

There were no transactions or contractual relationships in 2012 between UCB, including its related companies, and a member of the Executive Committee.

1.4. | Remuneration report

The remuneration report describes UCB's executive remuneration policy and how executive compensation levels are set. The remuneration policy forms a part of a broader set of Human Resources policies, including performance management and talent development. The Governance, Nomination and Compensation Committee ('GNCC') oversees our executive compensation policies and plans. The Committee's roles and responsibilities are set forth in the corporate charter adopted by our Board of Directors.

1.4.1 | UCB'S GLOBAL REWARD PRINCIPLES

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

- ♦ to be fair and equitable, according to market practices
- ♦ to recognize and reward high performance
- ♦ to link executive pay to both individual contribution and the overall success of UCB
- ♦ to provide a strong motivation for reinforcing our business strategy and the achievement of our corporate goals and
- ♦ to enable us to attract and retain the industry's best talent at global levels.

The Global Rewards Program supports this drive and vision.

For our most senior executives, variable pay makes up the most significant component of the total remuneration offering. Our variable pay programs are closely linked to both short-term and long-term individual and company performance.

1.4.2 | DEVELOPMENT OF THE UCB REMUNERATION POLICY

The policy of remuneration for members of the Executive Committee is set by the Board on the basis of recommendations by the GNCC. The GNCC meets at least twice per year during which time it:

- ♦ considers the market factors affecting the company's current and future pay practices
- ♦ evaluates the effectiveness of our remuneration policies in terms of recognising performance and determines the appropriate evolution of the plans
- ♦ reviews the financial targets of the different performance-based compensation programs
- ♦ determines the compensation levels of UCB's management team

The remuneration policy ensures that the compensation programs of the members of the Executive Committee, including equity incentives, pension schemes and termination arrangements, are fair and appropriate to attract, retain and motivate the management team.

Remuneration for non-executive directors

UCB's Board members are compensated for their services through a cash-based compensation program. The level of pay has been set based on benchmarks which include the remuneration of Board members of comparable European biopharmaceutical companies. The pay consists of a fixed annual retainer, varying in size based on the director's mandate, and a fee per meeting attended. No long-term equity incentives are granted and there is also no other form of variable pay. The level of pay was approved at the General Meeting of Shareholders of 24 April 2008. A new market assessment has been presented to the GNCC in February 2013, leading to a new proposal that will be submitted to the Board for endorsement and to the Annual General Assembly for approval. In 2012, the remuneration levels for UCB directors were as follows:

Annual fees

- ♦ Chairman of the Board – € 120 000
- ♦ Vice Chair – € 90 000
- ♦ Directors – € 60 000

Board attendance fees

- ♦ Chairman of the Board – € 2 000 per meeting
- ♦ Vice Chair – € 1 500 per meeting
- ♦ Directors – € 1 000 per meeting

Audit Committee / Governance, Nomination and Compensation Committee – annual compensation

- ♦ Chairman of the Board committees – € 15 000
- ♦ Members of the Board committees – € 7 500

Scientific Advisory Committee – annual compensation

- ♦ Members of the committee – € 7 500

In application of these rules, the total remuneration of directors and Board committee members for 2012 in UCB was as follows:

♦ Gerhard Mayr, Chairman	€ 127 000
♦ Karel Boone (ended April 2012)	€ 49 000
♦ Evelyn du Monceau, Vice Chair	€ 115 500
♦ Roch Doliveux, Executive Director	€ 67 000
♦ Albrecht De Graeve	€ 74 500
♦ Arnoud de Pret	€ 82 000
♦ Peter Fellner	€ 74 500
♦ Jean-Pierre Kinet	€ 74 500
♦ Thomas Leysen (ended April 2012)	€ 23 500
♦ Tom McKillop	€ 74 500
♦ Norman J. Ornstein	€ 67 000
♦ Bridget van Rijckevorsel	€ 67 000
♦ Gaëtan van de Werve (ended April 2012)	€ 22 000
♦ Alexandre Van Damme (ended March 2012)	€ 16 000
♦ Charles-Antoine Janssen (since April 2012)	€ 45 000
♦ Harriet Edelman (since April 2012)	€ 45 000

1.4.3. | STATEMENT ON THE REMUNERATION POLICY APPLIED TO THE REPORTED YEAR: REMUNERATION FOR EXECUTIVE DIRECTORS

This section discusses the competitive positioning strategy that UCB adopts against the market in which it operates. It also provides an overview of our executive compensation structure, the purpose of the different elements of pay and the link between pay and performance.

Benchmark for our Total Reward Program

As per our Global Reward Principles, our remuneration packages intend to be fair and appropriate to attract, retain and motivate management. They also must be reasonable in view of the company economics and the relevant practices of comparable global biopharmaceutical companies.

The GNCC regularly considers the appropriate mix and level of cash and equity awards to offer to its Executives based on recommendations from the Corporate Human Resources department. These recommendations are reviewed with our independent compensation consultant, Towers Watson, to ensure the market competitiveness of our total remuneration and to take into consideration market trends affecting our sector. A market survey is normally conducted every other year to assess the competitiveness of all compensation components (base salary, bonus, long-term incentives) of each Executive. This data is then aged in the years in which a survey is not conducted, based on global market movements within executive compensation. Where significant changes occur to job content, for instance due to company re-organization, a market pricing of a role may be conducted at that time to capture the impact of these changes. 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)

UCB benchmarks its executive Total Reward Program against a defined comparator group of international companies within the biopharmaceutical sector (companies with pharmaceutical or biotechnology activities). In the benchmark we take a focussed approach to peer companies in Europe as well as the US. UCB's competitive positioning policy is to target median pay levels of this comparator group for all elements of total direct compensation (base salary and variable pay). 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 comparator group is monitored closely to ensure that from year to year robust data is available, in view of the challenges of industry consolidation which impacts the stability of the underlying data.

Compensation elements and pay for performance

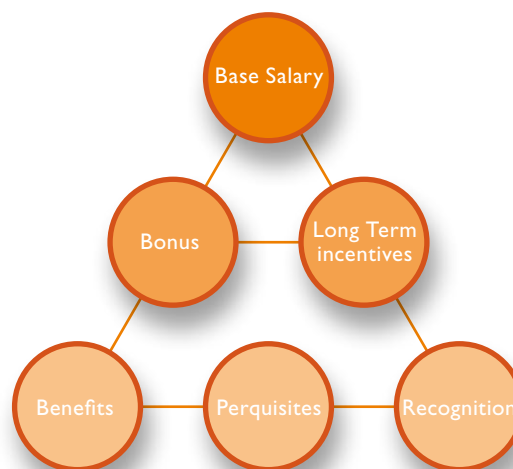
Our executive compensation programs are based on a balance of individual and corporate performance and market competitiveness. For our senior executives, both short-term and long-term incentives take into account performance against financial targets which are set by the Board.

Throughout the performance period, the ongoing achievements are monitored and at the moment of vesting or pay-out, the final results are validated by the corporate finance department before final approval by the Audit Committee. In addition to the base salary and performance-related incentive pay, our executives are eligible for a range of benefits and perquisites which are in line with market compensation practices.

In 2012 UCB implemented some significant changes to its Executive reward program with the introduction of a new Upper Management Compensation Policy. These changes are a result of our ongoing drive to strengthen the link between our reward programs and each Executive's contribution to the overall success of UCB. The changes mainly impact the variable pay scheme as explained below in the variable pay section.

These changes are fully aligned with the spirit of Belgian governance legislation, and therefore also with European regulations on executive compensation. They enable a better alignment of executive compensation with UCB's strategies and commitment to deliver both on short- and long-term goals and performance.

Below we describe how each element of pay is determined and how performance is embedded into the incentive-based elements of pay.



Base salary

The target base salary is determined based on the specific job dimensions and criteria, and in relation to the level of base pay that the market typically pays for such a role. Once the market level of base pay is defined, the specific compensation level of the individual depends on the extent to which he/she impacts the business and his/her level of skill and experience. The evolution of base pay depends on the individual's level of sustained performance, the level of pay compared to the benchmark and market factors such as inflation. The GNCC proposes the salary increase for the CEO to the Board. The CEO proposes the same to the GNCC for the other Executive Committee members, for endorsement.

Variable pay

As of performance year 2012, the new compensation policy for UCB's Upper Management entered into effect, with several implications for the variable pay policy. The new policy ensures an appropriate level of reward for short-term performance while rebalancing the proportion of pay that addresses long-term and sustainable performance.

Target variable pay levels (bonus and long-term incentives, or 'LTI') have been brought closer to the median of our comparator group while providing the opportunity for each executive to exceed median market levels when both company and individual performance are outstanding.

The variable pay targets are subject to a double performance multiplier, which consists of a corporate and an individual performance multiplier. The mechanism guarantees a strong link between individual contribution and company performance, which are interdependent. The calculation mechanism delivers significant value, when both company and individual performance are excellent. Conversely, the mechanism ensures that when company and/or individual performance levels are lower than expectations, this is adequately reflected through significantly diminished value.

Performance Assessment

Corporate Performance Multiplier

The corporate objectives of the CEO are set at the beginning of the year by the GNCC and are approved by the Board.

Since the 2012 performance year, UCB adopted Recurring Earnings Before Income Tax, Depreciation & Amortization ('REBITDA') as the preferred corporate performance metric for its executives and senior management. The corporate performance multiplier is defined by the percentage of actual REBITDA versus the budget, translated into a payout curve which ensures that only an acceptable range of performance is rewarded. The payout curve is translated into a pay-out range of between 0% and 150%. A minimum payout threshold is set, of 30%, and performance falling below this threshold results in a corporate performance multiplier of 0%, which under the double multiplier mechanism, by design, results in there being no variable pay opportunity.

Individual Performance Multiplier

The qualitative objectives for the CEO are proposed by the GNCC for approval by the Board of Directors. The GNCC proposes the Individual Performance Multiplier for the CEO to the Board based on the performance assessment at the end of the year. The CEO proposes the same to the GNCC for the other Executive Committee members, for endorsement.

In discussing individual performance, the GNCC deliberates the achievement of the financial and quantitative objectives of the CEO and the non-financial aspects. For the CEO and the Executive Committee the evaluation includes the extent to which the individuals have carried out their duties in line with the company values and expected leadership behaviours. Below are the criteria which are evaluated for each Executive Committee member:

- ◆ Specific business achievements
- ◆ Strategic input and vision
- ◆ Team leadership
- ◆ Executive Committee team membership
- ◆ Impact

Bonus

The cash bonus is designed to reward the performance of the company and of the individual over a time horizon of one year.

As part of the new Upper Management Compensation Policy, for the CEO, as of 2012 the short-term incentive (bonus) target was reduced from 100% of base pay to 90% and for the other Executive Committee members from 75% to 65% to align with market practices.

Long-term incentives (LTI)

Our remuneration practice links a significant portion of equity-based compensation to mid-term and long-term company financial and strategic goals and performance.

The LTI program is benchmarked against European Biopharmaceutical company practices. It is a three-tiered incentive program which includes a stock option plan, a free share plan (stock award) and a performance share plan.

The new Upper Management Compensation Policy, by design, results in a greater proportion of variable pay being linked to long-term rather than short-term performance. This is achieved by the relative size of the LTI target which represents more value than the (short-term) bonus.

As from the 2013 grant, per the new Upper Management Compensation Policy, the long-term incentive target is expressed as a percentage of base pay and no longer a fixed number of share options and awards. This change was made in response to the challenge of maintaining an appropriate and competitive LTI grant size. At target level, long-term incentives now represent 120% of base pay for the CEO and 80% for the other Executive Committee members. The target incentive is subject to the application of the same (double) corporate and individual performance multipliers (see Table 2. above).

Following the application of the corporate and individual performance multipliers, the resulting value is translated into a number of long-term incentives, using the binomial value of each award and spread across our existing long-term incentive programs based on the following allocation:

- ◆ Stock options – 30%
- ◆ Stock Awards – 35%
- ◆ Performance Shares – 35%

Stock option

Eligibility for participation in the Stock Option Plan is at the Board's discretion. The vesting period is typically three years from date of grant but can be longer depending on local legislative requirements. Once vested, stock options are only exercisable once the share price exceeds the original grant price and thus executives are incentivized to increase the share price over the vesting period in order to benefit from their stock options. In the U.S., Stock Appreciation Rights are granted instead of stock options. 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. All Stock Options and Stock Appreciation Rights expire on their tenth anniversary from the date of grant. The grant price is fixed on the grant date, without further discount on the underlying UCB share price.

Stock award

The Stock Award Plan provides conditional rights to UCB common stock fulfilled upon remaining in employment with UCB three years after the grant date. The vesting period is three years from the date of grant. Our Executive Committee members are eligible for participation at the Board's discretion. Executives are incentivized to outperform the biopharmaceutical market and increase the company share price over the vesting period to optimize the value of their stock awards at the moment of vesting.

In some countries, delivery of the award may also be made in 'phantom shares' (an award, the value of which is based on the evolution of the share price but which is settled in cash on a pre-determined vesting date), depending on the local legislative environment.

Performance Share Plan

The performance share plan ensures a strong link between pay and performance. Performance shares are grants of UCB common stock to the senior executive group, for which certain corporate targets must be met at the time of vesting. The performance criteria and targets are defined by the Board upon proposal of the GNCC at the time of grant. The metrics used in this plan must address the following requirements:

Valid: Be strategically relevant to the company and stakeholders while being within the influence and control of our executives ('line of sight').

Measurable: Be predictable, definable, robust, realistic and accurately measurable over the time horizon.

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 against its goals. If actual company performance is below a specified threshold or the beneficiary leaves prior to vesting, then no shares are awarded. The maximum award is capped at 150% of the original grant.

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

Pensions

As the Executive Committee is international in its nature, the members participate in the pension plans available in their country of contract. Each plan varies in line with the local competitive and legal environment.

All defined benefit plans at UCB are either frozen or closed to new entrants. Any new Executive Committee members would therefore automatically join either a defined contribution or cash balance plan.

Belgium

The Executive Committee members participate in a cash balance retirement benefit plan which is fully funded by UCB. The benefit at retirement age is the capitalization, at a guaranteed rate of return, of the employer's annual contributions during affiliation with the Plan. UCB contributes an amount equal to 9.15% of the annual base salary and target bonus. UCB also provides an annual guaranteed return of 2.5%, increased by the Belgian health index (to a minimum of 3.25%, as defined by the Belgian legislation and with a maximum of 6%).

The Executive Committee members also participate in the UCB Senior Executive supplementary defined contribution plan. Contributions to the plan are twofold:

- ♦ a company contribution based on the actual corporate results as defined by the Board and
- ♦ a company contribution equal to 10% of their annual basic salary

The Chief Executive Officer benefits from an individual pension promise (with lump sum at the age of 60). This pension promise has been established when Roch Doliveux joined the organization in 2003.

The benefit at retirement is based on the average annual basic salary of the last five years and would be actuarially reduced if the CEO were to leave before retirement.

U.S.

Members participate in the UCB Retirement Savings Plan. The plan is composed of qualified and non-qualified components. UCB's total contribution under the plan ranges from 3.5%-9% of annual pay based on age. Contributions up to the IRS limits are made in the qualified part of the plan. Contributions above this IRS limit are made in the non-qualified component. Both pensionable compensation levels and contributions are limited.

The Executive Committee members also participate in a deferred compensation plan which is fully funded by the employees. Participants contribute on individual basis and can defer salary and/or bonus.

Germany

Both Executive Committee members are covered by a closed defined benefit pension plan. The plan promises pensions in case of retirement, disability and death. Benefits in case of retirement and disability amount to 50% of the last annual base salary before retirement or disability.

Other remuneration elements

Members of the Executive Committee are also typically entitled to participate in an international healthcare plan and executive life insurance as are available to other senior executives. Executive Committee members are also provided with certain executive perquisites such as a company car and other benefits in kind. All these elements are disclosed in the below section, Compensation of the Executive Committee.

The remuneration policy for the members of the Executive Committee is extensively described in UCB Charter of Corporate Governance (under 5.4.) available on the UCB website.

Termination arrangements

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

All Executive Committee termination agreements, with the exception of those of Jean-Christophe Tellier and Anna Richo, have been signed before the entry into force of the Belgian corporate governance law of 6 April 2010 which limits the level of termination indemnities.

The service contract established in 2003 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 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. In case of a change of control of UCB, this payment would be equivalent to 24 months base salary and bonus.

Fabrice Enderlin and Detlef Thielgen have no specific termination provisions in their Belgian contracts. In case of termination the local employment law and practices would apply.

Iris Löw-Friedrich has a German employment agreement which 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 Robert Trainor and Mark McDade, who both hold U.S. employment agreements, a clause is included in their agreements specifying a termination payment of 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.

Jean-Christophe Tellier, Greg Duncan and Anna Richo are covered by U.S. employment agreements, and each has a clause allowing for a severance payment equal to 18 months base salary and bonus should there be an involuntary termination of the employment agreement or in case of change of control in UCB.

1.4.4 | REMUNERATION POLICY AS OF 2013

The GNCC will carefully monitor the impact of the new Upper Management Compensation scheme and would make any necessary adjustments based on the overall effectiveness of the policy.

1.4.5 | COMPENSATION OF THE EXECUTIVE COMMITTEE

Chairman of the Executive Committee and Chief Executive Officer

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.

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 2012 amount to:

- ♦ Base salary (earned in 2012): € 1 320 412
- ♦ Short-term incentive (bonus), paid in 2013 and relating to the financial year 2012: € 457 963
- ♦ 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 and monetary value of other fringe benefits: € 2 071 971. This amount includes the retirement benefit (based on service cost): € 1 217 083.

Based on performance, the external benchmark and on inflation, the Board has approved a salary increase of 3% in 2013 and the CEO's new annual base salary as of March 2013 will be € 1 366 659.

The CEO's total compensation (base salary + bonus + LTI) for 2012 amounts to € 3 103 500 (excluding pension contributions and other benefits), which represents a 4% decrease (in value) compared to 2011, in line with the deployment of the new compensation policy (notably the reduced target cash bonus).

Caring Entrepreneurship Fund

Roch Doliveux continued to contribute a portion of his compensation to a fund which he has set up in 2008 as part of the King Baudouin Foundation. The Caring Entrepreneurship Fund focuses on supporting entrepreneurship in the field of health and wellness.

Other members of the Executive Committee

The amount of compensation stated below, reflects the amount the Executive Committee members have earned in 2012 based on their effective period in service as Executive Committee members (see above section 'Composition of the 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 2012 amount to:

- ♦ Base salaries (earned in 2012): € 4 572 493
- ♦ Short-term incentive (bonus), paid in 2013 and relating to financial year 2012: € 1 867 576

- ♦ 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 and monetary value of other fringe benefits: € 3 096 022. This amount includes the retirement benefit (based on service cost): € 1 143 166.

The aggregated Executive Committee compensation (base salary + bonus + LTI) for 2012 amounts to: € 11 047 408 (excluding pension contributions and other benefits). It should be noted that one new member has joined the Executive Committee in 2012.

Long-term incentives (LTI) granted in 2012

	STOCK OPTIONS ¹	BINOMIAL VALUE STOCK OPTION ²	STOCK AWARDS ³	BINOMIAL VALUE STOCK AWARDS ⁴	PERFORMANCE SHARES ⁵	BINOMIAL VALUE PERFORMANCE SHARES ⁶	TOTAL BINOMIAL VALUE LTI ⁸
Roch Doliveux	45 000	333 900	24 000	619 200	28 750	372 025	1 325 125
Ismail Kola	15 000	111 300	7 500	193 500	8 750	113 225	418 025
Robert Trainor ⁷	15 000	111 300	10 000	280 663	8 750	113 225	505 188
Iris Löw-Friedrich	15 000	111 300	7 200	185 760	8 050	104 167	401 227
Fabrice Enderlin	15 000	111 300	7 200	185 760	8 050	104 167	401 227
Detlef Thielgen	15 000	111 300	7 200	185 760	8 050	104 167	401 227
Greg Duncan	12 000	89 040	6 000	154 800	7 000	90 580	334 420
Jean-Christophe Tellier	12 000	89 040	6 000	154 800	7 000	90 580	334 420
Mark McDade	12 000	89 040	6 000	154 800	7 000	90 580	334 420
Anna Richo ⁹			40 000	1 477 186			1 477 186

¹ Number of rights to acquire one UCB share at a price of € 32.36 between 1 April 2015 and 31 March 2022 (between 1 January 2016 and 31 March 2022 for Roch Doliveux, Fabrice Enderlin, Detlef Thielgen and Ismail Kola).

² The 2012 value of stock options has been calculated based on the binomial methodology at € 7.42 as defined by Towers Watson.

³ Number of UCB shares (or phantom shares) to be delivered for free after a vesting period of three years if still employed by UCB.

⁴ The 2012 value of stock awards has been calculated based on the binomial methodology at € 25.80 per share award as defined by Towers Watson.

⁵ Number of UCB shares (or phantom shares) to be delivered for free after a vesting period of three years if still employed by UCB and upon fulfilment of predefined performance conditions.

⁶ The 2012 value of performance shares has been calculated based on the binomial methodology at € 12.94 per performance share as defined by Towers Watson.

⁷ Robert Trainor was granted a phantom stock award on 2 500 UCB shares on 1 December 2012 in addition to the grant of 1 April 2012.

⁸ Binomial valuation: an objective technique for pricing long-term incentives and which determines a fair value of the stock price over the life of a long-term incentive.

⁹ On 1 November 2012 Anna Richo was granted a sign-on Stock Award of 40 000 UCB shares. 20 000 shares will be delivered to her on 1 November 2013 and on 1 November 2014.

Long-Term Incentives Vesting in 2012

Below is a schedule showing the long-term incentives granted to the Executive Committee members in previous years (reported in previous annual reports) and which have vested during the calendar year 2012 (not to be accumulated with the information in the above table which details the long-term incentives granted in 2012).

	STOCK OPTIONS		STOCK AWARDS ¹		PERFORMANCE SHARES ¹	
	NUMBER VESTED (NOT EXERCISED) ^{1,2}	NUMBER EXERCISED ³	NUMBER VESTED	TOTAL VALUE UPON VESTING ⁴	NUMBER VESTED	TOTAL VALUE UPON VESTING
Roch Doliveux	36 000		24 000	769 200	21 750	697 088
Greg Duncan	10 100	10 100	4 625	148 231	4 219	135 219
Detlef Thielgen	5 000	15 000	6 600	211 530	5 250	168 263
Mark McDade	12 000		12 200	391 010	5 250	168 263
Fabrice Enderlin	12 000	12 000	7 200	230 760	5 250	168 263
Iris Löw-Friedrich	15 000		7 500	240 375	6 563	210 344
Robert Trainor ⁵	15 000		32 500	1 325 625	32 813	1 349 857
Ismail Kola ⁶			15 000	655 388		

Based on a decision taken by the GNCC on 20 February 2012, upon each vesting of stock awards and performance shares, UCB will deliver a number of shares in cash in order to cover any tax and social security liabilities due by the beneficiary of the award.

¹ Jean-Christophe Tellier and Ismail Kola joined UCB after the 2008 LTI grant. In addition, Greg Duncan became a member of the Executive Committee after the 2012 LTI vesting.

² The stock options granted to Iris Löw-Friedrich on 1 April 2009 vested on 1 April 2012 and have an exercise price of EUR 21.38. The stock appreciation rights granted to Robert Trainor, Greg Duncan and Mark McDade on 1 April 2009 vested on 1 April 2012 and have an exercise price of € 22.19. The stock options granted to Roch Doliveux, Detlef Thielgen and Fabrice Enderlin on 1 April 2008 vested on 1 January 2012 and have an exercise price of € 22.01.

³ Fabrice Enderlin and Detlef Thielgen exercised stock options granted on 1 April 2008 and with an exercise price of EUR 22.01. Greg Duncan exercised stock appreciation rights granted on 1 April 2009 and with an exercise price of EUR 22.19.

⁴ Upon vesting the UCB share had a value of € 32.05 which 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.

⁵ In addition to the vesting of the 2009 grant, for Robert Trainor all stock awards (including phantom awards granted in 2012) and performance shares outstanding were subject to accelerated vesting on the date of retirement, as per the plan rules. Under section 409(a) of the Internal Revenue Code, these awards are subject to deferral and will only be delivered in 2013.

⁶ On 1 December 2009 Ismail Kola was granted a sign-on Phantom Stock Award (no delivery of shares but payment of a cash amount on 1 December 2012). The UCB shares had a value of € 43 695 on 1 December 2012.

2013 Long-Term Incentive Grant

UCB's policy is to grant a number of long-term incentives based on the Corporate and Individual Performance Multipliers attributed for the performance year. The grant is made on April 1 following the close of the performance year. The grant size is based on a valuation and share price

defined in the policy. The actual grant value is only known on April 1, based on the share price on that day. Below can be found the number of options and awards to be granted on April 1 2013. The resulting grant value will be reported in the 2013 annual report.

	STOCK OPTION 2013	STOCK AWARD 2013	PERFORMANCE SHARE 2013
Roch Doliveux	55 991	13 769	27 828
Fabrice Enderlin	12 170	2 993	6 049
Ismail Kola	18 560	14 564	9 224
Iris Löw-Friedrich	13 397	3 295	6 658
Mark McDade	15 214	3 741	7 561
Detlef Thielgen	14 904	3 665	7 407
Anna Richo	19 476	4 790	9 680
Jean-Christophe Tellier	11 272	2 772	5 602

1.5. | Main features of UCB's internal control and risk management systems

1.5.1 | INTERNAL CONTROL

The Board is UCB's governing body, and one of its roles is to provide entrepreneurial leadership of UCB within a framework of prudent and effective controls that enables risks to be assessed and managed. UCB 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 UCB in the most efficient manner.

The Audit Committee assists the Board in its responsibility of monitoring the management of UCB and the UCB Group as a whole; the effectiveness of UCB's overall internal control processes; the overall financial reporting process, the external auditor and 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 UCB's internal control and operations by bringing a systematic, disciplined approach to the evaluation of, and recommending enhancements to, UCB's governance, compliance, risk management and internal control processes. The Global Internal Audit Group undertakes an Audit Plan of financial, compliance and operational audits and reviews, as reviewed and approved by the Audit Committee and covering relevant company activities. The program includes independent reviews of the systems of internal control and risk management. The findings and the status of corrective actions taken to address these are regularly reported in writing to the Executive Committee and the status of the completion of the Audit Plan as well as a summary of the findings and the status of corrective actions are reported in writing to the Audit Committee four times per year.

UCB has adopted formal procedures focused on internal controls over financial reporting, referred to as the Transparency Directive Process. This process is intended to help minimize the risk of selective disclosure; to help ensure that all material information disclosures made by UCB to its investors, creditors and regulators are accurate, complete, timely and fairly present UCB's condition; and to help ensure adequate disclosure of material financial and non-financial information and significant events, transactions and risks.

The process consists of a number of activities. Identified key contributors in the internal control process, which includes all Executive Committee members, are required to certify in writing that they understand and have complied with the UCB's requirements related to the financial reporting process, including providing reasonable assurance of effective and efficient operations, reliable financial information and compliance with laws and regulations. To promote their understanding of the broad range of potential issues, a detailed checklist is provided to them to complete and to assist them in their certification. In addition, a detailed worldwide review of sales, credits, accounts receivables, inventories/trade inventories, accruals, provisions and reserves is performed, and the finance directors of all individual business units are required to acknowledge in writing that their financial reporting in these areas is based

on reliable data and that their results are properly stated in accordance with requirements.

These procedures are coordinated by the Global Internal Audit function in advance of the issuance of the half-year and annual accounts. The results of the procedures are reviewed by the Reporting and Consolidation Team, as well as Finance, the Legal Department and the External Auditor. Appropriate follow-up of any potential issues identified is performed and consideration of adjustments to reported financial information or disclosures is evaluated.

The results of these procedures are reviewed with the CEO and the CFO, and subsequently with the Audit Committee, prior to the publication of the accounts.

UCB updates its business plan on an annual basis and prepares a detailed annual budget for each financial year that is considered and approved by the Board. A management reporting system is in place, providing management with financial and operational performance measurement indicators. Management accounts are prepared monthly to cover each major area of the business. Variances from plan and previous forecast are analyzed, explained and acted on in a timely manner. In addition to regular Board discussions, meetings are held at least monthly by the Executive Committee to discuss performance with specific projects being discussed as and when required. Information systems are developed to support UCB's long term objectives and are managed by a professionally staffed Information Management team.

1.5.2 | RISK MANAGEMENT

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

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

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

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 prioritization 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 Chair of the Corporate Risk Management Committee reports directly to the CEO, provides periodic

status updates directly to the Executive Committee and, on an annual basis, to the Audit Committee as well as to the Board.

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 as well as validating the risk management process in UCB and jointly agreeing with the Business Functions on actions to mitigate and control assessed risks.

1.6. | Private investment transactions and trading in UCB shares

The Board has approved a Dealing Code to prevent insider trading offences and market abuse, particularly during the periods preceding the publication of results or information that would be likely to have a significant effect on the price of the UCB share or the price of the shares issued by the company targeted by a planned operation. This document was reviewed and updated by the Board on 15 December 2011.

The Dealing Code establishes rules for directors, executive management and key employees which prohibit the dealing in UCB shares or other financial instruments issued by the company for a designated period preceding the announcement of its financial results (so-called 'closed periods'). It further prohibits trading in UCB shares during so-called 'special closed periods' for persons who are, or will soon be, in possession of privileged information.

The Board has designated Robert Trainor, Executive Vice President & General Counsel, as of 1 June 2011, and Anna Richo, Executive Vice President & General Counsel, as of 1 January 2013 as Insider Trading Compliance Officer whose duties and responsibilities are defined in the Dealing Code.

The Dealing Code establishes the list of key employees and directors, 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 the Belgian Law of 2 August 2002 on the supervision of the financial sector and on financial services.

The Dealing Code is available on UCB website: www.ucb.com/investors/governance/insider-trading.

1.7. | External audit

The General Meeting held on 26 April 2012 re-appointed PricewaterhouseCoopers (hereafter 'PwC') as external auditors for UCB for the legal term of three (3) years. The permanent representative designated by PwC for UCB in Belgium is Jean Fossion.

PwC has been appointed as external auditor in the affiliates of the UCB Group worldwide.

The 2012 fees paid by UCB to its auditors amounted to:

€	AUDIT	AUDIT RELATED	NON-AUDIT RELATED	TOTAL
PwC (in Belgium)	491 000	112 743	2 400	606 143
PwC (outside Belgium)	1 713 613	118 954	153 108	1 985 675
Total	2 204 613	231 697	155 508	2 591 818

1.8. | Information requested under article 34 of the Royal Decree of 14 November 2007

The following elements may have an impact in the event of a takeover bid (see section 1.1.):

1.8.1 | UCB'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 ON 31 DECEMBER 2012

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 up.

All shares are entitled to the same rights. There are no different classes of shares (see section 1.1.2.).

1.8.2. | 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 UCB's Articles of Association (hereafter the '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 'continuous trading market' 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 favorable 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 favorable than

those set out in the above-mentioned notification for the benefit of the candidate presented for approval.

(...)

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

1.8.3 | HOLDERS OF ANY SECURITIES WITH SPECIAL CONTROL RIGHTS AND A DESCRIPTION OF THOSE RIGHTS

There are no such securities.

1.8.4. | SYSTEM OF CONTROL OF ANY EMPLOYEE SHARE SCHEME WHERE THE CONTROL RIGHTS ARE NOT EXERCISED DIRECTLY BY THE EMPLOYEES

There is no such system.

1.8.5 | 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.

Under article 38 of the Articles of Association of UCB:

'Each share gives the right to one vote.

Any person or entity who acquires or subscribes to beneficial ownership in shares, whether registered or not, in the capital of the company, conferring a right to vote, will be obliged to declare within the period required by Law, the number of shares purchased or subscribed for, together with the total number of shares held, when such number in total exceeds a proportion of 3% of the total voting rights exercisable, before any possible reduction, at a General Meeting of Shareholders. The same procedure will have to be followed each time that the person obliged to make the initial declaration mentioned above increases his voting strength up to 5%, 7.5%, 10% and subsequently for each additional 5% of the total voting rights acquired as defined above or when following the sale of shares, his voting rights fall below one of the limits specified above. These notifications will occur according to the modalities described in the legislation applicable to the disclosure of large shareholdings in issuers whose securities are admitted to trading on a regulated market. Any failure to respect this statutory requirement can be penalized in the manner laid down by Article 516 of the Companies Code.

No-one may at a General Meeting of Shareholders cast a greater number of votes than those relating to such shares as he has, in accordance with the above paragraph, declared himself to be holding, at least twenty days before the date of the Meeting.'

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

It will be proposed to the General Meeting of 25 April 2013 that any financial instruments of whatever nature granting the owner thereof the right to acquire, on his own initiative only, UCB shares exceeding any of the above thresholds would trigger the same notification requirements.

1.8.6 | AGREEMENTS BETWEEN SHAREHOLDERS WHICH ARE KNOWN TO UCB AND MAY RESULT IN RESTRICTIONS ON THE TRANSFER OF SECURITIES AND/OR THE EXERCISE OF VOTING RIGHTS

All agreements of which UCB was aware have expired or were terminated.

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

1.8.7. A) | 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 four 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 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:

(...)

Composition of the Board of Directors

Composition

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

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 UCB's website. These curricula vitae mention, for each Director, the directorships in other listed companies.

Appointment of Directors

The Directors are appointed by the General Meeting of Shareholders, following a proposal by the Board, and upon recommendation of the GNCC.

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

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

The GNCC gathers information, allowing the Board 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 GNCC performs an assessment of existing and required abilities, knowledge and experience on the Board. The profile of the ideal candidate is drawn up on the basis of this assessment and proposed to the Board for discussion and definition.

When the profile is established, the GNCC selects candidates that fit the profile in consultation with the Board members (including the Chair of the Executive Committee) and possibly using a recruitment firm. Recommendation of final candidate is made by the GNCC to the Board. The Board decides on the proposals to be submitted to Shareholders' approval.

For appointment of a Reference Shareholder's representative to the Board, the Vice-Chair will present the candidate chosen by the Reference Shareholder to the Board after consultation with the GNCC, and dialogue with the other Board members.

Duration of mandates and age limit

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

Moreover, an age limit of seventy has been stipulated. A Director shall give up his/her current term the day of the Annual General Meeting of Shareholders following his/her seventieth birthday. The Board may propose exceptions to that rule.

Procedure for appointment, renewal of terms

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

The proposals for appointment, renewal, resignation or possible retirement of a Director are examined by the Board based on a recommendation from the GNCC.

The GNCC assesses for each of the Directors who are candidate for re-election at the next General Meeting of Shareholders, their commitment and effectiveness and makes recommendations to the Board regarding their re-election.

Special attention is given to the evaluation of the Chair of the Board and the Chairmen of the Board committees.

The assessment is conducted by the Chair of the Board and the Chair of the GNCC, who have meetings with each of the Directors in their capacity as a Director and, as the case may be, as Chair or member of a Board Committee. For the Chair of the Board, the assessment is conducted by the Chair of the GNCC and a senior independent Director; for the Chair of the GNCC the assessment is conducted by the Chair of the Board and a senior

independent Director. The sessions are based on a questionnaire and cover the Director's role in the governance of the Company and the effectiveness of the Board, and, amongst others, how they evaluate their commitment, contribution and constructive involvement in the discussions and decision-making.

Feedback is given to the GNCC who then reports to the Board, and makes recommendations as to the proposed re-election.

The Board 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 resolves on the proposals of the Board in this area by a majority of the votes.

In the event of a vacancy during a term, the Board 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 (i.e., not more than four 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.

The Board also indicates whether or not the candidate meets the independence criteria, in particular those stipulated in article 526ter Company Code, such as the fact that a director, in order to qualify as 'independent' may not hold a mandate for more than three consecutive terms (or a maximum of twelve years). In case the director meets the independence criteria, a proposal will be submitted to the General Meeting of Shareholders to acknowledge such independent character.

The proposals for appointment are available on UCB's website (www.ucb.com).

(...)

1.8.7.B) | RULES GOVERNING THE AMENDMENT OF UCB'S ARTICLES OF ASSOCIATION

The rules governing the amendment of the Articles of Association are set by the Belgian Law. The decision to amend the Articles of Association has to be made by a General Meeting with a majority of 75% of the votes cast, provided that a least 50% of the share capital of UCB is present or represented at the meeting.

If the attendance quorum is not met at the first extraordinary General Meeting, a second General Meeting can be convened and will decide without any attendance quorum.

1.8.8 | POWERS OF BOARD MEMBERS, IN PARTICULAR POWER TO ISSUE OR BUY BACK SHARES

Powers of the Board 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 is UCB'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 are determined by UCB's Articles of Association and by the terms of reference of the Board and the Boards Committees that are described in this Charter.

Among the matters over which it may, by Law, take decisions, the Board 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 article 524 of the Belgian Companies Code, since it preferred not to permanently delegate the powers granted to it by the Law nor the general representation of UCB.

The Board's role is to provide entrepreneurial leadership of UCB within a framework of prudent and effective controls which enables risks to be assessed and managed. The Board sets UCB's strategic aims, ensures that the necessary financial and human resources are in place for UCB to meet its objectives and reviews management performance. The Board sets UCB'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 UCB's mission, values and strategy, risk tolerance and key policies;
2. 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;
3. Appointment or removal:
 - ♦ from among its members, of the Chair of the Board, after a consultation of all Board members conducted by the Chair of the Governance, Nomination & Compensation Committee ('GNCC'),
 - ♦ from among its members, of the Chair and members of the Audit Committee, of the GNCC and of the members of the Scientific Committee,
 - ♦ of the Chair of the Executive Committee following a proposal by the GNCC,
 - ♦ of members of the Executive Committee following a proposal by the GNCC, and recommendation by the Chair 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 Chair of the Executive Committee,
 - ♦ reviews the succession planning for the Chair of the Executive Committee and the other Executive Committee members, as proposed by the GNCC;
4. For endorsement, appointment or removal of senior

executives on the recommendation of the Chair of the Executive Committee;

5. Ensure the integrity and timely disclosure of the financial statements of the UCB Group and UCB and of material financial and non-financial information to shareholders and financial markets;
6. 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;
7. Preparation of the General Meeting of Shareholders and of the decisions proposed to be considered at the meeting;
8. Executive management structure and general organization of UCB (and of the UCB Group);
9. Approval of the annual budget (including the R&D program and the capital plan) and any increase in the overall annual budget (including the R&D program and the capital plan);
10. The long-term or major finance operations;
11. Creating, establishing, closing, settling or transferring subsidiaries, branches, production locations or major divisions exceeding a value of € 50 million;
12. Allotment, merger, division, purchase, sale or pledging of instruments and shares to a value exceeding € 20 million and involving third parties;
13. Purchase, sale or pledging of property assets to a value exceeding € 50 million and leases over a period exceeding nine (9) years for an aggregate amount of expenditures exceeding € 20 million;
14. The terms and conditions of plans for the grant of stock and stock options to employees;
15. To be informed, at the end of every semester, of the charitable donations in excess of € 10 000 YTD to each single beneficiary;
16. At the request of the Chair 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 Chair.

(...)

No authorization of the shareholders exists at this date allowing the Board to issue new UCB Shares.

According to a decision of the General Meeting held on 6 November 2009, the Board and the Board of Directors of each of its direct subsidiaries are authorized 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 or minus a maximum of 15%, taking also into account any applicable legal requirement.

Further, there are the warrants (see section I.1.3.) which under predefined conditions in the event of a hostile takeover can be exercised if the abovementioned ad-hoc committee so decides.

1.8.9 | SIGNIFICANT AGREEMENTS TO WHICH UCB IS A PARTY AND WHICH TAKE EFFECT, ALTER OR TERMINATE UPON A CHANGE OF CONTROL OF UCB FOLLOWING A TAKEOVER BID, AND THE EFFECTS THEREOF, EXCEPT WHERE THEIR NATURE IS SUCH THAT THEIR DISCLOSURE WOULD BE SERIOUSLY PREJUDICIAL TO UCB; THIS EXCEPTION SHALL NOT APPLY WHERE UCB IS SPECIFICALLY OBLIGED TO DISCLOSE SUCH INFORMATION ON THE BASIS OF OTHER LEGAL REQUIREMENTS

- ◆ Convertible bonds of UCB S.A. in the amount of € 500 million 4.50% Fixed Rate Senior Unsecured Convertible Securities issued 22 September 2009 which state that in case of a change of control (as the concept is defined in the Terms and Conditions, and which was approved by the General Meeting held on 6 November 2009) the bondholders have the right to require the issuer to redeem such bondholders' bonds.
- ◆ Retail bonds of UCB S.A. in the amount of € 750 million 5.75% Fixed Rate Senior Unsecured Securities issued 27 November 2009 which state that in case of a change of control (as the concept is defined in the Terms and Conditions, and which was approved by the General Meeting held on 6 November 2009) the bondholders have the right to require the issuer to redeem such bondholders' bonds.
- ◆ Institutional bonds of UCB S.A. in the amount of € 500 million 5.75% Fixed Rate Senior Unsecured Securities issued 10 December 2009 which state that in case of a change of control (as the concept is defined in the Terms and Conditions, and which was approved by the General Meeting held on 29 April 2010) the bondholders have the right to require the issuer to redeem such bondholders' bonds.
- ◆ Facility agreement in the amount of € 1 000 million between, amongst others, UCB S.A., Commerzbank AG, Fortis Bank S.A./N.V. and Mizuho Corporate Bank Nederland N.V. as joint coordinators, mandated lead arrangers and book runners, The Royal Bank of Scotland N.V. (Belgium branch), ING Belgium S.A./N.V., KBC Bank N.V., The Bank of Tokyo-Mitsubishi UFJ, Ltd., Barclays Capital, DnB NOR Bank ASA and Sumitomo Mitsui Banking Corporation as mandated lead arrangers, dated 14 November 2009 (as amended and restated on 30 November 2010 and on 7 October 2011), which change of control clause was approved by the General Meeting held on 26 April 2012.
- ◆ Hybrid Bonds of UCB in the amount of € 300 million Fixed-to-Floating Rate Perpetual Subordinated Securities issued 18 March 2011 and which include 4 (h) (Step-up after Change of Control) in the Terms and Conditions which states that in case of a change of control (as the concept is defined in the Terms and Conditions) the applicable interest rate will be increased by 500 base points unless UCB elects to reimburse the Bond at that point, which change of control clause was approved by the General Meeting of 28 April 2011.
- ◆ Facility agreement in the amount of € 150 million between, UCB Lux S.A. as borrower; UCB S.A. as promoter and guarantor, and the European Investment Bank dated 9 May 2012, which change of control clause was approved by the General Meeting of 26 April 2012.

- ◆ The UCB stock awards and performance share plans by which UCB shares are granted annually by UCB 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 UCB Group.

They also vest upon change of control or merger.

On 31 December 2012, the following number of stock awards and performance shares are outstanding:

- ◆ 445 700 stock awards, of which 132 085 will vest in 2013;
- ◆ 395 025 performance shares, of which 124 325 will vest in 2013;
- ◆ The change of control clauses in the Executive Committee members' contract, as further described in the remuneration report (section I.4.3.).

1.8.10 | AGREEMENTS BETWEEN UCB 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 I.4.3. on the main contractual terms on hiring and termination arrangements for the CEO 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 addition to the Executive Committee members identified in section I.4.3., seven employees in the U.S. benefit from a change of control clause that guarantees their termination compensation if the employment of the employee ceases because of a takeover bid.

1.9. | Application of article 523 of the Belgian Companies Code

Excerpt from the minutes of the meeting of the Board held on 1 March 2012:

PRESENT:

- ◆ Baron Karel Boone, Chair
- ◆ Countess Evelyn du Monceau, Vice Chair
- ◆ Dr. Roch Doliveux, Executive Director
- ◆ Baron Albrecht De Graeve, Director
- ◆ Dr. Peter Fellner, Director
- ◆ Professor Jean-Pierre Kinet, Director
- ◆ Sir Thomas McKillop, Director
- ◆ Mr. Gerhard Mayr, Director
- ◆ Mr. Norman J. Ornstein, Director
- ◆ Count Arnoud de Pret, Director
- ◆ Mr. Alexandre Van Damme, Director
- ◆ Mrs. Bridget van Rijckevorsel, Director
- ◆ Mr. Gaëtan van de Werve, Director
- ◆ Mr. Thomas Leysen, Director

IN ATTENDANCE:

Mrs. Inge Basteleurs, Secretary General

(...)

Prior to any discussion or decision by the Board of Directors concerning the following items resulting from the Governance, Nomination and Compensation Committee:

- ◆ Approval of the Executive Committee and CEO bonus on 2011 performance base salary as from 1 March 2012 and 2012 LTI grants
- ◆ Approval of the stock option plan 2012
- ◆ Approval of the stock award plan 2012
- ◆ Approval of the performance share plan 2012

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

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

The Board, having discussed the recommendations of the Governance, Nomination and Compensation Committee relating to the Executive Committee members and CEO bonus on their 2011 performance, their base salary as from March 2012 and on their 2012 LTI grants, resolved that these bonuses and LTI grants were approved as proposed.

The financial consequences for the Company will be the cost of the Company of

- ◆ CEO bonus: € 1 550 557 (130% of target) for individual performance
- ◆ CEO base salary increase: 3%
- ◆ CEO LTI 2012: stock options: 45 000 (3 years and 8 months vesting); stock awards: 24 000 (3 years vesting); PSP: 28 750 (3 years vesting). The cost for UCB at vesting is the difference which might exist between the purchase price of above own shares by the Company and the exercise price determined in accordance with the conditions stipulated in the plan rules.

The Board, having discussed the recommendations of the Governance, Nomination and Compensation Committee on the LTI program 2012 resolved the following:

1.9.1 | APPROVAL OF THE UCB STOCK OPTION PLAN 2012

- ◆ The present operation is designed, as in the past, to promote shareholding by approximately 1 250 employees 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 concerned beneficiary when exercising the options in accordance with the conditions stipulated in the plan rules.
- a) **Distribution:** The Board of Directors approved the recommendations of the Governance, Nomination and Compensation Committee concerning the rules of the stock option allocation on the basis of job category and level of responsibility. Thus a number of 3 600 000 options shall be allocated to some 1 250 employees of the UCB Group (this estimate does not take into account employees hired or promoted to eligible levels between 1 January 2012 and 1 April 2012).
- b) **Stock Appreciation Rights (SAR) in the U.S.:** UCB will again grant SARs rather than Stock Options in the U.S. The SAR Plan follows the rules of the UCB Stock Option Plan. The only difference is that instead of granting real shares to the participants, it provides them with the ability to benefit from the appreciation in value of UCB stock. This appreciation is paid in cash at the moment of exercise.
- c) **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 2012) or
 - the closing price of the day preceding the offer (31 March 2012).
- d) 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.
- e) **Vesting:** Stock options will have a vesting period of 3 years as of the date of grant except for countries where this is not allowed or less favorable.

1.9.2 | APPROVAL OF THE UCB STOCK AWARD PLAN 2012 AND UCB PERFORMANCE SHARE PLAN 2012

The UCB Stock Award Plan is reserved to the Senior Executives – including the Executive Director who is a member of the Executive Committee – and proposed by the GNCC, 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 these beneficiaries and is intended to provide a long term incentive, this free share grant is linked to the condition that the beneficiary remains employed within the Group until the end of the vesting period (i.e. normally three years after grant date). The financial consequences of the operation for the company basically consist in the value of the UCB shares at time of vesting.

The UCB Performance Share Plan is reserved for Senior Executives who have 'Exceeded Expectations' or who are considered 'Top Performers' – including the Executive Director who is a member of the Executive Committee – and proposed by the Governance, Nomination and Compensation Committee. The reasons are the same as above. This grant is in line with the remuneration policy for these beneficiaries and is intended to provide a long term incentive. The vesting is linked to the condition that the beneficiary 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 the value of the UCB shares at time of vesting.

For the UCB Performance Share Plan, two metrics were approved, on recommendation of the Governance, Nomination and Compensation Committee, by the Board for the April 2012 (vesting 2012) plan: (1) adjusted net profit after tax for 50% and (2) beating consensus revenue for 50%.

Distribution: The Board of Directors approved the recommendations of the Governance, Nomination and Compensation Committee concerning the rules of the free share grant on the basis of job category and level of responsibility. Thus a number of 300 000 shares shall be allocated to 38 Senior Executives within the Group. Final amounts will be known on 1 April, 2012 (in case of new recruits). For PSP's, these shares shall be allocated with payout ranging from 0 to 150% depending on meeting the performance conditions set by the Board of Directors. Final amounts will be known on April 1, 2012 (in case of new recruits).

1.9.3 | 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 for the year 2012 only, 100 000 shares for allocation of stocks in exceptional circumstances. The beneficiaries will be identified by the Executive Committee and the Senior Executives, and the grant will be approved by the Executive Committee. The Governance, Nomination and Compensation Committee will be informed at year-end.

1.9.4 | 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 Senior Executive Vice President, Fabrice Enderlin, acting individually with the right to sub-delegate, in order to ensure the execution of the decisions taken and specifically to finalize the rules and regulations of the issues, the documentation for the beneficiaries and the exercise procedure.

(...)

1.10. | **Application of article 96, § 2, section 2 of the Belgian Companies Code (Deviation from the Code)**

Principle 2.9 (guideline): The Secretary of the Board reports to the General Counsel, instead of to the Chairman of the Board; this to jointly and on a constant basis monitor the corporate governance compliance of UCB.

Principle 3.6: Tom McKillop did not join the discussion of the Board of Directors on 13 December 2012 which decided to grant him an exception to the age limit of article 3.2.4. of the Corporate Governance Charter.

Principle 7.18: Anna Richo joined the Executive Committee on 1 November 2012. On advice of the Governance, Nomination and Compensation Committee, based on the alignment with the previously existing departure payments of the other Executive Committee members, the Board of Directors granted Anna Richo a departure payment of eighteen months.

2. Business performance review¹



Terry,
living with
Parkinson's disease

This Business Performance Review and the Operating and Financial review are 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.

2.1. | Key highlights

- ◆ **Revenue** in 2012 increased by 7% to € 3 462 million. Net sales went up by 7% due to the solid performance of the three core products Cimzia®, Vimpat® and Neupro®, strong Keppra® sales in Japan and resistance to generic erosion in Europe, partially offset by the generic competition to the mature product portfolio. Royalty income and fees was down by 10% as a result of lower Biotechnology IP. Other revenue increased by 23% due to new milestones partially offset with lower contract manufacturing sales.
- ◆ **Recurring EBITDA** reached € 655 million in 2012 compared to € 687 million in 2011, reflecting the revenue increase offset by launch expenses for Cimzia®, Vimpat®, Neupro® and R&D investment.
- ◆ **Net profit** increased from € 238 million in 2011 to € 252 million in 2012, reflecting strong revenues, lower non-recurring and higher financing expenses.
- ◆ **Core EPS** increased from € 1.91 in 2011 to € 2.14 per share in 2012.

¹ Due to rounding, some financial data may not add up in the tables included in this management report

€ million	ACTUAL		VARIANCE	
	2012	2011	ACTUAL RATES	CST RATES
Revenue	3 462	3 246	7%	2%
Net sales	3 070	2 876	7%	2%
Royalty income and fees	168	187	-10%	-14%
Other revenue	224	183	23%	18%
Gross profit	2 378	2 233	6%	1%
Marketing and selling expenses	-875	-837	5%	0%
Research and Development expenses	-890	-778	14%	10%
General and administrative expenses	-198	-191	4%	2%
Other operating income/expenses (-)	0	12	-96%	-92%
Recurring EBIT (REBIT)	415	439	-5%	-16%
Non recurring income/expenses (-)	-26	-91	-71%	-72%
EBIT (operating profit)	389	348	12%	-1%
Net financial expenses	-147	-115	29%	28%
Profit before income taxes	242	233	3%	-16%
Income tax expenses (-)/credit	-7	-9	-30%	-2%
Profit from continuing operations	235	224	5%	-16%
Profit/loss (-) from discontinuing operations	17	14	21%	20%
Net profit	252	238	8%	-14%
Attributable to UCB shareholders	256	238	8%	-15%
Attributable to non-controlling interests	-4	0	n.a.	n.a.
Recurring EBITDA	655	687	-5%	-12%
Capital expenditure (including intangible assets)	221	137	61%	n.a.
Net financial debt	1 766	1 548	14%	n.a.
Cash flow from operating activities	355	292	21%	n.a.
Weighted average number of shares – non diluted	179.3	178.5	0%	n.a.
EPS (€ per weighted average number of shares – non diluted)	1.43	1.34	7%	-15%
Core EPS (€ per weighted average number of shares – non diluted)	2.14	1.91	12%	-4%

2.2. | 2012 key events

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

IMPORTANT AGREEMENTS / INITIATIVES

- December 2012 – **Biotie Therapies reported positive top-line results from a Phase 2b** study evaluating its adenosine A2a antagonist **tozadenant** (SYN115) in Parkinson's disease (PD). UCB holds 9.2% of Biotie and has a licence for exclusive, world-wide rights to **tozadenant** Phase 3 development and commercialization. UCB is currently analyzing the data in full detail; a decision about further development is expected in the first quarter of 2013.
- November 2012 – **Exemed Pharmaceuticals acquires UCB's Indian production facility in Vapi**. UCB's Vapi plant currently focuses on the production, packaging and distribution of some of UCB mature drugs mainly for the Indian market. Exemed Pharmaceuticals will continue with these activities while also planning to bring new business to the site.
- November 2012 – **Exclusive partnership agreement with NewBridge Pharmaceuticals** for several Middle East and African markets to make UCB's core products Cimzia®, Vimpat® and Neupro® available to patients.
- September 2012 – **New pilot biotechnology plant** at UCB's Braine-l'Alleud site (Belgium). The plant will focus on developing UCB's molecules for research and clinical trials. Manufacturing processes will be designed and optimised to move from development to full scale industrial production. The facility will include multiple fermentation reactors as well as integrated laboratories.
- June and October 2012 – **UCB-Harvard Research Alliance expands and moves forward**: UCB has launched a second and third collaborative research project with Harvard that builds upon the innovative Research Alliance signed in 2011. The second research project aims at driving translation and developing small molecule compounds for induction of autophagy, with potential applications in the treatment of neurodegenerative diseases. The third is focused on human microbiome to develop new therapeutic applications in immunology.
- May 2012 – **UCB expands in Brazil**: UCB and Meizler Biopharma, a privately-owned Brazilian pharmaceutical company, announced that they have signed an agreement by which UCB acquires 51% of Meizler Biopharma. As part of the partnership, UCB will bring parts of its mature and new medicines into Meizler Biopharma's portfolio for commercialization in Brazil.

- ◆ April 2012 – **Convertible bonds:** UCB purchased € 70 million par value of the outstanding 2015 convertible bond (€ 500 million 4.50% convertible bond issued by UCB S.A. on 30 September 2009).
- ◆ March 2012 – **Collaboration with The University of Oxford** which will see an investment of GBP 3.6 million into projects in the field of translational medicine.
- ◆ February 2012 – **UCB and Nodality enter into a multi-year strategic collaboration** to utilize Nodality's proprietary Single Cell Network Profiling (SCNP) technology to assist the development of several UCB compounds in the field of immunology.
- ◆ January 2012 – **UCB and Astellas announce agreement to jointly develop and commercialize Cimzia® in Japan:** Following the decision of Otsuka Pharmaceutical to discontinue its collaboration in immunology, UCB and Astellas agreed to co-develop and co-promote Cimzia® (*certolizumab pegol*) in Japan.
- ◆ January and August 2012 – **Strategic alliance with WILEX strengthened:** UCB has exercised its subscription and oversubscription rights on the issuance of new shares in WILEX AG, Munich, Germany, a company specializing in the development of drugs and diagnostic agents for cancer. UCB has acquired additional shares in WILEX and has a total holding to 14.47%.

REGULATORY UPDATE AND PIPELINE PROGRESS

Central Nervous System (CNS)

- ◆ In November 2012, UCB started a new Phase 3 clinical trial of **Vimpat®** (*lacosamide*) **in Asia** which is designed to investigate the efficacy and safety of *lacosamide* as adjunctive therapy in adult patients with partial-onset seizures. Initial results from this Phase 3 study are expected in the first half of 2015.
Both U.S. and European **monotherapy** Phase 3 programs for Vimpat® in **partial-onset seizures** are on track, with first results expected in the second quarter 2013 and in the fourth quarter 2014 respectively.
The Vimpat® open-label pilot Phase 2 study for **adjunctive therapy** in primary generalised tonic-clonic seizures (**PGTCS**) reported positive results in January. Discussions with regulatory agencies to move into Phase 3 development for PGTCS are on-going.
The **paediatric** Phase 3 program is due to start in the first half of 2013.
- ◆ **Neupro®** (*rotigotine*) received **U.S. regulatory approval** in April. Since July 2012, the room temperature stable patch is available in the U.S. for early and advanced **Parkinson's disease** (PD) as well as **restless legs syndrome** (RLS). In August, the room temperature stable patch was approved in the EU for early and advanced PD as well as RLS.
In December 2012, Neupro® was approved in Japan for Parkinson's disease and restless legs syndrome. UCB's CNS partner, Otsuka Pharmaceutical has the exclusive rights for developing and marketing Neupro® in Japan.
- ◆ The Phase 3 study evaluating *brivaracetam* as adjunctive therapy in the treatment of **partial onset-seizures** in adults with epilepsy is on-going. This study evaluates the efficacy and safety of *brivaracetam* at doses of 100 and 200 mg/day compared to placebo as adjunctive treatment in more than 700 adult epilepsy patients with partial onset seizures not fully controlled despite current treatment with 1 or 2 concomitant antiepileptic drugs. Enrolment to this trial is below plan due to external (competition in market and for clinical trial patients) and design reasons (patients currently on *levetiracetam* excluded). First results are now expected in H2 2014. *Brivaracetam* presents the opportunity to further extend UCB's leadership within epilepsy by providing new and better treatment for this challenging disease.
- ◆ **UCB0942**, a new drug candidate with an innovative mechanism of action ('pre-and-post synaptic inhibitor' or PPSI) has been developed for the treatment of **drug refractory epilepsy**. Single-dose and multiple-dose Phase I studies have been completed satisfactorily. However, further development of this molecule will not continue.

Immunology

- ◆ In December 2012, **Cimzia®** (*certolizumab pegol*) was approved in Japan for the treatment of adult patients with **rheumatoid arthritis** (RA) following submission for marketing authorisation with the Japanese Ministry of Health, Labour and Welfare (MHLW) in January 2012.
UCB and Astellas Pharma Inc. have agreed to co-develop and co-promote Cimzia® in Japan.
In February and April 2012, the Phase 3 trials for Cimzia® in **psoriatic arthritis** (PsA) and **axial spondyloarthritis** (AxSpA), including **ankylosing spondylitis** (AS) reported first positive results. Submission to U.S. and EU regulatory authorities for these followed in November and December; accepted for filing by U.S. and EU regulatory authorities in February 2013.
In March 2012, Cimzia® Phase 3 program in **juvenile idiopathic arthritis** (JIA) started as scheduled in the U.S.. First results are expected in the second half of 2014.
- ◆ In September 2012, UCB announced top-line Phase 2 results for **olokizumab** in **rheumatoid arthritis**. This study met its primary endpoint of demonstrating a significant reduction in the disease activity score at week 12. However, the current data do not suggest sufficient differentiation potential versus *tocilizumab* for UCB to progress the program internally into Phase 3, and is now exploring options for *olokizumab* including partnering.
- ◆ In April 2012, **romosozumab** (*sclerostin* antibody also known as CDP7851 / AMG 785) Phase 3 clinical trial started for the treatment of **post-menopausal osteoporosis** (PMO). Initial results from the Phase 3 program are expected by the end of 2015.
- ◆ Expanding its pipeline, UCB initiated a Phase I study to assess **UCB4940**, new mechanism of action, for the treatment of immunological diseases.
- ◆ The other clinical development projects in immunology, namely the Phase 3 programs Cimzia® Exxelerate™ and C-Early™, **epratuzumab** in **systemic lupus erythematosus** (SLE) but also **CDP7657** for **SLE** in Phase I are advancing.
- ◆ In February 2013, UCB and its partner, Amgen Inc., announced to not pursue a Phase 3 clinical trial program for **CDP7851** / AMG785 in acceleration of **fracture healing** based on the evaluation of currently available Phase 2 results from accelerated fracture healing studies and general regulatory guidance on fracture healing programs.

3. Operating and financial review¹



Carola,
living with
Parkinson's disease

Scope change: As a result of the divestment of the remaining non-pharma activities, i.e. Films (in September 2004) and Surface Specialties (in February 2005), UCB reports the results from those activities as a part of profit from discontinued operations.

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

Core EPS is the core net profit, or the net profit attributable to the UCB shareholders, adjusted for the after-tax impact of non-recurring items, the financial one-offs, the after-tax contribution from discontinued operations and the net amortization linked to sales, per non-dilutive weighted average number of shares.

Core products: The 'core products' are UCB's newly launched medicines being Cimzia®, Vimpat® and Neupro®. One of UCB's priorities is growth of those three products, including continued launch of new indications.

¹ Due to rounding, some financial data may not add up in the tables included in this management report.

The 2012 consolidated financial statements are the first financial statements in which the Group early adopted IAS 19R. The 2011 financials have been restated as if IAS 19R had always been applied.

3.1. | Net sales by product – total net sales amount to € 3 070 million or 7% higher than the period before

€ million	ACTUAL		VARIANCE	
	2012	2011	ACTUAL RATES	CST RATES
Core products				
Cimzia®	467	312	50%	41%
Vimpat®	334	218	53%	44%
Neupro®	133	95	40%	38%
Other products				
Keppra® (including Keppra® XR)	838	966	-13%	-16%
Zyrtec® (including Zyrtec-D®/Cirrus®)	249	260	-4%	-8%
Xyzal®	128	108	19%	17%
omeprazole	79	76	4%	-3%
Metadate™ CD	65	62	5%	-3%
Nootropil®	63	69	-9%	-8%
Other	714	710	0%	-3%
Total net sales	3 070	2 876	7%	2%

CORE PRODUCTS

Cimzia® (*certolizumab pegol*), for moderately to severely active rheumatoid arthritis (RA) and for Crohn's disease (CD; available in the U.S., Switzerland, Brazil, Russia, Argentina, Chile and Mexico) reached net sales of € 467 million, an increase of € 155 million or 50%.

Vimpat® (*lacosamide*), for epilepsy, as add-on therapy for the treatment of partial-onset seizures, showed € 334 million net sales (+53%).

Neupro® (*rotigotine*), for Parkinson's disease (PD) and restless legs syndrome (RLS), net sales increased from € 95 million to € 133 million, a plus of 40%.

OTHER PRODUCTS

Keppra® (*levetiracetam*), for epilepsy, reported net sales of € 838 million (of which € 55 million for Keppra® XR in the U.S.) which is 13% lower than last year. The net sales decreased due to further post-patent erosion in Europe (-28%), partially compensated by an increase of 40% in 'Rest of the World' mainly due to E Keppra® in Japan.

Zyrtec® (*cetirizine*, including Zyrtec®-D/Cirrus®), for allergy, decreased net sales by 4% to € 249 million, due to generic competition.

Xyzal® (*levocetirizine*), for allergy, reported net sales of € 128 million, up 19%, mainly due to growing market share in Japan offset with generic competition in the European markets.

Omeprazole, a generic product for hyperacidity disease, reached net sales of € 79 million compared to € 76 million last year.

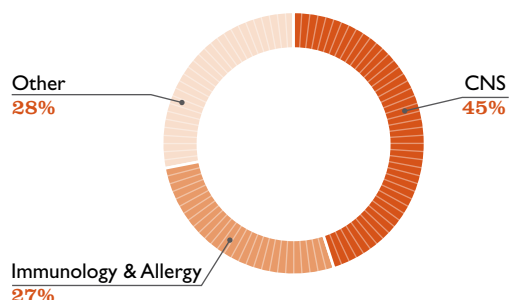
Metadate™ CD (*methylphenidate HCl*), for attention deficit and hyperactivity disorders, reported net sales of € 65 million, all in the U.S., an increase of 5% despite generic launch as of September 2012.

Nootropil® (*piracetam*), for cognitive disorders, saw a decrease in net sales of 9% from € 69 million to € 63 million.

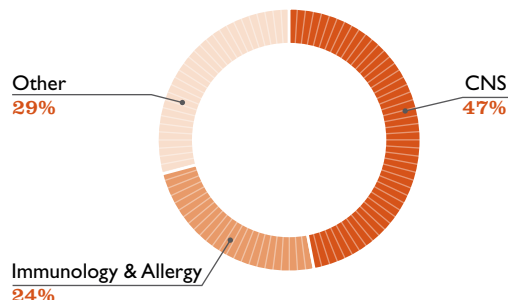
Other products: Net sales for other mature products remained stable.

NET SALES BY PRODUCT

2012 € 3 070 million



2011 € 2 876 million



3.2. | Net sales by geographical area

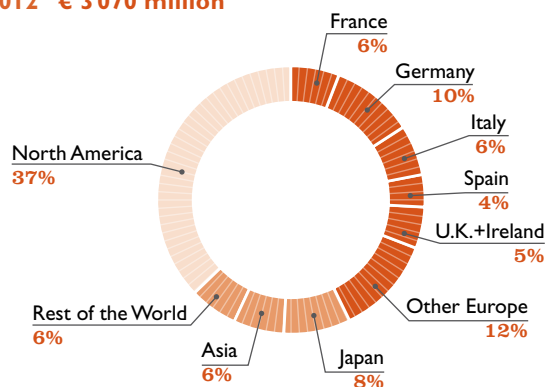
North America net sales reported by UCB reached € 1 171 million, an increase of 24% from the year before, or 15% at constant currency. Cimzia®, for patients suffering from Crohn's disease (CD) and rheumatoid arthritis (RA), net sales increased by 42% to € 321 million. The anti-epileptic drug Vimpat®, available as an add-on therapy for the treatment of partial-onset seizures achieved net sales of € 251 million (+58%). After bringing Neupro® to the U.S. market in the second half of 2012, net sales reached € 15 million. The Keppra® franchise amounted € 236 million, up by 4% year-over-year, including a decrease of 16% related to Keppra® XR. Venlafaxine XR reached net sales of € 39 million (-17%) and Tussionex™ (hydrocodone plitirex and chlorpheniramine polistirex) net sales amounted € 34 million (-23%), both due to further generic competition. Net sales of the other products reached € 275 million (+15%, +7% at constant rate).

Europe net sales reached € 1 275 million in 2012, down by 9%. Cimzia® net sales increased by 63% from € 81 million in 2011 to € 133 million in 2012. The anti-epileptic drug Vimpat® increased by 33% to € 76 million. Neupro® for the treatment of Parkinson's disease and restless legs syndrome reached net sales of € 114 million, an increase of 22% year-over-year. Keppra® net sales decreased by 28% and represented € 451 million, due to generic competition. The allergy drug Xyzal® (-25%) and Zyrtec® (-7%) decreased to a total level of € 105 million due to further generic competition. Nootropil® decreased to € 33 million net sales. All other products contributed € 363 million, a reduction of 4% versus the previous year.

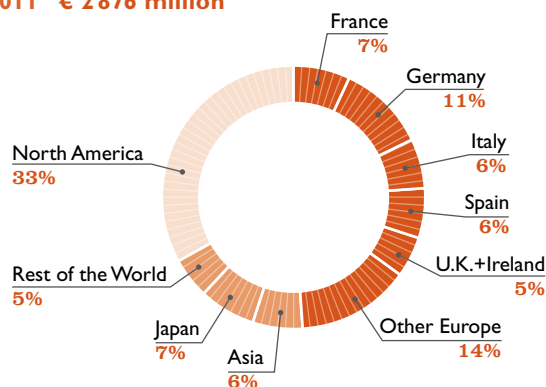
'Rest of the World' net sales in 2012 amounted to € 628 million, an increase of 22%, mainly related to growth in Asia, including E Keppra® in Japan. Zyrtec® and Xyzal® contributed € 264 million, of which € 201 million in Japan. Market leading E Keppra® grew 40% year-over-year. All three new core products, Cimzia®, Vimpat® and Neupro®, are available to patients in this region and contributed for € 24 million.

NET SALES BY GEOGRAPHICAL AREA

2012 € 3 070 million



2011 € 2 876 million



€ million	ACTUAL		AT ACTUAL RATES		AT CONSTANT RATES	
	2012	2011	€ MILLION	%	€ MILLION	%
Net sales North America	1 171	943	228	24%	140	15%
Core products						
Cimzia®	321	226	95	42%	71	31%
Vimpat®	251	158	92	58%	74	46%
Neupro®	15	0	15		14	
Other products						
Keppra® (including Keppra® XR)	236	228	8	4%	-10	-4%
venlafaxine XR	39	47	-8	-17%	-11	-23%
Tussionex™	34	44	-10	-23%	-13	-29%
Other	275	240	35	15%	16	7%
Net sales Europe	1 275	1 403	-129	-9%	-136	-10%
Core products						
Cimzia®	133	81	51	63%	49	61%
Vimpat®	76	57	19	33%	18	32%
Neupro®	114	94	20	22%	19	21%
Other products						
Keppra®	451	630	-180	-28%	-182	-29%
Xyzal®	48	64	-16	-25%	-16	-25%
Zyrtec® (including Cirrus®)	57	61	-4	-7%	-4	-7%
Nootropil®	33	38	-5	-14%	-5	-13%
Other	363	378	-14	-4%	-16	-4%
Net sales Rest of World	628	515	113	22%	85	16%
Core products						
Cimzia®	13	5	8	177%	8	158%
Vimpat®	7	3	4	162%	4	151%
Neupro®	4	2	3	193%	3	189%
Other products						
Zyrtec® (including Cirrus®)	184	191	-7	-4%	-19	-10%
Keppra®	152	108	43	40%	35	32%
Xyzal®	80	43	36	84%	35	80%
Nootropil®	30	31	-2	-2%	-1	-2%
Other	158	132	25	19%	20	15%
Unallocated	-4	15				
Total net sales	3 070	2 876	194	7%	71	2%

3.3. | Royalty income and fees

€ million	ACTUAL		VARIANCE	
	2012	2011	ACTUAL RATES	CST RATES
Biotechnology IP	88	104	-15%	-20%
Toviaz®	38	39	-2%	-2%
Zyrtec® U.S.	19	18	5%	-3%
Other	23	26	-12%	-17%
Royalty income and fees	168	187	-10%	-14%

Royalty income and fees for 2012 amounted to € 168 million, down by € 19 million or 10% compared to the same period last year. Biotechnology intellectual property (IP) decreased to € 88 million due to expiration of patents. The royalties paid by Pfizer for the overactive bladder treatment Toviaz® (fesoterodine) went down by 2% to € 38 million. Zyrtec®

U.S. royalty income received on the over-the-counter sales remained stable and amounted to € 19 million

The other royalty income decreased by € 3 million to € 23 million.

3.4. | Other revenue

€ million	ACTUAL		VARIANCE	
	2012	2011	ACTUAL RATES	CST RATES
Contract manufacturing sales	85	93	-8%	-12%
Astellas / Otsuka	75	22	238%	223%
Provas™ and other profit sharing	29	39	-26%	-26%
Xyzal® milestones and profit sharing	13	7	78%	74%
Other	22	22	1%	-5%
Other revenue	224	183	23%	18%

Other revenue for 2012 amounted to € 224 million, up by 23% or € 41 million.

Contract manufacturing sales decreased to € 85 million, 8% lower compared to the same period last year. Contract manufacturing sales are for a major part related to the agreements with GSK announced in 2009.

The 2011 Otsuka-related other revenue pertains to the reimbursement of R&D expenses and milestones recognised as part of the agreements entered into by Otsuka and UCB in 2008 to co-develop E Keppra® and Cimzia® in Japan. Since early 2012, the collaboration with Otsuka focuses now on E Keppra®

and Neupro® and the new partner to jointly develop and commercialize Cimzia® in Japan is Astellas.

The profit sharing agreement with Novartis on the Provas™, Jalra® and Icandra® in Germany represents € 29 million, down by 26%.

The Xyzal® milestones and profit sharing are up 78% to € 13 million, and is mainly related to the received sales milestones in the Japanese market.

3.5. | Gross profit

€ million	ACTUAL		VARIANCE	
	2012	2011	ACTUAL RATES	CST RATES
Revenue	3 462	3 246	7%	2%
Net sales	3 070	2 876	7%	2%
Royalty income and fees	168	187	-10%	-14%
Other revenue	224	183	23%	18%
Cost of sales	- 1 084	- 1 013	7%	5%
Cost of sales products and services	-791	-730	9%	8%
Royalty expenses	-141	-128	10%	6%
Amortization of intangible assets linked to sales	-152	-155	-2%	-6%
Gross profit	2 378	2 233	6%	1%
of which				
Products and services	2 503	2 328	7%	2%
Net royalty income	27	60	-54%	-59%
Amortization of intangible assets linked to sales	-152	-155	-2%	-6%

Gross profit of € 2 378 million is 6% higher than 2011 following the increase of revenue.

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

Cost of sales for products and services: The cost of sales for products and services increased by € 61 million from € 730 million in 2011 (25.4% of net sales) to € 791 million in 2012 (25.8% of net sales), due to product mix.

Royalty expenses: Royalties increased from € 128 million in 2011 to € 141 million in 2012 due to higher royalties relating to the launched products (Cimzia®, Vimpat® and Neupro®), partially offset with the decrease of the biotechnology IP and the venlafaxine XR royalty expense.

€ million	ACTUAL		VARIANCE	
	2012	2011	ACTUAL RATES	CST RATES
Biotechnology IP	-35	-42	-16%	-22%
Other	-106	-86	23%	20%
Royalty expenses	-141	-128	10%	6%

Amortization of intangible assets linked to sales: Under IFRS 3 (Business Combinations), UCB has reflected on its balance sheet a significant amount of intangible assets relating to the Celltech and Schwarz Pharma acquisitions (in-process Research and Development, manufacturing know-how, royalty

streams, trade names, etc.). The amortization expenses of the intangible assets for which products have already been launched amounted of € 152 million in 2012, or € 3 million lower compared to 2011, mainly due to the expiration of the write-down period of certain intangible assets.

3.6. | Recurring EBIT and recurring EBITDA

€ million	ACTUAL		VARIANCE	
	2012	2011	ACTUAL RATES	CST RATES
Revenue	3 462	3 246	7%	2%
Net sales	3 070	2 876	7%	2%
Royalty income and fees	168	187	-10%	-14%
Other revenue	224	183	23%	18%
Gross profit	2 378	2 233	6%	1%
Marketing and selling expenses	-875	-837	5%	0%
Research and development expenses	-890	-778	14%	10%
General and administrative expenses	-198	-191	4%	2%
Other operating income/ expenses (-)	0	12	-96%	-92%
Total operating expenses	-1 963	-1 794	9%	5%
Recurring EBIT (REBIT)	415	439	-5%	-16%
Add: Amortization of intangible assets	176	180	-3%	-6%
Add: Depreciation charges	64	68	-6%	-8%
Recurring EBITDA (REBITDA)	655	687	-5%	-12%

Operating expenses, encompassing marketing and selling expenses, research and development expenses, general and administrative expenses and other operating income/ expenses, reached € 1 963 million in 2012, 9% higher than last year, reflecting:

- ◆ € 38 million higher marketing and selling expenses, driven by the launch of Neupro® in the U.S. in July 2012, the continued launch of E Keppra® Japan and further regional expansion of Cimzia®, Vimpat® and Neupro®.
- ◆ € 112 million higher research and development expenses, reflecting a well advanced, late-stage clinical development, including those projects in the last development phase (Phase 3).
- ◆ € 8 million higher general and administrative expenses.
- ◆ € 12 million decrease in other operating income/expenses is mainly related to due to reimbursement of expenses in 2011 that did not re-occur in 2012.

Recurring EBIT is down by 24 million or 5% due to higher operating expenses.

- ◆ Total amortization of intangible assets (product related and other) went down from € 180 million to € 176 million mainly due to the end of the useful life of certain intangible assets;
- ◆ Depreciation charges amounted € 64 million.

Recurring EBITDA is down by 5% to € 655 million compared to 2011, reflecting higher revenue contrasted by higher operating expenses due to on-going launch activities for UCB's core products in major regions as well as E Keppra® and high R&D expenses due to late stage pipeline progressing in Phase 3 as well as CVN lifecycle management.

3.7. | Net profit and core EPS

€ million	ACTUAL		VARIANCE	
	2012	2011	ACTUAL RATES	CST RATES
Recurring EBIT	415	439	-5%	-16%
Impairment charges	-10	-39	-74%	-74%
Restructuring expenses	-40	-27	47%	45%
Gain on disposals	31	1	>100%	>100%
Other non recurring income/expenses (-)	-7	-25	-72%	-76%
Total non recurring income/expenses (-)	-26	-91	-71%	-72%
EBIT (operating profit)	389	348	12%	-1%
Net financial expenses	-147	-115	29%	28%
Profit before income taxes	242	233	3%	-16%
Income tax expenses (-)/credit	-7	-9	-30%	-2%
Profit from continuing operations	235	224	5%	-16%
Profit from discontinued operations	17	14	21%	20%
Net profit	252	238	6%	-14%
Net profit attributable to UCB shareholders	256	238	8%	-15%
After-tax non-recurring items and financial one-offs	35	70	-50%	-50%
Profit(-) from discontinued operations	-17	-14	21%	21%
Tax one-offs	-3	-66	-96%	-98%
Amortization intangibles linked to sales	152	155	-2%	-6%
Taxes on amortization of intangibles	-41	-43	-6%	-9%
Core net profit attributable to UCB shareholders	383	340	13%	-4%
Weighted average number of shares	179.3	178.5	0%	n.a.
Core EPS attributable to UCB shareholders	2.14	1.91	12%	-4%

Total **non-recurring income/expenses** amounted to € 26 million pre-tax expense, compared to € 91 million pre-tax expense in 2011. The 2012 non-recurring items include the impairment of non-financial assets as a result of the yearly impairment testing; restructuring expenses related to SHAPE, reorganization of support functions and severance costs; the gain on divestment of primary care markets in the U.S. and Australia; and other expenses related to litigations, optimization and Civil Investigate Demand. In October 2011, the United States Department of Justice and the United States Attorney's Office in the Eastern District of Pennsylvania issued a Civil Investigative Demand to UCB, Inc. relating to the price reporting for Cimzia® to the U.S. federal government and sales and marketing of Cimzia® in the U.S. The company cooperated fully with the investigation, and in September 2012 the government concluded its investigation without imposing any fines or penalties or taking any other action against the company.

The 2011 non-recurring items included impairment charges for € 39 million and are mainly related to SYN-118 and the further optimization of the manufacturing facilities. The € 27 million restructuring expenses include primarily the new organization of the European operations. The other non-recurring expenses are composed out of US\$ 30 million restructuring of epratuzumab licence agreement between Immunomedics and UCB and additional amortization/depreciation.

Net financial expenses increased from € 115 million in 2011 to € 147 million in 2012, or by € 32 million including € 9 million one-off loss on debt extinguishment related to the convertible bond and € 13 million write-off on the WILEX investment.

The **average tax rate** on recurring activities is 7 % in 2012 compared to 30% in the same period of last year. The low income tax rate arising in the year 2012 is due to the recognition of previously unrecognized tax losses and a significant proportion of losses arising in higher tax jurisdictions. Non-recurring items lead to a tax credit of € 15 million compared to a tax credit of € 86 million in 2011. This includes one-off tax income due to the release of liabilities no longer required.

The **net profit** amounts to € 252 million, € 14 million above 2011, of which € 256 million attributable to the UCB shareholders and -€ 4 million to the non-controlling interest.

The net profit attributable to UCB shareholders, adjusted for the after-tax impact of non-recurring items, the financial one-offs, the after-tax contribution from discontinued operations and the net amortization linked to sales, gives rise to a **core net profit** of € 383 million, 13% higher than 2011.

The **core EPS** attributable to the UCB shareholders amounted 2.14 compared to 1.91 in 2011 per non-dilutive weighted average number of shares.

3.8. | Capital expenditure

The tangible capital expenditure resulting from UCB biopharmaceutical activities amounted to € 160 million in 2012 compared to € 82 million in 2011. The 2012 capital expenditures related mainly to the new biotech pilot plant in Braine-l'Alleud (Belgium) and the Biotech plant in Bulle (Switzerland).

Acquisition of intangible assets reached € 61 million in 2012 (versus € 55 million in 2011) for software development costs, milestones incurred under collaboration agreements and for in-licencing deals.

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. Depreciation charges on this investment are recognized in the cost of goods sold and is added back for recurring EBITDA calculation purposes.

3.9. | Balance sheet

Intangible assets: The intangible assets decreased by € 42 million from € 1 525 million at 31 December 2011 to € 1 483 million at 31 December 2012. This includes the on-going amortization of the intangible assets (€ 175 million) mainly related to the acquisition of Celltech and Schwarz Pharma, the impact of the yearly impairment testing (€ 7 million) and the decreasing U.S. dollar and increasing British pound.

Goodwill: Goodwill amounts € 4 823 million or a € 24 million increase between 31 December 2011 and 31 December 2012 reflecting acquisition of Meizler Biopharma (Brazil) partially offset by the impact of the decreasing U.S. dollar and increasing British pound.

Other non-current assets: Other non-current assets increased by € 86 million, mainly driven by investment in the biotech plants, the deferred taxes related to the recognition of the employee benefits and the decrease of the interest rate derivatives.

Current assets: The increase from € 1 706 million as of 31 December 2011 to € 1 822 million as of 31 December 2012 stems from an increase in Cimzia® and Neupro® inventories, higher cash due to the focus on working capital and the monetization of unrealized gains in derivatives.

Shareholders' equity: UCB's shareholders' equity, at € 4 593 million, decreased by € 108 million between 31 December 2011 and 31 December 2012. The important changes stem from the net profit after non-controlling interest (€ 252 million), other comprehensive income (€ -135 million) (including the changes related to IAS 19 revised and the cumulative translation adjustments), and the dividend payments (€ -201 million).

Non-current liabilities: The increase in non-current liabilities from € 2 863 million to € 2 959 million is mainly related to increase in long term debt and the employee benefits and a decrease of the deferred tax liabilities.

Current liabilities: The increase in current liabilities from € 1 612 million to € 1 808 million results from the share swap transaction of 4.3 million UCB shares for a total amount of € 176 million and an increase of the short term bank loans.

Net debt: The net debt increased by € 218 million from € 1 548 million as of end December 2011 to € 1 766 million as of end December 2012. The underlying profitability was offset with the dividend payment on the 2011 results and to the shareholders of the perpetual bond.

3.10. | Cash flow statement

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

Cash flow from operating activities amounted € 355 million compared to € 292 million in 2011. This stems from an intense focus on improving working capital.

Cash flow from investing activities shows an outflow of € 266 million in 2012 compared to € 131 million in 2011, and results from the higher spending in tangible and intangible assets and the acquisition of 51% of Meizler Biopharma (Brazil) and the acquisition of 25% of Schwarz Pharma Zuhai Company Ltd. (P.R. China).

Cash flow from financing activities has an outflow of € 27 million, which includes the repurchase of the convertible bond, the dividend paid to the UCB shareholders and the shareholders of the perpetual subordinated bond, compensated by higher borrowings.

3.11. | Outlook 2013

UCB expects its financial results in 2013 to be driven by the continued growth of Cimzia®, Vimpat®, Neupro® and emerging markets, partially offset by post-exclusivity expiry erosion for Keppra®.


Revenue 2013 is anticipated to grow by a low-single-digit percent excluding exchange rate impacts to approximately € 3.4 billion.

Recurring EBITDA is expected between approximately € 680 and € 710 million.

Core earnings per share are expected in the corresponding range of € 1.90 and € 2.05 based on 179.3 million shares outstanding.

III.

III. CONSOLIDATED FINANCIAL STATEMENTS

- 
1. Consolidated income statement
 2. Consolidated statement of comprehensive income
 3. Consolidated statement of financial position
 4. Consolidated statement of cash flows
 5. Consolidated statement of changes in equity

1. Consolidated income statement

For the year ended 31 December		NOTE	2012	2011 (RESTATED)
€ million				
CONTINUING OPERATIONS				
Net sales	5		3 070	2 876
Royalties			168	187
Other revenue	8		224	183
Revenue			3 462	3 246
Cost of sales			-1 084	-1 013
Gross profit			2 378	2 233
Marketing and selling expenses			-875	-837
Research and development expenses			-890	-778
General and administrative expenses			-198	-191
Other operating income/expenses (-)	11		0	12
Operating profit before impairment, restructuring and other income and expenses			415	439
Impairment of non-financial assets	12		-10	-39
Restructuring expenses	13		-40	-27
Other income and expenses	14		24	-25
Operating profit			389	348
Financial income	15		86	90
Financing costs	15		-233	-205
Profit/loss (-) before income taxes			242	233
Income tax expense (-)/credit	16		-7	-9
Profit/loss (-) from continuing operations			235	224
DISCONTINUED OPERATIONS				
Profit/loss (-) from discontinued operations	7		17	14
PROFIT			252	238
Attributable to:				
Equity holders of UCB S.A.			256	238
Non-controlling interest			-4	0
BASIC EARNINGS PER SHARE (€)				
from continuing operations	37		1.34	1.26
from discontinued operations	37		0.09	0.08
Total basic earnings per share			1.43	1.34
DILUTED EARNINGS PER SHARE (€)				
from continuing operations	37		1.33	1.26
from discontinued operations	37		0.08	0.07
Total diluted earnings per share			1.41	1.32

2. | Consolidated statement of comprehensive income

For the year ended 31 December		NOTE	2012	2011 (RESTATED)
€ million				
PROFIT FOR THE PERIOD			252	238
Other comprehensive income				
Net gain/loss (-) on available for sale financial assets	17		-2	-2
Exchange differences on translation of foreign operations			-75	39
Effective portion of gains/losses (-) on cash flow hedges	17		5	-12
Net gain/loss (-) on hedge of net investment in foreign operation	17		0	0
Remeasurment of defined benefit obligation	17		-68	-42
Income tax relating to components of other comprehensive income	17		5	6
Other comprehensive income/loss (-) for the period,			-135	-11
Total comprehensive income for the period			117	227
Attributable to:				
Equity holders of UCB S.A.			121	227
Non-controlling interests			-4	0
Total comprehensive income for the period,			117	227

3. Consolidated statement of financial position

For the year ended 31 December	NOTE	2012	2011 (RESTATED)	1 st JAN 2011 (RESTATED)
€ million				
ASSETS				
Non-current assets				
Intangible assets	18	1 483	1 525	1 641
Goodwill	19	4 823	4 799	4 718
Property, plant and equipment	20	602	500	505
Deferred income tax assets	30	505	466	235
Investments in associates		0	0	16
Financial and other assets (including derivative financial instruments)	21	125	180	123
Total non-current assets		7 538	7 470	7 238
Current assets				
Inventories	22	616	537	434
Trade and other receivables	23	835	851	705
Income tax receivables		13	13	9
Financial and other assets (including derivative financial instruments)	21	40	38	61
Cash and cash equivalents	24	318	267	494
		1 822	1 706	1 703
Assets of disposal group classified as held for sale		0	0	28
Total current assets		1 822	1 706	1 731
Total assets		9 360	9 176	8 969
EQUITY AND LIABILITIES				
Equity				
Capital and reserves attributable to UCB shareholders	25	4 594	4 699	4 503
Non-controlling interests		-1	2	2
Total equity		4 593	4 701	4 505
Non-current liabilities				
Borrowings	27	193	42	32
Bonds	28	1 697	1 730	1 683
Other financial liabilities (including derivative financial instruments)	29	68	60	43
Deferred income tax liabilities	30	123	217	314
Employee benefits	31	290	234	194
Provisions	32	438	472	218
Trade and other liabilities	33	150	108	127
Total non-current liabilities		2 959	2 863	2 611
Current liabilities				
Borrowings	27	197	45	308
Other financial liabilities (including derivative financial instruments)	29	200	116	79
Provisions	32	51	71	92
Trade and other liabilities	33	1 295	1 294	1 172
Income tax payables		65	86	198
		1 808	1 612	1 849
Liabilities of disposal group classified as held for sale		0	0	4
Total current liabilities		1 808	1 612	1 853
Total liabilities		4 767	4 475	4 464
Total equity and liabilities		9 360	9 176	8 969

4. Consolidated statement of cash flows

For the year ended 31 December		NOTE	2012	2011 (RESTATED)
€ million				
Profit for the year attributable to UCB shareholders			256	238
Non-controlling interests			-4	0
Adjustment for profit (-)/loss from discontinued operations		7	-17	-14
Adjustment for non-cash transactions		34	175	204
Adjustment for items to disclose separately under operating cash flow		34	7	9
Adjustment for items to disclose under investing and financing cash flows		34	103	129
Change in working capital		34	15	-110
Cash flow generated from operations			535	456
Tax paid during the period			-180	-164
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES			355	292
Acquisition of intangible assets		18	-61	-55
Acquisition of property, plant and equipment		20	-160	-82
Acquisition of subsidiaries, net of cash acquired		6	-68	-3
Acquisition of other investments			-1	-5
Sub-total acquisitions			-290	-145
Proceeds from sale of intangible assets			6	1
Proceeds from sale of property, plant and equipment			1	1
Proceeds from sale of business unit, net of cash disposed			17	8
Proceeds from sale of other investments			0	4
Dividends received			0	0
Sub-total disposals			24	14
NET CASH FLOW USED IN INVESTING ACTIVITIES			-266	-131
Proceeds from issuance of perpetual subordinated bonds		25	0	295
Repayment of bonds		28	-20	0
Proceeds of borrowings		27	862	345
Repayments (-) of borrowings		27	-556	-594
Payment of finance lease liabilities			-2	-2
Acquisition (-) / issuance of treasury shares		25	4	-137
Dividend paid to UCB shareholders, net of dividend paid on own shares		25	-201	-177
Interest received			71	67
Interest paid			-185	-184
NET CASH FLOW USED IN FINANCING ACTIVITIES			-27	-387
Cash from discontinued operations			-6	2
NET INCREASE / DECREASE (-) IN CASH AND CASH EQUIVALENTS			56	-224
NET CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		24	253	477
Effect of exchange rate fluctuations			-1	0
NET CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		24	308	253
of which cash and cash equivalents			318	267
of which bank overdrafts			-10	-14

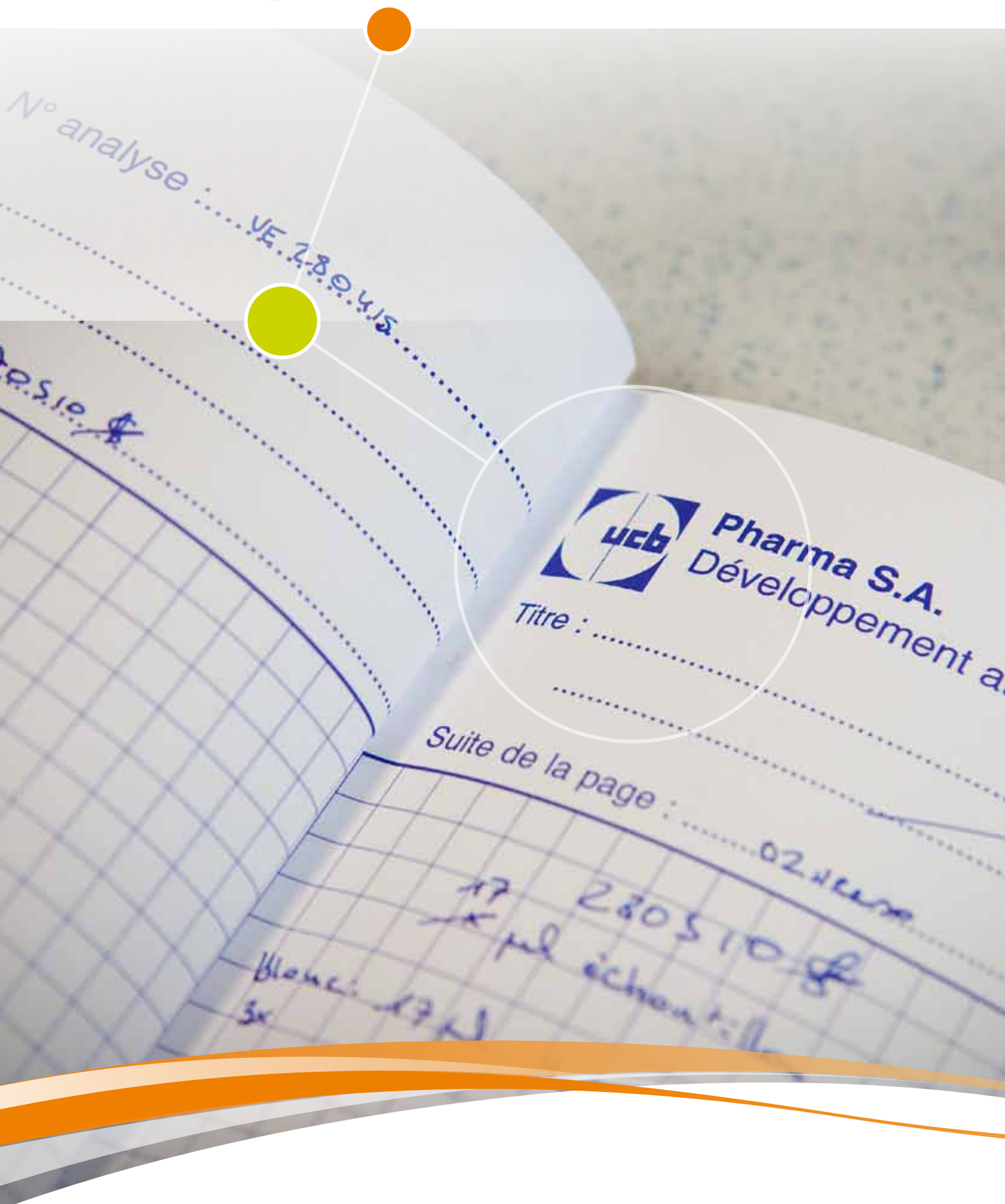
5. Consolidated statement of changes in equity

2012 – € MILLION	ATTRIBUTED TO EQUITY HOLDERS OF UCB S.A.											
	Share capital and share premium	Hybrid capital	Treasury shares	Retained earnings	Other reserves	Cumulative translation adjustments	Available for sale financial assets	Cash flow hedges	Net investment hedge	Total	Non-controlling interests	Total stockholders' equity
Balance at 1 January 2012	2 151	295	-262	2 615	159	-303	-1	-10	55	4 699	2	4 701
Profit for the period				256						256	-4	252
Other comprehensive income/loss (-)					-63	-75	-2	5		-135		-135
Total comprehensive income				256	-63	-75	-2	5		121	-4	117
Dividends				-178						-178		-178
Share-based payments				16						16		16
Transfer between reserves			17	-17						0		0
Treasury shares			6							6		6
Equity component linked to the convertible bond					-7					-7		-7
Put and call option for non-controlling interest					-29					-29		-29
Dividend to shareholders of perpetual subordinated bonds				-23						-23		-23
Business combination					-11					-11	1	-10
Balance at 31 December 2012	2 151	295	-239	2 669	49	-378	-3	-5	55	4 594	-1	4 593

2011 (RESTATED) – € MILLION	ATTRIBUTED TO EQUITY HOLDERS OF UCB S.A.											
	Share capital and share premium	Hybrid capital	Treasury shares	Retained earnings	Other reserves	Cumulative translation adjustments	Available for sale financial assets	Cash flow hedges	Net investment hedge	Total	Non-controlling interests	Total stockholders' equity
Balance at 1 January 2011	2 151	0	-125	2 568	280	-342	1	2	55	4 590	2	4 592
Effect of early adoption of IAS 19R (Note 2.2)				-2	-85					-87		-87
As restated	2 151	0	-125	2 566	195	-342	1	2	55	4 503	2	4 505
Profit for the period				238						238	0	238
Other comprehensive income/loss (-)					-36	39	-2	-12		-11	0	-11
Total comprehensive income				238	-36	39	-2	-12		227	0	227
Dividends				-177						-177		-177
Share-based payments				11						11		11
Transfer between reserves			5	-5						0		0
Treasury shares			-142							-142		-142
Issuance of perpetual subordinated bonds		295								295		295
Dividend to shareholders of perpetual subordinated bonds				-18						-18		-18
Balance at 31 December 2011 (Restated)	2 151	295	-262	2 615	159	-303	-1	-10	55	4 699	2	4 701

IV.

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



1.	General information	60
2.	Summary of significant accounting policies	60
3.	Critical judgements and accounting estimates	71
4.	Financial risk management	73
5.	Segment reporting	79
6.	Business combinations	80
7.	Discontinued operations	81
8.	Other revenue	81
9.	Operating expenses by nature	81
10.	Employee benefit expense	82
11.	Other operating income/expenses (-)	82
12.	Impairment of non-financial assets	83
13.	Restructuring expenses	83
14.	Other income and expenses	83
15.	Financial income and financing costs	84
16.	Income tax expense (-)/credit	85
17.	Components of other comprehensive income	86
18.	Intangible assets	87
19.	Goodwill	88
20.	Property, plant and equipment	89
21.	Financial and other assets	90
22.	Inventories	91
23.	Trade and other receivables	92
24.	Cash and cash equivalents	93
25.	Capital and reserves	93
26.	Share-based payments	94
27.	Borrowings	98
28.	Bonds	99
29.	Other financial liabilities	100
30.	Deferred tax assets and liabilities	101
31.	Employee benefits	102
32.	Provisions	105
33.	Trade and other liabilities	106
34.	Note to the consolidated statement of cash flows	107
35.	Financial instruments by category	108
36.	Derivative financial instruments	109
37.	Earnings per share	111
38.	Dividend per share	112
39.	Commitments and contingencies	113
40.	Related party transactions	114
41.	Events after the balance sheet date	116
42.	UCB companies	116

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 2012 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 2013. The shareholders will be requested to approve the statutory financial statements of UCB S.A. at their annual meeting on 25 April 2013.

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) and IFRIC interpretations 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 share based payment arrangements are measured at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group 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

2.2.1. | NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP:

In the current year, the Group has early adopted the amendments to IAS 19 as revised in June 2011 and as endorsed by the European Union in June 2012 (hereafter, 'IAS 19R'). The Group has applied IAS 19R retrospectively and in accordance with the transitional provisions as set out in IAS 19.173. These transitional provisions do not have an impact on future periods. The opening statement of financial position of the earliest comparative period presented (1 January 2011) has been restated.

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount under IAS 19R, which is calculated by applying the discount rate to the net defined benefit liability or asset. IAS 19R introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

2.2.2. | IMPACT OF EARLY APPLICATION OF IAS 19R

These 2012 consolidated financial statements are the first financial statements in which the Group has early adopted IAS 19R. The revised standard has been adopted retrospectively in accordance with IAS 8. Consequently, the

Group has adjusted opening equity as of 1 January 2011 and the figures for 2011 have been restated as if IAS 19R had always been applied.

€ million	NET EMPLOYEE BENEFIT OBLIGATION	NET DEFERRED TAX LIABILITY	EQUITY
Balance as reported at 1 January 2011	87	99	4 592
Effect of early application of IAS 19R, recorded in :			
Other Comprehensive Income	105	-20	-85
Retained Earnings	2	0	-2
Restated balance at 1 January 2011	194	79	4 505
Balance as reported at 31 December 2011	86	-223	4 823
Effect of early application of IAS 19R on the opening balance	107	-20	-87
Movement for the year, recorded in :			
Other Comprehensive Income	42	-6	-36
Currency Translation Adjustments	3	-1	-2
Income Statement	-4	1	3
Restated balance at 31 December 2011	234	-249	4 701

The effect on the consolidated income statement was as follows:

€ million	2011
Decrease of employee benefit expenses and social taxes	4
Increase of income tax expense	-1
Increase of the profit for the year	3

The effect on the consolidated statement of comprehensive income was as follows:

€ million	2011
Remeasurement of defined benefit obligation	-42
Income tax	6
Decrease of other comprehensive income	-36
Decrease of total comprehensive income for the year	-33

There are no other IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2012 that had a material impact on the Group.

2.3. | New standards and interpretations not yet adopted

The following new standards, amendments to existing standards, and interpretations have been issued but are not effective for the financial year beginning on 1 January 2012 and have not been early adopted.

- ♦ **IFRS 9, *Financial instruments***, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial

liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

- ♦ **IFRS 10, *Consolidated Financial Statements*** (effective from 1 January 2014, at the latest), builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is currently assessing IFRS 10's full impact.
- ♦ **IFRS 11, *Joint Arrangements*** (effective from 1 January 2014, at the latest). IFRS 11 seeks to provide users of financial

statements with greater clarity about an entity's involvement in joint arrangements by requiring the entity to recognize the contractual rights and obligations arising from the joint arrangement in which it participates, independently from the arrangement's legal structure. There are now only two forms of joint arrangement under IFRS 11 – joint operations and joint ventures. The Group is currently evaluating the impact of this standard.

- ◆ **IFRS 12, *Disclosures on Interests in Other Entities*** (effective from 1 January 2014, at the latest). IFRS 12 includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is currently evaluating the impact of this standard.
- ◆ **IFRS 13, *Fair Value Measurement***, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS's. The requirements, which are largely aligned between IFRS and U.S. GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or U.S. GAAP. The Group is currently evaluating the impact of this standard.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.4. | Consolidation

2.4.1. | 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 uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date. On an acquisition-by-acquisition basis, the Group recognises any 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.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized 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.

2.4.2. | CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.4.3. | DISPOSAL OF SUBSIDIARIES

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.4.4. | 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. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost and the carrying amount is increased or decreased to recognize the investors share of the profit or loss of the investee at the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are classified to profit or loss where appropriate.

The Group share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. 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 recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

Dilution gains and losses arising in investments in associates are recognized in the income statement.

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

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

	CLOSING RATE		AVERAGE RATE	
	2012	2011	2012	2011
USD	1.320	1.296	1.285	1.390
JPY	114.320	99.770	102.485	110.661
GBP	0.813	0.836	0.811	0.867
CHF	1.207	1.217	1.205	1.231

The closing rates represent spot rates as at 31 December 2012 and 31 December 2011.

2.6.1. | 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.

2.6.2. | 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 recognized in the income statement, except when deferred in other comprehensive income 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 amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

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 other comprehensive income.

2.6.3. | 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 recognized in other comprehensive income (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 other comprehensive income. When a foreign operation is partially or wholly disposed of or sold, exchange differences that were recorded in equity are recognized 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 recognized 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 and Medicare in the U.S. and similar programmes in other countries.

2.7.1. | NET SALES

Revenue from the sale of goods is recognized 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.

2.7.2. | ROYALTY INCOME

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

2.7.3. | OTHER REVENUE

Other revenue comprises revenue generated through out-licensing and profit-sharing agreements as well as contract manufacturing agreements. Other revenue is recognized 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 recognized 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 recognized as revenue when earned over the period of the development collaboration or the manufacturing obligation.

2.7.4. | INTEREST INCOME

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

2.7.5. | DIVIDEND INCOME

Dividends are recognized 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 amortization 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. | Research and development

2.9.1. | INTERNALLY-GENERATED INTANGIBLE ASSETS, RESEARCH AND DEVELOPMENT EXPENDITURE

All internal research and 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 capitalization as intangible assets.

2.9.2. | ACQUIRED INTANGIBLE ASSETS

In-process research and development projects acquired via business combinations and rights acquired via either in-licensing arrangements or separate purchases are capitalized as intangible assets.

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

2.10. | 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 amortized. An impairment loss is recognized 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 recognized directly in the income statement under the 'impairment of non-financial assets' caption. 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 recognized in the income statement. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Impairment losses on goodwill are never reversed.

Intangible assets are assessed for impairment on a compound by compound basis.

2.11. | Restructuring expenses, other income and expenses

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 recognized in the income statement except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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 recognized, 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 recognized for all taxable temporary differences and deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences, carried forward tax credits or carried forward losses can be utilized. 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 realized. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are only offset if there is a legally enforceable right to offset current tax liabilities and assets and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2.13. | Intangible assets

2.13.1. | 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 recognized at fair value at the acquisition date.

Intangible assets (except for goodwill) are amortized 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 5 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.

2.13.2. | COMPUTER SOFTWARE

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

2.14. | Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. Goodwill is initially recognized 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.

UCB operates as one segment and has one cash generating unit for the purpose of impairment testing.

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 joint venture, 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 recognized directly in profit or loss.

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 capitalized as part of that equipment.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset.

Subsequent costs are included in the asset's carrying amount or recognized 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 recognized 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.

2.16.1. | FINANCE LEASES

Assets held under finance leases are recognized 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 recognized 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.

2.16.2. | OPERATING LEASES

Lease payments under an operating lease are recognized 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. | Financial assets

2.17.1. | 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.

2.17.2. | FINANCIAL ASSETS AT FAIRVALUE 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 categorized as held for trading unless they are designated as hedges.

2.17.3. | 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.

2.17.4. | 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.

2.17.5. | RECOGNITION AND MEASUREMENT

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized 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 recognized at fair value and the transaction costs are expensed in the income statement. Financial assets are derecognized 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 amortized 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 recognized 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 recognized directly in other comprehensive income. 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.

2.18. | Impairment of financial assets

2.18.1. | ASSETS CARRIED AT AMORTIZED COST

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- ♦ significant financial difficulty of the issuer or obligor;
- ♦ a breach of contract, such as default or delinquency in interest or principal payments;
- ♦ the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- ♦ it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- ♦ the disappearance of an active market for that financial asset because of financial difficulties; or
- ♦ observable data indicating that there is a measurable decrease in the estimated future cash flows.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

2.18.2. | ASSETS CLASSIFIED AS AVAILABLE FOR SALE

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets 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 that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated 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 recognized 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 on-going 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 not closely related, a separate instrument with the same terms as the embedded derivative financial instrument would meet the definition of a derivative financial instrument, and the combined instrument is not measured at fair value through profit or loss.

2.19.1. | 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 recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized 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 recognized, the associated gains or losses on the derivative financial instrument that had previously been recognized 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 recognized 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.

2.19.2. | 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.

2.19.3. | 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 recognized in other comprehensive income; the gain or loss relating to the ineffective portion is recognized 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.

2.19.4. | DERIVATIVE FINANCIAL INSTRUMENTS THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING

Certain derivative financial instruments do not qualify for hedge accounting. Changes in the fair value of any derivative financial instruments that do not qualify for hedge accounting are recognized 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 recognized initially at fair value, and are subsequently measured at amortized cost using the effective interest rate method, less provision for impairment.

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 recognized in the income statement. Non-current assets classified as held for sale are neither depreciated nor amortized.

2.24. | Share capital

2.24.1. | 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.

2.24.2. | 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.

2.24.3. | HYBRID CAPITAL

If the bond conditions of the hybrid capital issued satisfy the criteria as stipulated under IAS 32, Financial Instruments: Presentation, such instruments are accounted for as an equity instrument of the Group.

If the hybrid capital is classified as equity, the interest is reflected as a 'dividend' to shareholders in the statement of Changes in Equity.

2.25. | Bonds and borrowings

Bonds, borrowings and overdrafts are initially measured at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized 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. In the past, due to the existence of the Option by the Issuer to redeem in cash, such convertible bonds were separated into a debt and a derivative component.

Upon initial recognition of the bond, the fair value of the debt component was 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 amortized cost, using the effective interest method.

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

As a result of the Board's decision in 2010 to revoke UCB's rights related to the cash settlement option, the derivative component was reclassified to equity based on its fair value at the date of revocation. The equity component is not re-measured subsequent to initial recognition except on conversion or expiry.

Transaction costs that are directly attributable to the bond offering and incremental, are included in the calculation of the amortized cost, using the effective interest method, and are amortized 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 amortized cost using the effective interest method.

2.28. | Employee benefits

2.28.1. | PENSION OBLIGATIONS

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension 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 recognized as an employee benefit expense in the consolidated income statement when they are due. Prepaid contributions are recognized 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 recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation less the fair value of plan assets. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

The defined benefit obligation is calculated by independent actuaries using the Projected Unit Credit Method. A full actuarial valuation based on updated personnel information is performed at least every three years. Additionally, if the net fluctuation recognized on the balance sheet is more than 10% from one year to the next due to plan circumstances (significant membership changes, modification to plan, etc.), a full actuarial valuation is also required. For years where a full actuarial valuation is not required, projections (known as 'roll-forwards') from the previous year with updated assumptions (discount rate, salary increase, turnover) is used. For these 'roll-forward' valuations, the individual employee data from the last full valuation date are used taking into account assumptions for salary increases and possibly turnover. All valuations should measure liabilities at the applicable balance sheet date (31 December) and the market value of retirement plan assets should also be established and reported at this date regardless of whether a full or a 'roll-forward' valuation is performed.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using yields on high quality corporate bonds that have maturity dates approximating the terms of the related Group obligations and that are denominated in the same currency in which the benefits are expected to be paid.

Remeasurement comprising of actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan

assets (excluding interest) are recognized immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Remeasurement recorded in other comprehensive income is not recycled. However, the entity may transfer those amounts recognized in other comprehensive income within equity. Past service cost is recognized in profit or loss in the period of plan amendment. Net-interest is calculated by applying the discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- ♦ service cost, past-service cost, gains and losses on curtailments and settlements;
- ♦ net-interest expense or income;
- ♦ remeasurement.

The Group presents the first two components of defined benefit costs in the line item 'employee benefits expense' in its consolidated income statement (by nature of expenses aggregation). Curtailments gains and losses are accounted for as past-service cost. Remeasurements are recorded in other comprehensive income.

2.28.2. | OTHER POST-RETIREMENT EMPLOYEE BENEFITS

Some Group companies provide post-retirement healthcare benefits to their retirees. The Group's net obligation is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The expected costs of these benefits are accrued over the period of employment using the same methodology used for defined benefit plans.

2.28.3. | 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.

2.28.4. | 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.

2.28.5. | 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 recognized 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 recognized 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 recognized 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 recognized as personnel expenses in the income statement.

2.29. | Provisions

Provisions are recognized 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 recognized 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 recognized as interest expense.

A restructuring provision is recognized 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

3.1.1. | 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 involve certain future obligations. Revenue is only recognized 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 recognized as deferred income and then released to income in subsequent accounting periods based on the different conditions specified in the agreement.

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 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.

3.2.1. | SALES ALLOWANCES

The Group has accruals for expected sales returns, charge-backs and other rebates, including the U.S. Medicaid Drug Rebate program and the U.S. Federal Medicare program, and similar rebates in other countries. Such estimates are based on analyses of existing contractual obligations or legislation, historical trends and the Group experience. After assessment

of the Management, the total accruals for these items are adequate, based upon currently available information and interpretation of relevant regulations. As these deductions are based on management estimates, the actual deductions might differ from these estimates. Such differences could impact the accruals recognized in the balance sheet in future periods and consequently the level of sales recognized in the income statement in future period, as there is often a time lag of several months between the recording of the estimate and the final accounting of the sales allowances. 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, deducted from sales and presented on the balance sheet in the appropriate accrual account and deducted from sales.

3.2.2.. | INTANGIBLE ASSETS AND GOODWILL

The Group has intangible assets with a carrying amount of € 1 483 million (Note 18) and goodwill with a carrying amount of € 4 823 million (Note 19). Intangible assets are amortized 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 these compounds benefit from patent protection or data exclusivity. For the intangible assets acquired through a business combination and which comprises compounds that are marketed but for which no patent protection or data exclusivity exists, management estimates that the useful life equates to the period in which these compounds will realize 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 for terminal value	3.0%
♦ Discount rate in respect of Goodwill and Intangibles related to marketed products	9.0%
♦ Discount rate in respect of Intangibles related to pipeline products	13%

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.

3.2.3. | ENVIRONMENTAL PROVISIONS

The Group has provisions for environmental remediation costs, which are disclosed in Note 32. 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 recognized in the balance sheet in the future.

3.2.4. | EMPLOYEE BENEFITS

The Group currently has many defined benefit plans, which are disclosed in Note 31. 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 recognized 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.

4.1.1. | 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 6 and maximum 26 months of anticipated cash flows primarily 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 and U.K. 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.

4.1.2. | EFFECT OF CURRENCY FLUCTUATIONS

At 31 December 2012, 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: STRENGTHENING/ WEAKENING (-) EUR	IMPACT ON EQUITY: LOSS (-)/GAIN	IMPACT ON INCOME STATEMENT: LOSS (-)/GAIN
At 31 December 2012			
USD	+10%	-140	-1
	-10%	174	-2
GBP	+10%	72	0
	-10%	-88	0
CHF	+10%	-36	0
	-10%	44	0

€ million	CHANGE IN RATE: STRENGTHENING/ WEAKENING (-) EUR	IMPACT ON EQUITY: LOSS (-)/GAIN	IMPACT ON INCOME STATEMENT: LOSS (-)/GAIN
At 31 December 2011			
USD	+10%	-158	8
	-10%	184	-1
GBP	+10%	39	-9
	-10%	-48	11
CHF	+10%	-38	-1
	-10%	47	1

The Group policy and practice not to enter into derivative transactions for speculative purposes.

4.1.3. | 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 27. 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.

In 2012, changes in fair value resulting from interest rate derivatives designated to the euro denominated floating rate liabilities of the Group or to highly probable future cash flows from fixed rate debt instruments to be issued in 2013 have been accounted for through equity under IAS 39. All changes in fair value resulting from interest rate derivatives designated to the foreign currency denominated floating rate liabilities of the Group are accounted for through profit or loss. This is a consequence of the underlying future cash flows, which result from derivative instruments, not qualifying for accounting of changes in fair value through equity under IAS 39.

4.1.4. | EFFECT OF INTEREST RATE FLUCTUATIONS

A 100 basis points increase in interest rates at balance sheet date would have increased equity by € 19 million (2011: € 0 million); a 100 basis points decrease in interest rates would have decreased equity by € 20 million (2011: € 0 million).

A 100 basis points increase in interest rates at balance sheet date would have increased profit and loss by € 5 million (2011: € 5 million); a 100 basis points decrease in interest rates would have decreased profit and loss by € 5 million (2011: € 7 million). These changes to the profit and loss would result from the change in fair value of the cash flow interest rate derivatives designated to the foreign currency denominated floating rate liabilities of the Group, which do not qualify for hedge accounting, as well as the inefficient portion of the fair value hedges designated to a portion of the fixed rate borrowings of the Group (retail bond and institutional Eurobond).

4.1.5. | 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.

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.

Similar to 2011, during 2012 the Group purchased treasury shares as well as American style call options providing the right to purchase shares of UCB S.A., both of which were accounted for through equity. Of the 2009 issued convertible bond maturing in 2015, the Group repurchased € 70 million during 2012 and the equity component linked to the convertible bond amounts € 41 million (2011: € 48 million) net of taxes as a result of UCB's decision to revoke the cash settlement option linked to the convertible bond.

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, on-going 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 23). For some credit exposures in critical countries, such as certain Southern European countries, the Group has obtained credit insurance.

In the U.S., the Group entered into a trade receivable financing agreement that qualifies for derecognition. According to the terms and conditions of the agreement UCB does not retain any non-payment or further late payment risk relating to the transferred trade receivables.

The exposure of other financial assets to credit risk is controlled by setting a policy for limiting credit exposure to high quality counterparties, regular reviews of credit ratings, and setting defined limits for each individual counterparty. The criteria set by Group Treasury for their investment policy are based on generally considered high quality long term credit ratings and 5 years Credit Default Swap rate.

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 unutilized revolving committed facilities at its disposal.

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

- ♦ Cash and cash equivalents (Note 24)
€ 318 million (2011: € 267 million)
- ♦ Marketable non-equity securities (Note 21)
€ 1 million (2011: € 0 million)
- ♦ Unutilized committed facilities (Note 27)
€ 1 045 million (2011: € 1 085 million)

The existing € 1 billion syndicated committed revolving credit facility of the Group, maturing in 2016, was undrawn per end 2012. A further € 85 million bilateral committed credit facility (drawn € 40 million per end 2012) will be linearly degressive from 2016 until 2025.

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	CONTRACTUAL CASH FLOW	LESS THAN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS
At 31 December 2012							
Bank Borrowings	27	252	252	73	0	29	150
Debentures and other short term loans	27	111	111	111	0	0	0
Finance lease liabilities	27	17	17	3	10	2	2
Convertible Bond	28	393	484	19	19	446	0
Retail Bond	28	780	833	43	790	0	0
Institutional Eurobond	28	524	614	29	29	556	0
Trade and other liabilities	33	1 445	1 445	1 295	46	89	15
Bank overdrafts	27	10	10	10	0	0	0
Interest rate swaps		-17	-17	-7	-2	-5	-2
Put and call option for non-controlling interest	36	29	46	0	0	46	0
Forward exchange contracts used for hedging purposes							
Outflow		579	579	560	19	0	0
Inflow		576	576	557	19	0	0
Forward exchange contracts and other derivative financial instruments at fair value through profit or loss							
Outflow		2 104	2 104	1 877	227	0	0
Inflow		2 092	2 092	1 889	203	0	0
At 31 December 2011							
Bank Borrowings	27	47	47	22	1	24	0
Debentures and other short term loans	27	7	7	7	0	0	0
Finance lease liabilities	27	19	19	2	3	11	3
Convertible Bond	28	444	590	22	22	546	0
Retail Bond	28	773	879	43	43	793	0
Institutional Eurobond	28	513	644	29	29	586	0
Trade and other liabilities	33	1 402	1 402	1 294	28	49	31
Bank overdrafts	27	14	14	14	0	0	0
Interest rate swaps		28	28	-7	9	25	0
Forward exchange contracts used for hedging purposes							
Outflow		452	452	344	108	0	0
Inflow		446	446	341	105	0	0
Forward exchange contracts and other derivative financial instruments at fair value through profit or loss							
Outflow		3 248	3 248	3 016	0	231	0
Inflow		3 181	3 181	2 978	0	203	0

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 further, in order to obtain a capital structure that is consistent with others in the industry.

€ million	2012	2011 RESTATED
Total borrowings (Note 27)	390	87
Bonds (Note 28)	1 697	1 730
Less: cash and cash equivalents (Note 24), available for sale debt securities (Note 21) and cash collateral related to the financial lease obligation	-321	-269
Net debt	1 766	1 548
Total equity	4 593	4 701
Total financial capital	6 359	6 249
Gearing ratio	28%	25%

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 the forward exchange contract is determined using discounted value of the exchanged amounts in currencies, converted at the prevailing spot rate 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	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
31 December 2012				
Financial assets				
Available for sale assets (Note 21)				
Quoted Equity securities	23	0	0	23
Quoted Debt securities	3	0	0	3
Derivative financial assets (Note 36)				
Forward foreign exchange contracts – cash flow hedges	0	6	0	6
Forward exchange contracts – fair value through profit and loss	0	27	0	27
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	7	0	7

€ million	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
31 December 2011				
Financial assets				
Available for sale assets (Note 21)				
Quoted Equity securities	31	0	0	31
Quoted Debt securities	2	0	0	2
Derivative financial assets (Note 36)				
Forward foreign exchange contracts – cash flow hedges	0	6	0	6
Forward exchange contracts – fair value through profit and loss	0	32	0	32
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	63	0	63

Financial Liabilities measured at fair value

€ million	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
31 December 2012				
Financial liabilities				
Derivative financial liabilities (Note 36)				
Forward foreign exchange contracts – cash flow hedges	0	7	0	7
Forward exchange contracts – fair value through profit and loss	0	36	0	36
Interest rate derivatives – cash flow hedges	0	1	0	1
Interest rate derivatives – fair value through profit and loss	0	14	0	14
Put and call option for non-controlling interest	0	29	0	29

€ million	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
31 December 2011				
Financial liabilities				
Derivative financial liabilities (Note 36)				
Forward foreign exchange contracts – cash flow hedges	0	19	0	19
Forward exchange contracts – fair value through profit and loss	0	99	0	99
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	31	0	31
Put and call option for non-controlling interest	0	0	0	0

During the reporting period ending 31 December 2012, 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, 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. Enterprise-wide disclosures about product sales, geographic areas and revenues from major customers are presented below.

5.1. | Product sales information

Net sales consist of the following:

€ million	2012	2011
Cimzia®	467	312
Vimpat®	334	218
Neupro®	133	95
Keppra® (includ. Keppra® XR)	838	966
Zyrtec® (includ. Zyrtec-D®/Cirrus®)	249	260
Xyzal®	128	108
omeprazole	79	76
Metadate™ CD	65	62
Nootropil®	63	69
venlafaxine XR	40	48
Tussionex™	34	44
Other products	640	618
Total net sales	3070	2876

5.2. | Geographic information

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

€ million	2012	2011
North America	1 171	943
Germany	297	318
France	172	198
Italy	172	176
Spain	138	162
U.K. and Ireland	125	145
Belgium	36	41
Other countries	959	893
Total net sales	3070	2876

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

€ million	2012	2011
North America	79	70
Switzerland	154	78
Germany	22	23
France	2	2
Spain	2	2
U.K. and Ireland	91	89
Belgium	233	220
Other countries	19	16
Total	602	500

5.3. | Information about major customers

UCB has 1 customer which individually accounts for more than 11% of the total net sales at the end of 2012.

In the U.S., sales to 3 wholesalers accounted for approximately 85% of U.S. sales (2011: 83%).

6. Business combinations

Meizler Biopharma

On 30 May 2012, UCB acquired 51% of the issued and outstanding shares of Meizler Biopharma ('Meizler'), a privately-owned Brazilian pharmaceutical company, for a purchase price equal to US\$ 80 million (€ 64 million) minus 51% of Meizler's net debt. The adjustment for net debt has not been finalised at the time these financial statements were published. Under the terms of the deal, the purchase price may be increased by up to US\$ 30 million for certain contingent payments. The purchase agreement also grants the selling shareholders a put option exercisable in 2014, 2015 or 2016 on the remaining shares in Meizler and it grants UCB a call option providing the right to purchase the selling shareholders' remaining shares in Meizler in 2016 (Note 25.4). The exercise price is based on a multiple of the EBITDA results for the preceding year.

Meizler is a privately-held Brazilian pharmaceutical company founded in 1990 and it is based outside of Sao Paulo. With a team of about 130 employees, it commercializes a portfolio of in-licensed specialty products on the Brazilian market covering different therapeutic areas including central nervous system

and immunology. UCB will bring parts of its mature and new medicines into Meizler's portfolio for commercialisation in Brazil. Based on the UCB's control of the Board of Directors and management, UCB has fully consolidated Meizler.

The total purchase price was allocated to the preliminary net tangible and intangible assets based upon their historic book values as of 30 May 2012 as set forth below. The excess of the cash purchase price over the preliminary net tangible assets and intangible assets was recorded as goodwill. The Company expects to continue to obtain information during the measurement period (up to one year from the acquisition date) to assist it in determining the fair values of the net assets acquired at the acquisition date, non-controlling interests, the amount of contingent consideration and the put and call options for the remaining 49% of the shares of Meizler. The estimated values recorded as of 31 December 2012 are not yet finalised and are subject to change, which could be significant. The preliminary purchase price allocation for Meizler is as follows:

€ million	AT ACQUISITION DATE
Cash consideration	64
Recognised amounts of identifiable assets acquired and liabilities assumed (provisional fair value)	
Non-current assets	-4
Current assets	-17
Non-current liabilities	5
Current liabilities	10
Total identifiable net assets	-6
Goodwill	58

The Income Statement for the year includes net sales and a loss of € 7.3 million and € 10.4 million, respectively, for Meizler. Had this business combination been effected at 1 January 2012, UCB's net sales and loss would have been € 12.6 million and € 19.6 million, respectively.

7. Discontinued operations

The profit from discontinued operations of € 17 million (2011: profit of € 14 million) arose mainly from the termination of tax liabilities and the partial reversal of provisions related to the legacy films and chemical activities, including terminations

of environmental claims for sites for which UCB retained liability and which were settled in the past 12 months as well as the unwinding of the discount rate.

8. Other revenue

€ million

	2012	2011
Revenue generated by means of profit-sharing agreements	31	44
Upfront payments, milestone payments and reimbursements	108	46
Contract manufacturing revenues	85	93
Total other revenue	224	183

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

- ♦ Revenue from the co-promotion of Provas™, Jalra® and Icandra® in Germany with Novartis.
- ♦ Revenue from the co-promotion of Xyzal® in the U.S. with Sanofi.

During 2012, UCB received milestone payments and reimbursements from different parties, mainly from:

- ♦ Otsuka for co-development of E Keppra® and Neupro® in Japan;

- ♦ Astellas for the jointly development and commercialization of Cimzia® in Japan;

- ♦ Milestone payments due to the agreement with Actient Pharmaceuticals.

- ♦ GSK for Xyzal® Japan sales milestones .

The revenue from contract manufacturing activities is mainly linked to the toll manufacturing agreements entered into with GSK and Shire as well as contract manufacturing revenue earned on products related to the Actient Pharmaceuticals agreement and Delsym™.

9. Operating expenses by nature

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

€ million

	NOTE	2012	2011 (RESTATED)
Employee benefit expenses	10	902	829
Depreciation of property, plant and equipment	20	55	60
Amortization of intangible assets	18	175	186
Impairment of non-financial assets	12	10	39
Total		1 142	1 114

10. Employee benefit expense

€ million	NOTE	2012	2011 (RESTATED)
Wages and salaries		667	595
Social security costs		84	83
Post-employment benefits – defined benefit plans	31	30	28
Post-employment benefits – defined contribution plans		24	16
Share-based payments to employees and directors	26	34	20
Insurance		36	38
Other employee benefits		27	49
Total employee benefit expense		902	829

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	2012	2011
Hourly Paid	869	848
Monthly Paid	3716	3912
Management	4463	3746
Total	9048	8506

Further information regarding post-employment benefits and share-based payments can be found in Notes 2.2, 26 and 31.

11. Other operating income/expenses (-)

Other operating income/expenses (-) amounted to € 0 million (2011: € 12 million) and consists mainly of the amortization of non-production related intangible assets of € 6 million (2011: € 6 million); the reversal of provisions of € 3 million (2011: € 6 million); the impairment and reversal of impairment in respect of trade receivables and tangible fixed assets of € 1 million (2011: -€ 1 million); the reimbursement by third parties for development expenses incurred by the Group of € 3 million (2011: € 5 million); grants received of € 3 million and expenses related to the health care reform in the U.S.

12. Impairment of non-financial assets

A review of the recoverable amounts of the Group's assets resulted in the recognition of impairment charges amounting to € 10 million (2011: € 39 million).

The 2012 trademarks, patents and licences impairment charge amounts € 0 million (2011: € 4 million) and no impairments with respect to the other intangible assets (2011: € 7 million).

As a result of the yearly impairment testing an additional impairment charge of € 7 million on the trademarks, patents and licences was recognized (2011: € 6 million).

The impairment charge related to the Group property, plant and equipment of certain administrative buildings and manufacturing facilities amounted to € 3 million (2011: € 22 million).

No reasonably possible change in a key assumption on which management has based its determination of the assets recoverable amounts would cause the assets carrying amount to exceed its recoverable amount.

13. Restructuring expenses

The restructuring expenses as at 31 December 2012 amount to € 40 million (2011: € 27 million) and are related to further Shape restructuring costs, reorganization of support

functions and severance costs. In 2011 the restructuring expenses were mainly related to the new organization of the European operations.

14. Other income and expenses

Other income amounted to € 24 million (2011: expenses of € 25 million) and comprised of the following items:

- ◆ Other income for € 31 million in 2012 compared to € 0 million in 2011 for the divestment of primary care market in the U.S. and Australia;
- ◆ Other expenses amounted to € 7 million (2011: € 25 million) in 2012 and mainly relate to:
 - A patent infringement suit by aaiPharma against UCB in the U.S. for the sales of *omeprazole* products;
 - A Hatch-Waxman patent infringement suit by UCB against Mallinckrodt in the U.S. who filed an ANDA on Metadate CD® with paragraph IV certification;
 - A patent infringement suit in the U.S. by Apotex against UCB for sales of Univasc®, Uniretic® and other *moexipril* products;

- In October 2011, the United States Department of Justice and the United States Attorney's Office in the Eastern district of Pennsylvania issued a Civil Investigative Demand to UCB, Inc. relating to the price reporting for Cimzia® to the U.S. federal government and sales and marketing of Cimzia® in the U.S. The company cooperated fully with the investigation, and in September 2012 the government concluded its investigation without imposing any fines or penalties or taking any other action against the company;
- optimization of the UCB companies and structure.

The € 25 million other expenses in 2011 were related to the restructuring of *epratuzumab* license agreement between Immunomedics and UCB, where Immunomedics received a non-refundable cash payment totalling US\$ 30 million upon execution of the amendment, and additional amortization and depreciation. The government concluded its investigation without imposing any fines or penalties or taking any other action against the company.

15. Financial income and financing costs

The net financing costs for the year amounted to € 147 million (2011: € 115 million).

The breakdown of the financing costs and financial income is as follows:

Financing costs

€ million	2012	2011
Interest expenses on:		
Convertible Bond	-31	-33
Retail Bond	-43	-43
Institutional Eurobond	-29	-29
Other borrowings	-40	-25
Interest expenses related to interest rate derivatives	0	-4
Financial charges on finance leases	-1	-1
Impairment of equity securities	-13	0
Net fair value losses on foreign exchange derivatives	0	-62
Net foreign exchange losses	-62	0
Net other financial income / expense (-)	-5	-8
Loss on debt extinguishment	-9	0
Total financing costs	-233	-205

Financial income

€ million	2012	2011
Interest income on:		
On bank deposits	16	8
On interest rate derivatives	4	0
Dividend income	0	0
Net gain on interest rate derivatives	4	29
Net fair value gain on foreign exchange derivatives	62	0
Net foreign exchange gains	0	53
Total financial income	86	90

The impairment of equity securities is related to the investment in WILEX (Note 21.3).

In April 2012 UCB purchased € 70 million par value of the outstanding convertible bond which loss on debt extinguishment of € 9 million (Note 28.1).

16. Income tax expense (-)/credit

€ million	2012	2011 (RESTATED)
Current income taxes	-136	-327
Deferred income taxes	129	318
Total income tax expense (-)/credit	-7	-9

The Group operates internationally, implying being subject to income taxes in many different tax jurisdictions.

The income tax expense on the Group's profit before tax differs from the theoretical amount that would arise using the

weighted average tax rate applicable to profits (losses) of the consolidated companies.

Income taxes recognized in the income statement can be detailed as follows:

€ million	2012	2011 (RESTATED)
Profit/loss (-) before tax	242	233
Income tax expense (-)/credit calculated at domestic tax rates applicable in the respective countries	5	-68
Theoretical income tax rate	-2%	30%
Reported current income tax	-136	-327
Reported deferred income tax	129	318
Total reported tax charge (-)/credit	-7	-9
Effective income tax rate	2.7%	4%
Difference between theoretical and reported tax	-12	59
Expenses non-deductible for tax purposes	-118	-85
Non-taxable income	39	127
Increase (-)/decrease in tax provisions	24	-249
Effect of previously unrecognized tax losses used in the period	9	60
Tax credits	115	100
Variation in tax rates	13	5
Other tax rate effects	0	10
Current tax adjustments related to prior years	11	16
Deferred tax adjustments related to prior years	-66	185
Effect of unused tax credits and tax losses not recognized for deferred tax	-28	-107
Withholding tax	-10	-2
Other taxes	-1	-1
Total income tax expense (-)/credit	-12	59

There is a low theoretical income tax rate arising in the year due to a significant proportion of losses arising in higher tax jurisdictions.

The effective tax rate remains low due to the continued recognition of previously unrecognized tax losses.

17. Components of other comprehensive income

€ million	2012	2011 (RESTATED)
Available for sale financial assets:		
Gains/losses (-) arising during the year	-2	-2
Less: Reclassification adjustment for gains/losses (-) included in the income statement	0	0
	-2	-2
Cash-flow hedges:		
Gains/losses (-) arising during the year	5	-8
Less: Reclassification adjustment for gains/losses (-) included in the income statement	0	4
	5	-12
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
Remeasurement of defined benefit obligation:		
Gains/losses (-) arising during the year	-63	-36
Less: Reclassification adjustment for gains/losses (-) included in the income statement	0	0
	-63	-36

18. Intangible assets

2012	TRADEMARKS, PATENTS AND LICENCES	OTHER	TOTAL
€ million			
Gross carrying amount at 1 January	2 505	170	2 675
Additions	3	137	140
Disposals	-62	-1	-63
Transfer from one heading to another	-7	15	8
Business combinations	1		1
Effect of movements in exchange rates	-2	-1	-3
Gross carrying amount at 31 December	2 438	320	2 758
Accumulated amortization and impairment losses at 1 January	-1 072	-78	-1 150
Amortization charge for the year	-151	-24	-175
Disposals	58		58
Impairment losses recognized in the income statement	-7		-7
Transfer from one heading to another	7	-9	-2
Transfer to assets held for sale			
Effect of movements in exchange rates	1		1
Accumulated amortization and impairment losses at 31 December	-1 164	-111	-1 275
Net carrying amount at 31 December	1 274	209	1 483

2011	TRADEMARKS, PATENTS AND LICENCES	OTHER	TOTAL
€ million			
Gross carrying amount at 1 January	2 441	173	2 614
Additions	1	54	55
Disposals	-39	-6	-45
Transfer from one heading to another	60	-52	8
Transfer to assets held for sale	0	0	0
Effect of movements in exchange rates	42	1	43
Gross carrying amount at 31 December	2 505	170	2 675
Accumulated amortization and impairment losses at 1 January	-917	-56	-973
Amortization charge for the year	-159	-27	-186
Disposals	39	6	45
Impairment losses recognized in the income statement	-10	-7	-17
Transfer from one heading to another	-1	6	5
Transfer to assets held for sale	0	0	0
Effect of movements in exchange rates	-24	0	-24
Accumulated amortization and impairment losses at 31 December	-1 072	-78	-1 150
Net carrying amount at 31 December	1 433	92	1 525

The Group amortises all intangible assets. The amortization of intangible assets is allocated to cost of sales for all intangible assets that are related to compounds. The amortization 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 2012, the Group acquired intangible assets totalling € 140 million (2011: € 55 million). These additions related mainly milestones incurred under collaboration agreements and through in-licencing deals, additions to software and capitalized eligible software development costs.

During the year, the Group recognized total impairment charges of € 7 million (2011: € 17 million) related to the yearly impairment testing. The impairment charges are detailed in Note 12 and have been presented in the income statement under the caption 'impairment of non-financial assets'.

Other intangible assets includes software and in process development projects and a major part of the milestones incurred under collaboration agreements.

19. Goodwill

€ million

	2012	2011
Cost at 1 January	4 799	4 718
Acquisition	58	0
Effect of movements in exchange rates	-34	81
Net book value at 31 December	4 823	4 799

The Group tests goodwill for impairment at each reporting date or more frequently if there are indications that goodwill might be impaired. For the purpose of the impairment testing, the Group operates as one segment, Biopharma, and has one single cash generating unit (CGU), which represents the lowest level at which the goodwill is monitored.

The recoverable amount of the CGU is determined based on the value-in-use calculations and the methodology applied for performing the impairment testing has not been modified compared to 2011.

Key assumptions

The calculations performed are based on the cash flow projections as derived from the financials underlying the strategic plan approved by management, covering a period of 10 years. Given the nature of the industry, the long-term projections are used to fully model the appropriate product lifecycles based on the patent expiry and therapeutic area. These long-term projections, which are based on past performance and management's expectations of market developments, are adjusted for specific risks and include:

- ◆ the revenue growth rates of newly launched products;
- ◆ the probability of reaching commercial stage for new products and or indications;
- ◆ the probability of success of future product launches and the expected dates thereof;
- ◆ the post-patent expiry erosion.

There were no significant changes to these key assumption when comparing to 2011.

Cash flows beyond the projected forecasted period (terminal value) are extrapolated using an estimated growth rate of 3% (2011: 3%). The growth rate does not exceed the long-term average growth rate for the relevant territories in which the CGU operates.

The Group has most of its revenue and expenses in EUR and USD based countries. The following important exchange rates were used in preparing the future cash flows:

	2012	2011
USD	1.25	1.45
GBP	0.835	0.870
JPY	120	120
CHF	1.20	1.30

Starting from risk free short term Libor EUR 6 months and long term EU generic government bonds 10 years, the discount rates applied are determined based on the weighted average cost of capital for DCF models, including the 10 year benchmark cost of debt and equity, adjusted to reflect the specific asset and country risks associated with the CGU. Given the industry, the Group used a discount rate for marketed products of 9% (2011: 10%) and for pipeline products 13% (2011: 13%). The discount rates are reviewed at least annually.

Since after-tax cash flows are incorporated into the calculation of the value-in-use of the CGU, a post-tax discount rate is used in order to remain consistent. The use of the post-tax discount rate approximates the result of using a pre-tax rate applied to pre-tax cash flows. A tax rate of 28% was used (2011: 31%-27%).

Sensitivity analysis

Based on the above, management assessed that no reasonable change in any of the key assumptions for the determination of the recoverable amount would cause the carrying value of the CGU to materially exceed its recoverable amount. For information purposes, the sensitivity analysis using a 0% perpetual growth rate combined with an overall discount rate below 17.57% discount rate would not result in an impairment of the goodwill.

20. Property, plant and equipment

2012					
€ million	LAND AND BUILDINGS	PLANT AND MACHINERY	OFFICE, COMPUTER, EQUIPMENT, VEHICLES & OTHER	ASSETS UNDER CONSTRUCTION	TOTAL
Gross carrying amount at 1 January	569	541	128	69	1 307
Additions	2	16	7	135	160
Disposals	-2	-3	-8	-10	-23
Transfers from one heading to another	-18	33	9	-11	13
Business combinations	0	3	0	0	3
Effect of movements in exchange rates	-1	-2	0	0	-3
Gross carrying amount at 31 December	550	588	136	183	1 457
Accumulated depreciation at 1 January	-271	-424	-112	0	-807
Depreciation charge for the year	-20	-27	-8	0	-55
Impairment charge	-1	-1	0	-1	-3
Disposals	2	2	8	0	12
Transfers from one heading to another	3	-18	12	0	-3
Business combinations	0	0	0	0	0
Effect of movements in exchange rates	1	1	0	-1	1
Accumulated depreciation at 31 December	-286	-467	-100	-2	-855
Net carrying amount at 31 December	264	121	36	181	602

2011					
€ million	LAND AND BUILDINGS	PLANT AND MACHINERY	OFFICE, COMPUTER, EQUIPMENT, VEHICLES & OTHER	ASSETS UNDER CONSTRUCTION	TOTAL
Gross carrying amount at 1 January	544	512	121	61	1 238
Additions	10	13	8	51	82
Disposals	-6	-5	-8	-5	-24
Transfers from one heading to another	13	15	5	-38	-5
Transfer to assets held for sale	1	0	0	0	1
Effect of movements in exchange rates	7	6	2	0	15
Gross carrying amount at 31 December	569	541	128	69	1 307
Accumulated depreciation at 1 January	-230	-391	-108	-4	-733
Depreciation charge for the year	-20	-29	-11	0	-60
Impairment charge	-17	-4	0	-1	-22
Disposals	4	4	9	5	22
Transfers from one heading to another	-5	1	0	0	-4
Transfer to assets held for sale	0	0	0	0	0
Effect of movements in exchange rates	-3	-5	-2	0	-10
Accumulated depreciation at 31 December	-271	-424	-112	0	-807
Net carrying amount at 31 December	298	117	16	69	500

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 2012, the Group acquired property, plant and equipment totalling € 160 million (2011: € 82 million).

These additions related mainly to investments on the construction of a biological pilot plant in Braine-l'Alleud (Belgium) and a biological plant in Bulle (Switzerland) supporting new product and delivery devices as well as improvement and replacement of capital expenditure.

During the year, the Group recognized total impairment charges of € 3 million (2011: € 22 million) on its property,

plant and equipment. The impairment charges are detailed in Note 12 and have been presented in the income statement under the caption 'impairment of non-financial assets'.

Capitalized borrowing costs

During the 12 months of 2012, the capitalized borrowing costs amounted to € 3 million (2011: € 0 million).

Leased assets

UCB leases buildings and office equipment under a number of finance lease agreements. The carrying value of the leased buildings is € 17 million (2011: € 19 million).

21. Financial and other assets

21.1. | Non-current financial and other assets

€ million	2012	2011
Available for sale financial assets (refer below)	25	33
Cash deposits	6	9
Derivative financial instruments (Note 36)	8	63
Loans granted to third parties	3	3
Reimbursement rights with respect to German Defined Benefit plans	23	23
Other financial assets	60	49
Total financial and other assets at year end	125	180

21.2. | Current financial and other assets

€ million	2012	2011
Clinical trial material	7	0
Available for sale financial assets (refer below)	1	0
Derivative financial instruments (Note 36)	32	38
Total financial and other assets at year end	40	38

21.3. | Available for sale financial assets

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

€ million	2012	2011
Equity securities	23	31
Debt securities	3	2
Total available for sale financial assets at year end	26	33

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

€ million	2012		2011	
	EQUITY SECURITIES	DEBT SECURITIES	EQUITY SECURITIES	DEBT SECURITIES
At 1 January	31	2	15	3
Additions	7	1	18	2
Disposals	0	0	0	-4
Revaluation through equity	-2	0	-2	0
Gain/loss (-) reclassified from equity to the income statement	0	0	0	1
Impairment charge (Note 15)	-13	0	0	0
At 31 December	23	3	31	2

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.

The financial assets include investments in WILEX and Biotie Therapies that have been classified as available for sale, as UCB does not have significant influence, and measured at fair value upon initial recognition.

In January 2012, UCB participated in the capital increase and partially participated in the August 2012 capital increase in WILEX. Consequently UCB's stake in WILEX decreased from 15.38% to 14.47% during 2012. The material decrease in the fair value of the investment led to an impairment of € 13 million thru profit and loss (2011: € 0 million) (Note 15).

In September 2012, UCB participated in the Biotie Therapies capital increase and UCB's stake decreased to 9.2% (2011: 9.5%). A decrease in fair value related to the investments amounts to € 2 million at 31 December 2012 and is recognized in other comprehensive income (refer to Note 17).

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

22. Inventories

€ million	2012	2011
Raw materials and consumables	79	112
Work in progress	388	278
Finished goods	141	130
Goods purchased for resale	8	17
Inventories	616	537

The cost of inventories recognized as an expense and included in 'cost of sales' amounted to € 659 million (2011: € 599 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 € 16 million in 2012 (2011: € 8 million) and has been included in cost of sales. Total inventory increased with € 79 million, mainly related to the build-up of the Cimzia® and Neupro® stock.

23. Trade and other receivables

€ million	2012	2011
Trade receivables	673	657
Less: provision for impairment	-4	-5
Trade receivables – net	669	652
VAT receivable	36	37
Interest receivables	5	10
Prepaid expenses	35	32
Accrued income	15	14
Other receivables	35	52
Royalty receivables	40	54
Trade and other receivables	835	851

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. For some credit exposures in critical countries, such as the Southern European countries, the Group obtained credit insurance. The Group co-operates with dedicated wholesalers in certain countries. The largest outstanding trade receivable in 2012 from a single customer is 22% (2011: 22%) from McKesson Corp. U.S.

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

€ million	2012		2011	
	GROSS CARRYING AMOUNTS	IMPAIRMENT	GROSS CARRYING AMOUNTS	IMPAIRMENT
Not past due	620	0	557	-1
Past due – less than one month	15	0	50	0
Past due more than one month and not more than three months	5	0	13	0
Past due more than three months and not more than six months	12	0	10	0
Past due more than six months and not more than one year	7	-1	11	-1
Past due more than one year	14	-3	16	-3
Total	673	-4	657	-5

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 92% (2011: 92%) 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	2012	2011
Balance at 1 January	-5	-13
Impairment charge recognized in the income statement	-1	0
Utilization/reversal of provision for impairment	2	8
Effects of movements in exchange rates	0	0
Balance at 31 December	-4	-5

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	2012	2011
EUR	232	271
USD	359	363
JPY	43	38
GBP	54	21
Other currencies	147	158
Trade and other receivables	835	851

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

The Group does not hold any collateral as security.

24. Cash and cash equivalents

€ million	2012	2011
Short-term bank deposits	201	192
Cash at bank and on hand	117	75
Cash and cash equivalents	318	267
Bank overdrafts (Note 27)	-10	-14
Cash and cash equivalents, less bank overdrafts as reported in the cash flow statement	308	253

25. Capital and reserves

25.1. | Share capital and share premium

The issued share capital of the company amounted to € 550 million (2011: € 550 million), and is represented by 183 365 052 shares (2011: 183 365 052 shares). The company's shares are without par value. At 31 December 2012, 72 403 411 shares were registered and 110 961 641 were bearer/dematerialized 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 authorized, unissued capital.

At 31 December 2012, the share premium reserves amounted to € 1 601 million (2011: € 1 601 million).

25.2. | Hybrid capital

On 8 March 2011, UCB S.A. completed the placement of € 300 million perpetual subordinated bonds (the 'bonds') that were issued at 99.499% and offer investors a coupon of 7.75% per annum during the first five years. The bonds have no maturity date, however UCB will have a right to redeem the bonds at 101% on the 5th anniversary of their issue, on 18 March 2016 and each quarter thereafter. After

the First Call Date the interest is floating at 3 months EURIBOR + 988.9 bps. The bonds are listed on the Luxembourg Stock Exchange.

The perpetual subordinated bonds qualify as 'Equity' instruments for the Group under IAS 32: Financial Instruments Presentation due to:

- ♦ the bonds have a perpetual maturity;
- ♦ are subordinated;
- ♦ UCB may elect to defer interest payments if no Mandatory Payment Events occurred in the previous 12 months on junior securities or repurchases or redemption of parity of junior securities.

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

Hybrid capital amounted to € 295 million at 31 December 2012. The € 23 million dividend to shareholders of the perpetual subordinated bonds are presented in retained earnings.

25.3. | Treasury shares

The Group acquired, thru UCB S.A. and UCB Fipar S.A., 1 426 541 treasury shares for a total amount of € 49 million and issued 6 867 242 treasury shares for a total amount of € 235 million (net disposal of 5 440 701 treasury shares for a net amount of € 186 million).

The Group retained 5 993 240 treasury shares (of which 4,3 million related to share swap deals) at 31 December 2012 (2011: 7 133 941). 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 S.A. have the right to resell these shares at a later date.

The Group purchased 1 806 638 call options on UCB shares for a total premium of € 12 million.

25.4. | Other reserves

Other reserves amounted to € 49 million (2011: € 159 million) and consists of the following items:

- ♦ the IFRS acquisition value surplus that arose during the Schwarz Pharma business combination for € 232 million (2011: € 232 million);
- ♦ the equity component linked to the convertible bond for € 41 million (2011: € 48 million) net of taxes as a result of UCB's decision to revoke the cash settlement option linked to the convertible bond (refer to Note 2.26);
- ♦ the remeasurement value of the defined benefit obligation for € -184 million (2011: € -121 million);
- ♦ the put and call option related to Meizler Biopharma for € -29 million; and
- ♦ the purchase of the remaining 25% non-controlling interest in Schwarz Pharma Zuhai Company Ltd. for € -11 million.

25.5. | 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.

26. Share-based payments

The Group operates several equity-based and cash-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.

26.1. | 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 do not lapse 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 (S.A.R.'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 S.A.R.'s, except for three employees. Since 2007 all eligible U.S. employees have been granted S.A.R.'s.

26.2. | Share award plan

The Remuneration Committee granted free UCB S.A. shares to the Executive Committee members and 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.

26.3. | Performance share plan

The Remuneration Committee granted performance shares to the Executive Committee members and 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 company 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.

26.4. | 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.

26.5. | 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 2012, the plan had 512 participants (2011: 388). There are no specific vesting conditions and the share-based payment expense incurred for this plan is immaterial.

26.6. | Share savings plan in the U.K.

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 2012, the plan had 86 participants (2011: 66) and the share-based payment expense incurred for this plan is immaterial.

26.7. | Share-based payment expense

The total share-based payment expense incurred for the Group amounted to € 34 million (2011: € 20 million), and has been included in the relevant functional lines within the income statement as follows:

€ million	2012	2011
Cost of sales	4	3
Marketing and selling expenses	8	6
Research and development expenses	9	6
General and administrative expenses	11	5
Other operating expenses	2	0
Total operating expense	34	20
Of which, equity-settled:		
Share option plans	12	9
Share award plans	3	2
Performance share plan	2	1
Of which, cash-settled:		
Share appreciation rights plan	15	7
Phantom share option, share award and performance share plans	2	1

26.8. | Share option plans

The movements in the number of share options outstanding and their related weighted average exercise prices as at 31 December are:

	2012			2011		
	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	6.60	29.72	9 089 547	6.62	30.55	7 660 505
+ New options granted	8.82	32.86	2 153 700	6.50	26.68	1 934 900
(-) Options forfeited	7.07	30.10	253 600	7.08	32.24	416 878
(-) Options exercised	5.25	25.62	1 362 040	3.99	24.05	88 980
(-) Options expired	-	-	0	-	-	0
Outstanding at 31 December	7.27	30.88	9 627 607	6.60	29.72	9 089 547
Number of options fully vested:						
At 1 January			3 362 747			2 259 505
At 31 December			3 625 207			3 362 747

The share options outstanding as at 31 December 2012 with the following last exercise dates and exercise prices are:

LAST EXERCISE DATE	RANGE OF EXERCISE PRICES (€)	NUMBER OF SHARE OPTIONS
21 April 2013	19.94	1 753
31 May 2013	[26.58 - 27.94]	90 100
05 April 2014	31.28	429
31 August 2014	[40.10 - 40.20]	268 300
31 March 2015	[37.33 - 37.60]	302 881
31 March 2016	[40.14 - 40.57]	509 748
31 March 2017	[43.57 - 46.54]	1 069 100
31 March 2018	[22.01 - 25.73]	934 650
31 March 2019	[21.38 - 22.75]	1 125 746
31 March 2020	31.62	1 347 000
31 March 2021	[25.32 - 26.87]	1 834 200
31 March 2022	32.36	2 143 700
Total outstanding		9 627 607

The weighted average fair value of the share options granted during 2012 was € 8.82 (2011: € 6.50).

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:

		2012	2011
Share price at grant date	€	33.83	26.95
Weighted average exercise price	€	32.36	26.68
Expected volatility	%	34.85	33.41
Expected option life	Years	5	5
Expected dividend yield	%	3.02	3.71
Risk free interest rate	%	2.12	3.45
Expected annual forfeiture rate	%	7.00	7.00

26.9. | Share appreciation rights (S.A.R.'s) plan

The movements of the S.A.R.'s and the model inputs as at 31 December 2012 can be found in the table below. The fair value of the S.A.R.'s at grant date is determined using

the Black-Scholes model. The fair value of the liability is remeasured at each reporting date.

		2012	2011
Outstanding rights as of 1 January		2 096 250	1 874 700
+ New rights granted		796 400	651 200
(-) Rights forfeited		84 500	206 400
(-) Rights exercised		394 050	223 250
Outstanding rights as of 31 December		2 414 100	2 096 250
The significant assumptions used in the measurement of the fair value of the share appreciation rights are:			
Share price at year end	€	43.22	32.51
Exercise price	€	32.36	26.80
Expected volatility	%	34.06	34.62
Expected option life	Years	5	5
Expected dividend yield	%	2.36	3.08
Risk free interest rate	%	0.75	3.14
Expected annual forfeiture rate	%	7	7.00

26.10. | 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:

	2012		2011	
	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR VALUE (€)	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR VALUE (€)
Outstanding at 1 January	268 995	27.18	249 910	26.08
+ New share awards granted	105 190	34.66	115 775	26.95
(-) Awards forfeited	2 000	26.95	28 680	27.10
(-) Awards vested and paid out	108 725	22.66	68 010	22.80
Outstanding at 31 December	263 460	20.60	268 995	27.18

26.11. | Performance share plans

The movement in the number of performance shares outstanding at 31 December is as follows:

	2012		2011	
	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR VALUE (€)	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR VALUE (€)
Outstanding at 1 January	233 125	27.29	236 825	26.09
+ New performance shares granted	97 475	33.83	77 175	26.95
(-) Performance shares forfeited	19 261	22.75	29 030	24.11
(-) Performance shares vested	85 539	25.44	51 845	23.08
Outstanding at 31 December	225 800	31.21	233 125	27.29

26.12. | 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 amortized 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. All 145 200 warrants have expired. The 236 700 warrants issued in 2000 each confer the right to subscribe for one ordinary share: following the cancellation, expiration and exercise of part of these warrants, 32 600 warrants can still be exercised up to 28 February 2013.

The movement in the number of options and warrants not accounted for under IFRS 2 can be described as follows:

	2012		2011	
	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR VALUE (€)	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR VALUE (€)
Outstanding at 1 January	482 089	40.51	550 527	40.03
(-) Options forfeited	400	41.68	9 514	41.40
(-) Options exercised	68 200	37.75	0	0
(-) Options expired	215 065	42.48	58 924	35.85
Outstanding at 31 December	198 424	39.33	482 089	40.51

27. Borrowings

The carrying amounts and fair values of borrowings are as follows:

€ million	CARRYING AMOUNT		FAIR VALUE	
	2012	2011	2012	2011
Non-current				
Bank borrowings	174	25	174	25
Other long-term loans	5	0	5	0
Finance leases	14	17	14	17
Total non-current borrowings	193	42	193	42
Current				
Bank overdrafts	10	14	10	14
Current portion of bank borrowings	73	22	73	22
Debentures and other short-term loans	111	7	111	7
Finance leases	3	2	3	2
Total current borrowings	197	45	197	45
Total borrowings	390	87	390	87

27.1. | Borrowings

On 31 December 2012, the Groups weighted average interest rate was 4.73% (2011: 5.31%) 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 3.71% (2011: 4.49%) post hedging. The fees paid for the arrangement of the bonds, in Note 28, and the amended 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.

UCB did not draw (2011: € 0 million) on the € 1 billion syndicated revolving facility which expires 7 October 2016.

The Group has access to certain committed and non-committed bilateral credit facilities as well as the Belgian commercial paper market. In this respect, in May 2012, UCB entered into a 7 year floating rate bullet loan agreement with the European Investment Bank (EIB) for an amount of € 150 million.

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	2012	2011
EUR	247	47
USD	0	0
Other	5	0
Total interest bearing loans by currency	252	47
Bank overdrafts – EUR	10	14
Debentures and other short term loans – EUR	76	7
Debentures and other short term loans – USD	19	0
Debentures and other short term loans – other	16	0
Finance lease liabilities – EUR	17	19
Total borrowings	390	87

27.2. | Finance lease liabilities – Minimum lease payments

€ million	2012	2011
Amounts payable under finance leases:		
1 year or less	3	2
1-2 years	10	3
2-5 years	2	11
More than 5 years	2	3
Present value of finance lease liabilities	17	19
Less: amount due for settlement within 12 months	3	2
Amount due for settlement after 12 months	14	17

Management considers that the carrying value of the Group finance lease liabilities approximate their fair value.

28. Bonds

The carrying amounts and fair values of bonds are as follows:

€ million	COUPON RATE	MATURITY DATE	CARRYING AMOUNT		FAIR VALUE	
			2012	2011	2012	2011
Non-current						
Convertible Bond	4.50%	2015	393	444	450	509
Retail Bond	5.75%	2014	780	773	793	778
Institutional Eurobond	5.75%	2016	524	513	551	531
Total non-current bonds			1697	1730	1794	1818

28.1. | 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 price has been set at € 38.746. Bondholders have the right to convert the Bonds into new and/or existing (at the option of the Company) shares 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, was attributed to the fair value of the derivative component. As a result of the Board's decision to revoke UCB's rights related to the cash settlement option, the derivative component was reclassified to equity based on its fair value at the date of revocation (refer to Note 25.4).

In April 2012 UCB purchased € 70 million par value of the outstanding convertible bond for a total proceed of € 82 million. The total carrying value amounted € 63 million, which led to a loss on extinguishment of € 9 million (Note 15) and a € 11 million reduction of the fair value of the option recognized in equity.

At 31 December 2012, the debt component is measured based on its amortized cost, using an effective interest rate of 7.670% per annum. In accordance with IAS 39, the remaining transaction costs included in the calculation of the effective

interest rate will be amortized 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 2012 amounted to € 450 million (2011: € 509 million). The fair value is determined by a third party financial institution.

The convertible bond recognized in the statement of financial position is calculated as follows:

€ million	2012	2011
Balance at 1 January	444	432
Effective interest expense (Note 15)	31	33
Nominal interest accrued for/not yet due	-4	-4
Nominal interest accrual of previous period, paid in current period	4	4
Interest paid	-20	-22
Unamortized transaction costs upon initial recognition	0	0
Amortization charge for the period	1	1
Repurchase of convertible bond	-63	0
Balance at 31 December	393	444

28.2. | 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.

The carrying amount of the retail bond at 31 December 2012 amounted to € 780 million (2011: € 773 million). The Group designates derivative financial instruments under fair value hedges to the Retail Bond. The increase in the carrying amount of the Retail Bond is fully attributable to the change in the fair value of the hedged portion of the Retail Bond, and is almost fully offset by a change in fair value of the corresponding derivative financial instrument.

28.3. | 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.

The carrying amount of the institutional Eurobond at 31 December 2012 amounted to € 524 million (2011: € 513 million). The Group designates derivative financial instruments under fair value hedges to the institutional Eurobond. The increase in the carrying amount of the institutional Eurobond is fully attributable to the change in the fair value of the hedged portion of the institutional Eurobond, and is almost fully offset by a change in fair value of the corresponding derivative financial instrument.

29. Other financial liabilities

€ million	CARRYING AMOUNT		FAIR VALUE	
	2012	2011	2012	2011
Non-current				
Derivative financial instruments (Note 36)	68	60	68	60
Total non-current other financial liabilities	68	60	68	60
Current				
Derivative financial instruments (Note 36)	19	89	19	89
Other financial liabilities	181	27	181	27
Total current other financial liabilities	200	116	200	116
Total other financial liabilities	268	176	268	176

The other financial liabilities include a share swap transaction of 4.3 million UCB shares OTC and amounted to € 176 million (Note 40.5)

30. Deferred tax assets and liabilities

30.1. | Recognized deferred tax assets and liabilities

€ million	2012	2011 (RESTATED)
Intangible assets	-216	-239
Property, plant and equipment	1	-6
Inventories	64	58
Trade and other receivables	61	76
Employee benefits	58	34
Provisions	13	20
Other short-term liabilities	-249	9
Tax losses	536	207
Unused tax credits	114	90
Total net deferred tax assets/liabilities (-)	382	249

30.2. | Unused tax losses

The amount and expiry date of unused tax losses for which no deferred tax asset is recognized in the balance sheet is detailed below:

€ million	2012	2011
Expiry date:		
1 year or less	0	0
1-2 years	0	1
2-3 years	0	4
3-4 years	0	1
More than 4 years	13	14
Without expiration	1 722	2 043
Unutilized tax losses	1 735	2 063

30.3. | Temporary differences for which no deferred tax liability is recognized

No deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries. The unrecognized deferred tax liabilities amount to approximately € 8 million (2011: € 5 million).

30.4. | Temporary differences for which no deferred tax asset is recognized

Deferred tax assets are recognized on temporary differences carried forward that represent income likely to be realized in the foreseeable future. Deferred tax assets amounting to € 372 million (2011: € 262 million) in respect of unutilized tax credits and intangible assets have not been recognized in view of the uncertain character of the recovery.

30.5. | Deferred tax was directly recognized in equity

€ million	2012	2011 (RESTATED)
Deferred tax recognized in OCI	5	6
Effective portion of changes in fair value of cash flow hedges	0	0
Deferred tax liability on convertible bond	4	0
Deferred tax directly recognized in equity	9	6

31. Employee benefits

In 2012, UCB has early adopted the amendments to IAS 19, as revised in June 2011. As a consequence of the retrospective application of IAS 19R, the opening and the closing statements of financial position of the earliest comparative period (2011) have been restated (Note 2.2).

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.

31.1. 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 has no further legal or constructive obligation to pay further contributions. Therefore no assets or liabilities are recognized in the Group balance sheet in respect of such plans, apart from regular prepayments and accruals of contributions.

31.2. Defined benefit plans

The Group operates several defined benefit plans. The benefits granted include mainly pension benefits, jubilee premiums and termination indemnities. The benefits are granted according to local market practice and regulations.

These plans are 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

consolidated statement of financial position. Independent actuaries assess all main plans annually.

Since 2008, the Group analyses the Value At Risk on its balance sheet and profit and loss accounts linked to its defined benefits plans. Target risk level in terms of a one year consolidated balance sheet and profit and loss Value at Risk measures are defined annually based on UCB risk tolerance thresholds.

For UCB, the main risks linked to its defined benefit obligations are discount rate, inflation and longevity. The majority of the risks lays within the U.K., Belgium, Germany and the U.S. It should be noted that longevity is not considered as a risk for the plans in Belgium as benefits are either paid as a lump sum or externalised before being paid as an annuity.

Over the last years, UCB has implemented major de-risking projects in the U.K. and the U.S.

In the U.K., an investment decision, known as a buy-in was implemented for the UCB British Scheme. The buy-in secured the benefits of all pensioner, dependant and deferred members of the Scheme as at 17 December 2010. On 30 June 2012, the Scheme was closed to future accruals and the remaining active members transferred to the Celtech Pension and Life Assurance Scheme. In December 2012, the Pension Board finally secured the benefits of the small number of pensioner and deferred members who left service between 17 December 2010 and 30 June 2012.

In 2011, UCB also carried out an 'enhanced transfer value exercise' for the U.K. Celtech Pension and Life Assurance Scheme under which deferred members were offered an enhancement to their transfer value if they transferred out from the Scheme. A total of approximately GBP 10 million liabilities for 164 members were transferred out of the Scheme.

In the U.S., UCB implemented a lump sum window exercise in 2012. Under this exercise, all deferred members were offered to transfer their benefits out of the Scheme before end 2012. The exercise resulted in approximately US\$ 21 million liabilities (around 40% of all deferred liabilities) transferring out of the Scheme.

The amount recognized in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plan is as follows:

€ million	2012	2011 (RESTATED)
Present value of defined benefit obligation	781	688
Fair value of plan assets	528	472
Funded status – Deficit/surplus (-)	253	216
Effect of asset ceiling	7	1
Net liability arising from defined benefit obligation	260	217
Add: Liability with respect to cash settled share based payments (Note 26)	30	17
Total employee benefit liabilities	290	234
Of which:		
Portion recognized in non-current liabilities	290	234
Portion recognized in non-current assets	0	0

Movements in the present value of the defined benefit obligation in the current year were as follows:

€ million	2012	2011 (RESTATED)
At 1 January	688	630
Current service cost	21	20
Interest expense	30	29
Remeasurement gain(-) / loss		
Effect of changes in demographic assumptions	-7	2
Effect of changes in financial assumptions	93	36
Effect of experience adjustments	-3	5
Past service cost and gain(-) / loss on settlements	-5	-2
Effect of change in foreign exchange rates	7	12
Benefit payments from the plan	-20	-23
Benefit payments from the employer	-8	-9
Settlement payments	-16	-9
Plan participants contributions	1	3
Effect of business combinations and disposals	0	-5
Other	0	-1
At 31 December	781	688

Movements in the fair value of plan assets in the current year were as follows:

€ million	2012	2011 (RESTATED)
At 1 January	472	443
Interest income	21	22
Remeasurement gain / loss(-)		
Return on plan assets (excl. interest income)	23	1
Changes in asset ceiling (excl. interest income)	0	0
Effect of change in foreign exchange rates	6	10
Plan participants contributions	1	3
Employer contributions	52	37
Benefit payments from the plan	-20	-22
Benefit payments from the employer	-5	-5
Settlement payments	-16	-9
Expenses, taxes and premiums paid	-6	-5
Effect of business combinations and disposals	0	-3
At 31 December	528	472

The fair value of plan assets amounts to € 528 million (2011: € 472 million), representing 69% (2011: 70%) of the defined benefit obligation. The total deficit of € 253 million

(2011: € 216 million) is expected to be eliminated over the estimated remaining average service period of the current membership.

The amounts recognized in the consolidated income statement and in the consolidated statement of comprehensive income in respect of those defined benefit plans are as follows:

€ million	2012	2011 (RESTATED)
Total service cost (incl. gain(-) / loss from settlements)	16	18
Net interest cost	7	6
Remeasurement of Other Long Term Benefits	1	0
Administrative expenses and taxes	6	4
Components of defined benefit costs recorded in income statement	30	28
Remeasurements gain(-) / loss		
Effect of changes in demographic assumptions	-7	2
Effect of changes in financial assumptions	93	36
Effect of experience adjustments	-3	5
Return on plan assets (excl. interest income)	-23	-1
Changes in the asset ceiling (excl. interest income)	6	0
Components of defined benefit costs recorded in OCI	66	42
Total components of defined benefit cost	96	70

The total service cost, the net interest expense, the remeasurement of Other Long Term Benefits, administrative expenses and taxes for the year are included in the employee benefits expense in the consolidated income statement.

The remeasurement on the net defined benefit liability is included in the statement of comprehensive income as part of other comprehensive income.

The split of the recognized expense by functional line is as follows:

€ million	2012	2011 (RESTATED)
Cost of sales	6	6
Marketing and selling expenses	6	5
Research and development expenses	10	10
General and administrative expenses	7	7
Other income and expenses	1	0
Total	30	28

The actual return on plan assets is € 23 million (2011: € 1 million) and the actual return on reimbursement rights is € 0 million (2011: € 0 million).

The major categories of plan assets at the end of the reporting period, are as follows:

€ million	2012	2011 (RESTATED)
Cash and cash equivalent	21	27
Equity instruments	100	70
Europe	71	49
U.S.	7	0
Rest of the World	22	21
Debt instruments	115	111
Corporate bonds	21	19
Government bonds	43	62
Other	51	30
Properties	4	3
Qualifying insurance policies	192	181
Investment funds	96	80
Total	528	472

Virtually all equity and debt instruments have quoted prices in active markets. Properties can be classified as level 3 instruments based on the definitions in IFRS 13 Fair value measurement.

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 principal weighted average actuarial assumptions used for the purposes of the actuarial valuations were as follows:

	EUROZONE		U.K.		U.S.		OTHER	
	2012	2011	2012	2011	2012	2011	2012	2011
Discount rate	3.39%	4.22%	4.28%	4.75%	4.00%	4.25%	1.99	2.34%
Inflation	2.00%	2.00%	3.00%	3.00%	n.a.	n.a.	n.a.	n.a.

Significant actuarial assumptions for the determination of the defined obligation are discount rate and inflation. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period.

- ♦ If the discount rate would be 25 basis points higher (lower), the defined benefit obligation would decrease by € 30 million (increase by € 31 million) if all other assumptions were held constant.
- ♦ If the inflation rate would increase (decrease) by 25 basis points, the defined benefit obligation would increase by € 19 million (decrease by € 19 million) if all other assumptions were held constant.

In reality one might expect interrelationships between the assumptions, especially between discount rate and expected salary increases that both depends to a certain extent on expected inflation rates. The analysis above abstracts from these interdependence between the assumptions.

The Group's subsidiaries should fund the cost of the entitlements expected to be earned on a yearly basis. Employees pay a fixed 5% percentage of pensionable salary. The residual contribution (including back service payments) is paid by the entities of the Group. The funding requirements are based on a local actuarial measurement framework. In this framework the discount rate is set on a risk free rate. Furthermore, premiums are determined on a current salary base. Additional liabilities stemming from past service due to salary increases (back-service liabilities) should be paid immediately to the Fund. Apart from paying the costs of the entitlements the Group's subsidiaries are not liable to pay additional contributions in case the Fund does not hold sufficient assets. In that case Fund should take other measures to restore its solvency such as a reduction of the entitlements of the plan members.

The average duration of the benefit obligation at the end of the reporting period is 16.38 years (2011: 15.70 years). This number can be subdivided into the duration related to:

- ♦ Eurozone: 14.69 years (2011: 13.50 years);
- ♦ U.K.: 18.48 years (2011: 18.12 years);
- ♦ U.S.: 13.80 years (2011: 14.68 years);
- ♦ Other: 16.41 years (2011: 12.24 years).

The Group expects to make a contribution of € 42 million to the defined benefit plans during the next financial year.

Each year an ALM (Asset-Liability Matching) study is performed in which the consequences of the strategic investment policies are analysed in terms of risk-and-return profiles. Investment and contribution policies are integrated within this study. Main strategic choices that are formulated in the actuarial and technical policy document of the Fund are:

- ♦ Asset mix based on 25% equity instruments, 50% debt instruments and 25% investment property.
- ♦ Interest rate sensitivity caused by the duration of the defined benefit obligation should be reduced with 30% by the use of debt instruments in combination with interest rate swaps.
- ♦ Maintaining an equity buffer that gives a 97.5% assurance that assets are sufficient within the next 12 months.

32. Provisions

The movements in provisions have been disclosed below:

€ million	ENVIRONMENT	RESTRUCTURING	TAX	OTHER	TOTAL
At 1 January 2012	47	35	413	48	543
Business combinations				5	5
Arising during the year	2	10	3	9	24
Unused amounts reversed	-6	-4	-27	-20	-57
Transfer from one heading to another		1			1
Effect of movements in exchange rates		1		-1	0
Utilized during the year	-6	-12		-9	-27
At 31 December 2012	37	31	389	32	489
Non-current portion	17	13	389	19	438
Current portion	20	18		13	51
Total provisions	37	31	389	32	489

32.1. | 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 2012 a part of the provisions related to the Surface Specialties business was reversed.

32.2. | Restructuring provisions

In 2012 the restructuring provision was utilized mainly in view of the SHAPE programme (announced in August 2008) and other severance costs. On the other hand the main increase in the provision includes further increase of the SHAPE provision, restructuring of support functions and other severance costs.

32.3. | Tax provisions

Tax provisions are recorded when the Group considers it probable that a tax position taken is unlikely to be sustained if challenged by the tax authorities. The assessment is done for each provision individually and the resulting provision is the Group's best estimate of the expected exposure in the event of a tax authority challenge.

32.4. | Other provisions

Other provisions relate mainly to litigations and product liabilities (Note 14):

- ♦ If Provisions for litigation comprise mainly provisions for litigations where UCB or a subsidiary is or might be a defendant against claims of previous employees. UCB
- ♦ If 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.
- ♦ If An assessment is per formed with respect to the above-mentioned risks together with the Group legal advisers and experts in the different domains.

33. Trade and other liabilities

33.1. | Non-current trade and other liabilities

€ million	2012	2011
GSK/Sumitomo (Japan)	5	10
GSK Japan (Switzerland)	16	18
Other payables	65	72
Non-current liabilities on collaboration agreements	64	8
Total non-current trade and other liabilities	150	108

33.2. | Current trade and other liabilities

€ million	2012	2011
Trade payables	261	285
Taxes payable, other than income tax	46	36
Payroll and social security liabilities	149	153
Other payables	75	85
Deferred income linked to collaboration agreements	47	42
Other deferred income	10	16
Royalties payable	46	36
Dividend to shareholders of perpetual subordinated bond	18	18
Rebates/ discount payable	353	340
Accrued interest	16	27
Other accrued expenses	274	256
Total current trade and other liabilities	1295	1294

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.

34. Note to the consolidated statement of cash flows

The cash flow statement identifies operating, investing and financing activities for the period.

UCB uses the indirect method for the operating cash flows.

The net profit and loss is adjusted for:

- ◆ the effects of non-cash transactions such as depreciation and amortization, impairment losses, provisions, mark-to-market, etc., and the variance in working capital;
- ◆ items of income or expense associated with investing or financing cash flows.

€ million	NOTE	2012	2011 (RESTATED)
Adjustment for non-cash transactions		175	204
Depreciation and amortization	9, 18, 20	230	246
Impairment/reversal (-) charges	9, 12	23	39
Equity settled share based payment expense	26	-1	6
Other non-cash transactions in the income statement		19	0
Adjustment IAS 39	15	-67	33
Unrealized exchange gain (-)/losses		14	-56
Change in provisions & employee benefits		-42	-55
Change in inventories and bad debt provisions		-1	-9
Adjustment for items to disclose separately under operating cash flow		7	9
Tax charge of the period	16	7	9
Adjustment for items to disclose under investing and financing cash flows		103	129
Gain (-)/loss on disposal of fixed assets		-31	0
Dividend income (-)/expenses		0	0
Interest income (-)/charge		134	129
Change in working capital			
Inventories movement per consolidated BS		-79	-103
Trade and other receivables and other assets movement per consolidated BS		2	-142
Trade and other payables movement per consolidated BS		196	124
As it appears in the consolidated balance sheet and corrected by:		119	-121
Non-cash items ¹		-74	2
Change in inventories and bad debt provisions disclosed separately under operating cash flow		1	9
Change in interest receivable/payable disclosed separately under operating cash flow		5	5
Change in dividend receivable disclosed separately under investing cash flow		0	0
Change in dividend payable disclosed separately under financing cash flow		23	0
Change in payable balance disclosed under cash flow from discontinued operations		0	0
Currency translation adjustments		-59	-5
As it appears in the consolidated cash flow statement		15	-110

¹ Non-cash items are mainly linked to transfers from one heading to another; non-cash movements linked to affiliate's revaluation from Fx currencies and other movements linked to entry/exit in consolidation scope or merge of entities.

35. Financial instruments by category

€ million

31 December 2012

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
Financial assets and other assets (excl. derivative financial instruments)	21	99	0	0	26	125
Derivative financial assets	36	0	34	6	0	40
Trade and other receivables (including prepaid expenses)	23	835	0	0	0	835
Cash and cash equivalents	24	318	0	0	0	318
Total		1252	34	6	26	1318

€ million

31 December 2012

Liabilities as per balance sheet

	NOTE	LIABILITIES AT FAIR VALUE THROUGH THE PROFIT AND LOSS	DERIVATIVES USED FOR HEDGING	OTHER FINANCIAL LIABILITIES AT AMORTIZED COST	TOTAL
Borrowings	27	0	0	390	390
Bonds	28	0	0	1697	1697
Derivative financial liabilities	36	79	8	0	87
Trade and other liabilities	33	0	0	1445	1445
Other financial liabilities (excl. derivatives financial instruments)	29	0	0	181	181
Total		79	8	3713	3800

€ million

31 December 2011

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
Financial assets and other assets (excl. derivative financial instruments)	21	84	0	0	33	117
Derivative financial assets	36	0	95	6	0	101
Trade and other receivables – (including prepaid expenses)	23	851	0	0	0	851
Cash and cash equivalents	24	267	0	0	0	267
Total		1202	95	6	33	1336

€ million

31 December 2011

Liabilities as per balance sheet

	NOTE	LIABILITIES AT FAIR VALUE THROUGH THE PROFIT AND LOSS	DERIVATIVES USED FOR HEDGING	OTHER FINANCIAL LIABILITIES AT AMORTIZED COST	TOTAL
Borrowings	27	0	0	87	87
Bonds	28	0	0	1730	1730
Derivative financial liabilities	36	130	19	0	149
Trade and other liabilities	33	0	0	1402	1402
Other financial liabilities (excl. derivatives financial instruments)	29	0	0	27	27
Total		130	19	3246	3395

36. Derivative financial instruments

€ million	ASSETS		LIABILITIES	
	2012	2011	2012	2011
Forward foreign exchange contracts – cash flow hedges	6	6	7	19
Forward foreign exchange contracts – fair value through profit and loss	27	32	36	99
Interest rate derivatives – cash flow hedges	0	0	1	0
Interest rate derivatives – fair value through profit and loss	7	63	14	31
Put and call option for non-controlling interest	0	0	29	0
Total	40	101	87	149
Of which:				
Non-current – (Notes 21 and 29)	8	63	68	60
Current – (Notes 21 and 29)	32	38	19	89

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 asset or 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 2012, a net unrealized gain of € 5 million (2011: net unrealized loss

of € 12 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 recognized in the profit or loss that arises from cash flow hedges amounts to € 0 million (2011: € 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 2012.

The fair values of the foreign currency derivative contracts are as follows:

€ million	ASSETS		LIABILITIES	
	2012	2011	2012	2011
USD	24	3	30	72
GBP	3	1	1	31
EUR	1	31	10	0
PLN	0	1	1	0
MXN	0	0	0	0
JPY	4	0	0	10
CHF	0	0	0	0
Other currencies	1	2	1	5
Total foreign currency derivatives	33	38	43	118

The foreign currency derivatives maturity analysis is noted below:

€ million	2012	2011
1 year or less	13	-44
1-5 years	-23	-36
Beyond 5 years	0	0
Total foreign currency derivatives – net asset/net liability (-)	-10	-80

The following table shows the split of foreign currency derivatives by currency of denomination (currencies sold view) as at 31 December 2012:

Notional amounts in € million	USD	GBP	EUR	JPY	CHF	OTHER CURRENCIES	TOTAL
Forward contracts	205	144	178	69	12	121	729
Currency swaps	1 161	321	362	0	37	16	1 897
Option/collar	159	0	54	0	0	0	213
Total	1 525	465	594	69	49	137	2 839

36.2. Interest rate derivatives

The Group uses various interest rate derivative contracts to manage its exposure to interest rate movements on its borrowings. The re-pricing dates and amortization

characteristics are aligned with those of the fixed rate bonds. 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	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 100	0.76%		24/1/2011	22/1/2013	-USD LIBOR 3 Months
IRS	USD 150	0.76%		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	USD 50	1.61%		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 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
IRS	USD 150	2.15%		22/1/2013	22/1/2014	-USD LIBOR 3 Months
IRS	USD 250	-0.76%		28/11/2011	28/11/2014	USD LIBOR 3 Months
IRS	EUR 750	0.25%		27/11/2009	27/11/2014	-EURIBOR 3 Months
CCIRS	USD 1000	-USD LIBOR 3 Months	-0.23%	27/11/2009	27/11/2014	EURIBOR 3 Months
IRS	EUR 325	0.54%		10/12/2009	10/12/2016	-EURIBOR 3 Months
IRS	EUR 150	-0.86%		21/8/2012	21/8/2017	EURIBOR 3 Months
CCIRS	USD 100	-USD LIBOR 3 Months	-0.17%	27/5/2011	27/11/2014	EURIBOR 3 Months
CCIRS	USD 130	-USD LIBOR 3 Months	-0.36%	27/11/2012	27/11/2014	EURIBOR 3 Months
CCIRS	USD 200	-USD LIBOR 3 Months	-0.18%	27/5/2011	27/11/2013	EURIBOR 3 Months
CCIRS	USD 250	+USD LIBOR 3 Months	-0.32%	29/11/2010	27/11/2014	-EURIBOR 3 Months
CCIRS	USD 205	+USD LIBOR 3 Months	-0.24%	28/2/2011	27/11/2014	-EURIBOR 3 Months
IRS	EUR 250	-0.89%		22/4/2014	22/4/2018	EURIBOR 6 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's U.S. operations. Following an internal corporate restructuring, this net investment hedge relationship was terminated in December 2007.

The unrealized cumulative foreign exchange gain of € 55 million has been reported in a separate component of equity, under 'Net Investment Hedge' in 2007. This unrealized gain 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

As a result of the decision of UCB to revoke the cash settlement option linked to the convertible bond in 2010, the fair value of the derivative component linked to the convertible bond has been reclassified to equity (€ 56 million before tax or € 41 million net of tax) (refer to Note 2.26).

37. Earnings per share

Changes in the Group's accounting policies during the year are described in detail in Note 2.2. To the extent that those changes have had an impact on results reported for 2011, they have had an impact on the amounts reported for earnings per share.

The following table summarises the effect of the early application of IAS 19 (as revised in 2011) on both basic and diluted earnings per share:

	2011
Increase / decrease (-) in profit for the year attributable to the owner of the Group (€ million) (Note 2.2)	3
Increase / decrease (-) in basic earnings per share (€)	0.02
Increase / decrease (-) in diluted earnings per shares (€)	0.02

37.1. Basic earnings per share

€	2012	2011 RESTATED
From continuing operations	1.34	1.26
From discontinued operations	0.09	0.08
Basic earnings per share	1.43	1.34

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

€	2012	2011 RESTATED
From continuing operations	1.33	1.26
From discontinued operations	0.08	0.07
Diluted earning per share	1.41	1.32

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).

37.3. | Earnings

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:

Basic

€ million	2012	2011 RESTATED
Profit/loss (-) from continuing operations attributable to shareholders of UCB S.A.	239	224
Profit/loss (-) from discontinued operations	17	14
Profit attributable to shareholders of UCB S.A.	256	238

Diluted

€ million	2012	2011 RESTATED
Profit/loss (-) from continuing operations attributable to shareholders of UCB S.A.	239	224
Adjusted for:		
interest expense on convertible debt (net of tax)	13	15
Profit/loss (-) from continuing operations used to determine diluted EPS	252	239
Profit/loss (-) from discontinued operations	17	14
Adjusted profit attributable to shareholders of UCB S.A.	269	253

37.4. | Number of shares

In thousands of shares	2012	2011 (RESTATED)
Weighted average number of ordinary shares for basic earnings per share	179 279	178 486
Adjusted for:		
warrants	33	122
assumed conversion of convertible debt	11 098	12 905
Weighted average number of ordinary shares for diluted earnings per share	1 90 409	1 91 513

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 2012 and 31 December 2011 and have not been taken into account in the calculation of diluted earnings per share.

The shares related to the convertible debt have no dilutive impact as at 31 December 2012.

38. Dividend per share

The gross dividends paid in 2012 and 2011 were € 181 million (€ 1.00 per share) and € 180 million (€ 0.98 per share) respectively.

A dividend in respect of the year ended 31 December 2012 of € 1.02 per share, amounting to a total dividend

of € 186 million, is to be proposed at the annual general meeting of the shareholders on 25 April 2013.

In accordance with IAS 10, Events after the reporting period, the proposed dividend has not been recognized 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	2012	2011
Less than one year	38	38
Between one and five years	93	99
More than five years	33	37
Total	164	174

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 2012, € 36 million (2011: € 47 million) was recognized as an expense in the income statement in respect of operating leases.

Switzerland. Construction of the pilot plant in Belgium began in May 2009 and expected to be completed in mid-2013. This pilot plant is being financed partially by government assistance, as well as loans. In December 2010, UCB initiated a project to build an in-house biotech manufacturing capacity in Bulle, Switzerland in order to meet the rising future demand for Cimzia®. The new manufacturing plant should be operational in 2015 and requires an investment of € 250 million.

UCB has entered into long-term development agreements with various pharmaceutical, clinical trial operators and private equity companies. Such collaboration agreements include milestone payments which are dependent on successful clinical development or on meeting specified sales targets. The table below sets out the maximum that would be paid if all milestones, however unlikely, are achieved but excludes variable royalty payments based on unit sales.

39.2. | Capital commitments

At 31 December 2012, the Group has committed to spend € 128 million (2011: € 127 million) mainly with respect to capital expenditure on the construction of a biological pilot plant in Braine, Belgium and a biological plant in Bulle,

€ million	2012	2011
Less than one year	39	42
Between one and five years	256	350
More than five years	567	595
Total	862	987

The amounts are not risk-adjusted or discounted and the timing of the payments is based on the Group's current best estimate of achievement of the relevant milestones.

Philadelphia and Atlantic City. Each of the litigations involve claims of injury resulting from alleged failure to warn of the risk associated with the use of the metoclopramide for more than 12 weeks. The vast majority of the claims involve alleged injuries sustained as a result of the use of generic metoclopramide. There are a number of legal issues before the courts awaiting decision that could impact the timing and outcome of the resolution of these cases. Currently, there are no cases scheduled for trial in 2013 and it is too early to predict with certainty the outcomes of these litigations. The company believes that it has meritorious defenses to the pending claims.

39.3. | Guarantees

Guarantees arising in the normal course of business are not expected to result in any material financial loss.

39.4. | Contingent liabilities

The Group continues to be actively involved in litigations, claims and investigations. The on-going matters could result in liabilities, civil and criminal penalties, loss of product exclusivity and other costs, fines and expenses associated with findings adverse to UCB's interests.

UCB continues to be a defendant in more than 5 000 Reglan® product liability cases. These cases have been largely consolidated in three different jurisdictions, San Francisco,

Furthermore, the Group entered into various agreements in order to conduct its activities which provide for potential contingent liabilities such as the financial arrangements with the Walloon Region amounting to € 41 million (2011: € 41 million). The manufacturing capacity arrangements with Sandoz amounting to € 4 million elapsed in 2012.

It is not anticipated that any other material liabilities will arise from the contingent liabilities other than those provided for in Note 32 (2011: no material liabilities).

40. Related party transactions

40.1. | Intra-group sales and services

During the financial years ended 31 December 2012 and 2011, 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 centralized functions and activities carried out by the UCB Group in order to optimize 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 recognized 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	2012	2011
Short-term employee benefits	11	10
Termination benefits	0	0
Post-employment benefits	3	3
Share-based payments	5	3
Total key management compensation	19	16

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 amortization 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 26. The termination benefits contain all compensated amounts, including benefits in kind and deferred compensation. There have been no loans granted by the company or a subsidiary of the Group to any Director or Officer of the Group, nor any guarantees given with respect hereto.

40.5. | Shareholders and shareholders structure

UCB's main shareholder is Financière de Tubize S.A., a company listed on Euronext Brussels (hereafter 'Financière de Tubize' or the 'Reference Shareholder').

Financière de Tubize has made a transparency notification of its holding in UCB on 1 September 2008 and in subsequent notifications, in compliance with the Law of 2 May 2007 on the publication of significant shareholdings in listed companies. According to article 3, § 1, 13° of the Law of 2 May 2007, Financière de Tubize acts in concert with Schwarz Vermögensverwaltung GmbH.

Their holdings are listed under # 1 - 4 in the table hereunder. The shares that are covered by this agreement, including the shares held by Financière de Tubize represent 40.81% of the share capital of UCB.

53.06% of Financière de Tubize is held by the Janssen family.

The remainder of UCB shares is held by the public.

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

UCB controlling and major shareholdings on 31 December 2012

		CURRENT	VOTING	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 S.A. (Tubize)	66 370 000	36.20%	5 October 2011
2	UCB S.A.	801 706		31 December 2012
	assimilated securities ¹	2 500 000	1.80%	26 June 2012
	options ²	6 606 638		27 April 2012
3	UCB Fipar S.A.	891 534		31 December 2012
	assimilated securities	1 800 000	1.47%	27 April 2012
4	Schwarz Vermögensverwaltung GmbH	2 471 404	1.35%	5 October 2011
	Tubize + linked companies + concert 4 (excluding options)	7 483 464	40.81%	31 December 2012
5	The Capital Group Companies	20 828 907	11.36%	5 September 2012
6	Vanguard Health Care Fund	5 821 811	3.17%	30 March 2012

¹ Please see press release of 28 June 2012

² If all options were exercised this would represent an additional voting right of 3.60%. The information regarding assimilated securities/options is not required by law.

Tubize has declared acting in concert with Schwarz Vermögensverwaltung GmbH & CO KG.

41. Events after the balance sheet date

There are no events after balance sheet date.

42. UCB companies (fully consolidated)

NAME AND OFFICE	HOLDING	PARENT
Australia		
UCB Australia Pty. Ltd. – Level 1, 1155 Malvern Road – 3144 Malvern, Victoria	100%	Viking Trading Co. Ltd
Austria		
UCB Pharma Gesellschaft m.b.H. – Geis Elbergstrasse 17-19, 1110 Wien	100%	UCB Finance N.V.
Belgium		
UCB Fipar S.A. – Allée de la Recherche 60 – 1070 Brussels (BE0403.198.811)	100%	UCB Belgium S.A.
Fin UCB S.A. – Allée de la Recherche 60 – 1070 Brussels (BE0426.831.078)	100%	UCB Pharma S.A.
UCB Belgium S.A. – Allée de la Recherche 60 – 1070 Brussels (BE0402.040.254)	100%	UCB Pharma S.A.
UCB Pharma S.A. – Allée de la Recherche 60 – 1070 Brussels (BE0403.096.168)	100%	UCB S.A.
Sifar S.A. – Allée de la Recherche 60 – 1070 Brussels (BE0453.612.580)	100%	UCB Finance N.V.
Brazil		
UCB Farma Brasil Ltda – Rue Sete de Setembro 67, Sala 301, 20050-005 Rio de Janeiro	100%	UCB S.A.
Meizler UCB – Alameda Araguaia 3833 Tamboré – Barueri- 06455-000 Sao Paulo	51%	UCB Farma Brasil Ltda
Bulgaria		
UCB Bulgaria EOOD – 15, Lyubata Str., Fl. 4 apt. 10-11, Lozenetz, Sofia 1407	100%	UCB S.A.
Canada		
UCB Canada Inc. – 2060 Winston Park Drive, Suite 401 – ON L6H5R7 Oakville	100%	UCB Holdings Inc.
China		
UCB Trading (Shanghai) Co Ltd – Room 317, No. 439 Fu Te Xi Yi Road, Shanghai (Waigaoqiao Free Trade Zone)	100%	UCB S.A.
UCB Pharma (Hong Kong) Ltd – Unit 514, 5/F South Tower, World Finance Center The Gateway, Harbour City – Hong Kong	100%	UCB Pharma GmbH
Schwarz Pharma Zuhai Company Ltd – Block A. Changsa Industrial zone. Qianshan District – 519070 Zhuhai Guangdong Province	100%	UCB Pharma GmbH
Czech Republic		
UCB S.R.O. – Thámova 13 – 186 00 Praha	100%	UCB S.A.
Denmark		
UCB Nordic AS – Arne Jacobsen Alle 15 – 2300 Copenhagen	100%	UCB Finance NV
Finland		
UCB Pharma Oy (Finland) – Itsehallintokuja 6 – 02600 Espoo	100%	UCB Finance N.V.
France		
UCB Pharma S.A. – 420 rue d'Etienne d'Orves – 92700 Colombes	100%	UCB S.A.

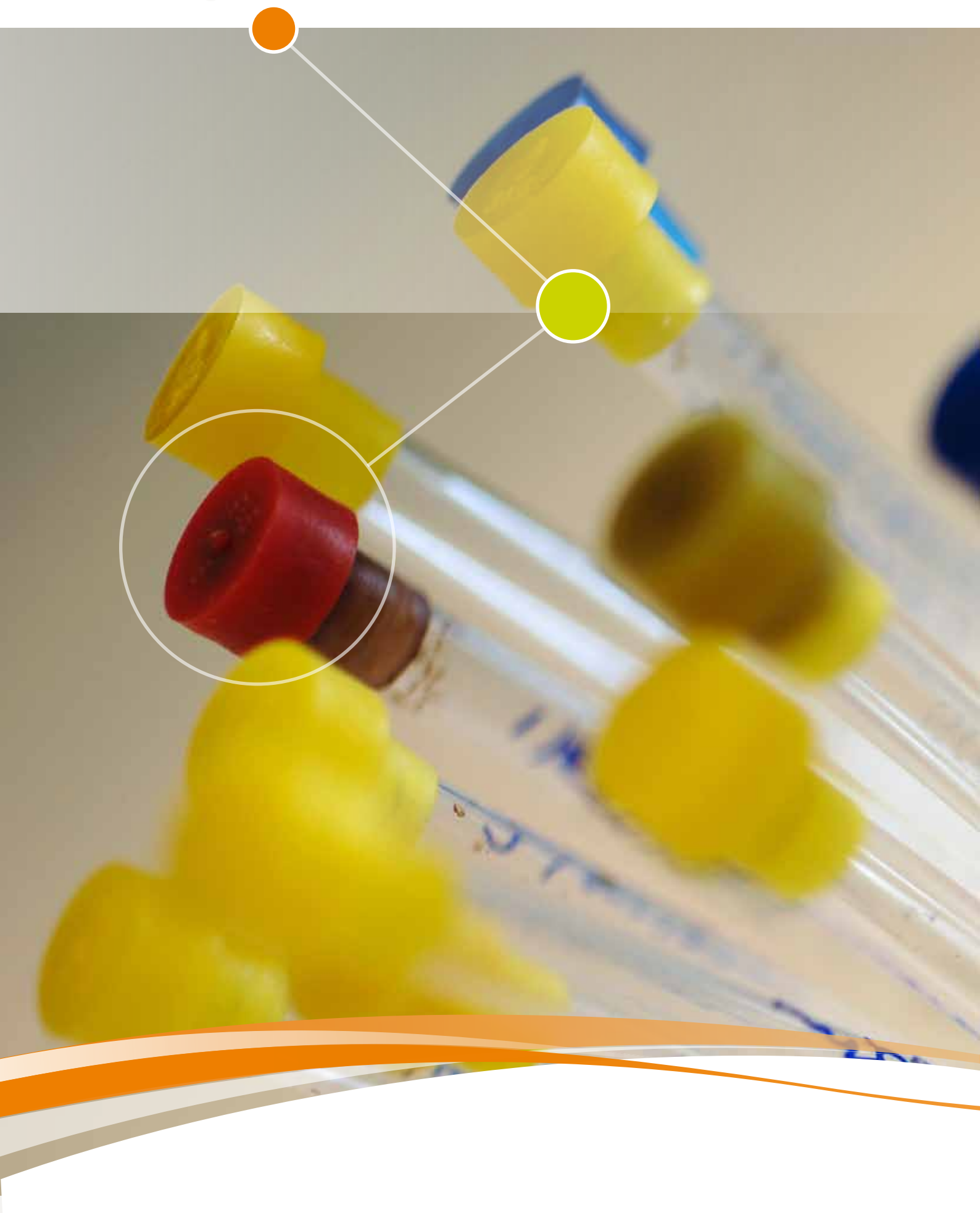
NAME AND OFFICE	HOLDING	PARENT
Germany		
UCB Pharma GmbH – Alfred Nobel Strasse, 10 – 40789 Monheim am Rhein	100%	UCB GmbH
UCB GmbH – Alfred Nobel Strasse, 10 – 40789 Monheim am Rhein	100%	UCB Finance N.V.
UCB BioSciences GmbH – Alfred-Nobel-Strasse 10 – 40789 Monheim am Rhein	100%	UCB Pharma GmbH
Sanol GmbH – Alfred-Nobel-Strasse 10 – 40789 Monheim am Rhein	100%	UCB Pharma GmbH
Greece		
UCB A.E. – 63 Agiou Dimitriou Street – 17456 Alimos – Athens	100%	UCB S.A.
Hungary		
UCB Hungary Ltd – Obuda Gate Building Árpád Fejedelem útja 26-28, 1023 Budapest	100%	UCB S.A.
India		
UCB India Private Ltd – 504 Peninsula Towers, Peninsula Corporate Park, Ganpatrao Kadam Marg, Lower Parel – 400 013 Mumbai	100%	UCB S.A.
Uni-Mediflex Private Ltd – 504 Peninsula Towers, Peninsula Corporate Park, Ganpatrao Kadam Marg, Lower Parel – 400 013 Mumbai	100%	UCB S.A.
Ireland		
UCB (Pharma) Ireland Ltd – United Drug House Magna Drive, Magna Business Park, City West Road – Dublin 24	100%	UCB S.A.
Celltech Pharma Ireland – United Drug House Magna Drive, Magna Business Park, City West Road – Dublin 24	100%	UCB Ltd.
UCB Manufacturing Ireland Ltd – Shannon Industrial Estate – Shannon County Clare	100%	UCB Pharma GmbH
Kudco Ireland Ltd – Shannon Industrial Estate – Shannon County Clare	100%	Kremers Urban Pharmaceuticals Inc.
Italy		
UCB Pharma SpA – Via Gadames 57 – 20151 Milano	100%	Viking Trading Co. Ltd
Japan		
UCB Japan Co Ltd – Shinjuku Grand Tower, 8-17 Nishi-Shinjuku 160-0023 Shinjuku, Tokyo	100%	UCB S.A.
Luxembourg		
Société Financière UCB S.A. – Rue Eugène Ruppert, 12 – 2453 Luxembourg	100%	UCB S.A.
UCB Lux S.A. – Rue Eugène Ruppert, 12 – 2453 Luxembourg	100%	UCB S.A.
UCB S.C.A – Rue Eugène Ruppert, 12 – 2453 Luxembourg	100%	UCB Lux S.A.
Mexico		
UCB de Mexico S.A. de C.V. – Homero #440, 7fl Col. Chapultepec Morales – 11570 Mexico D.F.	100%	UCB S.A.
Vedim S.A. de C.V. – Homero #440, 7fl Col. Chapultepec Morales – 11570 Mexico D.F.	100%	Sifar S.A.
Netherlands		
UCB Finance N.V. – Lage Mosten 33 – 4822 NK Breda	100%	UCB S.A.
UCB Pharma B.V. (Netherlands) – Lage Mosten 33 – 4822 NK Breda	100%	UCB Finance N.V.
Norway		
UCB Pharma A.S. – Grini Naeringspark 8b – 1361 Osteras, Baerum	100%	UCB Finance N.V.
Poland		
Vedim Sp. z o.o. – Ul. Kruczkowskiego 8 – 00-380 Warszawa	100%	Sifar S.A.
UCB Pharma Sp. z o.o. – Ul. Kruczkowskiego 8 – 00-380 Warszawa	100%	UCB S.A.

NAME AND OFFICE	HOLDING	PARENT
Portugal		
UCB Pharma (Produtos Farmaceuticos) Lda – Ed. D. Amelia, piso 0 sala A2, Quinta da Fonte, 2770-229 Paço de Arcos	100%	Vedim Pharma S.A.
Vedim Pharma (Prod. Quimicos e Farma) Lda – Ed. D. Amelia, piso 0 sala A2, Quinta da Fonte, 2770-229 Paço de Arcos	100%	UCB Pharma (Produtos Farmaceuticos) Lda.
Romania		
UCB Pharma Romania S.R.L. – 40-44 Banu Antonache, 4 th fl., district 1, 011655 Bucharest	100%	UCB S.A.
Russia		
UCB Pharma LLC – Shturvaluaya 5 bldg 1 – 125364 Moscow	100%	UCB S.A.
UCB Pharma Logistics LLC– Perevedenovsky pereulok 13 bldg 21 – 105082 Moscow	100%	UCB S.A.
South Korea		
Korea UCB Co Ltd. – 5 th Floor Grace tower 127 Teheran-ro 135-411 Seoul	100%	UCB S.A.
Spain		
Vedim Pharma S.A. – Paseo de la Castellana 141, Planta 15 – 28046 Madrid	100%	UCB S.A.
UCB Pharma S.A. – Paseo de la Castellana 141, Planta 15 – 28046 Madrid	100%	Vedim Pharma S.A.
Sweden		
UCB Pharma AB (Sweden) – Stureplan 4C 4 van – 11435 Stockholm	100%	UCB Finance N.V.
Switzerland		
UCB Farchim S.A. (A.G. – Ltd.) – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Investissements S.A.
UCB Investissements S.A. – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Finance N.V.
Doutors Réassurance S.A. – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Investissements S.A.
UCB-Pharma AG – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Investissements S.A.
Medeva Pharma Suisse S.A. – Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Investissements S.A.
Turkey		
UCB Pharma A.S. – Rüzgarlibahçe, Cumhuriyet Caddesi Gerçekler Sitesi, B-Blok Kat:6, Kavacik, Beykoz – 34805 Istanbul	100%	UCB Lux S.A.
Melusin Ilac ve Maddeleri Pazarlama TLS – Rüzgarlibahçe, Cumhuriyet Caddesi Gerçekler Sitesi, B-Blok Kat:6, Kavacik, Beykoz – Istanbul	100%	UCB Pharma GmbH

NAME AND OFFICE	HOLDING	PARENT
U.K.		
Fipar – 208 Bath Road – SLI 3WE Slough, Berkshire	100%	UCB (Investments) Ltd.
UCB Fipar Ltd, subs. of UCB Inc. – 208 Bath Road – SLI 3WE Slough, Berkshire	100%	UCB Inc.
Fipar U.K. Ltd, subs of UCB Fipar Ltd. – 208 Bath Road – SLI 3WE Slough, Berkshire	100%	UCB Fipar Ltd
UCB (Investments) Ltd – 208 Bath Road – SLI 3WE Slough, Berkshire	100%	UCB Lux S.A.
Viking Trading Co Ltd – 208 Bath Road – SLI 3WE Slough, Berkshire	100%	UCB (Investments) Ltd
Vedim Ltd – 208 Bath Road – SLI 3WE Slough, Berkshire	100%	UCB (Investments) Ltd
UCB Watford Ltd – 208 Bath Road – SLI 3WE Slough, Berkshire	100%	UCB (Investments) Ltd
Celltech Group Ltd – 208 Bath Road – SLI 3WE Slough, Berkshire	100%	UCB Lux S.A.
Celltech R&D Ltd – 208 Bath Road – SLI 3WE Slough, Berkshire	100%	Celltech Group Ltd
UCB Ireland – 208 Bath Road – SLI 3WE Slough, Berkshire	100%	UCB Lux S.A.
Celltech Japan Ltd – 208 Bath Road – SLI 3WE Slough, Berkshire	100%	Celltech R&D Ltd
Celltech Ltd – 208 Bath Road – SLI 3WE Slough, Berkshire	100%	Medeva Ltd
Chiroscience Group Ltd – 208 Bath Road – SLI 3WE Slough, Berkshire	100%	UCB (Investments) Ltd
Chiroscience R&D Ltd – 208 Bath Road – SLI 3WE Slough, Berkshire	100%	UCB (Investments) Ltd
Darwin Discovery Ltd – 208 Bath Road – SLI 3WE Slough, Berkshire	100%	UCB (Investments) Ltd
Medeva Ltd – 208 Bath Road – SLI 3WE Slough, Berkshire	100%	UCB (Investments) Ltd
UCB Pharma Ltd – 208 Bath Road – SLI 3WE Slough, Berkshire	100%	Evans Healthcare Ltd
Evans Healthcare Ltd – 208 Bath Road – SLI 3WE Slough, Berkshire	100%	Medeva Ltd
Medeva International Ltd – 208 Bath Road – SLI 3WE Slough, Berkshire	100%	UCB (Investments) Ltd
Celltech Pharma Europe Ltd – 208 Bath Road – SLI 3WE Slough, Berkshire	100%	UCB (Investments) Ltd
International Medication Systems (U.K.) Ltd – 208 Bath Road – SLI 3WE Slough, Berkshire	100%	UCB Pharma GmbH
Oxford GlycoSciences – 208 Bath Road – SLI 3WE Slough, Berkshire	100%	UCB (Investments) Ltd
Oxford GlycoSciences (U.K.) Ltd – 208 Bath Road – SLI 3WE Slough, Berkshire	100%	Oxford GlycoSciences
Confirmant Ltd – 208 Bath Road – SLI 3WE Slough, Berkshire	100%	Oxford GlycoSciences (U.K.) Ltd
Schwarz Pharma Ltd – 208 Bath Road – SLI 3WE Slough, Berkshire	100%	Celltech Group Ltd
U.S.		
UCB Holdings Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	UCB Finance N.V.
Fipar U.S. Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	Fipar U.K. Ltd
UCB Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	UCB Holdings Inc.
UCB Biosciences Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	UCB Inc.
UCB Pharco Inc. – 300 Delaware Avenue 9 th floor – 19801 Wilmington, Delaware	100%	UCB Inc.
Celltech U.S. LLC – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington Delaware	100%	Medeva Ltd
UCB Manufacturing Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	UCB Inc.
UCB Technologies Inc. – C T Corporation System, 111 Eight Avenue, NY, 10011 New York	100%	UCB Manufacturing Inc.
Upstate Pharma LLC – C T Corporation System, 111 Eight Avenue, NY, 10011 New York	100%	UCB Inc.
Kremers Urban Pharmaceuticals Inc. – 251 E. Ohio Street Suite 1100 – 46204 Indianapolis	100%	UCB Manufacturing Inc.

V.

V. RESPONSIBILITY STATEMENT





Responsibility statement

We hereby confirm that, to the best of our knowledge, the consolidated financial statements as of 31 December 2012, 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.

Roch Doliveux
Chief Executive Officer

Detlef Thielgen
Chief Financial Officer

VI.

VI. REPORT OF THE STATUTORY AUDITOR

Neil, scientist at
UCB Slough



Statutory Auditor's Report to the General Shareholders' meeting on the consolidated accounts of the company UCB S.A./N.V. as of and for the year ended 31 December 2012

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report includes our report on the consolidated financial statements for the year ended 31 December 2012 as defined below, as well as our report on other legal and regulatory requirements.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the consolidated financial statements of UCB S.A./N.V. ('the Company') and its subsidiaries (jointly 'the group'), 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 financial statements comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows as at 31 December 2012 and for the year then ended, and the related notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to EUR 9 360 million and the consolidated income statement shows a profit for the year (Group share) of EUR 256 million.

BOARD OF DIRECTORS' RESPONSIBILITY FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The company's Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

STATUTORY AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers the internal controls relevant to the group's preparation and fair presentation of the consolidated

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the company's officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

UNMODIFIED OPINION

In our opinion, the consolidated financial statements set forth on pages 52 - 119 give a true and fair view of the group's net equity and consolidated financial position as at 31 December 2012 and of its consolidated financial performance and its consolidated 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The board of directors is responsible for the preparation and the content of the Management report of the Board of Directors on the consolidated financial statements.

In the framework of our mandate our responsibility is to verify compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement, which does not modify our opinion on the consolidated financial statements:

- ♦ The Management report of the Board of Directors on the consolidated financial statements set forth on pages 17 - 51 includes the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the Group is facing, and on its financial situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

Brussels, 26 February 2013

The statutory auditor PricewaterhouseCoopers Reviseurs d'Entreprises / Bedrijfsrevisoren

Represented by

Jean Fossion
Bedrijfsrevisor



VII.

VII. ABBREVIATED STATUTORY FINANCIAL STATEMENTS OF UCB S.A.



1. Introduction

In accordance with the Belgian Companies 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 has issued an unqualified audit opinion and certify that the non-consolidated Financial statements of UCB S.A. for the year ended 31 December 2012 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 auditor's 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 2012	AT 31 DECEMBER 2011
ASSETS		
Formation expenses	25	31
Intangible assets	0	0
Tangible assets	7	7
Financial assets	6 993	6 977
Fixed assets	7 025	7 015
Amounts receivable after more than one year	1 801	1 810
Amounts receivable within one year or less	61	56
Short-term investments	147	139
Cash at bank and on hand	122	84
Deferred charges and accrued income	18	26
Current assets	2 149	2 115
Total assets	9 174	9 130
LIABILITIES		
Capital	550	550
Share premium	1 601	1 601
Reserves	3 229	3 079
Profit brought forward	132	145
Equity	5 512	5 375
Provisions	57	51
Provisions and deferred taxes	57	51
Amounts payable after more than one year	2 097	3 125
Amounts payable within one year or less	1 418	540
Accrued charges and deferred income	90	39
Current liabilities	3 605	3 704
Total liabilities	9 174	9 130

3. Income statement

€ million	AT 31 DECEMBER 2012	AT 31 DECEMBER 2011
Operating income	46	44
Operating charges	-87	-118
Operating result	-41	-74
Financial income	478	502
Financial charges	-203	-218
Financial result	275	284
Operating result before income taxes	234	210
Exceptional income	94	1 072
Exceptional charges	-3	-99
Exceptional result	91	973
Profit before income taxes	325	1 183
Income taxes	-2	19
Profit for the year available for appropriation	323	1 202

4. Appropriation account

€ million	AT 31 DECEMBER 2012	AT 31 DECEMBER 2011
Profit for the period available for appropriation	323	1 202
Profit brought forward from previous year	145	148
Profit to be appropriated	468	1 350
To legal reserve	0	0
To other reserves	-150	-1 025
Appropriation to capital and reserves	-150	-1 025
Profit to be carried forward	-132	-145
Result to be carried forward	-132	-145
Dividends	-186	-181
Profit to be distributed	-181	-181
If the proposed allocation of the profit is approved, the total gross dividend will be fixed at:	€ 1.02	€ 1.00
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:	€ 0.765	€ 0.75

The activities of UCB S.A. generated in 2012 a net profit of € 323 million after income taxes. After taking into account the profit brought forward of € 145 million, the amount available for distribution is € 468 million.

The issued share capital of UCB S.A. is represented by 183 365 052 shares without par value as per 31 December 2013, and a capital increase on 5 March 2013 of 52 300 shares without par value. The 690 106 own shares are in order to honour the exercise of share options and share awards granted to the Board of Directors and certain categories of employees.

The Board of Directors proposes to pay a gross dividend of € 1.02 to the holders of the 182 727 246 UCB shares, or a total dividend distribution of € 186 million. If this dividend proposal is approved by the company's shareholders on their Meeting on 25 April 2013, the net dividend of € 0.765 per share will be payable as of 7 May 2013 against the delivery of coupon nr 15 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.

VIII.

- 1. CSR activities
- 2. Materiality and stakeholders dialogue
- 3. Global Reporting Initiative (GRI) indicators
- 4. Global Reporting Initiative disclosure
- 5. Human resources and environmental data
- 6. Scope and reporting principles
- 7. Assurance report



Christer,
living with
Parkinson's
disease

1. CSR activities

1.1. | Background

This is the fourth corporate societal responsibility (CSR) report illustrating UCB's strategy of our societal responsibility and sustainability. The report was prepared and edited by the CSR team in conformity with the 'Sustainability Reporting Guidelines' by the Global Reporting Initiative (GRI).

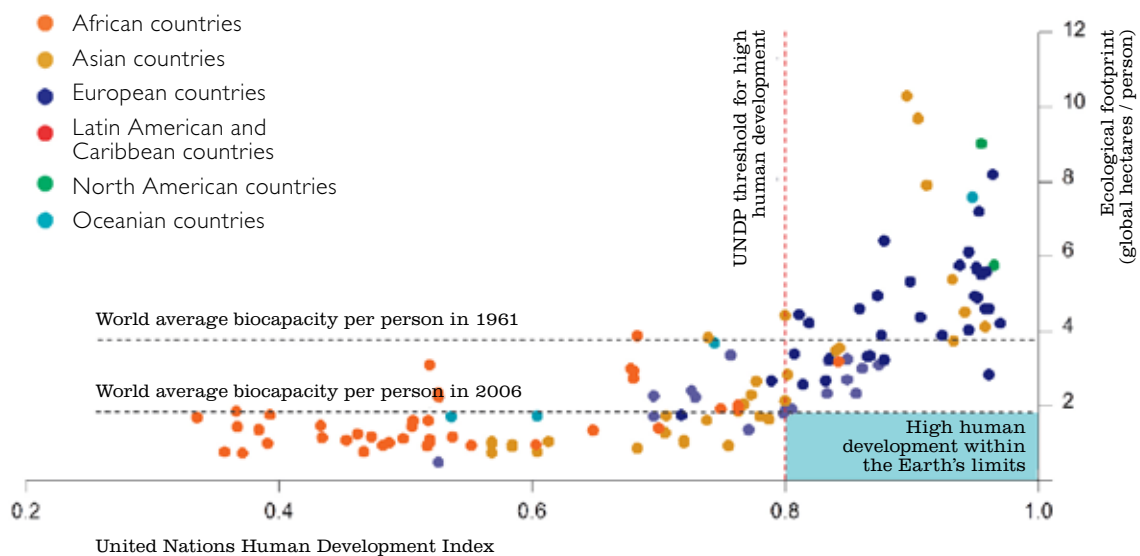
KPMG provided limited assurance on a number of selected indicators, refer to GRI table at the end of this section.

1.2. | Introduction

In 2012, UCB has defined and presented a new strategy to the Executive Committee leading also to a change of labeling of our effort. The move from Corporate Social Responsibility to Corporate Societal Responsibility (CSR) aims to embrace the corporation's responsibility towards the society in the broadest sense, rather than to limited social aspects only.

The new definition of Corporate Societal Responsibility was elucidated through the insight when combining data from the United Nations Development Program and the Global Footprint Network^{1,2}. In their reports, country-specific data on the health, wealth and education, and the country ecological footprints were published which enable to bridge our challenge. In our pursuit to allow and create growth and diminishing our impacts on the environment, UCB adopted a patient-centric and planet-centric vision. The figure reconciles two dimensions deemed critical for sustainability: (i) the human development index combining health, educations and living standards dimensions, as an indicator of socio-economic development; and (ii) the ecological footprint as an indicator of the human demands on our planet.

Our CSR focus was adopted by answering the following question: How can UCB contribute to help communities in developing countries to reach a higher human development index and how can UCB continue to lowering its ecological footprint?

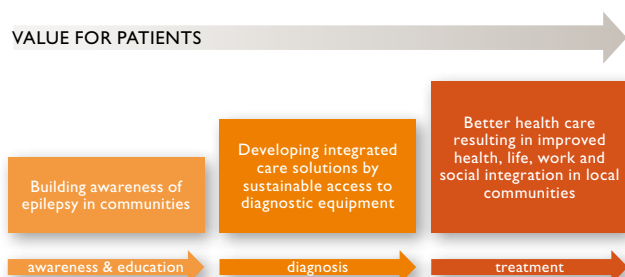


¹ The Ecological Wealth of Nations: Earth's biocapacity as a new framework for international cooperation. Global Footprint Network 2010,13

² Human Development Index data from Human Development Report 2009 – Overcoming Barriers: Human Mobility and Development. UNDP 2009

1.3. | Patient centricity

One of our strengths is our knowledge of epilepsy and our dedicated ability to bring treatment to patients living with this condition. Today, our CSR activities are predominantly directed towards patients in developed countries; however, our new CSR patient-centric strategies aim to reach underprivileged patients living with epilepsy in developing countries. UCB wants to do so by developing three specific dimensions of education and awareness, diagnosis and treatment to build an increased value for the patients as shown in the drawing.



1.3.1. | SOME OF OUR PROJECTS TODAY

Africa – Brothers of Charity

Fracarita Belgium, the Non-Governmental Organization (NGO) for development cooperation of the Brothers of Charity dedicates itself to improving the health condition of the most vulnerable people, especially children, people with a disability or a mental illness. The NGO is strongly anchored in local communities in 32 countries. The partnership with UCB is focused on people living with epilepsy in Lubumbashi (Democratic Republic of Congo) and in Ndera (Rwanda).

As partners, we want to break the negative combination of poverty and mental illness, including neurological conditions such as epilepsy. Enabling patients living with epilepsy and their families to return to normal lives offering sustained support for appropriate diagnoses and treatment is the key to a normal life. The medical and paramedical colleagues receive neurology education as well as supportive material for conducting awareness campaigns of students in schools, patients and families in different primary health centers.

The **‘Centre Neuro-psychiatrique Joseph Guislain’** in Lubumbashi provides care to patients living with epilepsy in a city and through mobile teams to the neighboring villages of Kipushi, Likasi and Kitumaini. The Brothers of Charity organise bimonthly visits to ensure adequate follow-up and adherence to treatment, an essential aspect for the well-being of the patients.

The **‘Centre Neuropsychiatrique de Ndera’** in Kigali is a reference hospital for psychiatry and has also a newly equipped 24-bed neurology ward for hospitalisation of patients suffering from neurological conditions. Together with the Rwandan League against Epilepsy efforts are underway to enhance awareness and education as well as access to appropriate diagnosis and treatment. In the partnership, UCB contributes to the scientific and advanced medical education and training of the medical and paramedical colleagues.

India – Hope on Wheels

The establishment of the **‘Hope on Wheels’** entity by our Indian UCB affiliate is a pilot project with the prime objective to serve patients living with epilepsy in remote areas of the states of Rajasthan and Karnataka.

A mobile clinic shall enable access to education, diagnosis and treatment building on creative solutions, including telemedicine, and targeted partnerships. Trained and dedicated colleagues will regularly tour over 150 villages and communities and, supported by state medical colleagues, address the significant social stigma and isolation associated with epilepsy with villagers and increase awareness and education of the patients and families. The mobile unit van is equipped with state-of-the-art neurological equipment and through telemedicine will provide real-time consultation with neurology department of the university hospital.

China – Project HOPE

‘Project HOPE’ has over 55 years tradition of global health education and humanitarian assistance, in partnership with several organisations and pharmaceutical companies. In China, ‘Project HOPE’ has been involved in several efforts improving health of communities in various provinces of China through a strong partnership with the Ministry of Health.

Epilepsy in children is another important project to bring education, access to adequate diagnosis and treatment to remote communities. ‘Project HOPE’ is bringing neurology departments of ten university hospitals together to focus on the needs of the children living with epilepsy and their families, to bring professional training with the support of UCB.

Family Planning & Pregnancy in immunology

At this time, women and men with severe chronic diseases, such as immunological conditions, often do not receive optimal or consistent medical advice and support when it comes to family planning and pregnancy. This causes great distress to these patients and is due to a general lack of awareness and data in the complex field of pregnancy occurring during a severe disease, or vice versa a severe disease occurring during pregnancy.

FPPi (Family Planning and Pregnancy in immunological diseases) is a medical education and partnership initiative launched by UCB globally. The overall goal of the FPPi initiative is to improve the outcomes for parents with immunological diseases and their children, by:

- ♦ increasing awareness and understanding of the issues relating to Family Planning and Pregnancy in Immunology, and
- ♦ stimulating research in order to attempt to fill knowledge gaps.

As such, the FPPi initiative is a demonstration of our patient-centric leadership vision.

World Health Organization

Within the area of epilepsy, as a priority within the World Health Organization (WHO)’s mental health Gap Action Programme (mhGAP), WHO and UCB have agreed to collaborate on a 4 year project to reduce the treatment gap in two developing countries (to be identified in 2013).

1.4. | Planet centricity

Inevitably, our activities impact our planet, directly or indirectly. Directly, the major contribution of waste production, energy and water consumption and greenhouse gas emissions comes from our manufacturing and research sites. Indirectly, the whole value chain including our partners (suppliers, contract manufacturing operators, transporters) also contribute to our ecological footprint, producing waste, emitting greenhouse gas and consuming water, fuel, gas and electricity.

UCB strives to continuously improve its environmental or ecological footprint by actively engaging management, employees and stakeholders in seven areas of engagement

1. ensuring legal and regulatory compliance
2. responsibly using natural resources
3. enhancing energy efficiency while minimizing carbon footprint
4. promoting green chemistry
5. controlling emissions
6. actively managing waste streams: preventing, sorting and recycling
7. applying greener lifecycle management principles

After three years of thorough reporting, we are now strengthening our abilities and tools in order to further improve accuracy.

As a next step, Key Performance Indicators (KPI's) will be defined for each of the seven areas of engagement which will then be used to define local and global short and long term objectives.

1.5. | CSR governance

In order to develop and manage the policy and implementation processes in CSR, UCB empowered a CSR Team and created a CSR Board. The CSR Team has the primary task of managing and implementing the policy and actions through the network of engaged UCB colleagues in the different countries. The CSR Board is composed of functional heads and senior managers and is responsible for setting the course and design the guidelines of UCB's policy and activities.

Through these CSR committees, the most relevant societal topics for UCB are examined and selected based on UCB's fundamental business principles and core values. This is handled in close involvement of our main stakeholders. Within the vision of our shared UCB, the review process continuously refines internal and external relevance of the CSR topics and assess their external impact. This review process equally embraces systematically the lesson learned and therefore is in everlasting change, relying on feedback of selected categories of patients and external stakeholders as to refine and improve our value for patients and for the planet.

UCB colleagues share their passion for excellence in those patient and planet driven initiatives; reflecting the profound integration of customer insight, creativity and compliance into their daily activities. Offering sustainable care for patients living with severe conditions is part of everything UCB does. Our UCB colleagues are our most critical stakeholders and with them UCB relies on an extended network of external stakeholders: families of UCB colleagues, patients' advocates, schools, institutions, local communities, associations, public administrations, non-governmental organization (NGOs), media and the scientific and academic communities.

1.6. | Recognition

1.6.1. | ECPI® SENSE IN SUSTAINABILITY

ECPI® is an independent leading company dedicated to sustainability research, rating and indices and has been active in integrating intangible value/non-traditional risk factor research, i.e., environmental, social and governance (ESG) since 1997. ECPI® provides simple, versatile and reliable investment tools and solutions to integrate extra-financial information into the investment process. For more details please refer to the website www.ecpigroup.com.

As of December 2012, UCB is represented in two ECPI® socially responsible indices. First, the ECPI® EMU Ethical Equity index, an adjusted capitalization-weighted index comprised of 150 listed companies within the Euro zone, chosen for their good practices on social, environmental and ethical matters. Second, the ECPI® Euro Ethical Equity index, an index selecting 150 top capitalized companies in the European market which are eligible investments according to ECPI® SRI Screening Methodology.

ECPI® Indices are used for benchmarking, thematic investment, risk management purposes and to create index-tracking investment strategies or Exchange Traded Funds (ETFs).

1.6.2. | CORPORATE KNIGHTS

UCB was recently ranked in the '*Global 100 list of world's most sustainable companies*' by Corporate Knights, a specialized media and financial information products company based in Toronto, Canada. The selection process began with 4 000 publicly traded companies, trimmed down to 350, which were evaluated using key environmental, social, and governance performance indicators to finally get to the list of 100 most sustainable companies. UCB ranked in 76th position.



2. Materiality and stakeholders dialogue

Materiality check has been performed informally by listening to our main contributors telling us what is significant from their standpoint. We have the intention to formalize that materiality check in the future by keeping our colleagues involved but also open it to external stakeholders and to ensure UCB initiatives bring a measurable and sustainable impact to patients.

Although, no formal report has been developed yet, some concrete examples of how we open dialogue with our main stakeholders are listed below.

At town-hall meetings and events, through newsletters and field reports, objectives, progress and results in our CSR projects are shared with our colleagues. It is the occasion for our colleagues to emit comments and questions about UCB's CSR projects. We are keen to engage our colleagues in our CSR initiatives and favor innovative initiatives supported and sponsored by our colleagues. The CSR team explores ways to involve them in the selection process of the projects as well as in the implementation and execution of the programs.

As the external world wishes to learn more on UCB's CSR performance and actions, UCB welcomes surveys and interviews as it brings an external view on what and how UCB performs. Those interactions are always an opportunity to open a constructive and informative dialogue about where UCB is and on which focuses UCB should give priority.

In the past year, UCB was in contact with several NGO's to explore, to define and to develop ways enabling an integrated care system for underprivileged people living with epilepsy in developing countries. Those discussions were always conducted within the spirit of creating and launching impactful and sustainable projects for an improved health, life, work and social integration of patients.

UCB is committed to being an active partner to elevate the quality of life of patients living with severe disease through the close network of patients and health care professionals, of suppliers and contractors, of institutions and governments, of scientists, partners and administrators, through the open and honest dialogue, through our UCB employees carrying their commitment for underprivileged patients.

A very concrete initiative to engage our colleagues in UCB's strategic decisions is the 'Rise of the Patients' ideation campaign.

Healthcare is expected to become more personal in the forthcoming decade and plenty of challenges lay ahead. Although growth of healthcare spending must be counterbalanced by efficiencies and savings, health will become an individual value decision. Patients will interact differently with their healthcare professionals and the payers. Considering the need to embrace change, UCB launched a first idea-generation campaign in June 2012, coupling the power of creative and cultural-diverse thinking of UCB's talents, and prompting two simple questions: (i) what concrete actions should UCB undertake to be a trusted partner that provides information and solutions for patients?; and (ii) what concrete actions should UCB undertake to gain actionable insight from patients?. The 'Rise of the Patient' ideation campaign resulted in 435 ideas posted by 291 people, covering 23 countries and seven languages. There were 226 comments building on those ideas and a total of 2 495 votes were casted over a period of three weeks. A testimony of engagement and commitment to trust, patient's insight and partnership.

Following an initial assessment, the New Journey Board members evaluated the ideas for potential strategic impact and feasibility and three pilot projects have been endorsed.

These are:

- ♦ create a Patient Liaison role – evaluating the concept of a Patient Liaison to provide support to and gain actionable insights from patients;
- ♦ listen to our customers – to get a comprehensive understanding of their needs;
- ♦ build and improving a Patient – Healthcare Professional relationship;

Above and beyond the quality of ideas generated, the most profound impact from this exercise came from engagement of and connectivity among our colleagues, looking to share and to build, enthusiastic and volunteering their invaluable insight. People from all parts and layers of the organization, sometimes hard to imagine connections, came together with a focus of building solutions to improve the quality of patients' lives.

3. Global Reporting Initiative (GRI) indicators

3.1. | Labor practices

3.1.1 | OUR TALENTS

UCB's ability to create a significant difference to the lives of people living with severe diseases depends on the talent and commitment of our people. At the end of 2012 UCB employed 9 048 people world-wide, composed of 70 nationalities and an almost equity between man and women (with respectively 53% and 47%).

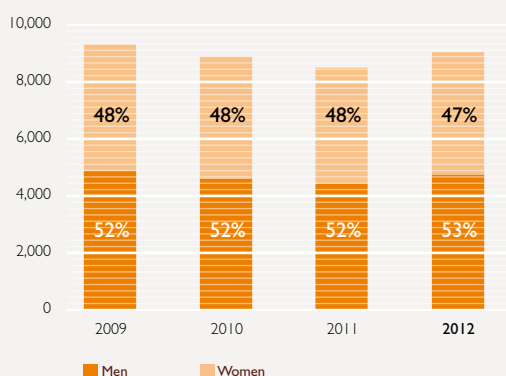
UCB is present in 37 countries. A total of 47% of UCB colleagues are located in Europe, 23% in North America, 18% in Asia, Pacific and Australia and 12% in the rest of the world.

UCB fosters diversity of their talents; talents fully expressing their skills and creativity and connectivity. It is a critical imperative for UCB to engage dedicated staff to execute rigorously on strategies in the highly connected, collaborative, innovative and learning way as to successfully implement our engagements and deliver superior and sustainable value for patients.

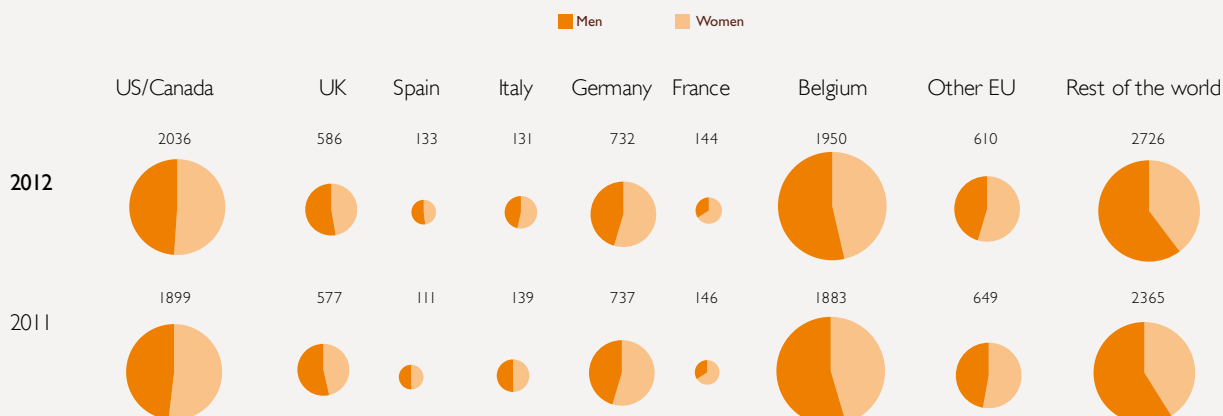
At UCB, embracing differences is the cornerstone to embrace diversity of thoughts and openness to different perspectives, to nurture sharing experiences, competencies and mind sets from UCB talents, to respect and trust of viewpoint of different origins, different backgrounds, gender, age, race, to mentor changes in an ever-changing world. To leverage diversity for superior performance, UCB strives to generate opportunities for active participation and influence to inspire creativity and innovation.

2012 was for UCB the year of creating a high performance organization, leveraging the investment in our talents made in the past years and attracting additional top scientists and key leadership talents from the market. In the middle management layers our ratio external hire versus internal promotion was 56:44, reflective of the continuous search for future competencies needed for the company, particularly in science, biotechnology, sales, drug safety and medical affairs, and the importance of developing and retaining key talents in the company.

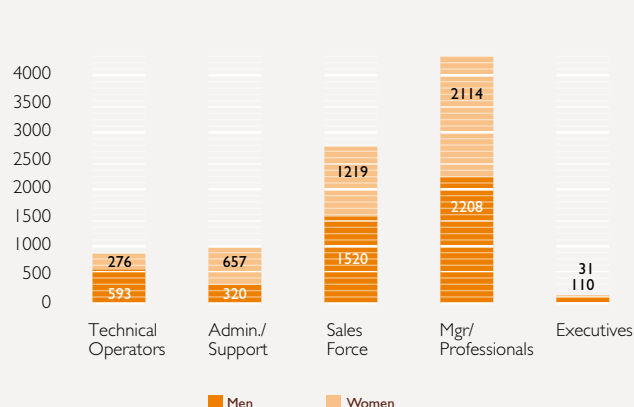
Workforce: headcount & gender distribution



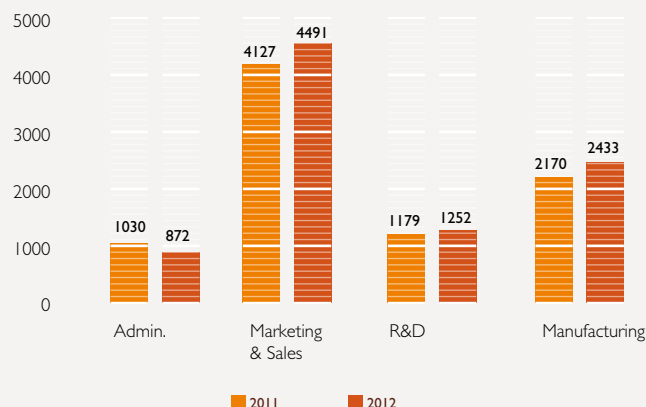
Workforce: gender & region distribution



Workforce: gender distribution by function



Workforce: organization distribution



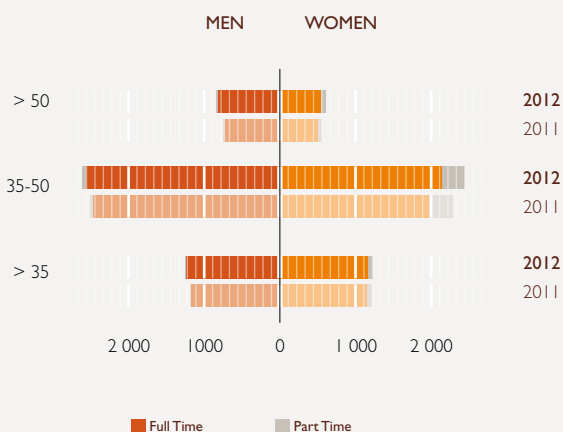
3.1.2 DIVERSITY – SHARED UCB

Over the years UCB has become a mature biotechnology company. In order to be successful in the future, employee engagement and work culture are vital. Employee engagement remains a key element to progress in 2013; building on what brings people together – UCB's dedication to patients – while leveraging the diversity of UCB people across the world. Work culture demands active sharing and collecting insights from patients, customers, physicians and payers, dictates creative sharing of knowledge and expertise in key partnerships, expanding inspired sharing among each other in order to connect, to collaborate and to co-create the future. UCB's IT departments continue to embrace new sharing platforms and the company is putting in place new and innovative communication approaches aimed at facilitating sharing, collaboration and co-creation.

A shared culture is accepting diversity; being open and aware of cultural intelligence, our ability to understand colleagues' way of working, and of cultural consistency, our commitment to living values and strategies without boundaries, building on what binds us.

In our leadership team made of 141 colleagues and 18 different nationalities, we have seen an increasing participation of women compared to last year (22% in 2012 vs. 18% in 2011). 52% of our leaders are aged between 35 and 50 years while 48% are over 50.

Workforce: age pyramid



Turnover evolution



3.1.3 | TRAINING & EDUCATION

Training and skills improvement initiatives are key in the development of our UCB colleagues.

Every year, the UCB training community works on designing training programs to target our personal and technical development needs. Training consists of online training modules as well as class room training and on-the-job coaching, with the objectives of ensuring compliance, of achieving improved performance and of participation of our people in different responsibilities, new challenges and opportunities for growth.

In 2012, UCB invested € 11.5 million in the continuous development of our colleagues. More than 6 500 training were available to UCB colleagues in 2012.

We succeeded to organize more efficient training programs with an average number of hours of training per colleague close to 26. In total, it represents 233 754 hours. The training hours are well distributed between men and women (respectively 51 and 49%).

At UCB, we strongly believe that working within the biopharmaceutical industry requires everyone to have the same baseline training as a platform for ensuring patients are at the heart of all we do – from the landscape gardener to the CEO and everyone in between.

Corporate policies and training

Currently, there are three corporate-wide policies: Code of Conduct, IT Security and Drug Safety, with compliance rates of 95.0%, 90.6% and 92.4% respectively, as of 31 October 2012. The compliance rate is expressed as the percentage of people who have taken the three corporate trainings for all active internal UCB employees.

At the end of 2012, updated versions of the Code of Conduct and IT Security were completed and training modules were introduced.

New training and development courses

Whereas several training and development courses were prepared and implemented some courses are detailed below:

Leadership development programs

The concept of 'leadership pipeline' was introduced in 2012. It refers to the planned transitions preparing emerging leaders for successful performance in future roles and ensuring a sustainable pipeline of leaders from within the organization.

Our goal is that future leaders understand and act on the skills and behaviors that will be required as they grow into new positions, guaranteeing that they adopt competences and expectations before and after a transition occurs.

Four critical transitions were identified and specific programs were designed:

- ♦ from individual contributor to manager of others (Accelerate);
- ♦ from manager of others to manager of managers (Navigate);
- ♦ from managers of managers to managing a business (Orchestrate);
- ♦ from managing a business to managing an enterprise (Elevate).

Each leadership program is blended with people from different functions in order to maximize learning development, stimulating individual growth and resilience. Each one combines classroom training, E-learning, coaching and action learning and will be delivered over several months in order to incorporate proper learning transfer in between modules.

Each program is also supporting UCB's strategies, values and sense of purpose.

In 2012, 113 colleagues (58% men; 42% women) attended one of these leadership transition training.

UCB drug discovery & development training program: the mini-internship

The UCB Drug Discovery & Development Training program offers colleagues the opportunity to benefit from a better and broader knowledge on drug discovery and development at UCB.

The aim of the program is to:

- ♦ increase the organization's skills and knowledge base;
- ♦ be an important motivator and influencer;
- ♦ facilitate cross-functional understanding and collaboration.

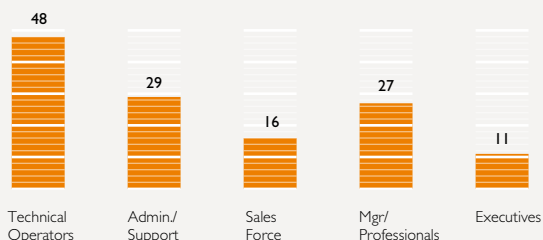
During 2012, 29 training sessions were delivered with 388 UCB colleagues attending.

Biopharma online training modules

Seven different online training modules focusing on helping our UCB colleagues better understand Biopharmaceutics were created between 2011 and 2012.

By the end of 2012, over 800 UCB colleagues have taken at least one of these modules.

Training hours per employee in 2012



3.1.4 | TALENT & ORGANIZATION REVIEW

UCB is driven by a performance culture with an annual cycle of SMART objective setting, mid-year objective review and year-end final appraisals complete with ongoing performance feedback throughout the year. The process strives to keep the organization aligned to common goals that are measurable and attainable. At least, 89% (8 056 employees from which 50:50 women/men) of the UCB population participated in and completed the cycle during 2012. Employees are rewarded and recognised for their individual contributions to the company success.

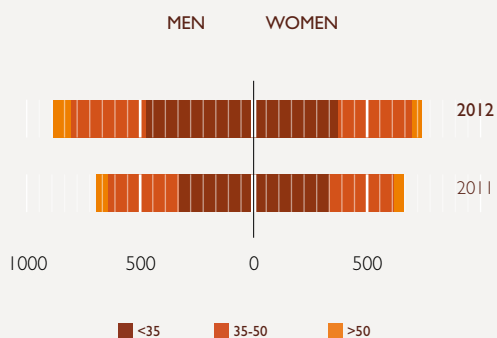
The talent & organization review is also designed to identify key talents based on their performance and ability to grow. A key outcome is the design and implementation of action plans to develop, retain and engage them. It also serves as a way to identify and prepare successors for our most business critical positions. In 2012, UCB reviewed 57% of the employee population and identified 30% of them as top talents for the future.

3.1.5 | WELL-BEING AT WORK

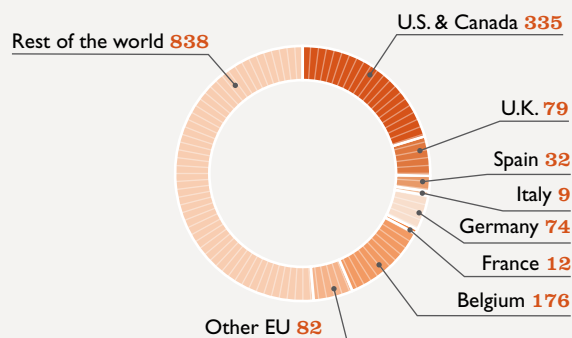
A major priority at UCB is to create a positive environment where both company and individual objectives can be met and people can express their talents. Well-being in the professional context encompasses the areas of attention such as safety at work, health of the employee, psychosocial stress caused, hygiene, ergonomics and beautification of the workplace and environmental management.

Many initiatives are launched in our different sites and affiliates in this sense. In Belgium, for instance, an initiative to create an environment and working conditions that offer well-being at work has been launched in 2012. Concrete efforts with regard to communication, training and coaching have been set up and nine well-being ambassadors have been identified amongst our colleagues to contribute to the equilibrium between performance and well-being for everyone. Encouraged by the management, the ambassadors are committed to supporting their colleagues in complete confidence.

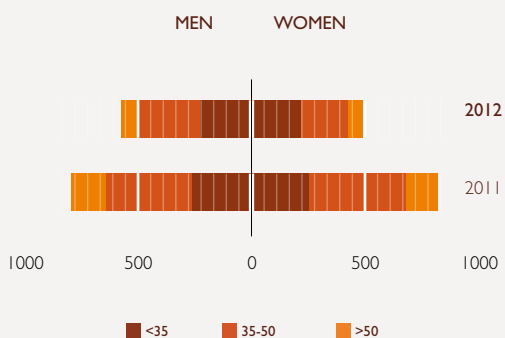
Newcomers 2012 – 2011
(by age bracket)



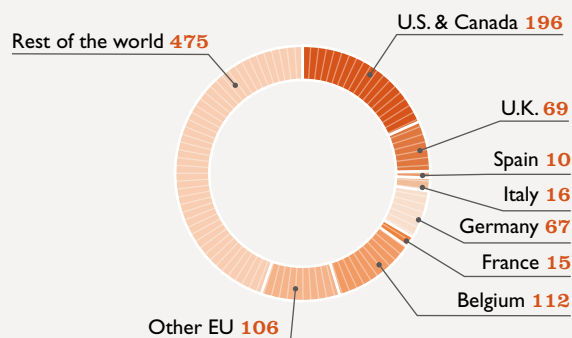
Newcomers by regions
(year-end 2012)



Departures 2012 – 2011
(by age bracket)



Departures by regions
(year-end 2012)



We are convinced that this programme corresponds perfectly with the 'care' value of UCB as a socially responsible company.

Different conferences and programs were organised at our Brussels and Braine-l'Alleud facilities and the following are some examples. Lectures about energy and nutrition, quality of sleep, sophrology have been attended by 130 to 170 colleagues. The weight loss program was attended by 60 persons. Programs such as melanoma, breast cancer and prostate cancer screening were initiated.

3.1.6 | HEALTH & SAFETY

In 2012, work-related accidents slightly increased both in number and severity when compared to 2011. The most important causes for Lost Time Incidents were slips, trips and falls (29%), car accidents (26 %) and contacts with stationary or moving objects (18%). There were no fatal incidents.

The global Lost Time Incident Rate (LTIR) for 2012 was calculated at 2.26 incidents with more than one day of absence per one million hours worked. The global Lost Time Severity Rate (LTSR) was calculated at 0.06 day lost per 1 000 hours worked. The increase in the LTIR was mainly due to an increased number of car accidents in which UCB employees were involved during their working time. In total, 41% of the reported lost time incidents did occur outside of the UCB premises.

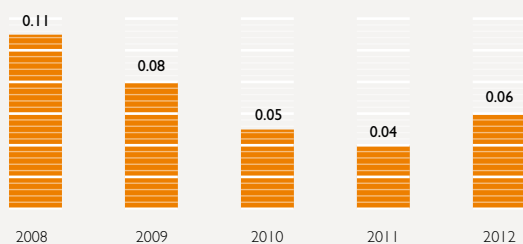
The implementation of a global health and safety dashboard, including timely accident investigation reporting and corrective and preventative actions as well as the continued focus on the sharing of available HS&E knowledge, competences and skills clearly enhanced accident awareness.

In 2012, continued attention was also given to the program initiated in 2011 for further improving the occupational hygiene practices in the research and production environments.



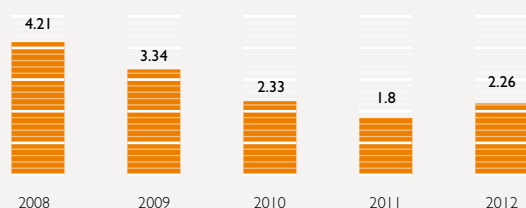
Safety performance: Severity Rate

(Lost Time Severity Rate - LTSR)



Safety performance: Incident Rate

(Lost Time Incident Rate - LTIR)





3.1.7 | EMPLOYEES' ENGAGEMENT: UCB VOICES

UCB Voices, the global employee engagement survey organized for the second year in September 2012, shows a very positive increase in staff engagement compared to the previous year and included several questions that relate directly to well-being at work:

	2012 FAVORABLE RESPONSE	2011 FAVORABLE RESPONSE	EVOLUTION
Employee engagement			
I am proud to work for UCB	73%	66%	+7%
Overall, I am satisfied with UCB as a place to work	79%	76%	+3%
I would recommend UCB as a great place to work	71%	62%	+9%
I rarely think about looking for a new job with another company.	63%	56%	+7%
Well-being			
My work gives me a feeling of personal accomplishment	76%	79%	-3%
My job makes good use of my talent/ skills and abilities	77%	75%	+2%
I am able to manage my work responsibilities in a way that allows me to maintain a healthy balance between work & home.	68%	66%	+2%
My immediate manager treats me with respect and care	84%	81%	+3%
I feel I am part of a team	82%	78%	+3%

In 2012 survey a response rate of 86% was obtained, up from 78% in 2011. This means that over 7 500 of our colleagues recognized the value in completing the survey and having a contribution in actions that will take place in 2013. The feedback of our colleagues helped shape many of the improvements, developments and actions taking place across our company in 2012.

Some examples of actions taken as a follow-up to the survey are:

- ♦ Aligned with the commitment to Connect, Collaborate and Co-create and with the objective to reinforce trust in the future, interactivity between UCB staff and the Executive

Committee was significantly reinforced. Regular 'lync' calls scheduled with each Executive Committee member, open to all employees, encouraged open conversation and answered any questions that were on colleagues' minds. Hundreds colleagues connected through these dedicated web-calls.

- ♦ A company-wide task force was established to examine opportunities and implement improvement measures with regards to global processes, instill efficiencies and improve effectiveness. Several short and long term goals were established to address identified global improvement opportunities.

3.2. | Society

3.2.1. | HUMAN RIGHTS AND ANTI-CORRUPTION

Our Code of Conduct calls for 'Performance with Integrity', outlining the general principles of business conduct and ethics that are expected from every UCB colleague and third parties acting on behalf of UCB. The Code has been revised in 2012. The changes to the content are as follows:

- ◆ New requirements coming from the US Corporate Integrity Agreement (CIA) have been added (e.g., a topic on Social Media), and the U.K. anti-bribery act was introduced into the Anti-Trust section
- ◆ Clear mention of our corporate societal responsibility
- ◆ Addition of the UCB Integrity Line; the hotline phone that can be used to report compliance concerns
- ◆ The Gift and Entertainment section was rewritten to prohibit the use of giveaways

The Code encompasses the 10 critical United Nations Global Compact (UNGC) principles on human rights, labor, environment and anti-corruption.

The objectives of the Code of Conduct are:

- ◆ provide guidance on the spirit and direction of our business practices;
- ◆ provide guidance on what UCB expects of its colleagues and third parties acting for or on UCB's behalf;
- ◆ provide a set of ethical principles that help guide us through the decision making process.

The Code of Conduct can be found on UCB's external website under the governance section.

In 2012, 40 % of UCB colleagues (35% of Management and 40% of non-Management) had successfully completed such training (entailing approximately 3 600 hours) leading to a total code compliance level of 95% of UCB colleagues (2011: 96%; 2010: 97%; 2009: 80%).

The Code will also be added as a link to all our contracts with external parties – to ensure our partners work under the same spirit that is written in our Code.

3.2.2 | OUR INVOLVEMENT WITH LOCAL COMMUNITIES

As part of our commitment to patients and to further the understanding of severe diseases, UCB supports a number of programs for patients and their families. Taking into account donations exceeding € 10 000, we spent in 2012 more than € 1 million on community sponsorships and charitable donations worldwide, excluding product donations and patient-assistance programs.

First anniversary of E Kepra® in Japan

A meeting attended by 512 health care professionals introduced a 'Patient Empowerment' section in the anniversary event. It was also the first time a Japanese epilepsy advocate could address an audience of experts. The epilepsy advocate mentioned: 'It was very heart-warming to have a chance to share my thoughts about epilepsy with the doctors and others present in the audience.' A physician remarked 'I have attended many such events, but I never heard a patient speaking at any of them. I think it is very important and momentous to focus on patients at events like these.'

Support to ACS – Action contre les Spondylarthropathies in France

UCB supports ACS through a financial grant to help the association develop its therapeutic education-related activities. The core objectives of the association are:

- ◆ to assist people with spondylarthropathies to better support their personal, familial and socio-professional disease,
- ◆ to encourage research in the fight against this debilitating disease,
- ◆ to represent patients with health authorities and boards of health facilities.

Running for lupus

Following the inspirational statement of a lupus patient to run the Brussels 20Km run, around 60 UCB colleagues decided to put on their running shoes and connect to the 'Louvain Foundation'. Their aim was to participate in the run on quite a hot day for Brussels! UCB pledged € 5 for every kilometer completed by the colleagues resulting in a € 6 000 donation. Runners enjoyed the day, especially with the knowledge that they were supporting lupus patients.

3.2.3 | ANIMAL WELFARE

Association for Assessment and Accreditation of Laboratory Animal Care International (AAALAC)

In 2013, UCB will apply for the AAALAC (Association for Assessment and Accreditation of Laboratory Animal Care) accreditation for its Braine-l'Alleud research site. This international, non-profit association promotes a responsible treatment of laboratory animals through voluntary accreditation programs. By going beyond the legal requirements, such accreditation represents a label of quality and of high professionalism in terms of animal care and use. It also helps continuously improving scientific excellence in animal experimentation and research.

Last year, our team has performed preparatory work prior to the accreditation process. With the help of external consultants, they assessed the readiness and feasibility to apply for this accreditation and they also invested time informing and engaging the involved colleagues.

Animal Welfare principles and 3Rs into action

The European Federation of Pharmaceutical Industry Association (EFPIA) 2011 Report on Animal Welfare Principle and 3Rs report elucidates the efforts of pharmaceutical companies to ensure high standards of animal welfare. It details the three principles: (1) replace, when work without animals is possible; (2) reduce, when animal experimentation cannot be avoided, use the less possible; and (3) refine, the use of animals with the most respect possible for the animals.

UCB subscribes to the Animal Welfare Principle and is applying the 3R principle. For instance, we are investing our efforts in the field of in silico toxicology (i.e. the science of predicting toxic properties with computational methods) to reduce the number of animals used. In the framework of the eTox project of IMI, UCB participates in, recent advances have seen the gathering of unprecedented amount of data that will be used in a new prediction system eTOXsys. This will 'add a further dimension to our current armamentarium to enable the decision process' as mentioned by Prof Trevor M Jones, Director General ABPI, the Association of the British Pharmaceutical Industry. Such progress will undoubtedly

lead in the future to the reduction of animal use for safety assessment of pharmaceuticals in development.

Of the animals that UCB researchers and contractors use in experiments, over 98.5% are rodents.

3.2.4 | RELATIONS WITH PUBLIC AUTHORITIES

Many of the countries in which UCB does business have laws regulating the activities of corporations in the political process. Some of these laws set strict limits on contributions by corporations to political parties and candidates. Some prohibit them altogether. Also, in many countries the act of 'lobbying' (presenting the company's position, or advocating the company's interests, to any government employee or agency) is regulated or requires public disclosure. All UCB employees must comply with such laws.

Although UCB is not reporting significant issues or formal policy positions in 2012, UCB is actively connected with public policy makers, regulators and other stakeholders, such as patient and provider advocacy organizations. For example, UCB has established in the U.S. a fully operational Public Policy department that includes Government Relations and Public Affairs at both the Federal and State levels. The U.S. Public Policy Department is responsible for representing the company's interests on a whole host of policy issues such as healthcare reform implementation that include protection and expansion of reimbursement in government managed and subsidized healthcare along with other important policy considerations such as patent protection/reform and taxation regulations specific to corporations not based in U.S.

In Belgium, UCB is participating to a group of R&D investors in order to improve the local business conditions with the support of the federal government and the Belgian Prime Minister in particular. UCB is member of the local trade association and generally, when it makes sense, our General Manager is member of the Board in the countries where it operates around the world. In the U.S., UCB is member of BIO (Biotechnology Industry Organization) and our President of US is member of the Board. At European level, UCB is also member of the board of EFPIA (European Federation of Pharmaceutical Industries and Associations) and our colleagues actively participates to the various taskforces dealing with current sector issues.

3.3. | Product responsibility

UCB core strategy is to bring the highest quality products to patients living with severe diseases. In addition, UCB applies strict rules in delivering messages to the public and health care professionals within the guidelines of national and international regulatory authorities.

3.3.1 | REVIEW OF PROMOTIONAL, SCIENTIFIC & PRESS COMMUNICATIONS

The promotion and sales of pharmaceutical products is highly regulated. UCB has a strong commitment to comply with all applicable laws, regulations and industry codes.

UCB fully respects the position of trust of healthcare professionals, which have to select the best treatment option for their patients. UCB always promotes its products based on the approved labeling.

UCB's interactions with healthcare professionals focus on providing and exchanging scientific information with the ultimate objective of enabling healthcare professionals to select the most appropriate treatment for their patients.

These interactions are based on standards of ethics, integrity and fair market value.

All promotional, press and scientific communication relating to our compounds and products are submitted to our global and local promotional scientific review committees.

In 2012, a total of 1 050 communications have been reviewed as shown in the graph below.

3.3.2 | DRUG SAFETY

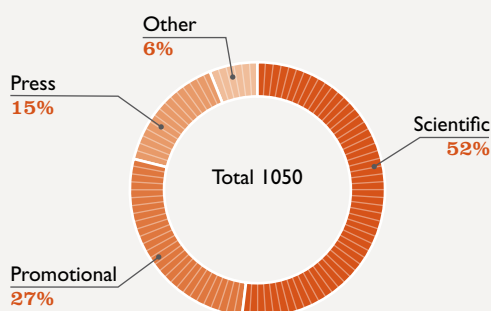
Like other biopharmaceutical companies, UCB receives thousands of adverse event reports every year concerning our drug products, which are reviewed internally and submitted to the governing regulatory authorities. Our safety teams use various tools to identify potential safety signals that could be related to adverse events, which may or may not be associated with our medicines.

Together with other departments, our safety teams draw up benefit-risk management plans.

Those plans describe potential safety issues and the necessary actions and timelines required to reduce potential risks to patients throughout the entire lifecycle of each medicine.

UCB provides these plans to health authorities as part of its submission for approval to market new medicines. These plans, which are also applied to first-in-man studies, are regularly reviewed and updated with new safety data as scientific and medical knowledge of the medicine's safety profile progresses.

Review of communications (2012)



3.4. | Environment

In 2012, a new reporting tool has been selected, developed and rolled-out by our teams of Corporate Health, Safety & Environment and Corporate Societal Responsibility. This new tool will allow for a more precise and proactive data management as most of the data will be reported and validated on a monthly basis while they previously were reported on a semester basis. In 2012, we tested the tool and trained the users community (~ 50 colleagues).

3.4.1 | ENERGY

Compared to last year, the global energy consumption of UCB in 2012 is in line (reduction of 1%).

Electricity and fuel consumption respectively increased with 3% and 11%, whilst gas consumption decreased with 3%.

Although energy consumption is very much linked to our production volumes, most of our manufacturing sites are developing energy savings plans. These plans resulted in an energy saving of almost 35.5 million Mega Joules.

The most important individual energy saving was realized at the manufacturing plant in Shannon (Ireland) where the elimination of the Thermal Oxidation Unit's plume suppression resulted in an energy saving of 13.5 million Mega Joules. In the past, steam was added to the process in order to suppress a visible plume.

3.4.2 | WATER

Water consumption (m³)

Compared to last year, the global water consumption of UCB in 2012 has reduced with 8 %. This reduction is partly linked to the reduced level of activities at the site in Monheim (Germany) where the consumption of water was almost 130000 m³ lower than in 2011.

3.4.3 | WASTE

Waste management (tons)

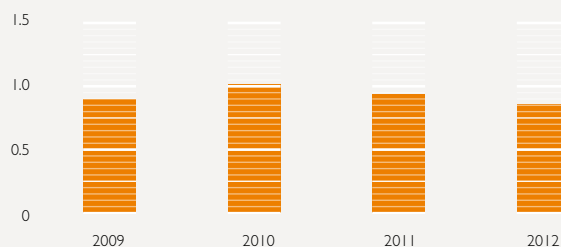
Our waste is mostly generated by our production sites. Compared to 2011, we see a decrease of 4% in total waste.

More important is the fact that the ratio of recovered waste also keeps improving. In 2012, 91% of the waste generated by UCB was recovered. In 2010 and 2011, this ratio was respectively 86% and 89%. This recovery is mainly organized by incineration of the waste with energy recuperation, by re-using the waste as a secondary liquid fuel or by having third parties recycle solvents and packaging materials.

Energy consumption (million MegaJoules)



Water consumption (million m³)



Waste management (tons)



4. Global Reporting Initiative Disclosure

The table summarises the performance indicators on the economic, environmental and social performance of UCB in 2012. The indicators are reported in line with the GRI Guidelines: 17 fully and 6 partially reported.

Legend: ● indicators fully reported and compliant with the GRI indicators definition
 ● indicators partially reported and partially compliant with the GRI indicators definition

		REPORTED	PAGE
GENERAL			
1.	Strategy and analysis		
1.1	Statement of CEO		Letter to the stakeholders, p 8-15
2.	Organisational profile		
2.1 – 2.2	Name, products / services	●	p 4-7
2.3 – 2.7	Structure, geographical presence, markets served	●	p 14; Operating and financial review p 44-51
2.8	Scale	●	Letter to the stakeholders, p 8-15; Corporate Governance, p 18-24
2.9	Significant changes in size, structure or ownership	●	Letter to the stakeholders; Business Perf Review p 41-43; Corporate Governance p 18-24
2.10	Awards received in 2012	●	CSR Performance report, p 131
3.	Report parameters		
3.1 – 3.4	Report profile, contacts points	●	back cover
3.5 – 3.13	Report scope and assurance	●	CSR Performance report p 146-149
4.	Governance, commitments, and engagement		
4.1 – 4.13	Structure and governance	●	Corporate Governance, p 18-24; CSR Performance Report p 131
4.14 – 4.17	Stakeholder engagement	●	Letter to the stakeholders, p 8-15; CSR Performance Report p 132
ECONOMIC			
Economic performance			
EC1 (B)	Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.(Core)	●	Letter to the stakeholders, p 8-15; Business Perf. Review, p 41-43; Financial Statements p 52-57
EC3 (B)	Coverage of the organisation's defined benefit plan obligations. (Core)	●	Financial Statements p 82; 101-105;
ENVIRONMENTAL			
Energy			
EN3 (B)	Direct energy consumption by primary energy source. (Core)	●	CSR Performance report p 141; 145;
EN4 (B)	Indirect energy consumption by primary source. (Core)	●	CSR Performance report p 141; 145
EN5 (B)	Energy saved due to conservation and efficiency improvements. (Additional)	●	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved (Additional)	●	CSR Performance report p 141; 145

WATER			
EN8 (β)	Total water withdrawal by source. (Core)	●	CSR Performance report p 141; 145
Emissions, effluents, and waste			
EN16 (β)	Total direct and indirect greenhouse gas emissions by weight. (Core)	●	CSR Performance report p 145
EN19	Emissions of ozone-depleting substances by weight. (Core)	⓪	
EN20	Emissions of volatile organic compounds (chlorinated and non-chlorinated) by weight. (Core)	⓪	
EN22 (β)	Total weight of waste by type and disposal method. (Core)	●	CSR Performance report p 141; 145
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally. (Additional)	⓪	CSR Performance report p 141; 145
SOCIAL PERFORMANCE: LABOR PRACTICES & DECENT WORK			
Employment			
LA1 (β)	Total workforce by employment type, employment contract, and region. (Core)	●	CSR Performance report p 133-134; 144
LA2 (β)	Total number and rate of employee turnover by age group, gender, and region. (Core)	●	CSR Performance report p 134-136; 144
Occupational health and safety			
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region. (Core)	⓪	CSR Performance report p 137; 144
Training and education			
LA10 (β)	Average hours of training per year per employee by employee category. (Core)	●	CSR Performance report p 135
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. (Additional)	⓪	
LA12 (β)	Percentage of employees receiving regular performance and career development reviews. (Additional)	●	CSR Performance report p 136
Diversity and equal opportunity			
LA13 (β)	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity. (Core)	●	CSR Performance report p 133-136; 144
SOCIAL PERFORMANCE: HUMAN RIGHTS			
Investment and procurement practices			
HR3 (β)	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. (Additional)	●	CSR Performance report p 139
SOCIAL PERFORMANCE: SOCIETY			
Corruption			
SO3 (β)	Percentage of employees trained in organization's anti-corruption policies and procedures. (Core)	●	CSR Performance report p 139
Public policy			
SO5 (β)	Public policy positions and participation in public policy development and lobbying. (Core)	●	CSR Performance report p 140
SOCIAL PERFORMANCE: PRODUCT RESPONSIBILITY			
Marketing communications			
PR6 (β)	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. (Core)	●	CSR Performance report p 140

(β) have been reviewed for the year 2012 by KPMG. Their assurance statement, detailing the work they have performed as well as their comments and conclusions, appears on pages 147-149 of this CSR report.

5. Human Resources and Environmental Data

HUMAN RESOURCES DATA

GRI INDICATOR		DEFINITION	UNIT OF MEASURE	2009	2010	2011	2012
LA 1	Total workforce	Workforce as of 31 December	Total number of employees	9 324	8 898	8 506	9 048
	Workforce by gender	Male and female employees	Number of women	4 433	4 167	4 064	4 297
				48%	48%	48%	47%
			Number of men	4 891	4 583	4 442	4 751
				52%	52%	52%	53%
	Workforce by area	Europe-5/Belgium/Other Europe/Asia-Pacific-Australia/North America/Rest of the world	Number of employees in				
			- EU-5	2 322	2 320	1 710	1 726
			- Belgium	1 944	1 800	1 883	1 950
			- Other EU	767	690	649	610
			- Asia-Pacific-Australia	1 215	1 458	1 502	1 670
			- North America	2 157	1 829	1 899	2 036
			- Rest of the World	919	801	863	1 056
	Workforce by FTE and PTE	Full Time Employees (FTE) and Part-Time Employees (PTE) Group	Number of FTE	8 787	8 352	7 992	8 535
				94%	94%	94%	94%
			Number of PTE	537	546	514	513
				6%	6%	6%	6%
LA 2	Recruitment	Hired	Number of employees hired	1 648	1 547	1 252	1 637
	Departure	Left	Number of employees who left the company	3 616	1 973	1 618	1 066
			Turnover in %	39%	22%	19%	12%
LA 7	Absenteeism	Number of working days lost due to absenteeism of the main sites and excluding U.S. locations because the absenteeism is not monitored in U.S.	Days	Not reported	39 924	Not reported	Not reported
	LTIR	Lost Time Incident Rate	Number of incidents resulting in lost time of one day or more within a 12-month period, per million hours worked	3.34	2.33	1.80	2.26
	LTSR	Lost Time Severity Rate	Number of lost days resulting from a lost time incident within a 12-month period, per thousand hours worked	0.08	0.05	0.04	0.06

ENVIRONMENTAL DATA

GRI INDICATOR	DEFINITION	UNIT OF MEASURE	2009	2010	2011	2012
EN 3 Total	Total Gas, fuel oil and vehicle fuel consumption	Megajoules	805 668 883	907 366 998	774 500 358	754 414 646
	Gas	Megajoules	731 752 170	877 599 359	749 110 095	726 110 888
	Fuel oil	Megajoules	72 712 252	29 331 838	24 354 325	28 016 523
	Fuel for utility vehicle	Megajoules	1 204 461	435 801	1 035 938	287 235
EN 4 Electricity	Electricity consumption	KwH	159 292 945	154 489 251	143 534 422	147 525 758
		Megajoules	573 454 602	556 161 304	516 723 919	531 092 727
EN 5 Energy Saved	Energy saved due to conservation and efficiency improvements	KwH	-	5 894 000	743 286	9 859 000
		Megajoules	-	21 218 400	2 675 830	35 492 400
EN 8 Water	Total water	m ³	898 120	1 015 918	936 025	860 923
	Main water		642 666	651 573	596 755	646 067
	Ground and surface water		255 454	364 345	339 270	214 857
	Other		0	0	0	0
	COD	Tons	146	108	76	47
	TSS	Tons	40	42	19	21
EN 16 Direct & Indirect CO ₂ emissions – Scope 1&2	Electricity	Tons CO ₂	54 443	52 341	46 450	43 306
	Gas		35 160	42 749	34 990	40 703
	Fuel		4 962	1 849	1 706	1 949
EN 19 ODS	Emissions of Ozone Depleting Substances	CFC-II equivalent tons	1.6	1.3	1.8	0.7
EN 20 Chlorinated VOC	Emissions of chlorinated volatile organic compounds	Tons	6	8	11	10
	Non-chlorinated VOC	Tons	119	114	93	122
EN 22 Waste disposal	Total waste	Tons	13 688	11 556	12 339	11 789
	Incinerated		1 859	1 235	3 098	3 091
	Re-used as liquid		3 926	2 923	3 187	2 503
	Solvent recycled by 3 rd party		2 145	2 577	2 785	3 525
	Packaging recycled by 3 rd party		1 806	1 524	1 359	954
	Recovered by other methods		789	1 636	544	667
	Not recovered		3 163	1 661	1 366	1 049
EN 24 Hazardous waste	Hazardous waste products as defined by locally applicable regulations	Tons	10 415	8 801	9 607	8 730
	Non-hazardous waste	Tons	3 273	2 755	2 732	3 059

6. Scope and reporting principles

Scope

People data are consolidated for all UCB companies worldwide that are globally integrated into our financial consolidation, regardless of their activity (research or industrial sites, sales affiliates, headquarters).

A corporate tool 'UCB learning' is consolidating all the trainings organised by UCB and followed by UCB employees with the exception of two sites where the tool is not in place: Zhuhai in China and Sao-Paolo in Brazil. This population not covered by this tool represents less than 3% of the total population.

However, compulsory training such as Code of Conduct, Pharmacovigilance and IT security are tracked and consolidated for all UCB employees.

Our regional split is defined as following:

- ◆ EU-5: France, Germany, Italy, Spain and United Kingdom
- ◆ Other EU: Austria, Bulgaria, Czech Republic, Denmark, Finland, Greece, Hungary, Ireland, Luxemburg, Netherlands, Poland, Portugal, Romania, Slovakia, Sweden
- ◆ Asia Pacific & Australia: Australia, China, Hong-Kong, India, Japan, South Korea
- ◆ North America: United States and Canada
- ◆ Rest of the World (RoW): Brazil, Kazakhstan, Mexico, Norway, Russia, Switzerland, Turkey, Ukraine

Health and Safety data (occupational accidents) addressed the whole UCB employee population excluding affiliates with less than 10 employees.

Planet data are consolidated for:

- ◆ all manufacturing sites and research sites,
- ◆ sales affiliates from China, India, Italy, Japan, Mexico, U.S., and
- ◆ headquarters in Belgium.

This scope covers 85% of UCB's workforce (+10% compared to last year).

For each of these elements we state whether UCB's level of reporting covers the requirements fully or partially.

Observations made during the data validation and consolidation:

1. In Atlanta and Monheim, there are rented facilities to third parties and there are no separate meters installed yet. As a consequence, utilities consumptions are overestimated but the impact of this overestimation cannot be reliably measured.
2. In Braine, diesel for utility vehicles is now reported within fuel consumption as it is stored in the same tank and because it is difficult to estimate precisely the consumption related to utility vehicles.
3. A more accurate method has been applied for the calculation of direct CO₂-emissions for natural gas consumption. However, as we have no detailed information about the heating value of the reported consumptions, the

lower heating value was applied by default. The emissions for gas reported in prior years have not been updated in accordance with this new method. For information purposes, the CO₂ emission value for natural gas reported for 2011 should have been 42 000 tons instead of 34 990 tons.

4. Also, a more accurate method has been applied for the calculation of CO₂-emissions due to electricity consumption. Our sites reported specific CO₂ equivalents of their electricity mix consumed in 2012, taking into account the growing part of electricity generated from renewable sources. When the specific ratio was not available for a given site, we used International Energy Agency (IEA) ratios by default. As a result, we see our CO₂ equivalence decrease compared to last year while our consumption has increased.

Reporting principles

In order to ensure the uniformity and reliability of indicators used for all entities, UCB Group implemented the Global Reporting Initiative's G3.1. Sustainability Reporting Guidelines covering social factors, safety and environmental impacts of a company's performance. We have self-assessed ourselves as a C+ reporter according to GRI-defined application levels.

These guidelines specify the methodologies to be used for indicator reporting for UCB.

ACCURACY

The UCB Corporate Health, Safety & Environment (HSE) department and Corporate Societal Responsibility (CSR) team are responsible for ensuring that all data are consolidated on the basis of information provided by the manufacturing and research sites and sales affiliates and administrative headquarters throughout the world.

HSE coordinators perform an initial validation of safety and environmental data prior to their consolidation. Corporate HSE and CSR also verify data consistency during consolidation. These validations include data comparisons from previous years as well as careful analysis of any significant discrepancies.

Social data regarding the workforce are extracted from global IT HR systems used as management control database for UCB worldwide.

RELIABILITY

In order to obtain an external review of our data's reliability and the thoroughness of our reporting procedures, we asked KPMG to perform specific verification of certain social and HSE indicators appearing in tables on pages 144-145. Their assurance statement, describing the work they performed as well as their comments and conclusions, appears on pages 147-149.

In UCB, we will continue to enhance the reliability of data and further strengthen the reporting processes.

7. Assurance Report



KPMG Bedrijfsrevisoren - Réviseurs
d'Entreprises
Prins Boudewijnlaan 24d
2550 Kontich
Belgium

Tel. +32 (0)3 821 17 00
Fax +32 (0)3 825 20 25
www.kpmg.be

Independent Limited Assurance Report on the UCB Corporate Societal Responsibility Performance Report 2012

To the Board of directors of UCB SA

We were engaged by the Board of directors of UCB SA ("the Company" or "UCB") to provide limited assurance on selected indicators for the year 2012 in the UCB's Corporate *Societal* Responsibility Performance Report 2012 (the "CSR Report").

UCB's Responsibilities

The Board of directors of UCB SA (the "Company") is responsible for the preparation and presentation, of the selected indicators for the year 2012 marked with a Greek small letter beta (β) (the "Subject Matter Information") in the CSR Report in accordance with the Sustainability Reporting Guidelines G3.1 of the Global Reporting Initiative supported by internally developed reporting principles, definitions and units of measure as set out on pages 142 to 146 of the CSR Report (the "Reporting Criteria") and for the determination of the GRI Application Level.

This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the Subject Matter Information free from material misstatement, whether due to fraud or error. It also includes selecting and developing the Reporting Criteria, making judgments and estimates that are reasonable in the circumstances, and maintaining adequate processes and records in relation to the Subject Matter Information.

Our Responsibilities

Our responsibility is to examine the Subject Matter Information prepared by UCB and to report thereon in the form of an independent limited assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. That standard requires that we comply with ethical requirements, including independence requirements, and that we plan and perform our procedures to obtain a meaningful level of assurance about whether the Subject Matter Information is prepared and presented in all material respects in accordance with the Reporting Criteria, as the basis for our limited assurance conclusion.

The procedures selected depend on our understanding of the Subject Matter Information and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise.

Our engagement also included assessing the appropriateness of the Subject Matter Information, the suitability of the Reporting Criteria used by the Company in preparing the Subject Matter Information in the circumstances of the engagement, evaluating the appropriateness of the methods, policies and procedures used and the reasonableness of the estimates made by UCB.

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises, a Belgian civil
CVBA/SRL, and a member firm of the KPMG network of independent
member firms affiliated with KPMG International Cooperative ("KPMG
International"), a Swiss entity.

Maatschappelijke zetel - Siège social:
Boulevard - Avenue du Bourget 40
1100 Brussels - Bruxelles
België - Belgique

KPMG Bedrijfsrevisoren -
Réviseurs d'Entreprises
CVBA/SRL
Burgerlijke vennootschap met
handelsvorm - Société civile à
forme commerciale
Ondernemingsnummer - Numéro
d'entreprise 0419122548
RPR Brussel - RPM Bruxelles

Assurance Report



UCB SA
Independent Limited Assurance Report on the UCB Corporate
Societal Responsibility Performance Report 2012

Our assurance engagement was designed to provide limited assurance on the following selected indicators for the year 2012 marked with a Greek small letter beta (β) on pages 142 to 145 of UCB's CSR Report:

Economic Performance Indicators:

- (EC1) Direct Economic Value
- (EC3) Defined Benefit Plan Obligations

Environmental Performance Indicators:

- (EN3) Direct Energy Consumption
- (EN4) Indirect Energy Consumption
- (EN5) Energy Savings
- (EN8) Water Withdrawals
- (EN16) Weight of Greenhouse Gas Emissions
- (EN22) Weight of Waste

Social Performance Indicators:

- (LA1) Workforce Details
- (LA2) Workforce Evolution
- (LA10) Training Details
- (LA12) Performance Reviews
- (LA13) Governance Participation
- (HR3) Training on Human Rights
- (SO3) Training on Anti-Corruption policies and procedures
- (SO5) Public Policy Activities
- (PR6) Compliance and Marketing Programs

In addition, we were asked to verify whether UCB's GRI Application Level as disclosed on page 146 of the CSR Report is consistent with the GRI criteria for the disclosed Application Level (the "Application Level Criteria").

Limited assurance is less than reasonable assurance. Evidence-gathering procedures for a limited assurance engagement are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We do not provide any assurance on the achievability of the objectives, targets and expectations of UCB.

Assurance Report



UCB SA
*Independent Limited Assurance Report on the UCB Corporate
Societal Responsibility Performance Report 2012*

Our engagement procedures performed included:

- interviews with relevant staff and management at corporate and local level;
- site visits in Europe and the United States of America to review the source data and the design and implementation of internal controls at the level of these two sites which have been selected by us on the basis of a risk analysis including the consideration of both quantitative and qualitative criteria;
- inspecting internal and external documentation as appropriate; and
- analytical review procedures on the data submitted for consolidation at group level.

With respect to our work on the disclosed GRI Application Level, our procedures were limited to verifying whether the GRI Content Index is consistent with the criteria for the disclosed Application Level and that the relevant information is publicly reported.

Reporting Criteria

UCB applies the Sustainability Reporting Guidelines G3.1 of the Global Reporting Initiative supported by internally developed reporting principles, definitions and units of measure as set out on pages 142 to 146 of the CSR Report. It is important to view the performance data in the context of these criteria.

Conclusion

Based on the procedures performed, as described in this report, nothing has come to our attention that causes us to believe that the selected indicators for the year 2012 marked with a Greek small letter beta (β) in the UCB's CSR Report 2012, have not been prepared, in all material respects, in accordance with the Reporting Criteria.

Report on GRI Application Level

Based on the procedures performed we conclude that the Application Level C+ as disclosed on page 146 and based on the GRI Content Index as disclosed on pages 142 to 143 in the UCB's CSR Report 2012 is consistent with the Application Level Criteria.

Kontich, 26 February 2013

KPMG Bedrijfsrevisoren Burg. CVBA
Represented by



Mike Boonen
Registered Auditor

Financial calendar 2013

25 April	Annual general meeting
25 April	Interim report
31 July	2013 half-year financial results
25 October	Interim report

Forward-looking statements

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

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.

Contact

Investor Relations

Antje Witte,
VP Investor Relations
Tel: +32 2 559 9414
E-mail: antje.witte@ucb.com

Communications

France Nivelles,
VP Global Communication and
Change Support
Tel: +32 2 559 9178
E-mail: france.nivelles@ucb.com

Corporate Societal Responsibility

Isabelle de Cambry,
Head of Corporate Societal Responsibility
Tel: +32 2 559 9161
E-mail: csr@ucb.com



UCB S.A.
Allée de la Recherche, 60 1070 Brussels, Belgium
Tel: +32.2.559.99.99 – Fax: +32.2.559.99.00
www.ucb.com

Design: **stargraphic**
© Copyright UCB, 2013
Photograph: Yves Fonck