Annual Report 2008

Our progress is Raffaele's hope.

The next generation biopharma leader

My son, Raffaele, is eight years old. One bright, sunny afternoon, four years ago, Raffaele awoke from his afternoon snooze complaining of severe pain in his left arm.
I didn't understand what was happening, until he was later diagnosed with epilepsy.

This enormous word turned my life upside down: so many questions, so many times asking 'why?'

My husband, daughter and I couldn't bear to watch Raffaele suffer. He could no longer speak, hold a pen in his hand, keep his head up. One Christmas, my brother-in-law told me about a great professor to whom I could entrust Raffaele. It was a magic moment. We had found someone with the knowledge, professionalism and humanity to find the right treatment and care for Raffaele. It's been 19 months since Raffaele had an attack. The epilepsy has left its mark, but there's sunshine in my life once more. Like any mother, I want the best for my child and I won't let epilepsy compromise his future.

Raffaele, his mother Ernestina and his father Giuseppe are Epilepsy Advocates.

A Long-Term Plan

Focusing on Severe Diseases

As a world leader in epilepsy research, UCB is committed to improving public understanding of epilepsy, supporting patients in their efforts to live beyond their disease, and encouraging healthcare professionals to see patients as more than just people with seizures.

Within the epilepsy education and support programmes of UCB, Epilepsy Advocates describe how they have learned to lead normal, everyday lives with epilepsy. For those who hear them describe their experience of living with a severe disease, including the thousands of patients, carers, healthcare professionals and all of us at UCB, they are an inspiration…

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Our Focus

We focus on severe diseases where there are substantial unmet medical and social needs, in two therapeutic areas: diseases of the central nervous system (CNS), and immunology. In order to prioritise our allocation of resources, and so focus our efforts, we have differentiated country markets into 'Max Countries', 'EU Mid-Markets', and 'International Major Markets'.

Name	Description	Top 7 Markets[1] Estimated Prevalence[2] (million people)	Top 7 Markets[1] Estimated Market Size (€ billion)
CNS			
Diabetic neuropathic pain	Severe pain that diabetics often have in limbs	10.3(1)	0.4(a)
Epilepsy	Brain disorder causing recurrent seizures	6.1(1)	3.2(b)
Fibromyalgia	Widespread muscle pain and stiffness	14.9(1)	0.7(c)
Migraine	Severe episodic headaches, lasting hours	67.6(1)	3.4(d)
Multiple sclerosis	Produces various CNS disorders from muscle weakness to visual impairment	0.5(1)	4.3(e)
Parkinson's disease	Degenerative movement disorder	3.1(1)	0.8(f)
Restless legs syndrome	Uncontrollable urge to move legs	53.6(1)	0.1(g)
IMMUNOLOGY			
Allergy	An inflammatory reaction to allergens	155.3(1)	3.0(h)
Bone loss disorders	Disorders such as osteoporosis that weaken bones	64.1(2)	5.7(i)
Crohn's disease	Chronic gastrointestinal disease causing diarrhoea, abdominal pain and other problems	0.9(1)	0.9(j)
Rheumatoid arthritis	Inflammation and painful swelling in joints	5.1(1)	5.8(k)
Systemic lupus erythematosus	Autoimmune disease that attacks many organs	0.6(1)	0.7(l)

[1] Top 7 markets: France, Germany, Italy, Japan, Spain, U.K. and U.S.
[2] Prevalence: Total number of cases of the disease in the population (top 7 markets) at a given time
(1) and (2): Sources, see p48
(a) to (l): Sources, see p48

Severe diseases in CNS and immunology, which range from epilepsy and Parkinson's disease to rheumatoid arthritis, have three common characteristics:

Debilitating impacts on patients' everyday lives

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

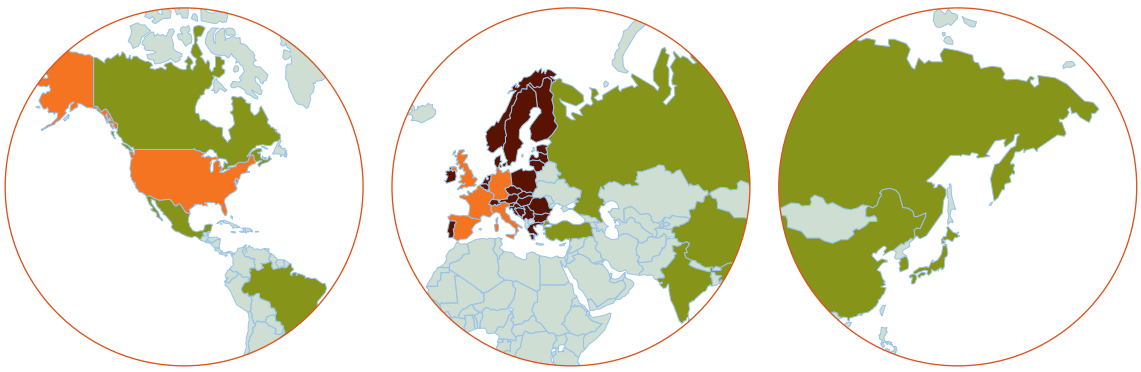
Complex, interconnected symptoms

Severe diseases often involve a variety of symptoms that affect different parts of the body beyond the original source of the disease. Someone with Crohn's disease, for example, might suffer from chronic fatigue and aching joints, as well as gastrointestinal pain and uncontrollable urges to rush to the bathroom. To address the disease and its full range of symptoms, a more holistic interconnected approach that treats the entire body is required. As we explain on the following pages, this demands a more fluid, networked method of developing therapies that brings together multidisciplinary teams, involving internal and external expertise, which work closely with people with severe diseases from the outset.

Long-term dependence on specialist treatment and care

Most severe diseases are lifelong conditions and initially require diagnosis and treatment by specialist physicians. As a provider of therapies for these long-term diseases, UCB is able to develop long and strong relationships with physicians and patients and their families and carers which in turn provides us with the understanding and insights to address the everyday realities of these diseases.

The table on page 2 highlights the areas of current therapeutic focus, where UCB has therapies that are either already available for patients or still in development.



Max Countries EU Mid-Markets International Major Markets

Our Strengths

As the leader in epilepsy in the U.S. and Europe, UCB has demonstrated its ability to make a difference in severe disease. Our SHAPE programme, which sharpens our focus and simplifies our organisation, enables us to make an even greater difference to the lives of patients with severe diseases.

The next generation biopharma leader

Our concept of 'the next generation biopharma leader' means more than expertise across small, chemically-derived molecules and large, antibody-based molecules. It is about connecting people, science and therapies in new ways so that we gain fresh insights into the complex interconnections involved in severe diseases. With this approach, we can create a new generation of solutions that more completely addresses the full spectrum of a disease and its symptoms. This involves networking, internally and externally, in order to cross fertilise knowledge, expertise and resources.

Close relationships with patients and the people who care for them

Everything we do starts with a simple question: 'How will this make a difference to the lives of people with severe diseases?' Regular, personal contact with patients, as well as their carers and physicians, plays a vital role in helping us answer this question. We have patient group alliances in the drug discovery, drug development and marketing functions of the company. We have also created communities for patients to share ideas with each other, such as www.parkinsons-disease.com and www.crohnsandme.com and provided novel, practical patient support programmes such as 'Canine Assistance' for people with epilepsy (see page 44).

Cutting-edge research that combines biology and chemistry

Our expertise across large and small molecules enables us to approach severe diseases from different angles. We are combining our leadership in antibody research and long-established expertise in chemistry to better understand and address the complex biological pathways and interconnections of these types of diseases. This is underpinned by unique technologies, such as UCB SLAM and A2Hit™, and our proprietary expertise in Synaptic Vesicle 2 (SV2) protein biology, supported by an extensive library of patent-protected chemicals. We are also investigating the potential of new therapeutic approaches such as slow activation sodium ion channels and the modulation of CRMP2 (Collapsin-Response Mediator Protein 2) in epilepsy.

Empowered, multidisciplinary and multinational teams

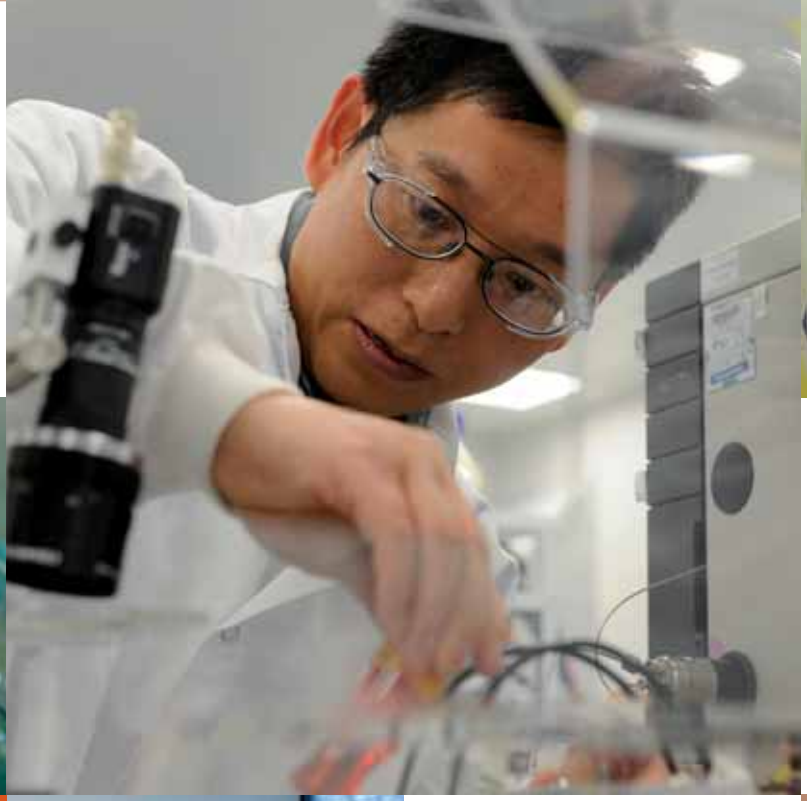
With more than 70 nationalities and numerous educational and professional backgrounds, the diversity of our staff is one of our greatest assets. To capitalise on the creative potential of this diversity, as well as accelerate the development of breakthrough therapies, we have created an open, globally networked environment so that our staff can share and cross fertilise ideas. This includes multidisciplinary, therapeutically focused project teams that are fully accountable for delivering results throughout the development of our therapeutic compounds.

World-class partners across the value chain

We recognise that the complexity of severe diseases is beyond the expertise and resources of a single company. This is why we partner for strength across the value chain, from drug discovery and drug development to manufacturing and marketing. Our partners include Biogen IDEC, deCode, Millenium, Wilex, and around 80 top universities in drug discovery; Amgen, Biogen IDEC, Immunomedics and Wyeth in drug development; Lonza in manufacturing; GSK, Johnson & Johnson, Otsuka Pharmaceuticals, Pfizer and sanofi-aventis in marketing.

A global player with a rich pipeline

With operations in more than 40 countries, UCB has global reach. This includes an established presence in the world's seven major pharmaceutical markets: Germany, Italy, Japan, Spain, the U.K. and the U.S., as well as other significant international markets. In addition, our pipeline is strong especially in its late stage projects, and is focused on severe diseases of the central nervous system and immunology.



Everything we do starts with a simple question: 'How will this make a difference to the lives of people with severe diseases?'

The complexity of severe diseases is beyond the expertise of a single company. This is why we partner for strength across the value chain.

We are combining our leadership in antibody research and expertise in chemistry to better understand the complex biological pathways of these types of diseases.

Our Strategy

UCB has a clear long-term strategy. In 2004, UCB management defined a vision to transform the company from a diversified pharmaceuticals, chemicals and films conglomerate into the next generation biopharma leader, with patients at the heart of everything it does. Since then, the company has been bringing this vision to life through a five-step strategy.

▸ Transformation (completed in 2005)

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

▸ Scale (completed in 2006)

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

▸ Execution (ongoing since 2007)

Our current phase is one of significant investment in the future. This may limit profit growth in the short term. Investments in R&D to build our new product pipeline and in launch activities for several new products have been increased. Cost containment is mitigating the loss of patents and exclusivity protecting Keppra® and Zyrtec® around the world. Country markets have been prioritised. We also launched SHAPE. This programme re-allocates resources and focuses activities on UCB's core therapeutic areas of the central nervous system (CNS) and immunology, and simplifies the organisation, enabling the company to improve its agility, competitiveness and profitability.

▸ Intense growth

In the medium term, we expect to realise the potential of our new products, accelerating our growth and providing additional funds for investments in new product development. Currently, we have 11 molecules in our pipeline across 13 indications. All but one of these molecules are in our core therapeutic areas of CNS and immunology.

▸ Breakthrough

Using our expertise in biology and chemistry, we are working on long-term research projects that could transform how severe diseases are treated. One of these, A2Hit™, now at proof-of-concept stage, underpins four pre-clinical projects that seek to combine the convenience of small orally available molecules with the efficacy and precision-targeting of large molecules.

Execution

- Increase investments in R&D
- Invest in launch activities
- Cost containment
- Maximise life cycle of existing brands
- Reallocate resources into core therapeutic areas
- Simplify the organisation
- Improve competitiveness and profitability

Intense growth

- Realise the potential of new products
- Accelerate growth and fund further investments in new product development

Break-through

- Focus on long-term research projects
- Transform the way severe diseases are treated

2007 2010 Beyond

Our Products

With net sales of more than €3 billion across the globe, UCB has a proven ability to turn novel ideas into commercial realities and to successfully manage products' life cycles.

Top products	Compound	Indication	Net sales 2008 (€ million)	Net sales 2007 (€ million)
CNS				
Keppra®	*levetiracetam*	Several types of epilepsy, including partial onset-seizures	1 266	1 026
Nootropil®	*piracetam*	Regulating cerebral functions	93	101
Metadate™CD / Equasym® XL	*methylphenidate HCl*	Attention Deficit Hyperactivity Disorder (ADHD)	77	81
Neupro®	*rotigotine transdermal system*	Parkinson's disease	58	52
Vimpat®	*lacosamide*	Several types of epilepsy, including partial onset-seizures	2	-
Immunology				
Zyrtec®	*cetirizine*	Perennial allergic rhinitis, seasonal allergic rhinitis and chronic idiopathic urticaria	249	487
Xyzal®	*levocetirizine*	Allergic rhinitis, including persistent allergic rhinitis and chronic idiopathic urticaria	173	168
Cimzia®	*certolizumab pegol*	Crohn's disease	10	1
Other				
Tussionex™	*hydrocodone polistirex and chlorpheniramine polistirex*	Coughs and colds	147	114
omeprazole	*omeprazole*	Gastrointestinal ulcers and reflux esophagitis	75	147

Our Pipeline

For a medium-sized biopharma company, UCB has a solid pipeline of 11 large and small molecules, spanning 13 separate indications, many in late-stage development. Some of these are intended to strengthen the company's positions in disease areas such as epilepsy. Others could take the company into new areas of severe disease such as multiple sclerosis, systemic lupus erythematosus and osteoporosis.

CNS	Indication	Phase I	Phase II	Phase III	Filed	Approved
Vimpat® *(lacosamide)*	Epilepsy adjunctive therapy (U.S.)					
Neupro® *(rotigotine transdermal patch)*	Restless legs syndrome (EU)					
Neupro® *(rotigotine transdermal patch)*	Restless legs syndrome (U.S.)					
Keppra® *(levetiracetam)*	Epilepsy adjunctive therapy - infants and children (EU & U.S.)					
Neupro® *(rotigotine transdermal patch)*	Advanced Parkinson's disease (U.S.)					
Vimpat® *(lacosamide)*	Diabetic neuropathic pain (EU & U.S.)					
Keppra® XR *(levetiracetam)*	Epilepsy monotherapy (U.S.)					
brivaracetam	Epilepsy adjunctive therapy					
Vimpat® *(lacosamide)*	Epilepsy monotherapy (U.S.)					
Xyrem® *(sodium oxybate)*	Fibromyalgia					
CDP323	Multiple sclerosis					
lacosamide	Fibromyalgia					
lacosamide	Migraine prophylaxis					
rotigotine transdermal system	Fibromyalgia					
rotigotine nasal spray	Restless legs syndrome					

Immunology	Indication	Phase I	Phase II	Phase III	Filed	Approved
Cimzia® *(certolizumab pegol)*	Rheumatoid arthritis (EU & U.S.)					
Cimzia® *(certolizumab pegol)*	Crohn's disease (EU)					
epratuzumab	Systemic lupus erythematosus					
CDP7851 *(anti-sclerostin)*	Bone loss disorders					
CDP6038 *(anti-IL6)*	Autoimmune diseases					

Other	Indication	Phase I	Phase II	Phase III	Filed	Approved
Toviaz® *(fesoterodine)*	Overactive bladder (U.S.)					

Small molecule drug Antibody-based (large molecule) drug

Concrete Results

Despite the patent expiry of Zyrtec® in the U.S. in 2007 which accounted for €228 million of net sales and the loss of exclusivity for Keppra® in the U.S. in 2008, UCB delivered net sales of € 3 027 million and recurring EBITDA of € 733 million in 2008. Net profit was reduced by one-off non-recurring impairment and restructuring charges related to the SHAPE programme.

Results 2008

€ million	2008	2007
Revenue	3 601	3 626
R&D expenses	(767)	(788)
Recurring EBITDA	733	741
Operating profit (EBIT)	113	344
Net profit (after minority interests)	42	160

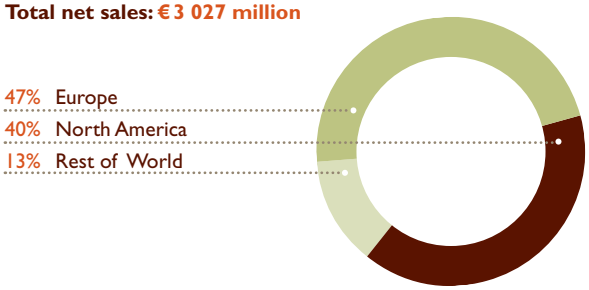
Share information

		2008	2007
Basic earnings	€ per share	0.24	0.89
Gross dividend	€ per share	0.92	0.92
Number of shares*		183 365 052	183 361 252
Share price*	€ per share	23.3	31.02
Market capitalisation*	€ billion	4.3	5.7

*year-end

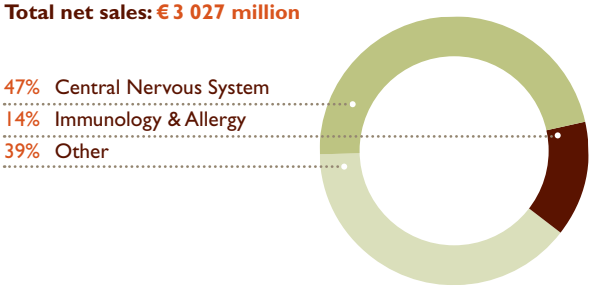
Sales by geographic region - 2008

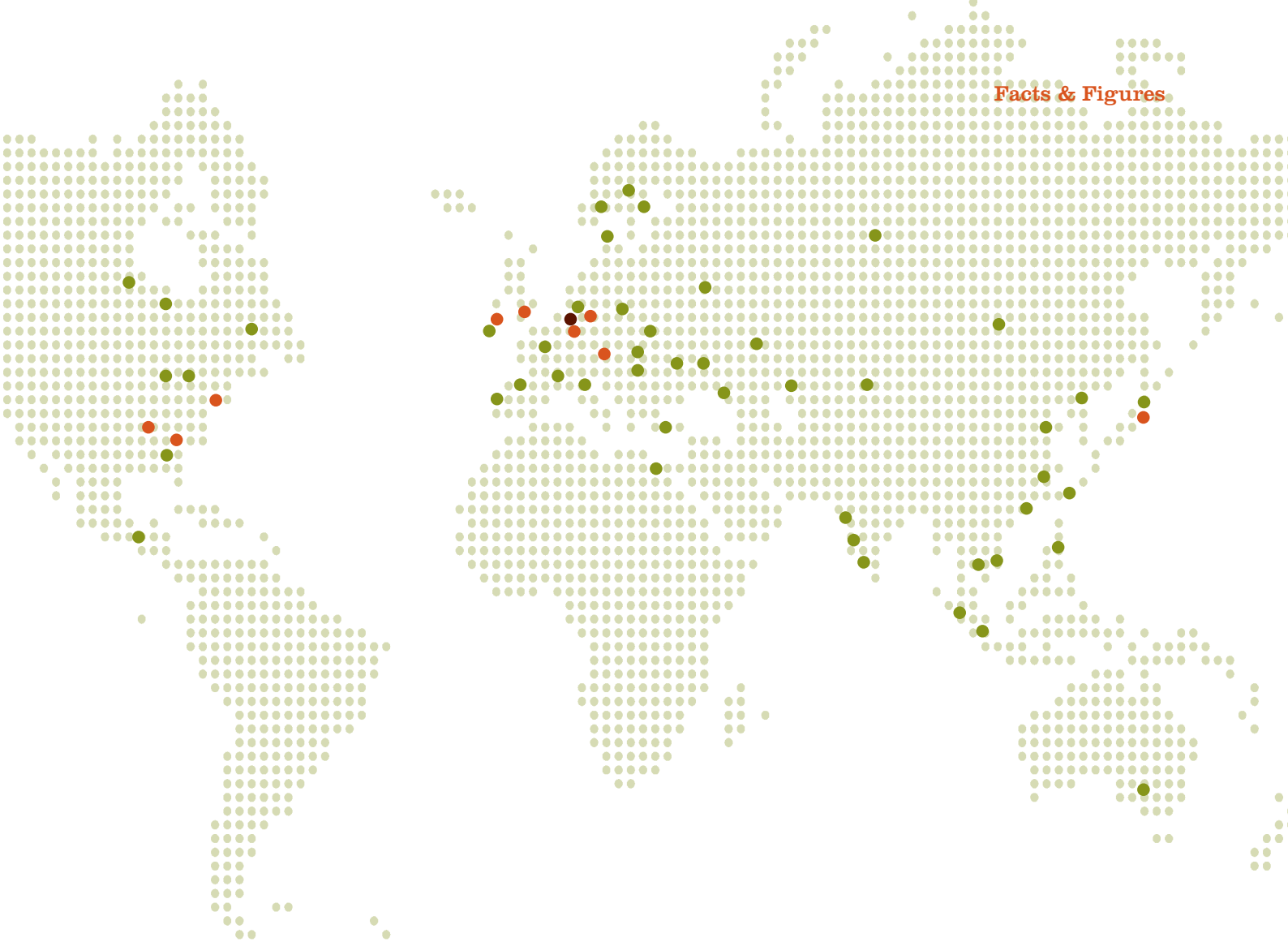
Total net sales: € 3 027 million



Sales by therapeutic area - 2008

Total net sales: € 3 027 million





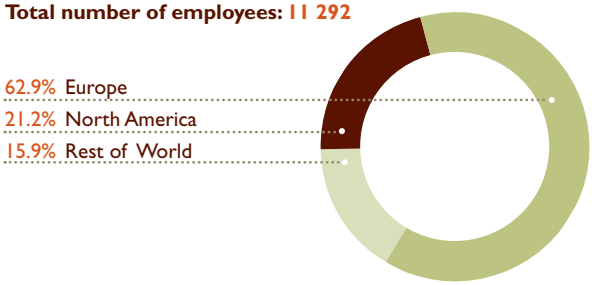
Global presence in 43 countries

- Headquarters
- R&D sites
- Commercial operating units

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

Employees by region - 2008

Total number of employees: 11 292



"With stable revenue and strong underlying profitability, UCB continued on track in 2008."

Detlef Thielgen,
Executive Vice President,
Chief Financial Officer

Stepping Stones

2008 was a year of regulatory, commercial and financial achievement, despite market challenges.

And it was a year of change as we began to SHAPE the company around its priorities and future opportunities.

7 regulatory approvals and…

Cimzia®
Crohn's disease
U.S.
(April 2008)

Keppra® XR
Adjunctive therapy in epilepsy
U.S.
(September 2008)

Neupro®
Restless legs syndrome
EU
(September 2008)

Vimpat®
Adjunctive therapy in epilepsy
EU
(September 2008)

Vimpat®
Adjunctive therapy in epilepsy – U.S.
(October 2008)

Xyzal®
Oral solution antihistamine
U.S.
(February 2008)

Toviaz®
Overactive bladder
U.S., licensed to Pfizer
(October 2008)

… 6 filings

Cimzia®
Rheumatoid arthritis
U.S.
(February 2008)

Cimzia®
Rheumatoid arthritis
EU
(July 2008)

Keppra®
Adjunctive therapy in epilepsy (infants and children)
U.S.
(June 2008)

Keppra®
Adjunctive therapy in epilepsy (infants and children)
EU
(July 2008)

Keppra®
Adjunctive therapy in epilepsy – Japan
(November 2008)

Keppra® XR
Adjunctive therapy in epilepsy
U.S.
(January 2008)

5 launches

Cimzia®
Crohn's disease
U.S. within 48h
(April 2008)

Keppra® XR
Adjunctive therapy
in epilepsy
U.S.
(October 2008)

Vimpat®
Adjunctive therapy
in epilepsy
Germany and U.K.
(September 2008)

Xyzal®
Oral solution
antihistamine
U.S.
(May 2008)

Toviaz®
Overactive bladder EU,
licensed to Pfizer
(June 2008)

Building a strong pipeline

Key products in CNS: *brivaracetam*, CDP323

Key products in immunology: Cimzia® in rheumatoid arthritis, *epratuzumab*, CDP7851, CDP6038

Active life-cycle management: Cimzia®, Keppra®, Neupro®, Vimpat®, Xyrem®

Implementation of SHAPE

Focus on severe diseases of CNS and immunology

Reallocate resources

Drive **innovation** to deliver solutions for patients

Establish **agile and efficient** organisation

Improve **competitiveness and profitability**

Prioritise **products and markets**

Financials on track

Financial highlights 2008

- Revenue of € 3.6 billion
- Recurring EBITDA of € 733 million
- Net profit of € 42 million reflecting one-time charges related to SHAPE
- Integration of Schwarz Pharma completed

2009 outlook

- Revenue expected of approximately € 3.3 billion
- Recurring EBITDA expected to end the year greater than € 680 million
- Net profit, as reported, expected to exceed € 130 million, excluding the expected capital gains resulting from already announced divestments of early 2009.

Keeping on Target

The 'Execution Phase' of our strategy is gaining momentum. Following the regulatory approval of several of our future specialist products, we were in a strong position in 2008 to accelerate the transformation of UCB into the next generation biopharma leader while delivering better than expected financial results.

This acceleration is being driven by SHAPE, a programme that is designed to reallocate our resources, internally and externally, so that we can focus our efforts and investments on our core business areas, enabling us to improve our competitiveness and profitability, while successfully delivering new medicines to as many patients as possible. We are pleased to report significant progress by UCB in 2008.

UCB employees and management regularly meet with patients. During a visit to Brussels, Hanna, one of our 'Epilepsy Advocates' who is also working at UCB for a three-month internship, had the opportunity to meet with the Chairman and the CEO of UCB to discuss how to further strengthen patient–centricity at UCB.


Karel Boone,
Chairman of the Board
Hanna,
Epilepsy Advocate
Roch Doliveux,
Chief Executive Officer

Seven regulatory approvals in 12 months

During 2008, we obtained five regulatory approvals in the U.S.: Cimzia® for Crohn's disease, Keppra® XR and Vimpat® for epilepsy, Toviaz® for overactive bladder (licensed to Pfizer worldwide) and the oral solution of the allergy drug Xyzal®. We also won approval for the new epilepsy drug Vimpat® and for Neupro® for the treatment of restless legs syndrome in Europe. In addition to obtaining paediatric exclusivity for Keppra® from the FDA, the five regulatory approvals in less than 12 months in the U.S. included the approval of three new molecular entities (NME's). Given that the largest 15 pharmaceutical companies obtain on average less than three NME approvals over a five-year period, this is a significant achievement. We feel that this record validates our strategy, which is to focus our business on making and delivering innovations that bring new medicines to patients suffering from severe and specialist-treated diseases of the central nervous system and immunology.

Focused operations deliver

From an operational perspective, we also made good progress, as outlined in the 'Highlights' section of this report (page 12-13). We launched Cimzia® for the treatment of Crohn's disease, Keppra® XR for epilepsy, and the oral solution of the allergy drug, Xyzal®, in the U.S. as well as the new epilepsy drug, Vimpat®, in Europe. Early in 2009, we will launch Vimpat® for epilepsy in the U.S.

The integration of Schwarz Pharma was completed 18 months ahead of schedule and generated synergies of € 380 million, well above of our original € 300 million target.

The SHAPE programme was launched in August 2008. SHAPE aims to transform and focus the company on severe and specialist-treated diseases of the central nervous system and immunology, prioritise investment across products and markets, simplify the organisation, improve competitiveness and profitability. In short, to sharpen our ability to bring benefits to patients with severe disease. This programme required us to reduce UCB's workforce by around 17%. Together with our social partners, we managed this in a respectful manner, first through consultation and then through a negotiated settlement. Employees leaving UCB are receiving a comprehensive support package to help them pursue their working lives outside the company. We are particularly grateful for the commitment and the professionalism of everyone at UCB in a period of uncertainty. We thank our UCB colleagues most heartily for seeing the company through these challenges and producing a successful year in the end.

Overcoming challenges

In 2008, UCB had to absorb the effect of the Zyrtec® patent expiry in the U.S. in December 2007, as well as the loss of exclusivity of Keppra® in the U.S. where we have faced new generic competition since November 2008. While these challenges were expected, a deviation from the product specification of Neupro® triggered an unexpected setback in the year. Our decision to recall the product created an out-of-stock situation in the U.S. and limited availability in Europe. In Europe, a cold chain storage and distribution system has enabled us to continue to supply Neupro® to patients. In 2009, all patients, including new patients, should be able to benefit from this innovative therapy for Parkinson's disease and restless legs syndrome. In the U.S. we have begun a dialogue with the regulatory authorities to bring Neupro® back to American patients. The rejection of *lacosamide* in diabetic neuropathic pain (DNP) by the U.S. Food and Drug Administration (FDA) was a disappointment. While Phase III clinical trials have demonstrated clinical effect, the magnitude of effect in this indication has not convinced the regulatory authorities. We are reviewing what additional steps may be needed to make *lacosamide* available for patients with DNP in the U.S. and Europe.

Better than expected financial results for 2008

UCB revenue in 2008 reached € 3.6 billion, above our published expectation of € 3.3 billion. Despite the Zyrtec® U.S. patent expiry and the Keppra® loss of exclusivity in the U.S., revenues grew 4 % at constant exchange rates. All regions contributed to this good result. Underlying profitability (recurring EBITDA) reached € 733 million, reflecting a solid financial performance above our expectations. Net profit (after minority interest)

reached € 42 million, impacted by significant, one-time, non-recurring, restructuring and impairment charges as a consequence of the SHAPE programme. Based on the company's dividend policy, which focuses on its long-term growth potential irrespective of short term variations in income, the Board proposes a gross dividend of € 0.92 per share.

Pursuing our long-term strategy

Our long-term strategy of achieving leading positions in the treatment of selected severe diseases in CNS and immunology is being executed. This 'Execution Phase' has gained momentum in 2008 with several regulatory approvals and the implementation of the SHAPE programme. Being successful with our new product launches will allow us to enter our 'Intense Growth Phase' where we intend to unleash the commercial potential of our new medicines such as Cimzia® for rheumatoid arthritis, Vimpat® for epilepsy and Neupro® for Parkinson's disease. Looking further ahead, our drug discovery organisation is already working on new medicines for our 'Breakthrough Phase'.

UCB NewMedicines™, our new drug discovery through to proof-of-concept organisation, was rolled out in 2008. At the end of the year, its first molecule to enter the development pipeline, CDP6038, began Phase I of clinical trials. Several drug discovery alliances and more than 80 university partnerships are active in a new approach to open innovation. Strong technology platforms and this new external focus of UCB NewMedicines™ are designed to maximise the return from our investment in the search for scientific and medical breakthroughs.

Beyond new drug research, we shall continue to increase our focus on core areas and to partner with the best in the world in drug development, manufacturing or commercialisation, as long as it is coherent with our strategy.

The global financial crisis

While no one can claim to be immune from the current global financial crisis, its impact on UCB is currently expected to be relatively modest. We believe our concentration on medicines for severe diseases makes our revenues less vulnerable to changes in the economic environment because demand for effective therapies is unlikely to diminish. Our liquidity position remains healthy: bank facilities expire at the end of 2011 and available cash is invested prudently, with a large portion of cash investments in short-dated government bonds.

Looking forward

In 2009, UCB will launch products in the U.S., in Europe and in other markets. The patent expiry of Keppra® in the U.S., in January 2009 will have an impact on sales in that country. We expect to continue delivering strong regulatory performance, in particular by progressing the approval of Cimzia® for rheumatoid arthritis in Europe and in the U.S. We look forward to learning more about the potential of *brivaracetam* to further strengthen our epilepsy franchise with Phase III results expected in the third quarter of the year, and to seeing Phase II results of *epratuzumab* in the middle of the year. Additional progress will also be made with our early pipeline. UCB expects in 2009 to deliver revenue of approximately € 3.3 billion, recurring EBITDA greater than € 680 million, and net profit above € 130 million excluding the expected capital gains resulting from already announced divestments of early 2009.

Also in 2009, we shall continue to SHAPE our organisation for the future and to promote the development of our people. While the knowledge and expertise of our people are crucial, it is their passion that makes the difference. UCB is in business for people, in particular to make a real difference for people who live with a severe disease.

We want to thank all our staff at UCB for their commitment to our mission. And we want to thank our many business partners for their confidence in UCB and for their cooperation. Finally, we wish to thank the Board and our shareholders for their support and guidance in transforming UCB into the next generation biopharma leader.

Roch Doliveux,
Chief Executive Officer

Karel Boone,
Chairman

Meeting our Goals

2008 was a year of significant achievement for UCB. We also had to overcome some challenges but, despite these, we remained focused on our goal of becoming the next generation biopharma leader.

Objective 1
Maximise Keppra® sales and drive Neupro® and Xyzal® growth

Objective 2
Deliver new products and prepare new product launches

Objective 3
Strengthen core processes, invest wisely, save and simplify

Objective 1
Maximise Keppra® sales and drive Neupro® and Xyzal® growth

Keppra® in epilepsy

Keppra® continued its strong growth, enhancing its market position in the treatment of epilepsy, and particularly its leadership in the U.S. and Europe, supported by new indications and forms. Keppra® net sales grew by 23 % to € 1 266 million, compared with 2007. Generic *levetiracetam* was launched in the U.S. in November 2008, as anticipated. Generic erosion of Keppra® sales was partially compensated by the launch of Keppra® XR in the U.S. and Vimpat® in Europe. Vimpat® is the company's new add-on epilepsy treatment which was successfully introduced in Europe in September 2008.

Neupro® in Parkinson's disease

The transdermal patch for Parkinson's disease, Neupro®, reached net sales of € 58 million, reflecting the impact of the product recall in the U.S. in March 2008 and the restriction on promotion in Europe from April 2008. These actions resulted from a deviation of the product from the approved specification. To resolve this issue, a complete cold chain storage and distribution system was successfully implemented throughout Europe in September 2008. Pending European authority approval, UCB plans to make Neupro® available again to all patients, including new patients, in Europe during the first half of 2009. Also in the first half of 2009, UCB intends to continue its dialogue with the FDA about the resolution of this issue in the U.S.

Xyzal® in allergy

Our prescription anti-histamine product Xyzal® continued its growth reaching net sales of € 173 million, up 3 % compared to 2007. Sales in the U.S. generated by UCB with our co-promotion partner, sanofi-aventis, following the successful launch of Xyzal® in this market in October 2007, were € 39 million, with 23 % growth over 2007.

Objective 2
Deliver new products and prepare new product launches

Cimzia® in Crohn's disease and rheumatoid arthritis

Cimzia® in Crohn's disease was approved and successfully launched in Switzerland in January 2008 and in the U.S. in April 2008, generating total sales of € 10 million. Since its launch, over 3 500 patients have been prescribed the product and more than 5 000 gastroenterologists have enrolled in the UCB CIMplicity™ programme which helps patients with nursing and reimbursement support. In Europe, EMEA's Committee for Medicinal Products for Human Use (CHMP) rejected the appeal by UCB against the CHMP's refusal of marketing authorisation for Cimzia® in the treatment of patients with Crohn's disease in March 2008. In June 2008, UCB and Otsuka Pharmaceuticals announced a co-promotion agreement in Japan for Cimzia® for the treatment of Crohn's disease. The companies plan to submit the filing dossier for Cimzia® in Crohn's disease to the Japanese Pharmaceuticals and Medical Devices Agency (PMDA) in 2009.

In February 2008, the FDA agreed to accept, for filing and review, a Biologics License Application for Cimzia® for the treatment of adult patients with active rheumatoid arthritis. In July 2008, the European Marketing Authorisation Application for Cimzia® for the treatment of rheumatoid arthritis was accepted for review by the EMEA. The review of Cimzia® by the EMEA for the treatment of rheumatoid arthritis is ongoing. In January 2009, UCB received a Complete Response Letter from the FDA asking the company to submit an additional safety data update. In early February 2009, the company met with the FDA in order to understand the authority's requirements. UCB intends to provide the FDA with the data it requires by the end of the first half of 2009. If approved, Cimzia® will be the first and only PEGylated anti-TNF (Tumour Necrosis Factor) biologic therapy available for the treatment of this disease.

Vimpat® in epilepsy and diabetic neuropathic pain

In September 2008, Vimpat® was approved in Europe as adjunctive therapy for the treatment of partial-onset seizures in adults with epilepsy. By year-end, the drug was launched in Germany and in the U.K. Epilepsy specialists have responded positively to the launch of Vimpat® and over 4 500 patients have already been prescribed the drug as an add-on to their current medication. In October 2008, Vimpat® was approved in the U.S. as adjunctive therapy for partial-onset seizures in adults with epilepsy. Vimpat® will be launched in this market in early 2009 by the established UCB epilepsy team.
In July 2008, UCB received an Action ('Not Approvable') Letter from the FDA for *lacosamide* in the treatment of diabetic neuropathic pain (DNP) in adults. In September 2008, UCB withdrew the European Marketing Authorisation Application for *lacosamide* in DNP. UCB has taken this decision based on the view of the CHMP that the magnitude of the clinical effect of *lacosamide* in DNP has not been convincingly established. UCB is considering whether to initiate additional clinical trials to answer this concern.

Keppra® and Keppra® XR in epilepsy

In June 2008, the FDA granted paediatric exclusivity for Keppra® in the U.S. This extended the period of exclusivity on Keppra® across all licensed indications by six months to January 2009. Following a settlement between UCB and Mylan, Mylan launched its generic version of Keppra® 250 mg, 500 mg and 750 mg tablets in the U.S. in early November 2008.
Also in June 2008, UCB and Otsuka Pharmaceuticals announced a co-promotion agreement in Japan for Keppra® for the adjunctive treatment of partial-onset seizures. UCB has submitted a file for the approval of Keppra® in epilepsy to the Japanese authorities in November 2008. Keppra® XR, an extended release formulation of *levetiracetam*, was launched in October 2008 in the U.S. generating sales of € 10 million by the end of the year.

Neupro® in restless legs syndrome

In April 2008, the CHMP issued a positive opinion recommending that the EMEA grants a marketing authorisation for Neupro® in the symptomatic treatment of moderate-to-severe idiopathic restless legs syndrome (RLS) in adults, in Europe. UCB plans to launch the RLS indication in Europe during the first half of 2009, pending European authority approval of the cold chain storage and distribution solution to the product specification deviation issue.

In the U.S. the supplemental New Drug Application (sNDA) for the use of Neupro® as a treatment for moderate-to-severe RLS was accepted for filing by the FDA in December 2007. In December 2008, UCB received a Complete Response Letter from the FDA in which the FDA noted the substantial evidence of effectiveness of Neupro® in both advanced Parkinson's disease and RLS. Before approving the drug for these indications however, the FDA has requested to see resolution of the product specification deviation which had caused UCB to withdraw the product from the U.S. market in March 2008. UCB intends to continue its dialogue with the FDA about the re-launch of Neupro® in the U.S.

Objective 3
Strengthen core processes, invest wisely, save and simplify

SHAPE programme

In August 2008, UCB launched a strategic programme called SHAPE that aims to transform UCB into a specialist company focused on severe diseases of the central nervous system and immunology. While strengthening its presence in core strategic markets such as Europe, Japan and the U.S. and major emerging markets, UCB focuses its resources on new growth drivers, more rapidly advances research and development efforts, and simplifies the company's organisation. This will enhance the company's competitiveness and profitability. UCB is reducing its worldwide workforce by approximately 2 000 positions, or 17% of the total workforce, by mid 2009. Consistent with this strategy, UCB announced early in 2009 a strategic alliance with Wilex, a biotech company in Germany, to develop the non-core, pre-clinical oncology project portfolio of UCB. We also transferred non-core products in small non-core markets to GlaxoSmithKline.

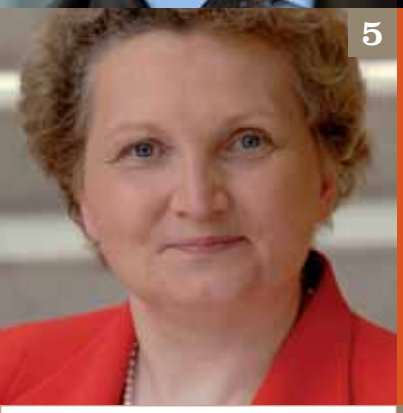
Integration of Schwarz Pharma

The integration of Schwarz Pharma has gone well. We have realised € 380 million of synergies. With this, UCB will have completed the integration of Schwarz Pharma and generated the promised synergies almost 18 months ahead of schedule.

1 Michele Antonelli,
Executive Vice President,
Technical Operations &
Quality Assurance

2 Roch Doliveux,
Chief Executive Officer &
Chairman of the Executive
Committee

3 Fabrice Enderlin,
Executive Vice President,
Corporate Human Resources



4 Melanie Lee,
Executive Vice President &
President UCB NewMedicines™

5 Iris Löw-Friedrich,
Executive Vice President,
Global Projects & Development,
Chief Medical Officer

6 Mark McDade,
Executive Vice President,
Global Operations

7 Detlef Thielgen,
Executive Vice President,
Chief Financial Officer

8 Bob Trainor,
Executive Vice President &
General Counsel

Shaping the Future: UCB NewMedicines™

2008 was a year of significant change in UCB Research & Development, seeing the formation of UCB NewMedicines™ and of Global Projects & Development – two cornerstones for the future success of UCB.

Delivering on our late-stage development pipeline goals which is a key part of our 'Execution Phase' ambition, is clearly an urgent priority. However, beyond the next 'Intense Growth Phase', UCB also aspires to deliver the 'Breakthrough Phase' to be able to offer the innovative high value medicines that are needed to treat severe diseases in our chosen therapeutic areas in the future.

For the company to be able to deliver on this aspiration, UCB NewMedicines™ was designed during 2008 and the new organisation launched in October. UCB NewMedicines™ has a focus on the early discovery research pipeline through to clinical proof-of-concept for products showing efficacy in target diseases. The working environment within UCB NewMedicines™ emphasises innovation and creativity with a focus on the delivery of new products into full development.

Once clinical proof-of-concept has been demonstrated, products increase substantially in value. UCB Global Projects & Development is responsible for moving these products through full development with rigour and efficiency in close consultation with the regulatory authorities to secure new drug marketing approvals.

UCB NewMedicines™ and Global Projects & Development share a common project team platform extending into the commercial organisation to ensure continuity throughout the R&D value chain. In addition, through the SHAPE programme, we are co-localising core activities, in recognition of the importance of bringing critical functions together in the same location in order to increase accountability and ownership and reduce complexity. In this section of the Annual Report, we describe further the research and development organisations which between them span a process from early discovery through to product launch.

Focused on delivery

UCB NewMedicines™ is the drug discovery research through to proof-of-concept organisation, established to secure the future pipeline of UCB. Dedicated resources span all required disciplines for projects through these early phases of the value chain and the new organisation is highly networked with the external world to access novel technologies, collaborators and services. Using a disseminated discovery approach to early research which fosters an environment for innovation, UCB NewMedicines™ is optimising early investment with a mix of internal and external projects. This aims to ensure the delivery of high-value, differentiated projects with which to create the company's 'Breakthrough Phase' pipeline.
The therapeutic focus of UCB NewMedicines™ is on central nervous system (CNS) and immunology disorders with state-of-the-art technology platforms underpinning our programmes. UCB NewMedicines™ is located at two 'hubs': Braine-l'Alleud (Belgium) and Slough (U.K.). These sites focus on CNS and immunology disorders respectively.

Patient focus

The goal of UCB NewMedicines™ is to address the unmet medical and broader needs of patients living with severe diseases by including early medical and patient input into our programmes so that we can ensure clinical differentiation. Physicians and patients play a major part in UCB NewMedicines™ from the earliest stages of the drug discovery process. Early input into research teams from dedicated experimental physicians is building clinical differentiation into our products in order to maximally benefit patients. An external network of clinicians is providing in-depth understanding of how treatments and their delivery can be improved.

External focus

UCB NewMedicines™ has an increased emphasis on external collaboration and research to sustain pipeline innovation. Grounded in open innovation principles, UCB NewMedicines™ employs a collaborative external approach to access cutting-edge knowledge and ideas, carefully selecting appropriate discovery research and early stage clinical partnerships and collaborations to enrich its activities, seeking partners from multiple sources, both in industry and in academia.

The use of 'incubators' is enabling external experts to complement and strengthen the science within UCB NewMedicines™ as well as allowing non-core inventions to be taken forward outside the company. Outsourcing and increased virtual working is also bringing in external expertise while allowing a sharper focus for internal resources.

2008 achievements: collaborations and partnerships

In 2008, we announced two government-funded research collaborations illustrating how UCB NewMedicines™ is strengthening its early research capabilities through external partnerships. Together with Bonn University and other industry partners, UCB has been selected by the German government to receive € 20 million over the next three years to develop a proprietary portfolio of up to six drug discovery projects in the CNS area.

In a separate collaboration, UCB and Pfizer announced the formation of a new joint venture, Cyclofluidic, a breakthrough technology organisation established with the aim of significantly accelerating the drug discovery process. The U.K. Government's Technology Strategy Board has helped facilitate this innovative arrangement and will continue to support Cyclofluidic by co-funding its R&D.

In deciding to focus on research in CNS and immunology, an alternative solution for the company's oncology research projects was needed. In a new creative deal structure, UCB is investing in, and collaborating with, Wilex (Germany) which will now develop the oncology research project portfolio.

UCB has also formed strategic collaborations with two Indian companies. With Inogent (a GVK Biosciences company), UCB NewMedicines™ and Technical Operations access high quality skilled resources which then enable UCB to employ its own resources most efficiently. UCB NewMedicines™ also now has an alliance with Sai Advantium in the area of discovery chemistry.

All projects within UCB NewMedicines™ pursue a highly collaborative approach and other partnerships have been formed throughout 2008. With companies like Proteros and deCode, for example, UCB gains access to specialist technologies as it also has done with key academic institutions such as King's College in London, and the University of California in San Francisco.

Pipeline

The CDP6038 project, an *anti-IL6* molecule for autoimmune diseases, entered Phase I, first dosing in man in December 2008.

Shaping the Future: Global Projects & Development

While there are, thankfully, some illnesses that are curable today, for many there are only treatments that try to control the symptoms. Today's patients and their physicians still need medicines that will either provide a cure or are more effective in controlling symptoms. At UCB, we feel a strong sense of responsibility to develop new medicines that improve the lives of patients with severe disease.

At UCB, we are committed to developing new medicines for CNS and immunological disorders. It is vital that our products satisfy the unmet medical needs that patients, their families, carers and healthcare professionals experience and express to us. Through listening to patients and the professionals who treat them, we believe that we are meeting this challenge.

With 11 different molecular entities for 13 different severe diseases in CNS and immunology, UCB has a solid development pipeline. With seven regulatory approvals, including three new molecular entities (NME's) in the U.S. and six new regulatory filings in 2008, UCB also has a proven track record of bringing new therapies to the patient. In 2008, UCB was the only company to have three NME's approved by the FDA. Even for the larger pharmaceutical companies, it takes on average five years to achieve this. Please see page 9 and pages 26-41 of this report for more details of the development pipeline and projects at UCB.

The UCB drug development function is organised around empowered teams responsible for drug development projects, from candidate selection to the market, through the various life cycle management activities which seek to maximise patient benefit and the economic value of a molecule. These teams take time to understand and consider the disease, its effect on patients and the science behind it. Each project team brings multiple disciplines to the task and continues its work on a drug, well beyond its clinical development phase.

This broad expertise produces informed and well-directed activity around the development of a new product. With a keen understanding of the disease, its underlying mechanisms and its impact on the patient, we are better able to target our therapies at the right patients and to address unmet needs.

Guiding principles for drug development at UCB are high ethical and medical standards that ensure that patient safety comes first. What matters to patients is that medicines deliver the appropriate therapeutic activity, within an appropriate time, in order to have a positive impact on the quality of their lives. Furthermore, in today's world of limited resources for healthcare, the use of a new technology must add real incremental benefit to patients if it is to be adopted by healthcare providers and reimbursed by healthcare payers.

The primary locations for Global Projects & Development are Monheim (Germany), Research Triangle Park, Raleigh (U.S.) and Tokyo (Japan). Regulatory Affairs is co-located with global commercial activities in Brussels (Belgium) and Atlanta (U.S.). Global drug development functions, such as Clinical Operations, act as a resource pool for particular processes and skills, allowing for fast and flexible allocation of staff to projects. Internal control of key steps in the drug development process by the project teams ensures true ownership of projects by the most qualified people.

> **"In 2008, UCB received regulatory approvals for three new molecular entities (NME's) in the U.S., making it the leader in NME approvals in the U.S. in 2008."**
>
> Iris Löw-Friedrich,
> Executive Vice President,
> Global Projects & Development,
> Chief Medical Officer

2008: Multiple regulatory milestones and many approvals

Seven regulatory approvals	
Cimzia® *(certolizumab pegol)*	Crohn's disease – approved in the U.S. (April 2008)
Keppra® XR *(levetiracetam)*	Adjunctive therapy in epilepsy – approved in the U.S. (September 2008)
Neupro® *(rotigotine)*	Restless legs syndrome – approved in the EU (September 2008)
Toviaz® *(fesoterodine)*	Overactive bladder – approved in the U.S. – licensed to Pfizer (October 2008)
Vimpat® *(lacosamide)*	Adjunctive therapy in epilepsy – approved in the EU (September 2008)
Vimpat® *(lacosamide)*	Adjunctive therapy in epilepsy – approved in the U.S. (October 2008)
Xyzal® *(levocetirizine dihydrochloride)*	Oral solution antihistamine – approved in the U.S. (February 2008)
One exclusivity	
Keppra® *(levetiracetam)*	Paediatric exclusivity in epilepsy granted by the FDA - U.S. (June 2008)
Six filings	
Cimzia® *(certolizumab pegol)*	Rheumatoid arthritis – filed in the U.S. (February 2008)
Cimzia® *(certolizumab pegol)*	Rheumatoid arthritis – filed in the EU (July 2008)
Keppra® *(levetiracetam)*	Adjunctive therapy in epilepsy in infants and children – filed in the U.S. (June 2008)
Keppra® *(levetiracetam)*	Adjunctive therapy in epilepsy in infants and children – filed in the EU (July 2008)
Keppra® *(levetiracetam)*	Adjunctive therapy in epilepsy – filed in the Japan (November 2008)
Keppra® XR *(levetiracetam)*	Adjunctive therapy in epilepsy – filed in the U.S. (January 2008)

Epilepsy

Epilepsy is a common neurological disorder that sometimes disturbs the normal activity of brain cells. This can result in strange sensations, emotions and behaviour as well as cause convulsions, muscle spasms and loss of consciousness.
Around 50 million people worldwide have epilepsy. It is especially prevalent in childhood, adolescence and old age. Epilepsy is the most common serious brain disorder worldwide.

Marketed product name	Indication	Net sales 2008 (€ million)	Net sales 2007 (€ million)
Keppra® *(levetiracetam)*	• Add-on therapy for the treatment of partial-onset seizures in patients with epilepsy, aged four years and over (EU & U.S.) • Add-on therapy for the treatment of myoclonic seizures in patients with juvenile myoclonic epilepsy, aged 12 years and older (EU & U.S.) • Add-on therapy for the treatment of primary generalised tonic-clonic seizures in patients with idiopathic generalised epilepsy (12 years and older, EU, six years and older, U.S.) • Monotherapy for the treatment of partial-onset seizures in patients with epilepsy, aged 16 years and older (EU)	1 266	1 026
Keppra® XR *(levetiracetam)*	Add-on therapy for the treatment of partial-onset seizures in patients with epilepsy, aged 16 years and older (U.S.)	10 [a]	-
Vimpat® *(lacosamide)*	Add-on therapy for the treatment of partial-onset seizures with or without secondary generalisation in patients with epilepsy, aged 16 years and older (EU)	2 [b]	-

Pipeline product name	Therapeutic area	Status / Clinical Stage
Vimpat® *(lacosamide)*	Add-on therapy for the treatment of partial-onset seizures in patients with epilepsy, aged 17 years and older	Approved in the U.S.
Keppra® *(levetiracetam)*	Epilepsy, adjunctive therapy	Filed in the Japan
Keppra® XR *(levetiracetam)*	Epilepsy, monotherapy (U.S.)	Phase III
Vimpat® *(lacosamide)*	Epilepsy, monotherapy	Phase III
brivaracetam	Epilepsy, adjunctive therapy	Phase III

[a] Launched in the U.S. (October 2008)
[b] Launched in Germany and the U.K. (September 2008)

Lakeisha's epilepsy wasn't properly diagnosed until she had to resign from her job, lost her house and wrecked her car – all because of her poorly controlled seizures.

She became withdrawn and fearful of living her life. She lost the will to succeed. A new neurologist helped her find a drug that gave her fewer side effects than her previous medicines. When she became pregnant for the second time, she was referred to an epileptologist specialising in treating women with epilepsy.

Epilepsy

Marketed Products

Building on its trusted heritage and proven commitment to the epilepsy community, UCB delivered two valuable new treatments options for people living with uncontrolled partial onset seizures during 2008.

Vimpat® launched in Europe and approved in the U.S.

In September 2008, the new antiepileptic drug, Vimpat®, was approved in Europe as adjunctive therapy for the treatment of partial-onset seizures with or without secondary generalisation in patients with epilepsy aged 16 years and older. In the U.S., the FDA approved Vimpat® as add-on therapy for the treatment of partial-onset seizures in people with epilepsy who are 17 years and older.

Vimpat® has a novel mode of action and, in clinical trials, improved partial onset seizure control in a significant number of people with uncontrolled partial-onset seizures, when added to a wide range of first and second generation antiepileptic drugs. Vimpat® therefore has the potential to become a first choice treatment to add to both older and newer antiepileptic drugs. Vimpat® has been approved from the outset in multiple oral and intravenous formulations.

Within days of its European approval, Vimpat® was launched in Germany and in the U.K. and physicians have responded positively to the product. Over 4 500 patients have already been prescribed Vimpat® in addition to their current medication. Vimpat® is expected to be launched in the U.S. in the first quarter of 2009.

Keppra® XR launched in the U.S.

Following its approval as add-on therapy for the treatment of partial-onset seizures in people with epilepsy who are 16 years of age and older, the once daily formulation, Keppra® XR (extended release tablets) was launched in the U.S. in October 2008.

Keppra® XR offers patients simplified treatment and another opportunity to achieve improved seizure control which is an important goal for people living with epilepsy.

Keppra® sales remain strong

While 2008 has seen important regulatory milestones for UCB to grow its epilepsy franchise, strong worldwide sales growth has continued for Keppra®, with sales up 23% to € 1 266 million. Keppra® is making a significant impact in markets in the rest of the world, such as China, India and Korea, where sales were up 47% to € 60 million.

UCB and Otsuka Pharmaceuticals announced that the companies will co-promote Keppra® for the adjunctive treatment of partial-onset seizures and will co-develop and co-promote Keppra® in other epilepsy indications. UCB has submitted a file for the approval of Keppra® in epilepsy to the Japanese PMDA in November 2008.

Pipeline Product

Brivaracetam progress

Phase III efficacy and safety data for the novel molecule, *brivaracetam*, are expected in the second half of 2009. *Brivaracetam* has a distinct pharmacological profile that differentiates it from other currently available treatment options. In pre-clinical studies, *brivaracetam* demonstrated a 10-fold higher affinity for synaptic vesicle protein 2A (SV2A) than Keppra®. The clinical significance of these findings is not known. *Brivaracetam* also demonstrated inhibitory activity at neuronal voltage-dependent sodium channels whose abnormal function is understood to contribute to electrical discharges associated with seizures. These differences may be important for the antiepileptic activity of *brivaracetam*, its clinical efficacy and its tolerability.

Beatriz was 30 years old before her epilepsy was diagnosed, despite experiencing 'fainting spells' as a child and night-time seizures as a student.

Afraid her diagnosis could put her job as a TV newsreader in jeopardy, she tried to keep her epilepsy a secret. But her medication made her feel unwell. Beatriz's epilepsy became known at work. Later, her contract was not renewed. She started a postgraduate course to try to improve her chances of future employment. It was only when Beatriz discovered other people with epilepsy who she could talk to about her problems, that her life started to improve.

Now an award-winning author, Beatriz speaks and writes widely on the subject of epilepsy about which she feels so passionately.

Parkinson's Disease

Parkinson's disease is a chronic, degenerative neurological disease and progressive movement disorder. It affects one in every 500 people, equivalent to approximately four million people worldwide. Parkinson's disease develops with the loss of the nerve cells in the brain that produce a chemical called dopamine. As levels of dopamine fall, the symptoms of Parkinson's disease gradually develop, including tremors, rigidity and slowness of movement.

Marketed product name	Indication	Net sales 2008 (€ million)	Net sales 2007 (€ million)
Neupro® *(rotigotine transdermal system)*	• Signs and symptoms of early-stage idiopathic Parkinson's disease (U.S.) • Signs and symptoms of early-stage idiopathic Parkinson's disease as monotherapy, and as adjunctive therapy in combination with *levodopa* in the later stages of the disease (EU)	58	52

Pipeline product name	Therapeutic area	Status / Clinical Stage
Neupro® *(rotigotine transdermal system)*	Advanced Parkinson's disease	Filed in the U.S.

Marketed Products

The UCB Parkinson's disease patch, Neupro®, delivers treatment to mimic the action of dopamine continuously through the skin. This unique formulation provides stable drug levels in the bloodstream 24 hours a day. In the U.S., Neupro® was launched in 2007 for the treatment of the signs and symptoms of early-stage idiopathic Parkinson's disease. The company recalled Neupro® from the U.S. market in March 2008, after ongoing monitoring revealed a deviation from the approved product specification and crystal formation in some batches. In December 2008, UCB received a Complete Response Letter from the FDA which concluded that there was substantial evidence of effectiveness of Neupro® in patients with advanced Parkinson's disease. UCB needs to first resolve the issue of crystal formation in the patches before re-launching the drug in the U.S. In 2009, UCB intends to continue its dialogue with the FDA regarding the re-introduction of Neupro® into the U.S. market. In Europe, Neupro® is indicated for the treatment of the signs and symptoms of early-stage idiopathic Parkinson's disease as monotherapy, or in combination with *levodopa* over the course of the disease, through to late stages. A complete cold chain storage and distribution system successfully implemented by September 2008 has helped control the crystal formation issue and allowed existing patients to continue their therapy. Pending European regulatory authority approval of the cold chain storage and distribution system, UCB aims to make Neupro® available again to all patients suffering from Parkinson's disease, including new patients, in Europe during the first half of 2009.

It is over 20 years since Terry was diagnosed with Parkinson's disease at the age of 46. Having lost a job in the London stock market, Terry experienced rejection at numerous job interviews when potential employees discovered he had Parkinson's disease. Now retired, Terry has refused to be defeated by his disease. A keen sportsman, he took up marathon running and has since run 16 marathons, and raised about £50 000 for Parkinson's disease.

"I never consider that I am a carer. I am Terry's wife, his friend and he is mine… He is after all still Terry who just happens to have Parkinson's disease," says Jean.

Restless Legs Syndrome

Restless legs syndrome is a chronic, progressive neurological disorder that causes uncomfortable burning, tingling, gnawing and pulling sensations in the legs, leading to an irresistible urge to move about.

Pipeline product name	Indication	Status / Clinical Stage
Neupro® *(rotigotine transdermal system)*	Symptomatic treatment of moderate to severe restless legs syndrome	Approved in the EU Filed in the U.S.
rotigotine nasal spray	Restless legs syndrome	Phase II

Affecting 3% to 10% of the population to some degree, symptoms of restless legs syndrome (RLS) typically appear during periods of rest and inactivity and are often most pronounced in the evening and at night, on long flights, car trips or while sitting in the theatre or cinema. The exact cause of restless legs syndrome is unknown, but there is evidence of an imbalance of dopamine – the same chemical in the brain that is depleted in Parkinson's disease.

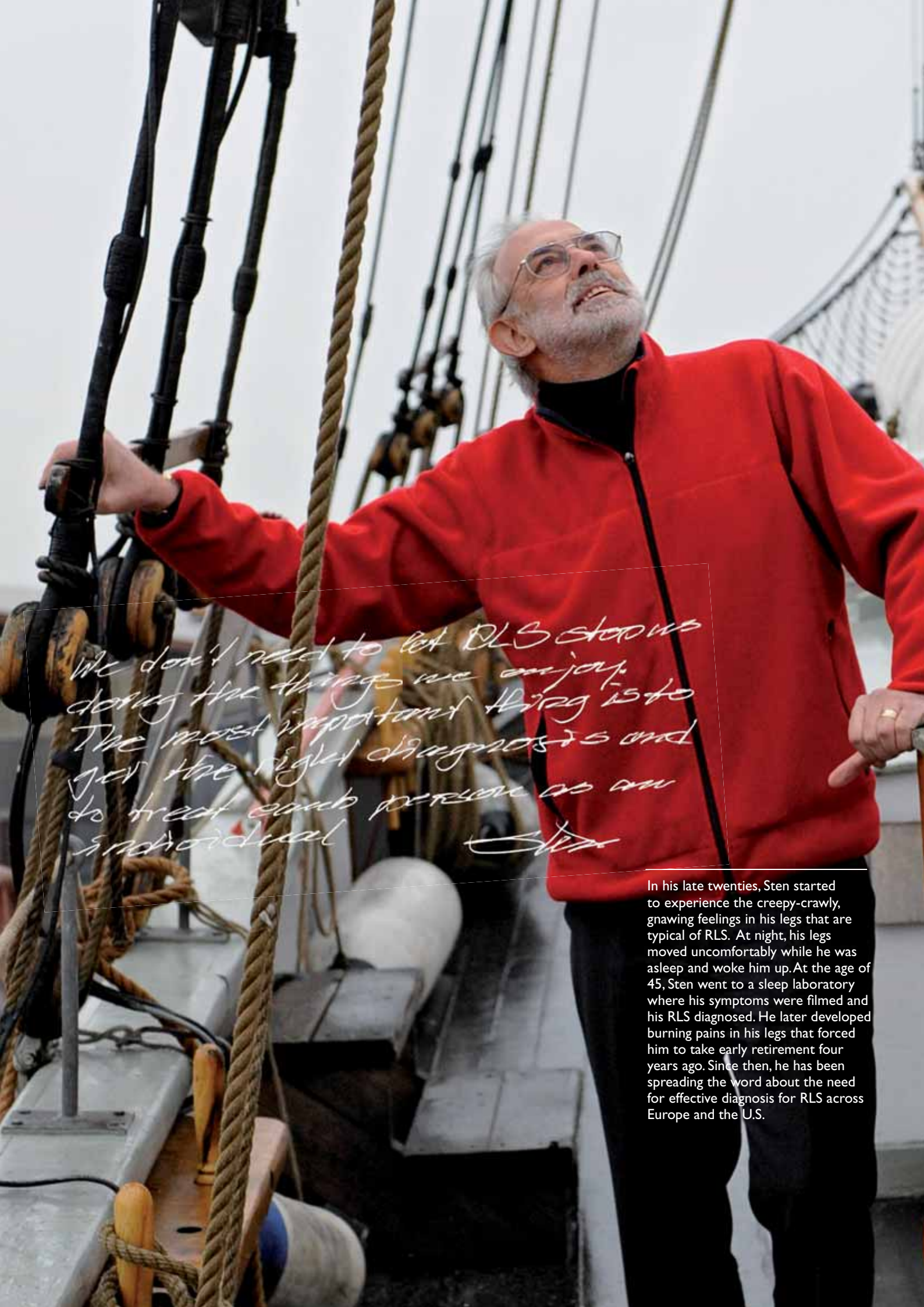
Pipeline Product

In September 2008, the European Commission approved Neupro® for the symptomatic treatment of moderate-to-severe idiopathic restless legs syndrome in adults.

The approval was based on data from two well-controlled clinical trials that evaluated the efficacy and safety of Neupro® over a six month period in almost 1 000 patients with restless legs syndrome. In these trials, Neupro® showed significant and clinically relevant improvements in restless legs syndrome symptoms compared to placebo and was generally well tolerated.

Pending European regulatory authority approval of the cold chain storage and distribution system, UCB aims to launch Neupro® for the RLS indication in Europe in 2009.

The FDA accepted for filing the supplemental New Drug Application (sNDA) for the use of Neupro® as a treatment for moderate-to-severe RLS in December 2007.
In December 2008, UCB received a Complete Response Letter from the FDA which concluded that there was substantial evidence of effectiveness of Neupro® in patients with RLS.
UCB needs to first resolve the issue of crystal formation in the patches before re-launching the drug in the U.S.
UCB will continue its dialogue with the FDA on this topic in 2009.



In his late twenties, Sten started to experience the creepy-crawly, gnawing feelings in his legs that are typical of RLS. At night, his legs moved uncomfortably while he was asleep and woke him up. At the age of 45, Sten went to a sleep laboratory where his symptoms were filmed and his RLS diagnosed. He later developed burning pains in his legs that forced him to take early retirement four years ago. Since then, he has been spreading the word about the need for effective diagnosis for RLS across Europe and the U.S.

Other Therapies

Diabetic Neuropathic Pain

Diabetic neuropathic pain is a painful and potentially debilitating complication of diabetes often characterised by a stabbing or burning sensation in the legs, feet and/or hands. It is caused by damage or dysfunction to the peripheral nervous system, as a result of diabetes or impaired glucose tolerance. DNP often substantially interferes with sleep, recreational activities, mobility, normal work and social activities. As a result, many patients with this condition experience a significantly reduced quality of life.

Pipeline Product

In July 2008, UCB received a 'Not-Approvable' Letter from the FDA for *lacosamide* for the treatment of diabetic neuropathic pain in adults in the U.S. UCB is currently in consultation with the FDA to seek clarification of what is required to obtain final marketing approval.
In September 2008, UCB withdrew the European Marketing Authorisation Application with the EMEA and is considering initiating additional clinical trials to further substantiate the magnitude of effect of *lacosamide* in diabetic neuropathic pain.

Fibromyalgia

Fibromyalgia is an idiopathic, chronic, pain syndrome defined by widespread musculoskeletal pain and generalised tender points. Other common symptoms include sleep disturbances, fatigue, headache, morning stiffness and anxiety.
It is usually a disorder of women aged 20 to 50 years. However, it has also been observed in men, children, adolescents, and older persons. Fibromyalgia is more common in relatives of people with fibromyalgia, suggesting the contribution of genetic factors.

Pipeline Product

In October 2008, Jazz Pharmaceuticals and UCB announced preliminary results from the first of two Phase III pivotal clinical trials of Xyrem® for the treatment of fibromyalgia. The randomised, double-blind, placebo-controlled study achieved its primary endpoints, demonstrating that Xyrem® significantly decreased pain and fatigue, and improved daily function in patients with fibromyalgia.
Xyrem® is approved by the FDA for the treatment of excessive daytime sleepiness and cataplexy (the sudden loss of muscle tone) in patients with narcolepsy. It is also approved by the EMEA for the treatment of narcolepsy with cataplexy in adult patients. It is marketed in the U.S. by Jazz Pharmaceuticals and in Europe, by UCB.

Multiple Sclerosis

Multiple sclerosis (MS) is a chronic disease of the central nervous system that affects an estimated 1.1 - 2.5 million people worldwide. Although the exact cause is unknown, MS occurs as a result of loss of the protective outer coating on nerves in the brain and spinal cord. Deterioration in the way that messages are transmitted around the body leads to loss of movement and other body functions. Symptoms of MS can include vision problems, loss of balance, numbness, difficulty walking and paralysis.

Pipeline Product

CDP323, which is being developed by UCB and Biogen IDEC, is currently undergoing Phase II clinical trials in the treatment of MS. CDP323 is an orally active small molecule VLA-4 antagonist. UCB and Biogen IDEC expect the Phase II clinical trial to be fully enrolled by mid-2009. Results of the Phase II studies are expected in the first quarter of 2010.

Other Projects

The following proof-of-concept studies have not met their primary endpoints. Full analysis of clinical data is ongoing:

- *lacosamide* in fibromyalgia
- *lacosamide* in migraine prophylaxis
- *rotigotine* in fibromyalgia.

Pipeline product name	Indication	Status / Clinical Stage
Vimpat® *(lacosamide)*	Diabetic neuropathic pain	Phase III
Xyrem® *(sodium oxybate)*	Fibromyalgia	Phase III
CDP323	Multiple sclerosis	Phase II

Crohn's Disease

Crohn's disease is a chronic condition often diagnosed in young adults at a time when individuals are making decisions that will affect the rest of their lives. There are many needs for those who suffer from Crohn's disease, and Cimzia® is an important new option for these patients as it is the only PEGylated anti-TNF drug approved for this indication.

Marketed product name	Indication	Net sales 2008 (€ million)
Cimzia® *(certolizumab pegol)*	Crohn's disease	10 [a]
Pipeline product name	**Indication**	**Status/Clinical Stage**
Cimzia® *(certolizumab pegol)*	Crohn's disease (EU)	Phase III

[a] Launched in Switzerland (January 2008) and in the U.S. (April 2008)

With Crohn's disease (CD), the body's immune system attacks healthy cells in the gastrointestinal tract, causing inflammation. CD is therefore classified as an autoimmune disorder. CD is also defined as an inflammatory bowel disease. Other autoimmune disorders include rheumatoid arthritis, ulcerative colitis, psoriasis, psoriatic arthritis, and ankylosing spondylitis.

The lives of people with CD are frequently disrupted by flare-ups of the condition, which can lead to an urgent need to use the bathroom, stomach pain and fever, limiting the sufferer's ability to lead a normal life. With CD, the body produces too much of a protein called tumour necrosis factor. This triggers the inflammation of the digestive tract and causes the disease's painful symptoms. No one knows exactly what causes CD, but something causes the immune system to over-react. Different stimuli may cause CD in different people. It might be a kind of bacteria, something particular to a CD patient's intestines, or even family history. Scientists now believe it is a combination of all these factors. Patients with CD may have inherited a unique gene in their immune system. Then, something happened that triggered that gene, causing the overreaction, which then caused inflammation in the intestines. Most people are diagnosed with CD in their teens and twenties, a time in life when one is typically faced with major life-decisions such as college, new jobs and relationships.

Marketed Product

Cimzia® is another option to treat CD, now helping to bring back a degree of freedom to Crohn's patients in the U.S. and Switzerland. The launch of Cimzia® in the U.S. for the treatment of CD continues, with over 3 500 patients being prescribed the product since its launch in April 2008. Over the same period, more than 5 000 gastroenterologists have enrolled in UCB's CIMplicity™ service. Data suggest that half of the patients treated for CD with Cimzia have not previously received an anti-TNF drug treatment.

Carrie was the only U.S. female kayaker to qualify for the 2008 Beijing games and made it to the semi-final round before losing by tenths of a second. She has competed in the past two Olympic Games and, at the age of 24, is already training for a potential third Olympic games in 2012. Working with her doctors, Carrie has been able to get the disease under control and continue her rigorous training.

Rheumatoid Arthritis

Rheumatoid arthritis is a chronic, progressive and disabling autoimmune disease affecting an estimated five million people globally. In the U.S. alone, an estimated 1.3 million people have the disease. Women are three times more likely to be affected than men. It is a very painful condition that can cause severe disability and may ultimately affect a person's ability to work and carry out everyday tasks.

Pipeline product name	Indication	Status / Clinical stage
Cimzia® *(certolizumab pegol)*	Rheumatoid arthritis	Filed (EU & U.S.)

Rheumatoid arthritis (RA) causes the immune system, which usually fights infection, to attack the joints. Symptoms may come and go and vary in severity from patient to patient. The main symptoms are joint stiffness and pain, swelling, reduction in mobility, appearance of nodules or lumps under the skin, reduction in mobility. These symptoms often lead to permanent damage of joints and bones. As this damage occurs, patients may find their movement becomes more restricted, and this can lead to difficulty in undertaking even the simplest everyday tasks.
In more severe cases, RA can eventually lead to disability. Given the age of the average RA patient, the cost of work-related disability is often a larger societal burden than the cost of treatment.

RA patients are also at a higher risk of developing other conditions, in particular heart disease, stroke, infections, lung problems and osteoporosis. There is no clear reason why this should be the case, but lack of exercise and mobility are risk factors for developing many of these conditions.

Pipeline Product

The FDA accepted for review the Biologics License Application (BLA) for Cimzia® for the treatment of adult patients with active RA in the U.S. in February 2008. In July 2008, UCB announced that the European Marketing Authorisation Application for Cimzia® for the treatment of rheumatoid arthritis had been accepted for review by the EMEA.

In January 2009, UCB announced that the FDA had issued a Complete Response Letter relating to its BLA. As a prerequisite for the approval of Cimzia®, the FDA requested a new safety update, including new data generated since the filing of the BLA. At a meeting with the FDA in February 2009, it confirmed that no additional clinical or pre-clinical studies are required.
UCB plans to submit its response during the second quarter of 2009.

Amye was a typical kid growing up in California but, when she was 18, things started to change: a combination of rheumatoid arthritis, Sjogren's syndrome and osteoporosis was taking over her body.
When Amye realised many people were going through the same difficult adjustments she was experiencing she decided to do something about it and started a support group for young people in California that eventually turned into 40 groups around the country. Those support groups led her to speaking at seminars and lectures across the country.
Today, she continues to push for research.

Amye also acts as an advisor to several Public Health organisations and is serving on the United Nations-endorsed Bone and Joint Decade 2000-2010 raising awareness and building partnerships in 60 countries, promoting the education and empowerment of patients to combat bone and joint diseases.

Systemic Lupus Erythematosus

Systemic lupus erythematosus, or 'lupus', is a chronic autoimmune disease in which the immune system attacks cells and tissue in the body, resulting in inflammation and tissue damage. Lupus can affect any part of the body, but most often harms the heart, joints, skin, lungs, blood vessels, liver, kidneys and nervous system.

Pipeline product name	Indication	Status / Clinical stage
epratuzumab	Systemic lupus erythematosus	Phase II

The course of systemic lupus erythematosus (SLE) is highly variable and is characterised by periods of flares interspersed with periods of improvement or remission. Some patients experience a relatively benign disease with little medical intervention, while others can have a serious and aggressive progression that can lead to significant and potentially life-threatening damage to organs such as the kidneys, brain, heart and lungs. The cause of systemic lupus erythematosus is unknown, but is thought to be multifactorial with genetic, hormonal and environmental factors playing a role.
November 2008 marked 50 years without a new, approved treatment for lupus.

Pipeline Product

Epratuzumab is a humanised anti-CD22 antibody that targets B-cells. *Epratuzumab* is being developed by UCB for the treatment of autoimmune diseases, and the first indication being targeted is systemic lupus erythematosus.
Phase II data presented at the European League Against Rheumatism (EULAR) and at the American College of Rheumatology (ACR) in 2008 showed that treatment with *epratuzumab* resulted in clinically meaningful reduced disease activity and reduced reliance on corticosteroids compared to placebo treatment in patients with active moderate and severe SLE. UCB has initiated a Phase IIb clinical study programme with *epratuzumab* for SLE. Enrolment in Europe, the U.S. and the rest of the world is progressing well.
The FDA has granted priority review status to *epratuzumab* for the treatment of patients with systemic lupus erythematosus in the U.S. once the clinical trial programme is completed.

UCB is responsible for the global development of *epratuzumab* in autoimmune diseases as part of the license agreement in place between the molecule's originator, Immunomedics, a U.S.-based biotech company, and UCB. Immunomedics is also developing *epratuzumab* for certain oncology indications.

Bone Loss Disorders

Osteoporosis, or porous bone, is a disease characterised by low bone mass and structural deterioration of bone tissue, leading to bone fragility and an increased susceptibility to fractures, especially of the hip, spine and wrist, although any bone can be affected. While women are four times more likely than men to develop the disease, men also suffer from osteoporosis.

Pipeline product name	Indication	Status/Clinical stage
CDP7851 *(anti-sclerostin)*	Bone loss disorders such as osteoporosis and bone fracture healing	Phase I

Osteoporosis is a major public health threat with an estimated nine million fractures related to osteoporosis occurring annually worldwide. Osteoporosis itself has no specific symptoms. Its main consequence is the increased risk of bone fractures. Osteoporotic fractures occur in situations where healthy people would not normally break a bone, commonly called fragility fractures. Any bone can be affected, but fractures of the hip and spine are of special concern.
A hip fracture almost always requires hospitalisation and major surgery. It can impair a person's ability to walk unassisted and may cause prolonged or permanent disability or even death. Spinal or vertebral fractures also have serious consequences, including loss of height, severe back pain and deformity. While effective therapies do exist, there is a significant unmet need to restore or improve the quality of bone in osteoporosis. Currently available therapies only slow the process, thereby preventing further bone loss.

Bone healing, or fracture healing, is a proliferative physiological process in which the body facilitates the repair of a bone fracture. The length of the process depends on the extent of the injury, and usual margins of two to three weeks are given for the repair of most upper bodily fractures, and anywhere above four weeks given for lower bodily injury. There is another significant unmet need to accelerate this process.

Pipeline Product

CDP7851 (*sclerostin* monoclonal antibody) is a humanised monoclonal antibody that neutralises *sclerostin* and acts as a bone anabolic agent. *Sclerostin* plays a critical role in controlling bone mass by inhibiting the activity of bone-forming cells called osteoblasts which leads to the deterioration of bone tissue which then enhances bone fragility and the consequent increase in fracture risk. The *sclerostin* antibody inhibits the action of the *sclerostin* protein and, in pre-clinical models, has led to increased bone formation and bone mass on trabecular, periosteal and endocortical surfaces.

UCB is collaborating with Amgen on the global development of CDP7851 and the companies have previously presented results from pre-clinical studies.

Managing Talents

Managing talents at UCB means establishing a people-management culture where people are empowered to make a difference for the benefit of the patient.

2008 – A year of challenge and transition

2008 brought changes to UCB teams at every site.
With the SHAPE programme, we have redeployed our resources towards our long-term vision of becoming a patient-centric and specialist-focused leading biopharma company. As a result, UCB had to part ways with around 2 000 employees in different locations across the world. A dedicated Human Resources programme, 'Change with CARE', has offered support to staff, to help them find their next job and has given guidance and support to both management and staff on a practical and emotional level throughout the transition process. It has also helped unaffected people remain focused on our mission, to provide therapies for those suffering severe diseases.

2009 – Talent and people engagement

2009 will be a year for engagement and action, getting people to act on the initiatives introduced by the SHAPE programme. Human Resources at UCB will look to couple state-of-the-art initiatives for talent development with a newly defined cultural approach where empowered teams are led with transparency, courage and trust. In many parts of the company, our new emphasis on working through external partnerships and collaborations will engender new working practices and skills.

The future – UCB people in the long-term

"In 2015, people at UCB will be working for an open and agile company with a strong entrepreneurial spirit for breaking boundaries in innovative science and so finding new treatments for patients with severe diseases," says Fabrice Enderlin, newly appointed Executive Vice-President, Corporate Human Resources.

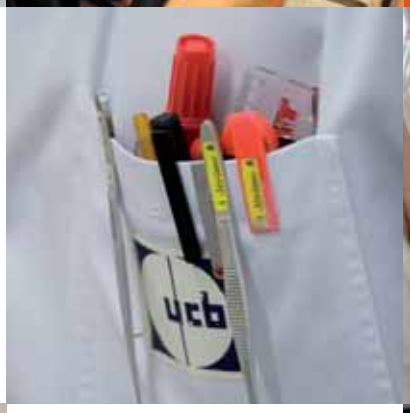
"We see a learning environment that recognises both successes and failures as a part of innovative and creative discovery and of commercial success. We see a company based on integrity and respect and a set of values that are clearly defined and lived on a day-to-day basis."

At UCB, diversity is welcomed, with colleagues across the world working towards our special vision of healthcare focused on severe diseases, where equal employment opportunities are fostered and talent is nurtured to grow to its full potential. UCB welcomes people who broaden its base of skills and experiences, from wherever they come.

Our vision will foster a new work environment based on the technological breakthroughs of the Internet, web conferencing and networking software. People can no longer all work in the same geographic location, but they can all work together with technology linking them, occasionally connecting face-to-face. In this new environment, UCB will be looking closely at knowledge management, thus ensuring the appropriate contribution and sharing of knowledge through such technology. For this to work, the company will need curious people who are constantly looking for the most innovative ways of working together, particularly within the scientific disciplines.

> **"Our HR team's vision is to establish a people-management culture where people are empowered to make a difference at every level within UCB."**
>
> Fabrice Enderlin,
> Executive Vice President,
> Corporate Human Resources

2009 will be a year for engagement and action.



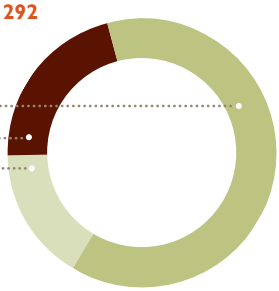
"We see a learning environment that recognises both successes and failures as a part of innovative and creative discovery and of commercial success."

At UCB, diversity is welcomed.

Employees by region - 2008

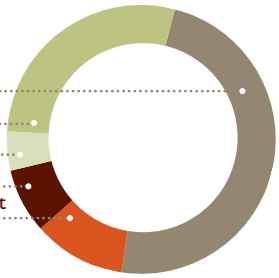
Total number of employees: 11 292

62.9% Europe
21.2% North America
15.9% Rest of World



Employees by function - 2008

48.2% Global Operations
28.3% Technical Operations & QA
11.1% General Administration
7.7% UCB NewMedicines™
4.7% Global Projects & Development



Corporate Care & Concern

Corporate Social Responsibility is embedded in the values of UCB and gives us a framework in which to operate in a manner that it is economically, socially and environmentally sustainable. Our community engagement supports our focus on severe diseases in CNS and immunology and also offers humanitarian support in other areas.

Below are a few examples from the many UCB initiatives in this area:

Caring for patients

Epilepsy support programmes in the U.S.

The 'H.O.P.E. Mentoring Program' (Helping Other People with Epilepsy) was created to allow people who live with epilepsy to educate others and share their experiences. This educational programme trains people with epilepsy to be 'patient educators' throughout the epilepsy and neurology communities. UCB supports the 'H.O.P.E. Mentoring Program', which is available through the Epilepsy Foundation.

The UCB Family Epilepsy Scholarship Program™ provides financial support for academic and personal achievement. UCB awarded scholarships to 30 students, acknowledging what they have achieved so far and supporting them in what they will achieve in the future. UCB is proud to offer these scholarships not just to people with epilepsy, but also to the family members and caregivers who contribute to their successes. UCB also supports camps for children with epilepsy. Medical supervision is usually high and children exclusively interact with others with seizure disorders, providing a supportive peer environment.

Seizure response dog training is made possible by UCB. Seizure response dogs immediately change lives for their owners, but their extensive training can take up to 18 months. That is why canine assistants work together with The Epilepsy Company™, in the training of every dog. Their partnership ensures that each dog gets the extensive training it needs and that more needs of the epilepsy community are met.
One of the goals of the 'Epilepsy Classroom' is to provide teachers with helpful materials for managing epilepsy in their classrooms. This programme provides information about epilepsy that can easily be incorporated into a teacher's lesson plan. It helps teachers bring epilepsy awareness to their class in a factual and informative manner and also works to create an understanding and acceptance of those who are living with epilepsy.

Caring for communities

• Scholarships in North America

UCB in Canada and the U.S. is offering educational scholarships of up to $5 000 each. The scholarships are awarded each year to seven patients living with rheumatoid arthritis, seven patients living with Crohn's disease, and seven patients living with epilepsy. The scholarships are awarded to those patients who best exemplify 'going above and beyond' the limitations of their disease.

• Nursing school in Uganda

UCB Italy has agreed to give a contribution for the establishment of a nursing school inside St. Joseph's of Kitgum, the biggest hospital in Kitgum, Uganda. The goal is to develop the training of nurses to offer adequate healthcare assistance in the country after 20 years of civil war, to develop hospital services and research activities, to increase the quality of healthcare services to patients. The objective is also to provide training to nurses from South Sudan. The school's training programme is based on standards defined by the Nurses and Midwives Council and the Education and Health Ministries of Uganda.

• Earthquake relief in China

UCB China has supported the relief effort of the Sichuan earthquake disaster which happened in May 2008 in the Sichuan province of China. It was the 19th deadliest earthquake of all

Our community engagement supports our focus on severe diseases in CNS and immunology and also offers humanitarian support in other areas.

time killing more than 69 000 people, less than three months before China hosted the 2008 Summer Olympic Games. The donation was made in cash and in medicines.

• Special Olympics support in Belgium

UCB supported the Special Olympics in Belgium. Special Olympics is an international non-profit organisation dedicated to empowering, mentally-handicapped individuals to become physically fit, productive and respected members of society through sports training and competition. Special Olympics was founded on the belief that mentally disabled people can, with proper instruction and encouragement, learn, enjoy and benefit from participation in individual and team sports.

• Network for Training Entrepreneurship in Belgium

UCB supports the mission of NFTE (Network for Training Entrepreneurship) in Belgium. This aims to teach entrepreneurship to low-income youth, helping them to become economically productive members of society. The programme focuses on the improvement of academic, business, technological and general life skills.

• Belgian Kids' Fund in Belgium

UCB supports the activities of the Belgian Kids' Fund at the Queen Fabiola Hospital. Its mission is to fund paediatric research.

• Staff volunteer programmes in the U.K.

With a large presence in Slough (U.K.), UCB is involved in various local community initiatives such as the 'UCB Volunteer Programme' where a group of UCB employees agree to participate in a day's offsite activity to benefit the community. This year, the beneficiary of this activity has been MIND, the mental health charity.

Caring for employees

Change with CARE

With the SHAPE programme initiated in August 2008, UCB has re-deployed its resources towards its long-term vision of becoming a patient-centric and specialist-focused leading biopharma company. As a result, the company made around 2 000 people redundant in different locations around the world in 2008 and early 2009. This was supported by sensitive consultation and negotiation in the countries affected, and by putting in place a dedicated programme, 'Change with CARE'. The programme offered support to staff to help them find their next job, and guidance to both management and staff on a managerial, emotional and practical level throughout the transition process. UCB sought to minimise the social and financial costs to those employees affected.

Caring Entrepreneurship Fund

Under the auspices of the King Baudouin Foundation in Belgium, and through a donation from the company's CEO, Roch Doliveux, the 'Caring Entrepreneurship Fund' has been set up to stimulate entrepreneurship in the field of healthcare. The fund exists to support UCB employees who have left the company through the SHAPE programme by helping them to set up or take over a company involved in healthcare, well-being, or patient support.

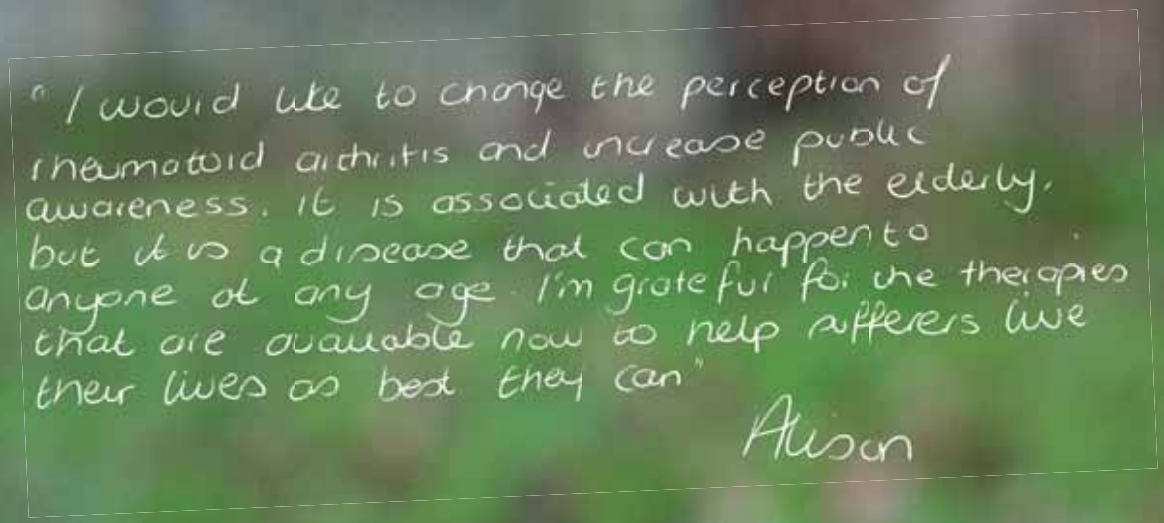
Caring for the environment

UCB provides products that improve the quality of life for current and future generations, while creating value for the company, its stakeholders and society in general. Naturally therefore, we consider the effective management of Health, Safety and the Environment (HS&E) to be a priority.

UCB regularly tracks its HS&E performance using the following measures: lost time injury rate, energy and water consumption, effluent discharge, waste recovery, carbon dioxide, sulphur dioxide and nitrogene oxide emissions

For details of our HS&E charter and programmes, please visit www.ucb.com/about-ucb/csr

Alison was 18 and training to be a nurse when she first displayed early signs of RA. She started noticing pain in her feet. The pain would come and go. It slowly progressed over a year to her ankles, hands and knees. The doctor thought she was just a neurotic and unhappy teenager until she was finally referred to a rheumatologist who diagnosed her with RA at the age of 19.



UCB would like to thank Alison, Amye, Beatriz, Carrie, Hanna, Lakeisha, Raffaele, Sten and Terry for sharing the experience of their disease and for the time they devoted to handwriting their testimonials which are included in this report and to the sessions with the photographer....

Sources

(1) PatientBase, Decision Resources - 2008
(2) PatientBase, Decision Resources - 2008 - osteoporosis

(a) Decision Resources - neuropathic pain - April 2007
(b) UCB calculations based on IMS 2008 data: sales in epilepsy only. Japan not included, U.S.= retail + non federal hospitals
(c) Datamonitor - Commercials & Pipeline Insight: fibromyalgia - June 2008
(d) Datamonitor: Forecast migraine - December 2008
(e) Decision Resources - Pharmacor: multiple sclerosis - June 2008
(f) UCB calculations based on IMS 2008 data: sales in Parkinson's disease only, EU 5 only
(g) UCB calculations based on IMS 2008 data: sales in restless legs syndrome only, EU 5 only
(h) IMS - market definition = R6A - 2008
(i) World wide sales of agents used to treat bone loss Datamonitor - Commercial Insight: osteoporosis - June 2007
(j) Datamonitor - Autoimmune overview forecast: Crohn's disease - December 2007
(k) Decision Resources - Pharmacor: rheumatoid arthritis - June 2008
(l) Datamonitor, IMS data taking into account off-label sales - March 2008

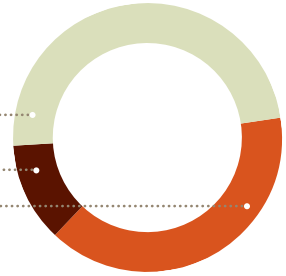
UCB: Financial Highlights 2008

€ million	2008	2007
Results		
Net sales	3 027	3 188
Revenue	3 601	3 626
Gross profit	2 455	2 579
Marketing & selling expenses	(928)	(1 054)
Research & development expenses	(767)	(788)
General & administrative expenses	(227)	(267)
Recurring EBIT (operating profit)	531	480
Recurring EBITDA	733	741
EBIT (operating profit)	113	344
Net profit of the year (after minority interest)	42	160
Financial Positions		
Net financial debt	2443	(1 915)
Cash flow from operating activities	366	490
Share Information		
Basic earnings per share (€ per share)	0.24 [a]	0.89 [a]
Gross dividend per share (€ per share)	0.92	0.92
Number of shares (year-end)	183 365 052	183 361 252
Share price (year-end – € per share)	23.30	31.02
Market capitalisation (year-end – € billion)	4.3	5.7
Other		
Number of employees (year-end)	11 292	12 102
Average US$/€ exchange rate	1.462	1.369

[a] Earnings per share, see Note 34 of the Management Report

UCB: Shareholders 2008

Structure



48.72% **Financière de Tubize S.A. + Linked Companies & Concerts[1]**

11.84% **Capital Research and Management Company**

39.44% **Others**

[1] Concerts:

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

The number of issued UCB shares on 31 December 2008 was 183 365 052 and are quoted on Euronext Brussels (ticker: UCB).

On 31 December 2008, UCB market capitalisation reached €4.27 billion (€4 274 405 711.60), representing 4.34 % of the Bel20 index and 0.35 % of the Euronext 100 index.

in € billion	2008	2007
Market capitalisation	4.3	5.7
in € per UCB share		
Basic earnings per share	0.24[(a)]	0.89[(a)]
Gross dividend per share	0.92	0.92
Net dividend per share	0.69	0.69
Year-end share price	23.30	31.02
High of the year	25.90	54.10
Low of the year	21.30	30.30
Average daily trading volume (shares)	452 632	685 893
Number of shares outstanding (year - end)	183 365 052	183 361 252

[(a)] *Earnings per share, see Note 34 of the Management Report*

Financial Calendar

Thursday, 30 April 2009:
Interim update (Q1, 2009)
AGM

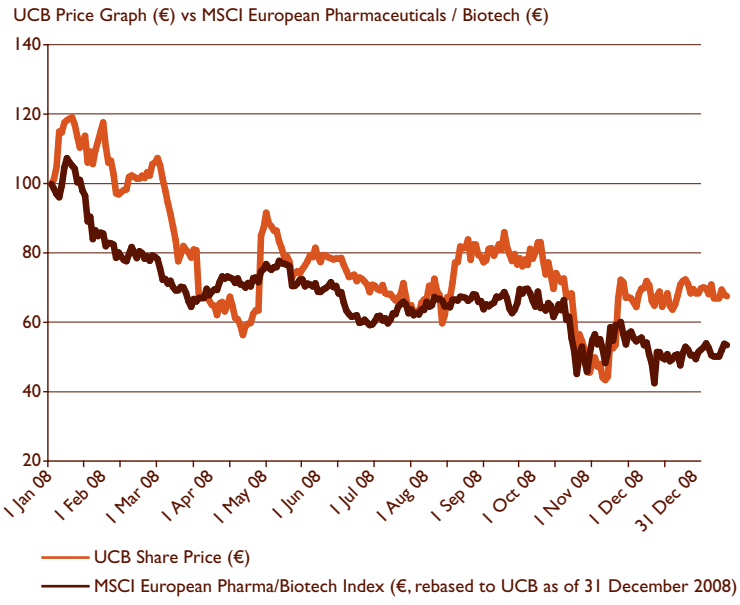
Friday, 8 May 2009:
Dividend payment (Coupon N° 11)

Friday, 31 July 2009:
2009 half-year results

Thursday, 22 October 2009:
Interim update (Q3, 2009)

UCB share evolution (2008)

(index = 100, 1 January 2008)



Glossary

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

BLA **Biologic License Application** is the application needed to get a new biologic (large molecule drug) approved by the FDA.

CHMP **Committee for Medicinal Products for Human Use** – The CHMP is responsible for preparing the opinions on all questions concerning medicinal products for human use for the EMEA.
http://www.emea.europa.eu/htms/general/contacts/CHMP/CHMP.html

COMPLETE RESPONSE LETTER The FDA sends applicants a 'Complete Response Letter' to indicate that the review cycle for an application is complete but that the application is not ready for approval.

EMEA **European Medicines Agency** – The EMEA is a European agency for the evaluation of medicinal products responsible for the protection and promotion of human and animal health.
http://www.emea.europa.eu/

FDA **U.S. Food and Drug Administration** – The FDA is an agency within the U.S. Department of Health and Human Services responsible for protecting and promoting the nation's public health.
http://www.fda.gov

MAA **Marketing Authorisation Application** is the application to the EMEA for authorisation to market a new drug

NDA **New Drug Application** is the application needed to get a new drug approved by the FDA.

PMDA **Pharmaceuticals and Medical Devices Agency** – The PMDA is the Japanese drug regulatory agency, part of the Ministry of Health, Labour and Welfare.
http://www.pmda.go.jp/english/index.html

SLAM **Selected Lymphocyte Antibody Method** technology used to rapidly isolate functionally active antibodies.

sNDA **Supplementary New Drug Application** is the application needed to get a new indication for an already approved drug approved by the FDA.

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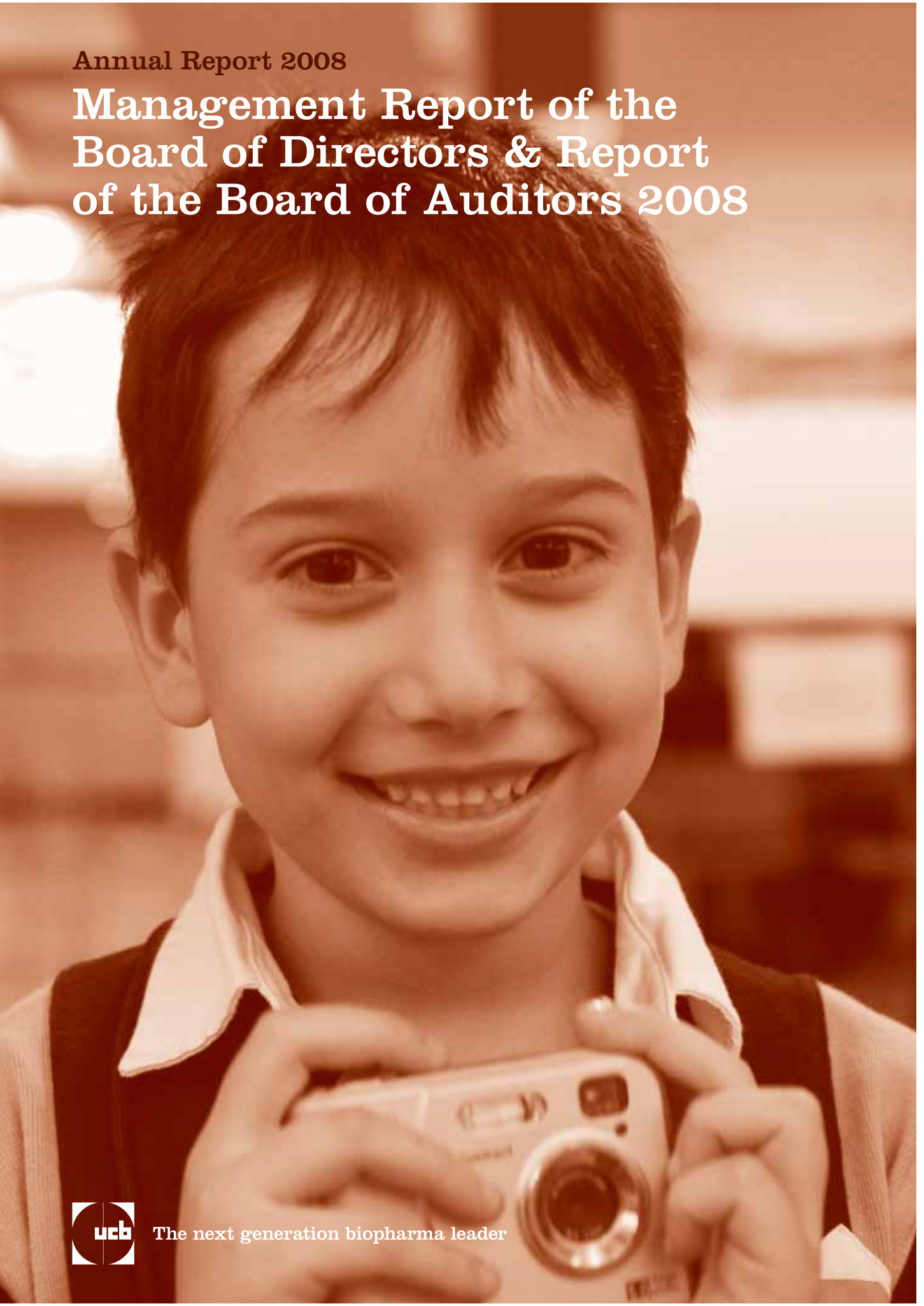
Annual Report 2008

Management Report of the Board of Directors & Report of the Board of Auditors 2008



The next generation biopharma leader

Directors and Auditors

Board of Directors
Karel Boone, Chairman
Evelyn du Monceau, Vice Chair
Roch Doliveux, Executive Director
Prince Lorenz of Belgium, Director
Armand De Decker, Director
Peter Fellner, Director
Jean-Pierre Kinet, Director
Thomas Leysen, Director – as from 1 January 2009
Gerhard Mayr, Director
Norman J. Ornstein, Director
Arnoud de Pret, Director
Bridget van Rijckevorsel, Director
Patrick Schwarz-Schütte, Director
Gaëtan van de Werve, Director

Michèle de Cannart, Secretary of the Board

Statutory Auditors
Emmanuèle Attout
Daniel Goossens

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

Honorary Chairmen of the Executive Committee
Georges Jacobs
Daniel Janssen
Paul Etienne Maes

Annual Report 2008

Management Report of the Board of Directors & Report of the Board of Auditors 2008

Management Report of the Board of Directors

Corporate Governance Report

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

In accordance with the Belgian Code, the following pages provide factual information about UCB corporate governance. This includes changes to UCB corporate governance together with relevant events that took place during the year 2008, such as changes in UCB capital or shareholder structure, the appointment of new directors, designation of committee members and the annual remuneration received by each member of the Board and by the Executive Committee. It also includes explanations, where applicable, of any deviations from the Belgian Code.

1. Capital and shares

1.1. Capital

As a consequence of the exercise of warrants (see section 1.3), the capital of UCB has been increased on 29 February 2008 by € 11 400 bringing the capital to € 550 095 156, represented by 183 365 052 shares.

1.2. Shares

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

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

1.3. Warrants

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

- The 145 200 warrants issued in 1999 each confer the right to subscribe for one ordinary share: following the annulment and exercise of part of these warrants, 32 700 warrants may still be exercised up to 31 May 2009, and 54 700 warrants may be exercised up to 31 May 2012.
- The 236 700 warrants issued in 2000 each confer the right to subscribe for one ordinary share: following the annulment and exercise of part of these warrants, 53 900 warrants may still be exercised up to 28 February 2010, and 67 700 warrants may be exercised up to 28 February 2013.

It follows from the above that, if all the rights attached to these warrants were exercised, UCB capital would be € 550 722 156 and the number of shares issued by UCB would be 183 574 052.

Defensive warrants were also issued following a decision by the General Meeting of Shareholders in 2008, excluding preferential rights. The loan of € 600 000 represented by 30 000 loan stock units with a nominal value of € 20, each having 1 000 warrants attached, confers the right to the joint subscription of 30 000 000 ordinary shares. It was subscribed by Financière de Tubize S.A., UCB reference shareholder on 24 April 2008.

An ad hoc committee was created at the same General Meeting of Shareholders, and the meeting also appointed the members of this committee. This committee concerns itself with deciding, in pre-defined circumstances, on the implementation of this defensive measure, and with approving all transfers of such warrants. The holders of warrants enter into an agreement with UCB ensuring compliance with the conditions of issue and exercise of the warrants. The duration of the warrants and the agreements is five years and comes to an end in April 2013.

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

- the launch of a takeover bid by a third party judged to be hostile by the UCB Board of Directors;
- the modification of UCB control due to transactions relating to UCB stock by one or more third parties, carried out either on or off the stock market, in isolation or in a concerted fashion;
- the threat of a takeover bid or, an operation involving modification of UCB control.

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

1.4. Treasury shares

On 31 December 2008, UCB S.A. did not hold any UCB shares.

UCB Fipar S.A., an affiliate indirectly controlled by UCB S.A., acquired 746 800 UCB shares in 2002, 372 904 UCB shares in 2003, 1 064 200 UCB shares in 2004, 370 000 UCB shares in 2005 and 950 000 UCB shares in 2006.

As of 31 December 2008, UCB Fipar S.A. held a total of 3 175 264 UCB shares representing 1.73% of the total number of issued UCB shares.

UCB S.C.A., an affiliate indirectly controlled by UCB S.A., acquired 61 200 UCB shares in 2007 and 50 384 shares in 2008. As of 31 December 2008, UCB S.C.A. held a total of 12 000 UCB shares representing 0.01% of the total number of issued UCB shares.

The UCB shares were acquired by UCB Fipar S.A. and UCB S.C.A. in order to cover part of the obligations resulting from the stock option plans, the stock award plans and the performance share plans. For more information on UCB S.A. stock option plans (see Note 25).

2. Shareholders and shareholders structure

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

Financière de Tubize S.A. has made a transparency notification of its holding in UCB on 1 September 2008 in compliance with the Law of 2 May 2007 relating to the publication of significant shareholdings in listed companies. According to Article 3, §1, 13° of the Law of 2 May 2007, Financière de Tubize S.A. acts in concert with Schwarz Vermögensverwaltung GmbH, KBC Bank N.V., Degroof Corporate Finance S.A. and Imofig S.A., Levimmo S.A., Compar Finance S.A., Pharmahold S.A. and Cosylva S.A., with which Financière de Tubize S.A. has signed separate shareholders agreements. Their holdings are listed under N° 4 to 10 in the table hereafter. The shares that are covered by these agreements, including the shares held by Financière de Tubize S.A. represent 48.72% of the share capital of the company.

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

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

		Current	Voting rights	Date of latest declaration in compliance with the law of 2 March, 1989
	Capital €	**550 095 156**		
	Shares	**183 365 052**		
1	Financière de Tubize S.A.	66 370 000	36.20%	1 September 2008
2	UCB Fipar S.A.	3 175 478	1.73%	1 September 2008
3	UCB SCA	12 000	0.01%	1 September 2008
4	Schwarz Vermögensverwaltung GmbH	9 885 618	5.39%	1 September 2008
5	KBC Bank N.V.	2 289 318	1.25%	1 September 2008
6	Banque Degroof S.A. through Degroof Corporate Finance S.A. through Imofig S.A.	669 230 450 000 219 230	0.36%	1 September 2008
7	Levimmo S.A.	1 230 770	0.67%	1 September 2008
8	Compar Finance S.A. Compar Finance S.A. holds additionally 165 830 UCB shares outside the concert	1 900 000	1.04%	1 September 2008
9	Pharmahold S.A. Pharmahold S.A. holds additionally 1 100 000 UCB shares outside the concert	1 900 000	1.04%	1 September 2008
10	Cosylva S.A. Cosylva S.A. holds additionally 1 100 000 UCB shares outside the concert	1 900 000	1.04%	1 September 2008
	Financière de Tubize S.A. + linked companies + concert 4-10	89 332 414	48.73%	1 September 2008
11	Capital Research and Management Company (voting interests) which include the UCB shares held by Euro Pacific Growth Fund which exceed 3% of UCB share capital	21 717 895	11.84%	30 October 2008

Financière de Tubize S.A. has declared acting in concert separately with each of the shareholders 4, 5, 6, 7, 8, 9, 10 for the number of shares as indicated.

Additional UCB shares held by persons acting in concert with Financière de Tubize S.A., but which are not included in the concert agreements with Financière de Tubize S.A.

	Current	Voting rights	Date of latest declaration in compliance with the Law of 2 March 1989
KBC Groep (through affiliates others than KBC Bank)	325 640	0.18%	1 September 2008
Compar Finance S.A.	165 830	0.09%	1 September 2008
Pharmahold S.A.	1 100 000	0.60%	1 September 2008
Cosylva S.A.	1 100 000	0.60%	1 September 2008
Total voting rights held by persons acting in concert with Financière de Tubize S.A. including Financière de Tubize S.A.	92 023 884	50.20%	

The remaining of UCB shares are held by the public.

Communication by virtue of Article 74, §7 of the Law of 1 April 2007 relating to public takeover bids, made jointly by stable shareholders of UCB S.A.

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

In summary, on 1 September 2007, the voting rights of these shareholders of UCB S.A. were allocated as follows and are still up to date:

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

3. Board of Directors and Board committees

3.1. Board of Directors

Composition of the Board of Directors and independent directors

From 1 January until 24 April 2008, the composition of the Board of Directors was as follows:

Georges Jacobs, Chairman

Evelyn du Monceau, Vice Chair

Roch Doliveux, Executive Director

Prince Lorenz of Belgium

Alan Blinken

Karel Boone

Peter Fellner

Guy Keutgen

Gerhard Mayr

Arnoud de Pret

Bridget van Rijckevorsel

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

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

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

a As of 31 December 2007

Patrick Schwarz-Schütte

Jean-Louis Vanherweghem

Gaëtan van de Werve

The Chairman of the Board, Georges Jacobs and three directors, Alan Blinken, Guy Keutgen and Jean-Louis Vanherweghem retired at the General Meeting of Shareholders, on 24 April 2008.

At the same General Meeting of Shareholders, four non-executive directors were appointed: Armand De Decker, Jean-Pierre Kinet, Norman Ornstein and Thomas Leysen, the latter effective 1 January 2009.

Armand De Decker

Armand De Decker holds a Master of Law from the University of Brussels (ULB, Belgium) and started as a lawyer. In parallel, as from 1979, he pursued a political career within the Belgian Liberal Party. In 1981, he was elected to the Belgian Chamber of Representatives where he served until 1995. In 1995, he was elected to the Belgian Senate, and re-elected in 1999, 2003 and 2007. He served as President of the Council of the Brussels-Capital Region from 1995 to 1999. And from 1999 to 2004 he was President of the Senate. From 20 July 2004, he served as the Minister of International Development Cooperation in the Belgian Federal Government. Armand De Decker currently is Mayor of Uccle (a commune of Brussels) and has been re-elected President of the Senate since 12 July 2007. Armand De Decker has received numerous special recognitions from many countries for different contributions (a.o. Belgium, France, Spain, Sweden, Finland, Denmark, Italy, Mexico, ...) and has various mandates in organisations such as Alzheimer Belgique (Belgian Alzheimer association), Belgian Royal Institute of International Relations, Belgian Reference Centre for Expertise on Central Africa.

Jean-Pierre Kinet

Jean-Pierre Kinet holds a medical degree (MD) from the University of Liège (ULg, Belgium). He is currently a full professor of pathology at Harvard Medical School and at one of the Harvard affiliated hospitals, the Beth Israel Deaconess Medical Center in Boston (U.S.). He is a member of numerous Harvard, U.S. and international committees such as various National Institutes of Health (NIH) expert panels and the International Strategic Support Committee of Biowin (Health Cluster of Wallonia). He has a large experience in the research and development of novel therapies and is a board member of several biotechnology companies.

Thomas Leysen

Thomas Leysen, born in 1960, is Chairman of Umicore since 19 November 2008. He was Chief Executive Officer of Umicore from May 2000 until 19 November 2008. He holds a Master of Law Degree from the University of Leuven (KUL, Belgium). He started his career in the maritime business in Hamburg, London and Tokyo. From 1983 till 1988, he managed the Transcor group, which he built into an international oil and coal trading company with activities in Europe, America and Asia. He joined Umicore in 1993 as member of the Executive Committee, and successively managed several industrial divisions. He became Executive Vice President of the company in 1998. Thomas Leysen is also Chairman of the Board of Corelio, Belgium's largest newspaper-publishing group, member of the Board of CMB (Compagnie Maritime Belge), Norddeutsche Affinerie, Etex Group as well as member of the Supervisory Board of Bank Metzler in Frankfurt. He is Chairman of FEB – VBO (Federation of Belgian Enterprises) and past Chairman of Eurométaux (the European metals industry federation). He is also President of the BJA (Belgium-Japan Association). He is a member of the Trilateral Commission and of the European Round Table of Industrialists (ERT).
In the cultural sphere, he is member of the Board of trustees of the Rubens House Museum in Antwerp and is Chairman of the Art Purchase Fund of the Fondation Roi Baudouin.

Norman J-Ornstein

Norman J-Ornstein is a resident scholar at the American Enterprise Institute for Public Policy Research (AEI) based in Washington, DC (U.S.) and counsels government campaign commissions. He also serves as an election analyst for CBS News and writes in several U.S. newspapers in parallel to having published several books related to U.S. politics. Norman Ornstein has a Bachelor of Arts from the University of Minnesota (U.S.), from which he also received an honorary Doctor of Laws degree, and a Master of Arts and Ph.D. from the University of Michigan (U.S.).
He served as a member of the Board of the Public Broadcasting Service (PBS) and is currently on the Board of Directors of the Campaign Legal Center, as well as on the Board of Trustees of the U.S. Capitol Historical Society.

On 24 April 2008, after the General Meeting of Shareholders, Karel Boone became Chairman of the Board of Directors in replacement of Georges Jacobs.

Evelyn du Monceau, Arnoud de Pret, Bridget van Rijckevorsel and Gaëtan van de Werve are representatives of the main UCB shareholder and, as such, are not eligible to be independent directors. Roch Doliveux is an Executive Director, and is therefore not an independent director. Peter Fellner has been Adviser to the Chairman of the UCB Executive Committee since 1 January 2005. He does not meet the independence criteria for this reason. Patrick Schwarz-Schütte was Chairman of the Management Board of Schwarz Pharma AG until the end of 2006 and consequently does not qualify as independent director.

Prince Lorenz of Belgium, Karel Boone, Armand De Decker, Gerhard Mayr, Jean-Pierre Kinet, Norman Ornstein and Thomas Leysen meet all the independence criteria stipulated by law, the Board of Directors and the Belgian Code on Corporate Governance.

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

	First appointed as Director	End of term of office	Independent Director
Karel Boone, Chairman	2000	2009	x
Evelyn du Monceau,Vice Chair	1984	2011	
Roch Doliveux, Executive Director	2004	2010	
Prince Lorenz of Belgium	2001	2010	x
Armand De Decker	2008	2011	x
Peter Fellner	2005	2011	
Jean-Pierre Kinet	2008	2011	x
Thomas Leysen	2008	2011	x
Gerhard Mayr	2005	2011	x
Norman Ornstein	2008	2011	x
Arnoud de Pret	2005	2011	
Bridget van Rijckevorsel	1992	2011	
Patrick Schwarz-Schütte	2007	2010	
Gaëtan van de Werve	2006	2009	

The mandates of Karel Boone and of Gaëtan van de Werve will expire at the General Meeting of Shareholders of 30 April 2009. These mandates will be submitted for renewal at this meeting.

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

Functioning of the Board of Directors

In 2008, the Board of Directors met seven times. The attendance rate of the members was the following:

Karel Boone, Chairman	100%
Evelyn du Monceau,Vice Chair	100%
Roch Doliveux, Executive Director	100%
Prince Lorenz of Belgium	86%
Armand De Decker	100%
Peter Fellner	100%
Jean-Pierre Kinet	100%
Gerhard Mayr	86%
Norman Ornstein	86%
Arnoud de Pret	100%
Bridget van Rijckevorsel	100%
Patrick Schwarz-Schütte	86%
Gaëtan van de Werve	100%

During 2008, the Board of Directors' main areas of discussion, review and decision were: UCB strategy, the reports of the Audit Committee and of the Remuneration and Nomination Committee, UCB corporate governance and organisation with the finalisation of the integration of the Schwarz Pharma Group and the preparation of the SHAPE initiative, the appointments reserved for the Board, the remuneration policies, the management and financial reporting, R&D, investment programmes and business development proposals, license agreements, divestments of non-core activities, reports and resolution proposals to the shareholders as published in the invitations to the shareholders meetings in compliance with the law.

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

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

Board of Directors: assessment

In 2008 and early 2009 the Board of Directors conducted – as in 2003 and 2006 – an assessment of its contribution to the long-term success of the business. This sets out its strategic mission and aims to optimise the composition and operation of the Board of Directors and its committees, as well as its interaction with the CEO and the Executive Committee. It was conducted by the Chairman of the Board of Directors and the Chair of the Remuneration and Nomination Committee.

For further information on the process, please refer to the Charter of Corporate Governance (section 3.5) available on UCB website. The non-executive directors did not organise any meetings in 2008 in the absence of the CEO, who is the only executive director. An assessment of their interaction with the executive management was made in 2008 on the occasion of the Board of Directors self-assessment.

3.2. Board committees

Audit Committee

Composition of the Audit Committee

Until the General Meeting of Shareholders of 24 April 2008 the composition of the Audit Committee was as follows:

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

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

	End of term of office	Independent Director
Arnoud de Pret, Chairman	2011	
Karel Boone	2009	x
Prince Lorenz of Belgium	2010	x

Baron Karel Boone fulfils the independence criteria mentioned in Article 526ter of the Company Code and has the competencies in accounting and audit matters as required by Article 526bis §2 of same code.

The Audit Committee met four times in 2008 with an attendance rate of 100%. Half of the meetings were held in the presence of the external auditors.

The Audit Committee meetings were attended by Detlef Thielgen, Executive Vice President & Chief Financial Officer; Doug Gingerella, Vice President Global Internal Audit/M&A; Olaf Elbracht, Vice President Reporting & Consolidation, and Michèle de Cannart, Vice President & General Secretary who acted as secretary. One meeting was partly attended by Bob Trainor, Executive Vice President & General Counsel and also Chairman of the Group's Risk Management Committee and Jean-Marie Schollaert, Group Risk Director.

Remuneration and Nomination Committee

Composition of the Remuneration and Nomination Committee

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

	End of term of office	Independent Director
Evelyn du Monceau, Chair	2011	
Karel Boone	2009	x
Gerhard Mayr	2011	x
Gaëtan van de Werve	2009	

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

The Remuneration and Nomination Committee met three times in 2008 with an attendance rate of 100%.

The committee was also attended by Roch Doliveux, Chairman of the Executive Committee, except when discussing issues relating to himself and by Jean-Pierre Pradier, Executive Vice President Human Resources until 1 April 2008. Since that date, the meetings were attended by Fabrice Enderlin, new Executive Vice President Human Resources, who also acts as secretary.

Remuneration of the directors and of the members of the Board committees

Until 24 April 2008 the annual emoluments of the directors, fixed by the General Meeting of Shareholders in 2005, were € 39 000, while the annual emoluments of the Chairman of the Board were € 78 000.
In addition, the directors were entitled to attendance fees of € 1 000 per meeting and € 2 000 per meeting for the Chairman of the Board of Directors.

The annual additional remuneration of the members of the Board committees amounted to € 5 000 and that of the Chairman of the Board committees to € 10 000.

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

Based on revised benchmarks which included remuneration of Board members of comparable U.S. companies and remuneration of Board members of European biopharmaceutical companies the General Meeting of Shareholders of 24 April 2008, approved, as from that date, the remuneration of UCB directors as follows:

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

The annual additional remuneration of the members of the Board committees is of € 7 500 and that of the Chairman of the Board committees of € 15 000.

Some non-executive directors are non-executive directors of other companies in the UCB Group for which they may be entitled to compensation, remuneration or director's fees. In 2008, Alan Blinken was granted US$ 30 000 as compensation for his mandate as a non-executive director of UCB Holdings Inc., an American subsidiary of UCB.

In application of these rules, the total remuneration of directors and Board committee members for 2008 in UCB was as follows:

	Remuneration
Georges Jacobs, Chairman (until 24 April 2008)	€ 30 000
Karel Boone, Chairman (since 24 April 2008)	€ 116 667
Evelyn du Monceau, Vice Chair	€ 95 833
Roch Doliveux, Executive Director[1]	€ 60 000
Prince Lorenz of Belgium	€ 64 000
Alan Blinken (until 24 April 2008)	€ 16 667
Armand De Decker (since 24 April 2008)	€ 45 000
Peter Fellner	€ 60 000
Guy Keutgen (until 24 April 2008)	€ 16 667
Jean-Pierre Kinet (since 24 April 2008)	€ 45 000
Gerhard Mayr	€ 65 667
Norman Ornstein (since 24 April 2008)	€ 44 000
Arnoud de Pret	€ 73 333
Bridget van Rijckevorsel	€ 60 000
Patrick Schwarz-Schütte	€ 59 000
Jean-Louis Vanherweghem (until 24 April 2008)	€ 15 000
Gaëtan van de Werve	€ 66 667

3.3. Executive Committee

Composition of the Executive Committee:

Until 28 February 2008 the composition of the Executive Committee was as follows:

Roch Doliveux, CEO & Chairman of the Executive Committee

Melanie Lee, Executive Vice President & President UCB NewMedicines™

Jean-Pierre Pradier, Executive Vice President Human Resources

William Robinson, Executive Vice President Global Operations

Detlef Thielgen, Executive Vice President & Chief Financial Officer

Robert Trainor, Executive Vice President & General Counsel

On 28 February 2008, on the recommendation of the Chairman of the Executive Committee and on proposal of the Remuneration and Nomination Committee the Board has decided the appointment of Iris Löw-Friedrich, Executive Vice President Development & Chief Medical Officer and Fabrice Enderlin, Executive Vice President Corporate Human Resources as new members of UCB Executive Committee with effect from 1 March 2008. Fabrice Enderlin replaced Jean-Pierre Pradier, who retired on 30 April 2008.

On 11 September 2008, on the recommendation of the Chairman of the Executive Committee and on proposal of the Remuneration and Nomination Committee, the Board has decided the appointment of Mark McDade, Executive Vice President Corporate Strategy & Business Development, and Michele Antonelli, Executive Vice President Technical Operations and Quality Assurance as new members of the Executive Committee. Mark McDade replaced William Robinson as Executive Vice President Global Operations on 1 January 2009.

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

As of 1 January 2009, the composition of the Executive Committee is the following:

Roch Doliveux, CEO & Chairman of the Executive Committee

Melanie Lee, Executive Vice President & President UCB NewMedicines™

Robert Trainor, Executive Vice President & General Counsel

Detlef Thielgen, Executive Vice President & Chief Financial Officer

Iris Löw-Friedrich, Executive Vice President Global Projects & Development, Chief Medical Officer

Fabrice Enderlin, Executive Vice President Corporate Human Resources

Mark McDade, Executive Vice President Global Operations

Michele Antonelli, Executive Vice President Technical Operations & Quality Assurance

Functioning of the Executive Committee:

The Executive Committee has met twice a month in 2008.

There were no transactions or contractual relationships in 2008 between UCB, including its related companies, and a member of the Executive Committee that could create a conflict of interests.

Remuneration of the members of the Executive Committee:

The policy of remuneration for members of the Executive Committee is set by the Board of Directors on the basis of recommendations by the Remuneration and Nomination Committee. The policy ensures that the compensation programmes of the members of the Executive Committee, including stock options and awards, pension schemes and termination arrangements, are fair and appropriate to attract, retain and motivate management and are reasonable in view of the company economics and the relevant practices of comparable global European biopharmaceutical companies. They link significant portion of equity-based compensation to short and long-term company financial and non-financial performance and strategic goals.

According to this policy, the remuneration package is broken down into a base salary (fixed), a short-term incentive (bonus) and a long-term incentive plan. The long-term incentive plan includes a free share plan, a stock options plan and a share performance plan. The participations to these plans are subject to employment conditions within UCB. Members of the Executive Committee are also entitled to an extra-legal pension plan.

An assessment of the individual performance of the Chairman of the Executive Committee and members of the Executive Committee is subject to deliberation by the Remuneration and Nomination Committee.

The reference market used to gauge the competitiveness of each post is composed of the company peers: European global companies in the biopharmaceutical sector.

The short-term incentive is based on criteria of individual performance and Group performance. The objectives relating to the Group part and the individual part are set at the beginning of the year by the Remuneration and Nomination Committee, and approved by the Board of Directors.

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

Chairman of the Executive Committee and CEO

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 2008 amount to:

- Base salary (perceived in 2008): € 1 210 055
- Short-term incentive (bonus): bonus to be paid in 2009 and relating to the financial year 2008: € 751 119
- Long-term incentive (number of UCB shares and options): see section below.
- Other components of the remuneration, such as the cost of pension, insurance coverage, monetary value of other fringe benefits, with an explanation and if appropriate, the amounts of the main components: € 1 433 853 [1]

Based on 2008 achievements, the Board has approved a salary increase of 2% in 2009 and the CEO's new annual base salary for 2009 will be € 1 238 303.

The CEO's total compensation (base salary + bonus + long-term incentives (LTI)) for 2008 amounts to € 2 739 294 (excluding pension contributions and other benefits), which is 22% lower than in 2007. This is caused by the decrease in the value of the long-term incentives.

Other members of the Executive Committee

The overall figures that appear in the following paragraph cannot be compared to the 2007 data due to major changes in the composition of the Executive Committee: four new members in 2008 with pro-rated memberships and one retirement.

1 This amount includes the retirement benefit (based on service cost): € 1 246 882

The amount of compensation stated below, reflects the amount the Executive Committee members have earned in 2008 based on their effective period in service as Executive Committee members (see above section 'Composition of Executive Committee').

The remuneration and other benefits granted directly or indirectly on a global basis to all the other members of the Executive Committee by the company or any other affiliate belonging to the Group in 2008 amount to:

- Base salaries: € 2 765 414
- Short-term incentive (bonus): bonuses (to be paid in 2009 and relating to financial year 2008): € 2 354 361
- Other components of the remuneration, such as the cost of pension, insurance coverage, retention awards, monetary value of other fringe benefits, with an explanation and if appropriate, the amounts of the main components: € 3 118 653 [1&2]

The aggregated Executive Committee compensation (base salary + bonus + LTI) for 2008 amounts to: € 6 812 290 (excluding pension contributions and other benefits).

Long-term incentives (LTI) granted in 2008

	Stock options		Stock award		Performance shares		LTI total binomial value[5]
	Number of rights[3]	Binomial value[4&5]	Number of shares[6]	Binomial value[5&7]	Number of shares[8]	Binomial value[5&7&9]	
Roch Doliveux	36 000	€ 191 520	20 000	€ 366 600	25 000	€ 220 000	€ 778 120
Melanie Lee	12 000	€ 63 840	6 000	€ 109 980	7 000	€ 61 600	€ 235 420
Fabrice Enderlin[10]	12 000	€ 63 840	6 000	€ 109 980	7 000	€ 61 600	€ 235 420
Bill Robinson	12 000	€ 63 840	6 000	€ 109 980	7 000	€ 61 600	€ 235 420
Bob Trainor	15 000	€ 79 800	7 500	€ 137 475	8 750	€ 77 000	€ 294 275
Detlef Thielgen	15 000	€ 79 800	7 500	€ 137 475	8 750	€ 77 000	€ 294 275
Iris Löw-Friedrich	15 000	€ 79 800	6 000	€ 109 980	7 000	€ 61 600	€ 251 380
Michele Antonelli[11]	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mark McDade[12]	12 000	€ 63 840	4 500	€ 82 485	N/A	N/A	€ 146 325

The General Shareholders Meeting on 24 April 2008 approved the allocation of free shares under the Stock Award and Performance Share Plans.

Termination arrangement: The main contractual terms on hiring and termination arrangements for the CEO.

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

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

There is no specific agreement for the other members of the Executive Committee except in case of termination.

They will be eligible to a lump sum equal to a minimum of 12 months of actual base compensation.

1 Including Special Awards amounting to € 1 400 000.

2 This amount includes the retirement benefit (based on service cost): € 1 142 673.

3 Number of rights to acquire one UCB share at a price of € 22.01 between 1 April 2011 and 31 March 2018.

4 The 2008 value of stock options has been calculated based on the binomial methodology as defined by Towers Perrin at € 5.32 per option.

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

6 Number of UCB shares to be delivered for free after a three-year cliff vesting period if still employed by UCB – including phantom stock awards.

7 The 2008 value of stock awards has been calculated based on the binomial methodology as defined by Towers Perrin at € 18.33 per award. Under the plan rules, the participants will receive the shares after a vesting period of three years to the extent that the participants remain under employment with UCB.

8 Number of UCB shares to be delivered for free after a three-year cliff vesting period if still employed by UCB and upon fulfilment of predefined performance conditions – including phantom performance shares.

9 The 2008 value of performance shares has been calculated based on the binomial methodology as defined by Towers Perrin at € 8.80 per performance share. Under the plan rules, the participants will receive shares after an expiration of three years and to the extent that two performance conditions approved by the Remuneration Committee will be met.

10 On 1 February 2008, Fabrice Enderlin was granted 4 000 phantom stock awards. These phantom stock awards will vest on 1 February 2011.

11 Michele Antonelli joined UCB on 1 June 2008 and became member of the Executive Committee on 16 September 2008.

12 Mark McDade joined UCB on 1 April 2008 and became member of the Executive Committee on 16 September 2008.

3.4. Career entrepreneurship

Roch Doliveux has contributed a portion of his compensation to a fund (Caring Entrepreneurship Fund) which has been set up as part of the King Baudouin Foundation to allow initially employees, who were impacted by the reorganisation inside UCB, to realise a personal project/initiative or to start a new business.
After one year, the Caring Entrepreneurship Fund will focus on supporting entrepreneurship in the field of health and wellness. Further details can be found in the Corporate Social Responsibility section.

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

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

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

The Board has designated Michèle de Cannart, Vice President & General Secretary, as Compliance Officer whose duties and responsibilities are defined in the Code.

The Code establishes the list of key employees, who have to inform the Compliance Officer of the transactions on UCB shares they intend to make for their own account.

The Code is fully in compliance with Directive 2003/6/EC on insider dealing and market manipulation and Belgian Royal Decree of 24 August 2005 in the same field.

The Code is posted on UCB website: www.ucb.com

5. External audit

The auditors ('Collège of Commissaires') for the UCB Group and UCB S.A. are Daniel Goossens and Emmanuèle Attout. They are appointed for three years by the General Meeting of Shareholders. The mandate of Emmanuèle Attout, first appointed in 2003, has been renewed and will expire in 2009. Daniel Goossens' term was renewed in 2006 to align the terms of office of both auditors, and will thus also expire in 2009. The proposal of appointing PricewaterhouseCoopers (PWC) for the legal term of three years as external auditor of the company will be made at the General Meeting of Shareholders of 30 April 2009. The firm PWC will be appointed as external auditors in the affiliates of the UCB Group worldwide.

The 2008 fees paid by UCB to its auditors amounted to:

(€)	Audit	Audit-related	Other	Total
D. Goossens	90 000	30 500	0	120 500
E. Attout	90 000	29 500	0	119 500
PricewaterhouseCoopers	815 979	34 943	173 947	1 024 869
Total	995 979	94 943	173 947	1 264 869

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

Enumeration and, as the case may require it, comments on the following elements which may have an impact in the event of a takeover bid (see section 1.3):

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

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

All shares are entitled to the same rights. There are no different classes of shares (see section 1).

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

Restrictions on the transfer of securities only apply to not fully paid up shares according to Article 11 of the company's Articles of Association as follows:

"...

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

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

The Board of Directors may, by registered letter, oppose this sale within a month of such notification, by presenting another candidate as purchaser to the selling shareholder. The candidate proposed by the Board will have a right of pre-emption on the shares offered for sale, unless the proposed seller withdraws from the sale within 14 days. The right of pre-emption will be exercisable at a unit price corresponding to the lower of the two following amounts:

- *the average closing price of a UCB ordinary share on the 'marché continu' of Euronext Brussels in the 30 stock exchange working days preceding the notification under the preceding paragraph, reduced by the amount still to be paid up;*
- *the unit price offered by the third party proposed for approval.*

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

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

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

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

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

There are no such securities.

For more details, see section 1.3.

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

There is no such system.

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

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

Each share gives the right to one vote.

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

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

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

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

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

Subject to certain conditions and limitations, the Schwarz Family Holding is entitled, however, to transfer the UCB shares in its possession at any time if (i) the shareholding of Financière de Tubize S.A. in UCB S.A. falls below 33%;

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

(ii) the shareholding of the Janssen Family in Financière de Tubize S.A. falls bellow 50% or (iii) if Financière de Tubize S.A. or the Janssen Family decides to tender any of their shares in UCB S.A. or Financière de Tubize S.A., respectively, in a public takeover bid for UCB S.A. or Financière de Tubize S.A.

Under the same shareholders' agreement the Schwarz Family Holding and Financière de Tubize S.A. have agreed – subject to certain conditions and limitations – that prior to each General Meeting of Shareholders they shall meet and consult with each other during a pre-meeting with respect to the agenda of the General Meeting of Shareholders and the proposed decisions. The Schwarz Family Holding and Financière de Tubize S.A. will try to reach a consensus with regard to each item of the agenda on how to exercise their voting rights at the respective General Meeting of Shareholders. In case such consensus cannot be reached, Financière de Tubize S.A. shall have a casting vote. At the relevant General Meeting of Shareholders, the Schwarz Family Holding and Financière de Tubize S.A. shall cast their votes in accordance with the decisions taken at the pre-meeting. These voting arrangements do not apply to certain specific decisions. The company has no knowledge of the content of other agreements which might result in restrictions on the transfer of its securities and/or the exercise of voting rights.

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

Under the Articles of Association of the company

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

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

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

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

"Composition of the Board of Directors

Composition

The Board is of the opinion that a number of between 10 and 15 members is appropriate for efficient decision-making on the one hand, and contribution of experience and knowledge from different fields on the other hand. Such a number also allows for changes to the Board's composition to be managed without undue disruption. This is way within the provisions of the law and the Articles of Association of the company from which the Board of Directors shall be composed of at least three members. The General Meeting of Shareholders decides of the number of directors upon proposal of the Board of Directors.

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

The curricula vitae of the directors and directorship candidates are available for consultation on UCB website (www.ucb.com) which also mentions the directorships in other listed companies taken by each member of the Board.

Designation of directors

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

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

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

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

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

Duration of mandates and age limit

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

Moreover, an age limit of 70 has been stipulated; this takes effect on the day of the General Meeting of Shareholders following the 70th birthday of a member who, if need be, gives up his current term.

Procedure for appointment, renewal of terms

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

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

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

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

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

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

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

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

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

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

"The Board of Directors is the company's governing body. It has the power to take decisions on all matters which the law does not expressly attribute to the General Meeting of Shareholders. The Board acts collegially.
The roles and responsibilities and the functioning of the Board of Directors are determined by the company's Articles of Association and by the terms of reference of the Board of Directors and its committees described in this Charter.

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

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

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

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

- Definition of the company's mission, values and strategy
- Monitoring of management
- Appointment or removal:
  - from among its members, of the Chairmen and members of the Audit Committee and of the Remuneration and Nomination Committee
  - of the Chairman of the Executive Committee following a proposal by the Remuneration and Nomination Committee
  - of members of the Executive Committee following a proposal by the Remuneration and Nomination Committee, and recommendation by the Chairman of the Executive Committee
  - of senior executives on the recommendation of the Chairman of the Executive Committee
  - of persons in major external bodies or of persons outside UCB requested to represent UCB at certain subsidiaries, on the recommendation of the Chairman of the Executive Committee
- Establishing the financial statements of the UCB Group and UCB S.A.
- Preparation of the General Meeting of Shareholders and of the decisions proposed to be considered at the meeting
- General organisation of UCB (and of the Group)
- Approval of the annual budget (including the R&D programme and the capital plan) and any increase in the overall annual budget (including the R&D and the capital plan)

- The long-term or major finance operations
- Creating, establishing, closing, settling or transferring subsidiaries, branches, production locations or major divisions exceeding a value of € 50 million
- Allotment, merger, division, purchase, sale or pledging of instruments and shares to a value exceeding € 20 million and involving third parties
- Purchase, sale or pledging of property assets to a value exceeding € 50 million and leases over a period exceeding nine years for an aggregate amount of expenditures exceeding € 20 million
- The terms and conditions of plans for the grant of stock and stock options to employees
- To be informed, at the end of every semester, of the charitable donations in excess of € 10 000 YTD to each single beneficiary.

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

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

- Facilities agreement between UCB S.A., UCB SP GmbH, BNP Paribas and Fortis Bank S.A., the financial institutions dated 20 October 2006, as approved by the General Meeting of Shareholders of 26 April 2007
- The UCB stock awards and performance share plans by which UCB shares are granted annually by the company to certain employees according to grade and performance criteria, vest according to the rules of both plans after three years, upon condition that its beneficiary remains in continuous employment with the Group. They also vest upon change of control or merge.

On 31 December 2008, the following number of stock awards and performance shares are outstanding:

- 353 145 stock awards, of which 87 875 will vest in April 2009
- 391 300 performance shares

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

- For more details, see section 3.3 on the main contractual terms on hiring and termination arrangements for the Chief Executive Officer. No other agreements provide for a specific compensation of Board members in case of termination because of a takeover bid.
- In the U.S. two employees benefit from a change of control clause that increases their termination compensation if the employee resigns or is made redundant or if the employment of the employee ceases because of a takeover bid.

7. Application of Article 523 of the Company Code

Excerpt from the minutes of the meeting of the Board of Directors held on 28 February 2008

Present:

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

In attendance:

Michèle de Cannart, General Secretary

(...)

Concerning the long-term incentive philosophy (LTI) and the 2008 LTI grants, one director, Roch Doliveux, 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:

- Approval of the stock option plan 2008
- Approval of the stock award plan 2008
- Approval of the performance share plan 2008

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

7.1. Approval of the UCB Stock Option Plan 2008

- The present operation is designed, as in the past, to promote shareholding by some 1 130 executives grade 6 and above of the UCB Group within their company - including the Executive Director who is a member of the Executive Committee - and to financially encourage them by continuing to further involve them in the success of the company and to make them aware of the value of UCB shares on the markets, whilst adhering to the rules governing insider information.
- The limited financial consequences of the operation for the company, which basically consist in the difference which might exist between the purchase price of own shares by the company and the price of resale of these same shares to the staff concerned when exercising the options in accordance with the conditions stipulated in the plan rules, to be increased, if applicable, by the difference between this exercise price and the market value of the UCB shares at exercise.

Distribution

The Board of Directors approved the recommendations of the Remuneration and Nomination Committee concerning the rules of the option allocation on the basis of job category and level of responsibility. Thus a number of 3 400 000 options shall be allocated to some 1 130 executives grade 6 and above of the UCB Group.

Phantom stocks and stock appreciation rights

In some countries, UCB will grant phantom stocks or stock appreciation rights rather than stock options in order to avoid the stringent regulations.

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

Setting the exercise price

The exercise price of these options will be the lowest of the two following amounts:

- the average of the closing price over the 30 calendar days preceding the offer (from 2-31 March 2008) or
- the closing price of the day preceding the offer (31 March 2008).

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

Vesting

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

Documentation

The Board subsequently decided and approved the documentation to be issued to the beneficiaries of the offer, specifically the reasons and the terms of the offer as well as the information regarding the number and the nature of the securities offered to them.

7.2. Approval of the UCB Stock Award Plan 2008

- The present operation, reserved to the Leadership Team of the UCB Group - including the Executive Director who is a member of the Executive Committee -, and proposed by the Remuneration and Nomination Committee, is designed to promote shareholding among this category of personnel of the UCB Group within their company, and to financially encourage them by continuing to further involve them in the success of the company and to make them aware of the value of UCB shares on the markets, whilst adhering to the rules governing insider information. As this is in line with the remuneration policy for this staff and is intended to provide a long-term incentive, this free share grant is linked to the condition that the staff remains employed within the UCB Group for at least three years after grant date.

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

Distribution

The Board of Directors approved the recommendations of the Remuneration and Nomination Committee concerning the rules of the free share grant on the basis of job category and level of responsibility. Thus a number of 160 000 shares shall be allocated to about 45 senior executives or so within the UCB Group.

Documentation

The Board subsequently decided and approved the documentation to be issued to the beneficiaries of the offer, specifically the reasons and the terms of the offer, as well as the information regarding the number and the nature of the securities offered to them and the conditions of the offer.

7.3. Approval of the UCB Performance Share Plan 2008

The present operation, reserved to some members of the Leadership Team of the UCB Group - including the Executive Director who is a member of the Executive Committee -, and proposed by the Remuneration and Nomination Committee, is designed to promote shareholding among this category of personnel of the UCB Group within their company, and to financially encourage them by continuing to further involve them in the success of the company and to make them aware of the value of UCB shares on the markets, whilst adhering to the rules governing insider information. This grant is in line with the remuneration policy for this staff and is intended to provide a long-term incentive.

- The vesting of this performance share award is linked to the condition that the staff remains employed within the Group for at least three years after grant date and that pre-defined targets are achieved by the UCB Group.
- The financial consequences of the operation for the company basically consist in covering, and this by one or several companies of the UCB Group, the obligations which result from these awards of performance shares, i.e. the purchase price and the cost of financing these shares, minus, if applicable, the dividends paid out during the period during which they are held.

Distribution

The Board of Directors approved the recommendations of the Remuneration and Nomination Committee concerning the grant of performance shares on the basis of job category, level of responsibility and performance of the beneficiary. Thus a number of 130 000 to 195 000 maximum shares shall be allocated to about 25 senior executives or so within the UCB Group, for which payout will occur after a three-year vesting period and will vary from 0% to 150% of the granted amount depending on the level of achievement of the performance conditions set by the company at the moment of grant.

Documentation

The Board subsequently decided on and approved the documentation to be issued to the beneficiaries of the offer, specifically the reasons and the terms of the offer, as well as the information regarding the number and the nature of the securities offered to them and the conditions of the offer.

7.4. Allocation of stock awards and performance shares in exceptional circumstances

In accordance with the measures concurrent to the creation of an ‘incentive stock’ pool, the Board once again approved to allocate 50 000 shares to the programme of allocation of stocks in exceptional circumstances.

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

7.5. Delegating powers

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

(...)

Operating and Financial Review

1. Business performance review[1]

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

Key highlights

- Revenue at € 3 601 million remains in line with last year (2007: € 3 626 million) thanks to a biotechnology intellectual property settlement, or increasing year-over-year by 4% at constant exchange rates, exceeding company guidance of at least € 3.3 billion revenue. Without this biotechnology-related settlement revenue would have decreased by 6% or -3% at constant exchange rates. Continued sales growth from Keppra® worldwide to € 1 266 million growing 23% (or +30% at constant exchange rates) despite the loss of market exclusivity in the U.S. on 4 November 2008, combined with growth in Xyzal® revenue to € 222 million up 10% (or +13% at constant exchange rates), growth in Tussionex™ revenue as well as growth in new product launches (Neupro®, Vimpat® and Cimzia®), were able to compensate the decline in Zyrtec® U.S. revenue (net sales, royalty income and other revenue decreased by € 332 million) due to the December 2007 patent expiry. The additional revenue of € 205 million generated from the biotechnology intellectual property related settlement offsets the revenue declines compared to the previous year from *fesoterodine* milestones, generic *omeprazole* as well as adverse currency evolution and other mature products.
- Recurring EBITDA reached € 733 million compared to € 741 million in 2007 and above the latest company guidance of € 720 million, decreasing 1% or growing 6% at constant exchange rates compared to the previous year, reflecting the biotechnology settlement and earlier than expected implementation for the Schwarz Pharma integration related synergies and cost containment efforts.
- Net profit decreased from € 160 million in 2007 to € 42 million in 2008, reflecting a significant increase in non-recurring charges stemming from higher restructuring expenses and substantial fixed assets impairment charges due to the SHAPE programme as well as from lower capital gains. Net profit adjusted for non-recurring items reached € 270 million, 7% lower than last year (or -2% at constant exchange rates).

€ million	Actual		Variance	
	2008	2007	Actual rates	Cst rates
Revenue	**3 601**	**3 626**	**-1%**	**4%**
Net sales	3 027	3 188	-5%	-2%
Royalty income & fees	396	294	35%	53%
Other revenue	178	144	24%	30%
Gross profit[2]	**2 455**	**2 579**	**-5%**	**0%**
excluding inventory step-up		**2 672**	**-8%**	**-3%**
Marketing & selling expenses	(928)	(1 054)	-12%	-10%
Research & development expenses	(767)	(788)	-3%	4%
General & administrative expenses	(227)	(267)	-15%	-13%
Other operating income/(expenses)	(1)	10		
Recurring EBIT (REBIT)[2]	**531**	**480**	**11%**	**21%**
excluding inventory step-up		**573**	**-7%**	**1%**
Non-recurring income/(expenses)	(417)	(136)		
EBIT (operating profit)[2]	**113**	**344**	**-67%**	**-55%**
Net financial expenses	(156)	(125)		
Profit before income taxes	**(43)**	**219**	**-120%**	**-102%**
Income tax expenses	30	(60)		
Profit from continuing operations	**(12)**	**159**	**-108%**	**-101%**
Profit from discontinuing operations	**55**	**2**		
Net profit (after minority interests)	**42**	**160**	**-74%**	**-67%**
Recurring EBITDA	**733**	**741**	**-1%**	**6%**
Adjusted net profit[3]	**270**	**292**	**-7%**	**-2%**
Number of shares non-diluted	**180**	**180**		
EPS (€ per non-diluted share)	**0.24**	**0.89**	**-74%**	**-67%**
Adjusted EPS (€ per non-diluted share)	**1.50**	**1.62**	**-7%**	**-2%**

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

2 After acquisition-related inventory step-up for 2007

3 Adjusted for after-tax impact of one-off items, contribution from discontinued operations and inventory step-up

1.1. Changes in scope

Further to the public tender offer on all the outstanding shares of Schwarz Pharma AG and the acquisition of 86.8% of all outstanding shares at the closing of the exchange offering period on 28 December 2006, UCB has consolidated the balance sheet of the Schwarz Pharma Group as at 31 December 2006 and the results of the Schwarz Pharma group of companies have been consolidated as from 1 January 2007 onwards. Over the last 12 months, UCB has acquired further shares of Schwarz Pharma AG and owned, as at 31 December 2008, 97.3% of outstanding shares or 98.3% on a fully diluted basis.

As a result of the divestment of the remaining chemical activities in Surface Specialties in February 2005, UCB reports their remaining financial impact as part of the profit from discontinued operations for both financial years 2007 and 2008.

1.2. 2008 key events

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

Major patent expiries

- **Zyrtec® U.S. patent expiry**: First full year of UCB results without Zyrtec ® U.S. due to its patent expiry end of December 2007. Gross profit amounted to € 382 million in 2007.
- **Keppra® U.S. loss of market exclusivity**: On 4 November 2008 Keppra ® lost its market exclusivity for the U.S.

Agreements / initiatives

- **Otsuka agreements for Keppra® and Cimzia® in Japan**: UCB and Otsuka Pharmaceuticals Co. Ltd signed in June collaboration agreements related to Keppra® and Cimzia® in Japan. UCB and Otsuka will co-promote Keppra® for the adjunctive treatment of partial-onset seizures and Cimzia® for the treatment of Crohn's disease. UCB and Otsuka will also co-develop and co-promote Keppra® and Cimzia® in other indications. UCB will join Otsuka in co-promoting the anti-platelet agent Pletaal® (*cilostazol*).
- **SHAPE**: UCB announced end of August 2008 the launch of SHAPE, a major global project to accelerate its transformation into a focused specialist company in central nervous system and immunology disease areas. With SHAPE, UCB aims to increase focus on its core assets, re-deploy its resources, advance R&D and simplify its organisation, while successfully delivering UCB new medicines to patients and improving both competitiveness and profitability. As part of SHAPE, UCB reduces its workforce by 2 000 positions throughout the world to a level of approximately 10 000 by the end of 2009.
- **Strategic alliance with Wilex**: In January 2009, UCB and Wilex AG announced a strategic partnership to develop UCB pre-clinical oncology portfolio, comprising two small molecule programmes and three antibody programmes. UCB retains exclusive rights to re-purchase each of the five programmes, following completion of initial clinical feasibility studies for each programme, and assume the responsibility for further development and commercialisation of each product. Alternatively, in the event UCB does not exercise its re-purchase right for each programme, Wilex will retain rights to develop as well as commercialise each programme and UCB will receive milestone and royalty payments from Wilex. UCB invests € 10 million to acquire a 13% stake in Wilex and will make a € 10 million milestone payment upon application of clinical Phase I trial and first dose in man, expected within approximately 12 months upon closing.
- **Divestment of UCB business in selected emerging markets**: In January 2009, UCB and GlaxoSmithKline announced the sale of the current UCB business and UCB affiliates in selected emerging markets for a cash compensation of € 515 million upon closing of the transaction expected in late March 2009. The agreement includes more than 50 UCB operations in the Far East, Middle East, Latin America and Africa but does not include Brazil, Russia, India, China, South-Korea, Australia and Mexico, which remain strategic (emerging) markets for UCB. Whilst the agreement covers principally all currently marketed products and staff in the regions mentioned above, it does not include UCB new core products such as Vimpat® (*lacosamide*), Neupro® (*rotigotine*) and Cimzia® (*certolizumab pegol*).
- **Initiation of new Research & Development partnerships**: UCB announced in February 2009 new partnerships as part of its strategy to work increasingly with industrial and academic collaborators. These partnerships are with BioSeek Inc. – application of predictive human biology to evaluate selected UCB new chemical and biological entities, deCODE chemistry & biostructures – collaboration on the structure-based discovery of novel small molecule anti-inflammatory drugs, Inogent – a multi-year collaboration to support UCB early projects (up to proof of concept) on chemical process, analytical and formulation development aspects, King's College London – a multi-year collaboration to support its structure-based drug design activities, Proteros biostructures - Research deal on gene-to-structure-based drug design for novel small molecule anti-inflammatory drugs, and SAI Advantium – a multi-year discovery chemistry collaboration in support of medicinal chemistry and library synthesis activities at UCB research labs in Belgium and the U.K.
- **Government-funded research collaborations**: In October 2008, UCB announced two government-funded research collaborations. With Bonn University in Germany, and certain industry partners, UCB has been selected to receive funding of € 20 million over the next three years. This will allow the company to establish a project portfolio, proprietary to UCB, of up to six drug discovery projects in the central nervous system area. In a separate research collaboration, UCB and Pfizer announced the formation of a new company, Cyclofluidic, a breakthrough technology organisation established with the aim of significantly accelerating the drug discovery process. The U.K. Government's Technology Strategy Board has helped facilitate this innovative arrangement and will continue to support Cyclofuidic by co-funding its R&D.
- **Divestment of anti-haemorrhagic drug to Eumedica**: UCB announced in February 2009 the sale of the world-wide rights to its anti-haemorrhagic product, Somatostatine-UCB™, to Eumedica with 2008 net sales of approximately € 11.4 million.

- **Divestment of Equasym® to Shire**: UCB announced in February 2009 the sale of the worldwide rights, except for the U.S., Canada and Barbados, and relevant staff for Equasym® IR/XL (*methylphenidate HCl*) – a treatment for attention deficit hyperactivity disorder (ADHD) - to Shire plc for € 55 million upfront and sales conditional related milestones.

Regulatory update and pipeline progress

CNS

- **Keppra® XR U.S. approval for adjunctive treatment of partial-onset seizures in adults with epilepsy**: The U.S. Food and Drug Administration (FDA) accepted the filing for Keppra® XR (*levetiracetam*) in the adjunctive treatment of partial-onset seizures in adults with epilepsy in January 2008 and approved in September 2008. Launch started end of September.
- **Keppra® U.S. paediatric exclusivity in epilepsy**: In June 2008, the FDA granted paediatric exclusivity for Keppra® in epilepsy.
- **Neupro®**: At the end of March 2008, UCB announced the recall of its anti-Parkinson's drug Neupro® (*rotigotine* transdermal patch) from the U.S. market and of certain batches in Europe due to crystal formation in patches. UCB successfully implemented a full cold chain storage and distribution system for Europe. A variation is under review by the European authorities. If successful, UCB hopes that Neupro® will be available again to all patients (including new patients) in Europe by the first half of 2009. In addition UCB will continue its dialogue in the first half of 2009 with the U.S. health authorities on a potential re-launch in the U.S.
- **Neupro® European approval in restless legs syndrome**: In late 2008, Neupro® received a Marketing Authorisation from the European Commission for the treatment of restless legs syndrome (RLS).
- **FDA complete response letter for Neupro® in restless legs syndrome and advanced Parkinson's disease**: In December 2008, UCB received a Complete Response Letter from the FDA for its transdermal patch Neupro® to treat the signs and symptoms of advanced Parkinson's disease, and as a treatment for the signs and symptoms of moderate to severe primary restless legs syndrome.
- ***Rotigotine* results in fibromyalgia syndrome**: In February 2009, UCB announced top-line results for a proof-of-concept Phase IIa clinical trial to assess the efficacy and safety of *rotigotine* in fibromyalgia syndrome. While the study did not achieve statistical significance for the primary endpoint, UCB will evaluate development plans once full analyses are available.
- ***Brivaracetam* Phase III results in Unverricht Lundborg disease**: both *brivaracetam* Phase III studies in Unverricht Lundborg disease did not meet the primary endpoint of symptom relief of action myoclonus but have shown beneficial effects in a subset of patients.
- ***Brivaracetam* Phase III clinical programme in epilepsy**: The Phase III clinical programme for *brivaracetam* is ongoing as adjunctive therapy in patients with refractory partial-onset epilepsy and results are expected in the third quarter of 2009.
- **Vimpat® approval in Europe in epilepsy**: The European Commission approved in September 2008 Vimpat® (*lacosamide*) as adjunctive therapy in the treatment of partial-onset seizures with or without secondary generalisation in patients with epilepsy aged 16 years and older. Launched within days in Germany and the U.K.
- **Vimpat® U.S. approval in epilepsy**: At the end of October 2008, the FDA approved Vimpat® for use as an add-on therapy for the treatment of partial-onset seizures in people with epilepsy who are 17 years and older. Vimpat® will be launched in the U.S. in early 2009, expecting scheduling.
- **Vimpat® U.S. not-approvable letter in diabetic neuropathic pain**: At the end of July 2008, UCB received a not-approvable letter from the FDA for Vimpat® in diabetic neuropathic pain.
- **Vimpat® file withdrawn in Europe in diabetic neuropathic pain**: In September 2008, UCB withdrew the Marketing Authorisation Application with the European Medicines Agency (EMEA) for Vimpat® in the treatment of diabetic neuropathic pain, in view of the magnitude of the clinical effect not having been convincingly established. UCB is considering initiating an additional clinical programme to further substantiate the magnitude of effect of *lacosamide* in diabetic neuropathic pain.
- ***Lacosamide* Phase IIa programme in fibromyalgia**: Following Phase IIa results announced in June 2008, a decision whether to start a Phase IIb with *lacosamide* to treat fibromyalgia will be made in 2009.
- ***Lacosamide* results in migraine prophylaxis**: In February 2009, UCB announced top-line results for a proof-of-concept Phase IIa clinical trial to assess the efficacy and safety of *lacosamide* in migraine prophylaxis. While the study did not achieve statistical significance for the primary endpoint, UCB will evaluate development plans once full analyses are available.
- **Positive Xyrem® Phase III results in fibromyalgia**: In November 2008, Jazz Pharmaceuticals, Inc. and UCB announced positive preliminary top-line results from the first of two Phase III clinical trials of *sodium oxybate* for the treatment of fibromyalgia.
- **Expected timelines for Phase II results for CDP323**: Phase II results for CDP323, an oral small molecule VLA4 inhibitor being developed for relapsing forms of multiple sclerosis, are expected in the first quarter of 2010. UCB and its partner, Biogen IDEC, expect the CDP323 Phase II clinical trial to be fully enrolled by mid-2009.

Immunology

- **Cimzia® launched in Switzerland for Crohn's disease**: Cimzia® (*certolizumab pegol*) was launched in January 2008 for the treatment of patients with Crohn's disease in Switzerland.
- **Cimzia® filed in the U.S. for rheumatoid arthritis**: Cimzia® for the treatment of adult patients with active rheumatoid arthritis (RA) was filed with the FDA in February 2008. UCB received early January 2009 a Complete Response Letter from the FDA requesting a new safety update with all clinical data including new data generated since the filing of the BLA. The requests from the FDA for further analysis of existing data and a new safety update can be fulfilled through a re-analysis of the available data and consequently no additional studies are needed. Data are scheduled to be submitted in the second quarter of this year.
- **Cimzia® European Marketing Authorisation in Crohn's disease refusal**: In March 2008, UCB was informed that the European regulatory authority has rejected the company's appeal following the refusal of the Marketing Authorisation Application for Cimzia® in the treatment of patients with Crohn's disease.
- **Cimzia® U.S. approval and launch in Crohn's disease**: Cimzia®, in the treatment of moderate to severe Crohn's disease, was made available for the first patients within 48 hours following U.S. approval in April 2008.
- **Cimzia® filed in Europe for rheumatoid arthritis**: A Marketing Authorisation Application was submitted in July 2008 to the EMEA requesting the approval of Cimzia® as a subcutaneous treatment for adults with moderate to severe active rheumatoid arthritis and accepted for review.
- **Start of Phase I study for antibody CDP6038**: In December 2008, UCB announced its CDP6038 antibody drug candidate targeting IL-6 achieved a key milestone as the first subjects have been dosed in its Phase I 'first in man' study. CDP6038 in pre-clinical studies has already shown potential in a number of auto-immune diseases.
- **Xyzal® oral solution U.S. approval**: In February 2008, the FDA approved a new drug application for Xyzal® (*levocetirizine*) oral solution for the relief of seasonal and year-round allergies and chronic idiopathic urticaria.

Other

- **CDP791 positive Phase II results**: Following encouraging Phase II results announced in March 2008 for CDP791 in non-small cell lung cancer, UCB is evaluating partnership options.
- ***Fesoterodine* U.S. approval**: The FDA approved in October 2008 the anti-muscarinic agent Toviaz® (*fesoterodine fumarate*) extended-release tablets for the treatment of overactive bladder with symptoms of urge urinary incontinence, urgency, and urinary frequency. The new drug application approval was granted to Pfizer Inc., which in April 2006 acquired the exclusive worldwide rights to Toviaz® from Schwarz Pharma, now a member of the UCB Group. UCB will be entitled to receive royalties on the combined sales of Toviaz® and Pfizer current *tolterodine* product line. Toviaz® is approved in the European Union and was launched by Pfizer mid-2008.

1.3. Foreign currency impact

Given the global reach of UCB activities, its financial results are sensitive to fluctuations in foreign currencies. The main currencies affecting UCB financial performance are the U.S. dollar, Japanese yen, GB pound and Swiss franc. The following table summarises the average rates used in converting UCB revenue and expenses to euro:

Equivalent for 1 euro	Average exchange rate 2008	Average exchange rate 2007	Variance	Closing exchange rate 2008
U.S. dollar	1.462	1.369	-6.4%	1.395
GB pound	0.795	0.684	-14.0%	0.957
Swiss franc	1.585	1.642	+3.6%	1.491
Japanese yen	150.3	161.1	+7.2%	126.7

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

1.4. Segments

UCB primary reporting segment as of 1 January 2006 is based on its three main geographical areas, namely North America, Europe and Rest of World (including Japan and Emerging Markets). The Group adopts IFRS8 Operating Segments in 2009. Consequently, in the future, the Group will present a single operating segment, that being biopharmaceuticals.

2. Income statement[1]

2.1. Foreword

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

Adjusted net profit: In view of the transactions and decisions of a one-time nature that are impacting UCB results for both years under review, the impact of 'non-recurring items' is highlighted separately. For like-for-like comparison purposes, a line named 'adjusted net profit', reflecting the ongoing after-tax profitability of the biopharmaceutical activities, is included. The adjusted net profit is equal to the line 'profit' reported in the consolidated financial statements, adjusted for discontinued operations and the after-tax impact of non-recurring items and one-off items, including the acquisition-related non-cash one-time inventory step-up in 2007.

2.2. Net sales by product

€ million	Actual		Variance	
	2008	2007	Actual rates	Cst rates
Keppra®	1 266	1 026	23%	30%
Zyrtec® (incl. Zyrtec-D®/Cirrus®)	249	487	-49%	-50%
Xyzal® [2]	173	168	3%	4%
Tussionex™	147	114	29%	38%
Nootropil®	93	101	-8%	-7%
Metadate™ CD/Equasym™ XL	77	81	-4%	2%
Omeprazole	75	147	-49%	-46%
Neupro®	58	52	12%	16%
Cimzia®	10	1		
Vimpat®	2	0		
Other products	878	1 012	-13%	-11%
Total net sales	**3 027**	**3 188**	**-5%**	**-2%**
North America	1 193	1 442	-17%	-12%
Europe	1 414	1 342	5%	7%
Rest of world	404	385	5%	5%
Unallocated	17	20		
Average U.S.$/€ exchange rate	1.462	1.369	-6.4%	
Average JPY/€ exchange rate	150.30	161.10	7.2%	

Net sales amounted to € 3 027 million in 2008 or 5% lower than the year before (or -2% at constant exchange rates). Currency impact is € 104 million negative for the year, i.e. net sales would have amounted to € 3 131 million, mainly as a result of the 6.4% deterioration in the U.S. dollar and the 14% lower GB pound.

The following products contributed to sales:

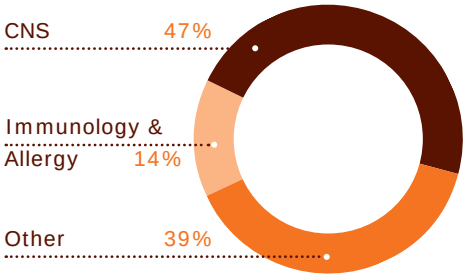
- **Keppra®** (*levetiracetam*) to treat epilepsy reached net sales of € 1 266 million which were 23% higher than last year in euro or +30% at constant exchange rates, thanks to sustained growth in North America (+27% at constant exchange rates despite generic competition started in early November but helped by initial sales from extended release Keppra® XR following launch end of September), Europe (+31%) and Rest of World (+55%), confirming market leadership in the U.S. and Europe.
- The allergy product **Zyrtec®** (*cetirizine*, including Zyrtec®-D/Cirrus®) net sales decreased by € 238 million or 49% from € 487 million to € 249 million, reflecting the U.S. patent expiry on 25 December 2007 causing a € 228 million decrease in net sales, a decrease of 4% in European sales due to further genericisation, a 5% slowdown in Japanese net sales (or -11% at constant exchange rates) as a result of an average pollen season and generic competition and lower emerging markets sales (-2% at constant exchange rates).
- The allergy product **Xyzal®** (*levoceterizine*) net sales of € 173 million were slightly higher than 2007 (+3% or +4% at constant exchange rates), with stable European sales due to a below average pollen season offsetting market share gains and with increased net sales in the Rest of World (+25% at constant exchange rates). Xyzal® U.S. sales are not consolidated but UCB part of the profit-sharing agreement with sanofi-aventis is reported under the line 'other revenue'.
- Anti-tussive **Tussionex™** (*hydrocodone polistirex and chlorpheniramine polistirex*) net sales of € 147 million increased by 29% compared to last year or +38% in local currency as a result of non-approved drugs forced out of the cough and cold market by the FDA and a more severe cough and cold season early in the year.

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

2 Excluding Xyzal® U.S. revenue of € 39 million from profit sharing with sanofi-aventis.

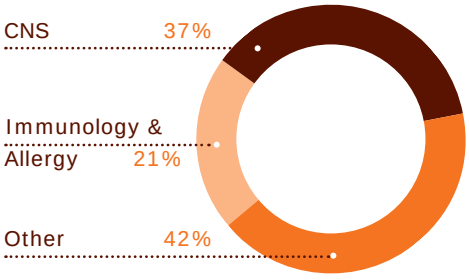
- Cognitive disorders **Nootropil®** (*piracetam*) net sales decreased 8% from € 101 million to € 93 million, in both Europe and the Rest of World.
- Attention deficit hyperactivity disorder **Metadate™ CD / Equasym® XL** (*methylphenidate HCl*) net sales of € 77 million were down by 4% or +2% at constant exchange rates due to continued in-market performance in the U.S. and further improvement in European sales. This product is sold under the trademark Metadate™ CD in the U.S. (€ 60 million or -2% decline at constant exchange rates) and Equasym® XL in Europe and Rest of World (€ 17 million in total).
- The gastro-intestinal generic ***omeprazole*** net sales reached € 75 million, 49% lower than last year (or -46% at constant exchange rates), mainly as a result of further U.S. generic entries since the last quarter of 2007.
- The Parkinson's patch, **Neupro®** (*rotigotine transdermal patch*), generated net sales of € 58 million, up by 12% from 2007 despite the U.S. recall announced in March and the slowdown in Europe due to the partial recall and no new patients' recommendation. UCB successfully implemented a full cold chain storage and distribution system for Europe. A variation is under review by the European authorities. If successful, UCB hopes that Neupro® will be available again to all patients (including new patients) in Europe by the first half of 2009. In addition UCB will continue its dialogue in the first half of 2009 with the U.S. health authorities on a potential re-launch in the U.S.
- New products **Cimzia®** (*certolizumab pegol*) and **Vimpat®** (*lacosamide*) were launched in 2008 (in April in the U.S. for Cimzia® and in September in Germany and the U.K. for Vimpat®) with net sales of respectively € 10 million and € 2 million.
- **Other products**: Net sales for other products decreased 11% at constant exchange rates from € 1 012 million to € 878 million, with the main negative contributors being the U.S. products facing generic competition (Verelan®, Univasc®, etc.) or discontinued (Glycolax®) as well as non-core mature gastro-intestinal products licensed out, which income is now reported under 'royalty income' and 'other revenue'.

Net sales - 2008



€ 3 027 million

Net sales - 2007



€ 3 188 million

2.3. Net sales by geographical area

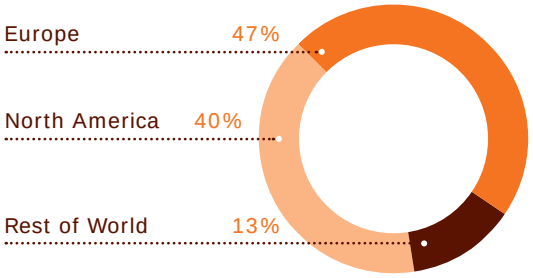
The growth in European and Rest of World net sales was not sufficient to compensate the decline in U.S. net sales, driven essentially by the Zyrtec® U.S. patent expiry on 25 December 2007:

- **North America** net sales reported by UCB amounted to € 1 193 million in 2008 (or US$ 1 744 million) down by 17% from the year before (or -12% at constant exchange rates) due mainly to Zyrtec® U.S. patent expiry in December 2007. Keppra® net sales continued their steady growth in the first 10 months of the year and, despite the significant generic entry early in November partially offset by initial sales of the extended release Keppra® XR launched end of September, reached € 768 million (or US$ 1 123 million) in 2008, up by 27% year-over-year at constant exchange rates. U.S. net sales last year included the share of the gross profit generated on Zyrtec® and Zyrtec-D® by the Pfizer/UCB co-promotion as well as the sales of *cetirizine* active ingredient to Pfizer. Post patent expiry (December 2007) further net sales were not expected due to the generic competition. The net sales (including the Caribbean's) realised by Pfizer and UCB however amounted to US$125 million in 2008, including some residual sales as well as a partial reversal of a reserve for returned goods, and UCB recorded its 25% share of the co-promotion gross profit, i.e. € 16 million, but under the line 'other revenue'. The € 9 million of net sales reported under Zyrtec® U.S. relate to the sales of bulk *cetirizine* to Johnson & Johnson. Zyrtec® U.S. net sales decreased from 2007 by € 228 million. *Omeprazole* net sales represented € 73 million, 50% lower than the € 147 million of the previous year (or -47% at constant exchange rates), mainly as a result of further generic entry in the last quarter of the previous year. Due to the more severe cough and cold season in the first quarter of 2008 and as a result of non-approved drugs forced out of the cough and cold market by the FDA, Tussionex™ net sales increased by 38% at constant exchange rates from € 114 million in 2007 to € 147 million in 2008. The sales of the attention deficit hyperactive deficit drug Metadate™ CD were relatively stable in U.S. dollar and reached € 60 million in 2008. Neupro® uptake for 2008, considering the recall announced in March, amounted to € 5 million only. Further to its launch in April 2008, the first sales of Cimzia® in Crohn's disease reached € 8 million. The net sales of other products amounted to € 120 million, a decrease of € 102 million in comparison to 2007, incorporating the negative impact of the U.S. dollar and U.S. genericised products such as Verelan® or Univasc® or discontinued Glycolax® as well as gastro-intestinal products licensed out, which income is now reported under 'royalty income' and 'other revenue'.

- **Europe** net sales totalled € 1 414 million in 2008 up by 5% compared to 2007 (or +7% at constant exchange rates). Keppra® net sales represented € 437 million, an increase of 29% compared to the same period the year before (or +31% at constant exchange rates). Xyzal® net sales remained flat at € 143 million due to a less severe pollen season compared to last year in most European countries offsetting market share gains. Nootropil® still accounted for € 69 million of Europe net sales, reflecting an 8% decrease. Neupro® net sales increasing by 26% to € 53 million in 2008 resulted from a sustained use in main launched markets, despite the partial recall and no new patients' recommendation. All other products contributed € 625 million to the European net sales, a reduction of 3% versus the previous year at constant exchange rates, with the respiratory product Innovair® (*betameclasone* and *formoterol* combination) uptake more than compensated by eroding net sales from mature products.
- **Rest of World** net sales amounted to € 404 million in 2008, an increase of 5% both at real and constant exchange rates. In Japan, an average pollen season and generic competition that started late in 2007 caused Zyrtec® net sales to decrease from € 116 million to € 110 million, or -11% at constant exchange rates. Furthermore, in other Rest of World countries, Zyrtec® net sales came down by 2% at constant exchange rates from € 45 million to € 43 million, whilst Xyzal® net sales improved by 25% at constant exchange rates from € 22 million to € 26 million. At constant exchange rates, Keppra® net sales grew 55% year-over-year, Nootropil® net sales went down by 4% and other products net sales increased by 5%.

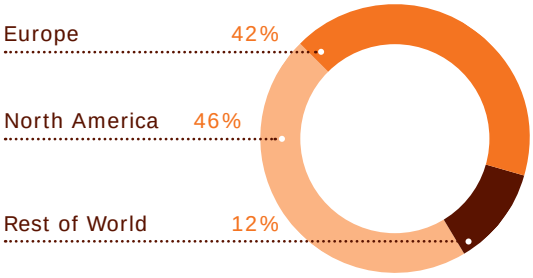
€ million	Actual		2008 / 2007 variance			
			At actual rates		At constant rates	
	2008	2007	€ million	%	€ million	%
North America						
Keppra®	768	645	123	19%	176	27%
Tussionex™	147	114	33	29%	43	38%
Omeprazole	73	147	(74)	-50%	(69)	-47%
Metadate™ CD	60	66	(5)	-8%	(1)	-2%
Zyrtec® (including Zyrtec-D®)	9	237	(228)	-96%	(228)	-96%
Cimzia®	8	0	8		8	
Neupro®	5	10	(5)	-51%	(5)	-47%
Xyzal®	3	2	1		1	
Other products	120	221	(102)	-46%	(93)	-42%
Net sales North America	**1 193**	**1 442**	**(249)**	**-17%**	**(167)**	**-12%**
Europe						
Keppra®	437	340	98	29%	107	31%
Xyzal®	143	143	0	0%	0	0%
Zyrtec® (including Cirrus®)	87	89	(3)	-3%	(4)	-4%
Nootropil®	69	75	(6)	-8%	(6)	-7%
Neupro®	53	42	11	26%	13	30%
Other products	625	652	(28)	-4%	(20)	-3%
Net sales Europe	**1 414**	**1 342**	**72**	**5%**	**90**	**7%**
Rest of World						
Zyrtec® (including Cirrus®)	153	161	(8)	-5%	(14)	-9%
Keppra®	60	41	19	47%	23	55%
Xyzal®	26	22	4	18%	5	25%
Nootropil®	24	26	(2)	-8%	(1)	-4%
Other products	140	134	6	4%	7	5%
Net sales Rest of World	**404**	**385**	**18**	**5%**	**20**	**5%**
Unallocated	**17**	**20**				
Total net sales	**3 027**	**3 188**	**(161)**	**-5%**	**(57)**	**-2%**

Net sales - 2008



€ 3 027 million

Net sales - 2007



€ 3 188 million

2.4. Royalty income and expenses

€ million	Actual		Variance	
	2008	2007	Actual rates	Cst rates
Royalty income & fees	**396**	**294**	**35%**	**53%**
Zyrtec® U.S.	30	149	-80%	-79%
Biotechnology IP	318	121	163%	204%
Other	49	25	97%	107%
Royalty expenses	**(205)**	**(60)**	**241%**	**287%**
Biotechnology IP	(161)	(40)	302%	368%
Other	(43)	(20)	117%	123%
Net royalty income & fees	**191**	**234**	**-18%**	**-7%**

Net royalty income & fees for 2008 amounted to € 191 million, down by 18% compared to the same period last year or -7% at constant exchange rates with additional income from a biotechnology intellectual property settlement attenuating the negative impact of reduced royalty flows from Pfizer on Zyrtec® U.S. further to its patent expiry in December 2007:

- The royalty income & fees amounted to € 396 million in 2008, up by € 102 million, or by 35% compared to last year (or +53% at constant exchange rates) but include € 205 million settlement revenue stemming from an agreement reached in October 2008 with a third party who had reserved its right to challenge certain prior royalty payments to UCB. The agreement permitted UCB recognition of deferred revenue as royalty income in the fourth quarter 2008 (and also consequently of related royalty expenses). While such royalties will no longer be received (and paid), in previous years, these royalty income and expenses had not been recognised in UCB results. Excluding the above-mentioned settlement related income, royalty income & fees would have amounted to € 191 million, i.e. a decrease of 35% from 2007. The decrease in royalty income related to Zyrtec® U.S. from € 149 million in 2007 to € 30 million in 2008 stems from the patent expiry at the end of 2007 only partially compensated by limited royalty income from Pfizer in the first quarter of 2008 and royalty income received from Johnson & Johnson on over-the-counter Zyrtec® U.S. sales. Excluding the settlement, biotechnology intellectual property generated € 113 million of royalty income in 2008, slightly lower than the € 121 million recognised the year before but growing 6% at constant exchange rates on solid in-market sales for products on which royalties are due to UCB. The increase in other royalty income from € 25 million in 2007 to € 49 million in 2008 is due to a licensing deal on non-core mature gastro-intestinal products signed early in 2008 as well as reimbursement by sanofi-aventis of royalty expenses to be paid to Sepracor, Inc. on increased U.S. Xyzal® sales, and the first royalty income resulting from Toviaz® (*fesoterodine*) sales in Europe by Pfizer.
- The royalty expenses of € 205 million, which are recognised in the cost of goods sold, increased by € 145 million compared to the year before, due essentially to the € 134 million royalty expenses recognised as part of the above-mentioned settlement on Biotechnology IP. The increase in other royalty expenses is related to increased royalties paid to Sepracor, Inc. on increased U.S. Xyzal® sales as well as royalty expenses on *nifedipine* sales (a treatment for vasospastic angina, chronic stable angina and treatment of high blood pressure).

2.5. Other revenue

€ million	Actual		Variance	
	2008	2007	Actual rates	Cst rates
Fesoterodine milestones	24	50	-52%	-52%
Xyzal® U.S. milestones / profit sharing	39	32	23%	31%
Zyrtec® U.S. milestones / profit sharing	16			
Contract manufacturing sales	42	49	-15%	11%
Provas™ profit sharing	23	12	92%	92%
Otsuka	20			
Other	15	1		
Other revenue	**178**	**144**	**25%**	**30%**

Other revenue for 2008 amounted to € 178 million, up by 25% compared to the same period last year (or up by 30% at constant exchange rates). 2007 other revenue included € 50 million of income recognised as part of the agreement with Pfizer on *fesoterodine*, for the treatment of overactive bladder, whilst there was € 24 million recognised in the 2008 accounts mainly in connection with the November FDA approval for the U.S. Recognition of profit sharing with sanofi-aventis on Xyzal® U.S. sales reached € 39 million in 2008 (on US$ 149 million in-market sales reported by sanofi-aventis) compared to € 32 million recognised in 2007 for approval and launch related milestones as well as profit-sharing with sanofi-aventis on Xyzal® U.S. As indicated in the net sales section, post patent expiry net sales of Zyrtec® in the U.S. amounted to US$125 million in 2008, and UCB recorded its 25% share of the co-promotion gross profit, i.e. € 16 million, but under 'other revenue'. Contract manufacturing sales decreased from € 49 million in 2007 to € 42 million in 2008. The increase in other revenue from Provas™ results from the change in the middle of 2007 of the licence contract into a profit-sharing agreement reported since then under 'other revenue' at 50% rather than under 'net sales'. The Otsuka-related other revenue pertains to milestones recognised as part of the agreements entered into by Otsuka and UCB in June 2008 on Keppra® and Cimzia® in Japan, whereby UCB and Otsuka will co-promote Keppra® for the adjunctive treatment of partial-onset seizures and Cimzia® for the treatment of Crohn's disease. The increase in other categories in other revenue to € 15 million in 2008 is mainly due to milestones recognised as part of a licensing deal on non-core mature gastro-intestinal products signed early in 2008.

2.6. Gross profit

€ million	Actual		Variance	
	2008	2007	Actual rates	Cst rates
Revenue	**3 601**	**3 626**	**-1%**	**4%**
Net sales	3 027	3 188	-5%	-2%
Royalty income	396	294	35%	53%
Other revenue	178	144	24%	30%
Cost of sales	**(1 146)**	**(1 047)**	**9%**	**13%**
Cost of sales products & services	(847)	(817)	4%	4%
Royalty expenses	(205)	(60)	241%	287%
Inventory step-up		(93)		
Amortisation of intangible assets linked to sales	(95)	(77)	23%	29%
Gross profit	**2 455**	**2 579**	**-5%**	**0%**
- Acquisition-related inventory step-up		93		
Gross profit before inventory step-up	**2 455**	**2 672**	**-8%**	**-3%**
of which				
Products & services	2 358	2 515	-6%	-2%
Net royalty income	191	234	-18%	-7%
Amortisation of intangible assets linked to sales	(95)	(77)		

Gross profit of € 2 455 million was 5% lower than 2007 (but unchanged at constant exchange rates). Adjusted for the € 93 million non-cash, one-time impact of inventory step-up recognised in 2007 as per IFRS requirements, gross profit would have decreased by 8% (or -3% at constant exchange rates), despite the net contribution from the biotechnology intellectual property settlement of € 71 million. Excluding this settlement in 2008 and the inventory step-up charge in 2007, gross profit would have decreased by 11%, or 6% at constant exchange rates, driven by revenue decrease and higher manufacturing costs (mainly Cimzia® and Neupro® related costs).

As a percentage of revenue, gross profit represented 68.2% in 2008, down from 73.7% in 2007 before inventory step-up further to the substantial loss of contribution from Zyrtec® U.S., an increase in one-time costs and a deterioration of some key currencies which predominantly impact the revenue (albeit with a reduced impact due to favourable currency hedging contracts), with no substantial offset in costs of goods sold as the majority of the manufacturing sites are based in the euro zone.

Cost of sales is composed of four main categories, namely the cost of sales for products and services, the royalty expenses, the inventory step-up (in 2007 only) as well as the intangible assets amortisation expenses linked to sales:

- **Cost of sales products & services**: The cost of sales for products and services increased by € 30 million from € 817 million in 2007 to € 847 million in 2008 with positive volume impact on costs from lower net sales more than offset by an increase in costs for Cimzia® and the costs related to Neupro® (U.S. recall, European cold chain implementation as well as re-work).

- **Royalty expenses**: Royalties paid out increased from € 60 million in 2007 to € 205 million in 2008 due essentially to the € 134 million royalty expenses recognised as part of the above-mentioned settlement on biotechnology IP. The increase in other royalty expenses is related to increased royalties paid to Sepracor, Inc. on increased U.S. Xyzal® sales as well as royalty expenses on *nifedipine* sales (a treatment for vasospastic angina, chronic stable angina and treatment of high blood pressure).
- **Inventory step-up**: As part of the Schwarz Pharma acquisition, UCB was required under IFRS to recognise acquired inventories at their fair value. The ensuing increase in inventory value of € 93 million as of 31 December 2006 had to be recognised in the cost of sales over 2007 and represented a one-time charge of an equivalent amount but with no cash impact.
- **Intangible assets amortisation expenses linked to sales**: The majority of the € 95 million of 2008 expenses are linked to acquired intangible assets and relate mainly to the Celltech and Schwarz Pharma acquisitions. Under IFRS 3 (Business Combinations), UCB has reflected on its balance sheet a significant amount of intangible assets related to the Celltech and the Schwarz Pharma acquisitions (in-process Research & Development, manufacturing know-how, royalty streams, trade names, etc.), which gave rise to amortisation expenses of € 89 million in 2008, compared to € 77 million in 2007, reflecting new intangible assets amortisation expenses on launched products (Cimzia® and Neupro® in the U.S., Vimpat® and Toviaz® in Europe).

2.7. Recurring EBIT and recurring EBITDA

€ million	Actual		Variance	
	2008	2007	Actual rates	Cst rates
Revenue	**3 601**	**3 626**	**-1%**	**4%**
Net sales	3 027	3 188	-5%	-2%
Royalty income & fees	396	294	35%	53%
Other revenue	178	144	24%	30%
Gross profit	**2 455**	**2 579**	**-5%**	**0%**
excluding inventory step-up		**2 672**	**-8%**	**-3%**
Marketing & selling expenses	(928)	(1 054)	-12%	-10%
as a % of net sales	31%	33%		
Research & development expenses	(767)	(788)	-3%	-4%
as a % of net sales	25%	25%		
General & administrative expenses	(227)	(267)	-15%	-13%
as a % of net sales	8%	8%		
Other operating income/(expenses)	(1)	10	-112%	-107%
Total operating expenses	**(1 924)**	**(2 099)**	**-8%**	**-5%**
Recurring EBIT (REBIT)	**531**	**480**	**11%**	**21%**
excluding inventory step-up		**573**	**-7%**	**1%**
+ Amortisation of intangible assets	105	93		
+ Depreciation charges	97	75		
+ Inventory step-up (non-cash IFRS one-off)		93		
Recurring EBITDA (REBITDA)	**733**	**741**	**-1%**	**6%**

Operating expenses encompassing marketing & selling expenses, research & development expenses, general & administrative expenses and other operating income/expenses reached € 1 924 million in 2008, 8% lower than last year (or -5% at constant exchange rates), reflecting:

- € 126 million lower **marketing & selling expenses** or -10% at constant exchange rates, driven by substantial incremental synergies from the Schwarz Pharma acquisition as well as cost containment measures on mature products whilst increasing investments behind the various product launches (Xyzal® U.S., Cimzia® U.S., Keppra® XR U.S., Vimpat® in Europe) as well as preparing for upcoming launches.
- € 21 million lower **research & development expenses** or a 3% reduction (without the deterioration of the GB pound and the U.S. dollar R&D expenses would have increased by 4%), reflecting sustained efforts in several Phase III and Phase IIIb/IV studies as well as discovery research partially offset by the reduction in R&D infrastructure expenses.
- € 40 million lower **general & administrative** or 13% lower **expenses** at constant exchange rates, resulting from the full impact of synergy efforts undertaken as part of the Schwarz Pharma acquisition.
- **Other operating income / (expenses)** amounted to a € 1 million loss in 2008, which is € 11 million lower than 2007, which included higher reimbursement of expenses and reversals of provisions.

Recurring EBIT was up by 11% (or +21% at constant exchange rates). Excluding the € 93 million non-cash one-time impact of inventory step-up recognised in 2007, recurring EBIT would have decreased by 7%. At constant exchange rates and disregarding the impact of inventory step-up, recurring EBIT would have improved by 1%.

Recurring EBITDA was down by 1% to € 733 million compared to 2007 (but growing 6% at constant exchange rates) and exceeded the company's latest guidance of € 720 million.

2.8 Net profit and adjusted net profit

€ million	Actual		Variance	
	2008	2007	Actual rates	Cst rates
Recurring EBIT	**531**	**480**	**11%**	**21%**
Impairment charges	(160)	(36)		
Restructuring expenses	(272)	(123)		
Other non-recurring income/(expenses)	14	23		
Restructuring & non-recurring income/(expenses)	(417)	(136)		
EBIT (Operating Profit)	**113**	**344**	**-67%**	**-55%**
Net financial expenses	(156)	(125)		
Profit before income taxes	**(43)**	**219**	**-120%**	**-102%**
Income tax expenses	30	(60)		
Profit from continuing operations	**(12)**	**159**	**-108%**	**-101%**
+ Profit from discontinued operations	55	2		
- Minority interests	(1)	(1)		
Net profit	**42**	**160**	**-74%**	**-67%**
+ After-tax non-recurring items & financial one-offs	339	98		
- Profit from discontinued operations	(55)	(2)		
+ After-tax inventory step-up	0	57		
- Tax one-offs	(56)	(21)		
Adjusted net profit (after minority interests)	**270**	**292**	**-7%**	**-2%**

- **Restructuring & non-recurring income/(expenses)** amounted to € 417 million pre-tax expenses, € 281 million higher than last year. The increase in impairment charges from € 36 million in 2007 to € 160 million is related to a reduction in the value in use calculated for some tangible fixed assets as a consequence of the SHAPE programme announced in August 2008. The restructuring expenses of € 272 million predominantly result from SHAPE including the closure of the Cambridge research site announced in January 2008, whilst 2007 included mainly the remaining restructuring expenses related to the integration of Schwarz Pharma for € 123 million. Other non-recurring income/(expenses) amounted to a € 14 million profit in 2008 mainly represented by a UCB claim settled in its favour, whereas there was in 2007 a profit of € 23 million in other non-recurring income/(expenses) including the capital gains realised on the sale of Cytec shares and UCB OTC European activities to Pierre Fabre, offset by write-offs and provisions for legal claims. The non-cash portion of the 2008 restructuring & non-recurring income/(expenses) of € 417 million represents approximately € 160 million.
- **Net financial expenses** in 2008 were € 156 million compared to € 125 million last year on increased net debt resulting from the continued tendering of Schwarz Pharma shares but also include € 16 million of guaranteed dividend recognised in financial expenses for Schwarz Pharma minority shareholders and the impact of an adverse evolution of the main trading currencies versus the euro.
- The change in effective **taxes** from a € 60 million charge in 2007 to a € 30 million credit in 2008 is mainly due to the integration of Schwarz Pharma entities into UCB entities, to the finalisation of certain tax audits and to the recognition of previously unrecognised deferred tax assets. The average tax rate on recurring activities was 28% in 2008 compared to 33% in the prior year.
- **Profit from discontinued operations** reached € 55 million in 2008 as a result of the partial reversal of provisions related to the legacy chemical activities, including adjustments for environmental claims for sites for which UCB retained liability and which were settled in the past 12 months.
- **Net profit** for the year reached € 42 million, i.e. € 118 million or 74% below prior year (or -67% at constant exchange rates), reflecting stable recurring profitability, currency deterioration against the euro and an increase in non-recurring expenses and financial expenses only partially offset by higher favourable tax one-offs.
- Adjusting for the after-tax impact of non-recurring items, for the after-tax contribution from discontinued operations and for tax one-offs, **adjusted net profit** reached € 270 million, which is 7% below the € 292 million of adjusted net profit for 2007 (or -2% at constant exchange rates), with higher financial expenses not fully compensated by stable operating performance at constant exchange rates and lower taxes on recurring operations.

3. Capital expenditure

The tangible capital expenditure resulting from UCB biopharmaceutical activities amounted to € 104 million in 2008 compared to € 220 million in 2007.

The 2008 investments reflect essentially maintenance, improvement and replacement capital expenditure, as well as investment behind new products and delivery mechanisms. Acquisition of intangible assets reached € 75 million in 2008 (versus € 31 million in 2007) for the payment of licence products, milestones and software.

In addition, as foreseen in the agreement between UCB and Lonza for the manufacturing by Lonza of PEGylated antibody fragment-based bulk actives, UCB has participated in the pre-financing of the related capital expenditure. An additional amount of € 5 million has been accounted for in 2008 (in addition to the € 117 million reported at the end of 2007) as a pre-payment and is recognised in expenses over the life of the contract from the time the assets will be in use. Depreciation charges on this investment are recognised in the cost of goods sold and are added back for recurring EBITDA calculation purposes.

4. Balance sheet

€ million	2008 31 December	2007 31 December[1]	Variance
Non-current assets	**7 687**	**7 900**	**-3%**
Intangible assets	2 169	2 293	-5%
Goodwill	4 579	4 403	4%
Other non-current assets	939	1 204	-22%
Current assets	**1 837**	**1 782**	**3%**
Total assets	**9 524**	**9 682**	**-2%**
Shareholders' equity	**4 017**	**4 264**	**-6%**
Capital & reserves	3 973	4 103	
Profit for the period	42	160	
Minority interests	2	1	
Non-current liabilities	**2 953**	**3 404**	**-13%**
Current liabilities	**2 554**	**2 014**	**27%**
Total liabilities and shareholders' equity	**9 524**	**9 682**	**-2%**
Net debt	**(2 443)**	**(1 915)**	**28%**
Liquid assets	470	505	
Financial debt	(2 913)	(2 420)	

The balance sheets as presented as at 31 December 2007 and as at 31 December 2008 are at comparable scope:

- **Intangible assets**: Further to ongoing amortisation of the intangible assets related to the acquisition of Celltech and Schwarz Pharma (€ 89 million) and to significant currency impact (-29% depreciation of the closing GB pound rate between end 2007 and end 2008), intangible assets decreased by € 124 million from € 2 293 million as at 31 December 2007 to €2 169 million as at 31 December 2008.
- **Goodwill**: Increase of € 176 million in goodwill between 31 December 2007 and 31 December 2008 reflecting an increase resulting from the impact of the purchase of further Schwarz Pharma shares from minority shareholders (net of de-recognition of the guaranteed dividend owed to these minority shareholders), partially offset by the impact of the declining GB pound.
- **Other non-current assets**: The level of other non-current assets decreased by € 265 million, mainly driven by a decrease in long-term financial receivables, fixed assets impairment charges and reduced deferred tax assets' recognition.
- **Current assets**: The 3% increase in current assets from € 1 782 million to € 1 837 million stems from an increase in inventories ahead of product launches partially offset by a decrease in trade & other receivables.
- **Shareholders' equity**: UCB shareholders' equity, at € 4 017 million, decreased by € 247 million between 31 December 2007 and 31 December 2008. Whilst equity increased by the amount of net profit (€ 42 million), equity decreased by € 166 million for the dividends declared on the 2007 results, and by € 123 million mainly resulting from hedging contracts' fair value adjustments recognised in equity.
- **Non-current liabilities**: The decrease in non-current liabilities from € 3 404 million to € 2 953 million results from lower deferred tax liabilities and a decrease in the guaranteed dividend to Schwarz Pharma minority shareholders further to the tendering of their shares in 2008.
- **Current liabilities**: The increase in the current liabilities from € 2 014 million to € 2 554 million is predominantly caused by a € 404 million increase in short-term financial debt to finance the acquisition of additional Schwarz Pharma shares, combined with an increase in short-term provisions related to SHAPE.
- **Net debt**: The net debt of € 2 443 million represents an increase of € 528 million (see cash flow section hereafter reflecting a negative € 307 million free cash flow from continuing operations stemming from the € 505 million purchase of further Schwarz Pharma shares in 2008) combined with a dividend payment of € 166 million to UCB shareholders.

1 Restated for gross-to-net provision reclassification between current assets and liabilities

5. Cash flow statement

€ million	Actual	
	2008	2007
Profit from continuing operations	**42**	**160**
Non-cash items	381	223
Change in working capital	(57)	107
Cash flow from operating activities	**366**	**490**
Cash flow from investing activities	**(673)**	**(201)**
of which		
Tangible fixed assets purchase	(104)	(220)
Intangible assets purchase	(75)	(30)
Settlement Schwarz Pharma shares	(505)	(217)
Divestments	11	271
Free cash flow from continuing operations	**(307)**	**289**
Cash flow from financing activities	**278**	**(766)**
Proceeds/(outflows) from discontinued operations	**19**	**(1)**
Change in cash	**(10)**	**(478)**

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

- **Cash flow from operating activities**: The reduction in net profit from € 160 million in 2007 to € 42 million in 2008 combined with a deterioration of working capital were the main cause behind the decrease in cash flow from operating activities from € 490 million in 2007 to € 366 million in the comparable period of 2008.
- **Cash flow from investing activities**: Tangible and intangible fixed assets additions amounted to € 179 million (see section on capital expenditure), a reduction of € 71 million compared to 2007. There were also € 505 million of cash outflows related to the acquisition of further Schwarz Pharma shares following the tendering of minority shareholders' stakes in 2008. Cash flow from investing activities of € (673) million in 2008 shows a significant deterioration compared to the 2007 level of € (201) million, which included divestment proceeds and lower purchases of Schwarz Pharma shares.
- **Cash flow from financing activities**: The payment to UCB shareholders of the dividend related to the 2007 results amounted to € 166 million. Debt was raised for € 444 million to purchase additional Schwarz Pharma shares in 2008. Cash flow from financing activities subsequently amounted to € 278 million.

6. Outlook 2009

2009 is expected to see an increased focus on UCB core assets, a re-deployment of its resources, a further advancement of R&D and a simplification of its organisation, while successfully delivering UCB new medicines to patients. With SHAPE a significant re-allocation of resources will start rapidly, improving both competitiveness and profitability. As part of SHAPE, UCB has almost finalised the reduction of its workforce by 2 000 positions throughout the world, representing approximately 17% of its global workforce.

- **Revenue** is expected to reach approximately € 3.3 billion in 2009 due to full annualised generic competition on Keppra® in the U.S., the impact of divested products and further erosion of our mature products, partially offset by continued sales progress of Keppra® in Europe and the performance of newly launched products.
- As a result of SHAPE with its increased focus on ongoing and potentially upcoming product launches in key areas as well as the targeted focus of our research & development efforts, operating expenses will continue declining in 2009. At the same time, by the end of the year, SHAPE starts enhancing profitability, **recurring EBITDA** is expected to end the year above € 680 million.
- **Net profit**, as reported but excluding expected capital gains resulting from the announced divestitures of current UCB products, businesses and affiliates, is expected to exceed € 130 million in 2009.

Consolidated Financial Statements

1. Consolidated income statement

For the year ended 31 December € million	Note	2008	2007
Continuing operations			
Net sales	5	3 027	3 188
Royalties	5	396	294
Other revenue	5 & 8	178	144
Revenue		**3 601**	**3 626**
Cost of sales		(1 146)	(1 047)
Gross profit		**2 455**	**2 579**
Marketing & selling expenses		(928)	(1 054)
Research & development expenses		(767)	(788)
General & administrative expenses		(228)	(267)
Other operating income/(expenses)	11	(1)	10
Operating profit before impairment, restructuring and other income and expenses		**531**	**480**
Impairment of non-financial assets	12	(160)	(36)
Restructuring expenses	13	(272)	(123)
Other income/(expenses)	14	14	23
Operating profit		**113**	**344**
Financial income	15	28	41
Financing costs	15	(184)	(166)
Profit / (loss) before income taxes		**(43)**	**219**
Income tax credit/(expense)	16	30	(60)
Profit / (loss) from continuing operations		**(13)**	**159**
Discontinued operations			
Profit from discontinued operations	7	**55**	**2**
Profit		**43**	**161**
Attributable to:			
Equity holders of UCB S.A.		42	160
Minority interests		1	1
Basic earnings per share (€)			
from continuing operations	34	(0.07)	0.88
from discontinued operations	34	0.31	0.01
Total basic earnings per share		**0.24**	**0.89**
Diluted earnings per share (€)			
from continuing operations	34	(0.07)	0.86
from discontinued operations	34	0.30	0.01
Total diluted earnings per share		**0.23**	**0.87**

2. Consolidated balance sheet

At 31 December € million	Note	2008	2007
ASSETS			
Non-current assets			
Intangible assets	17	2 169	2 293
Goodwill	18	4 579	4 403
Property, plant & equipment	19	623	758
Deferred income tax assets	28	161	210
Employee benefits	29	8	10
Financial & other assets (including derivative financial instruments)	20	147	226
Total non-current assets		**7 687**	**7 900**
Current assets			
Inventories	21	363	307
Trade & other receivables	22	859	873
Income tax receivables		11	27
Financial & other assets (including derivative financial instruments)	20	104	96
Cash & cash equivalents	23	463	479
		1 800	**1 782**
Assets of disposal group classified as held for sale	6	37	-
Total current assets		**1 837**	**1 782**
Total assets		**9 524**	**9 682**
EQUITY AND LIABILITIES			
Equity			
Capital & reserves attributable to UCB shareholders	24	4 015	4 263
Minority interests		2	1
Total equity		**4 017**	**4 264**
Non-current liabilities			
Borrowings	26	1 996	1 906
Other financial liabilities (including derivative financial instruments)	27	103	376
Deferred income tax liabilities	28	441	700
Employee benefits	29	106	126
Provisions	30	251	268
Trade & other liabilities	31	56	29
Total non-current liabilities		**2 953**	**3 405**
Current liabilities			
Borrowings	26	917	514
Other financial liabilities (including derivative financial instruments)	27	129	35
Provisions	30	257	75
Trade & other liabilities	31	1 159	1 235
Income tax payables		87	154
		2 549	**2 013**
Liabilities of disposal group classified as held for sale	6	5	-
Total current liabilities		**2 554**	**2 013**
Total liabilities		**5 507**	**5 418**
Total equity & liabilities		**9 524**	**9 682**

3. Consolidated cash flow statement

For the year ended 31 December € million	Note	2008	2007
Profit for the year attributable to equity holders of UCB S.A.		**42**	**160**
Minority interest	9 & 19	1	1
Depreciation of property, plant & equipment	9 & 17	75	75
Amortisation of intangible assets	9 & 12	105	85
Impairment of non-financial assets		160	36
Loss/(gain) on disposals of property, plant & equipment		0	(5)
Loss/(gain) on disposals other than property, plant & equipment		0	0
Equity settled share-based payment expense	25	14	10
Profit from discontinued operations	7	(55)	(2)
Profit from disposed operations, other than discontinued operations		0	(48)
Net interest (income)/expense		110	133
Net non-cash financing costs		131	38
Financial derivatives – change in fair value	15	(22)	(14)
Guaranteed dividend related to the Schwarz Pharma minority shareholders	3.1	16	0
Dividend income	15	0	(1)
Income tax expense/(credit)	16	(30)	60
Cash flows from operating activities before changes in working capital, provisions and employee benefits		**547**	**528**
Decrease/(increase) in inventories		(57)	108
Decrease/(increase) in trade & other receivables & other assets		36	47
Increase/(decrease) in trade & other payables		(36)	45
Net movement in provisions & employee benefits		137	19
Net cash generated from operating activities		**627**	**747**
Interest received		84	78
Interest paid		(199)	(160)
Income taxes paid		(146)	(175)
CASH FLOWS FROM OPERATING ACTIVITIES		**366**	**490**
Acquisition of intangible assets	17	(75)	(31)
Acquisition of property, plant & equipment	19	(104)	(220)
Acquisition of subsidiaries, net of cash acquired	3.1	(505)	(217)
Acquisition of other investments		0	(4)
Proceeds from sale of intangible assets		0	0
Proceeds from sale of property, plant & equipment		3	13
Proceeds from sale of subsidiaries, net of cash disposed		0	0
Proceeds from sale of businesses, net of cash disposed		6	6
Proceeds from sale of other investments		2	251
Dividends received	15	0	1
CASH FLOWS FROM INVESTING ACTIVITIES		**(673)**	**(201)**
Proceeds from issuance of share capital		0	3
Proceeds from borrowings	26	530	169
Repayment of borrowings	26	(86)	(769)
Repayment of finance lease liabilities		(2)	(3)
(Purchase)/re-issuance of treasury shares	24	2	(2)
Dividend paid to UCB shareholders net of dividend paid on treasury shares		(166)	(164)
CASH FLOWS FROM FINANCING ACTIVITIES		**278**	**(766)**
CASH FLOWS FROM DISCONTINUED OPERATIONS		**19**	**(1)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(10)**	**(478)**
Cash & cash equivalents less bank overdrafts at the beginning of the year	23	444	934
Effect of exchange rate fluctuations		0	(12)
CASH AND CASH EQUIVALENTS LESS BANK OVERDRAFTS AT THE END OF THE YEAR	**23**	**434**	**444**

4. Consolidated statement of changes in equity

€ million	Share capital & share premium	Treasury shares	Retained earnings	Other reserves	Cumulative translation adjustments	Minority interests	Total stockholders' equity
Balance at 1 January 2008	**2 151**	**(127)**	**2 393**	**328**	**(482)**	**1**	**4 264**
Net gain/(loss) on available-for-sale financial assets[1] – Note 20							0
Net loss on cash flow hedges[1] - Note 33				(146)			(146)
Net investment hedge - Note 33							0
Currency translation adjustments					13		13
Net income/(expense) recognised directly in equity				(146)	13		(133)
Profit			42			1	43
Total recognised income/(expense)			42	(146)	13	1	(90)
Dividends relating to 2007			(166)				(166)
Share-based payments - Note 25			14				14
Transfer between reserves		3	(3)				-
Treasury shares - Note 24		(1)					(1)
Change in accounting policy - Note 2.2			(4)				(4)
Balance at 31 December 2008	**2 151**	**(125)**	**2 276**	**182**	**(469)**	**2**	**4 017**

Balance at 1 January 2007	**2 148**	**(125)**	**2 387**	**287**	**(124)**	**198**	**4 771**
Net gain/(loss) on available-for-sale financial assets[1] – Note 20				(29)			(29)
Net loss on cash flow hedges[1] - Note 33				15			15
Net investment hedge - Note 33				55			55
Currency translation adjustments					(358)		(358)
Net income/(expense) recognised directly in equity				41	(358)		(317)
Profit			160				160
Total recognised income/(expense)			160	41	(358)		(157)
Dividends relating to 2006			(164)				(164)
Share-based payments - Note 25		(2)	10				10
Treasury shares - Note 24							(2)
Issue of share capital – business combination	3						3
Minority interest arising on business combination – domination and profit transfer agreement						(197)	(197)
Balance at 31 December 2007	**2 151**	**(127)**	**2 393**	**328**	**(482)**	**1**	**4 264**

1 Net of tax

5. Notes to the consolidated financial statements

1. General information

UCB S.A. (UCB or the company) and its subsidiaries (together the Group) is a global biopharmaceutical company focused on severe diseases in two therapeutic areas namely Central Nervous System disorders and Immunology. The consolidated financial statements of the company as at and for the year ended 31 December 2008 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 27 February 2009. The shareholders will be requested to approve the consolidated financial statements and the statutory financial statements of UCB S.A. at their annual meeting on 30 April 2009.

2. Summary of significant accounting policies

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

2.1. Basis of preparation

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

The consolidated financial statements have been prepared using the historical cost convention, except that certain items including available-for-sale financial assets, derivative financial instruments and liabilities for cash-settled 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

IFRIC 14, IAS19 – *The limit on a defined benefit asset, minimum funding requirements and their interaction*

- This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS19 *Employee Benefits*. The Interpretation also explains how the pension asset or liability may be affected by minimum funding requirements.
- In accordance with the transitional provisions of IFRIC 14, the Group has applied this Interpretation on a prospective basis from 1 January 2008.
- Under the Group previous accounting policies, onerous minimum funding requirements were not taken into account when measuring the defined benefit obligation.
- As a result of the adoption of IFRIC 14, a net adjustment of € 4 million after deferred taxes was made against opening retained earnings; the opening balance of the defined benefit obligation was accordingly increased by € 4 million, in order to reflect the liability that arose in respect of onerous minimum funding requirements.

IFRIC 11, IFRS 2 – *Group and treasury share transactions*

- This Interpretation provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group financial statements.

2.3. New standards and interpretations not yet adopted

The following standards, amendments to existing standards, and interpretations have been published and are mandatory for the Group accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

- IFRS 8, *Operating Segments* introduces the 'management approach' to segment reporting. IFRS8 becomes effective for the Group 2009 consolidated financial statements, and will require a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Group Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them.
  Currently the Group presents segment information in respect of its business and geographical segments in accordance with IAS 14 (refer to Note 5). Under the management approach, the Group will present a single operating segment, that being Biopharmaceuticals;
- IAS 23 (Amendment), *Borrowing costs* (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset.
  The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amendment) retrospectively from 1 January 2009. It is not expected to have a material impact on the Group financial statements.
- IAS 1 (Revised), *Presentation of financial statements* (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS 1 (Revised) from 1 January 2009. The Group is still evaluating whether it will have one or two statements.
- IFRS 2 (Amendment), *Share-based payment- Vesting Conditions and Cancellations* (effective from 1 January 2009) clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply IFRS 2 (Amendment) from 1 January 2009. It is not expected to have any impact on the Group financial statements.
- IAS 32 (Amendment), *Financial instruments: Presentation*, and IAS 1 (Amendment), *Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation* (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply the IAS 32 and IAS 1 (Amendment) from 1 January 2009. It is not expected to have any impact on the Group's financial statements.
- IFRS 1 (Amendment), *First time adoption of IFRS* and IAS 27 *Consolidated and separate financial statements* (effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Group will apply IFRS 1 (Amendment) from 1 January 2009. The amendment will not have any impact on the Group financial statements.
- IAS 27 (Revised), *Consolidated and separate financial statements* (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.
- IFRS 3 (Revised), *Business combinations* (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, the definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations. All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The changes to IFRS 3 and IAS 27 above will affect future acquisitions or loss of control and transactions with minority interests. The group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.
- *Improvements to IFRS's* (effective from 1 January 2009) was issued by the IASB in May 2008 and covers minor amendments to IFRS's that the Board considers to be non-urgent but necessary. The amendments will not have any impact on the Group operations.

- IAS 39 (Amendment), *Financial instruments: Recognition and Measurement – Eligible Hedged Items* (effective 1 July 2009) addresses the designation of a one sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The Group will apply the amendment from 1 January 2010. It is not expected to have any impact on the Group financial statements.
- IFRIC 13, *Customer Loyalty Programmes* (effective from 1 July 2008) addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC13, which becomes mandatory for the Group 2009 consolidated financial statements, is not expected to have any impact on the consolidated financial statements because none of the Group companies operate any loyalty programmes.
- IFRIC 15, *Agreements for construction of real estates* (effective from 1 January 2009). The interpretation clarifies whether IAS 18, *Revenue* or IAS 11, *Construction contracts* should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. IFRIC 15 is not relevant to the Group operations.
- IFRIC 16, *Hedges of a net investment in a foreign operation* (effective from 1 October 2008). IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. The Group will apply IFRIC 16 from 1 January 2009. It is not expected to have any impact on the Group financial statements.
- IFRIC 17, *Distribution of non-cash assets to owners* (effective from 1 July 2009). The Interpretation clarifies that: a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; an entity should measure the dividend payable at the fair value of the net assets to be distributed; and an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. The Group will apply IFRIC 17 from 1 January 2010. It is not expected to have any impact on the Group financial statements.
- IFRS1 Revised, *First time adoption of IFRS* (effective from 1 January 2009). The revised standard has an improved structure but does not contain any technical changes. The revised standard will not have any impact on the Group financial statements.

2.4. Consolidation

Subsidiaries

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

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

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

Transactions and minority interests

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

Associates

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

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

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an

impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2.5. Segment reporting

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

The Group primary format for segment reporting is based on geographical segments, and the secondary reporting format is the business segment. The basis for allocating the costs between segments is based on the legal entity in the geographical area that incurs the cost.

The Group activities are in one business segment, biopharmaceuticals.
There are no other significant classes of business, either singularly or in aggregate.

2.6. Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

Group companies

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

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

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

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

2.7. Revenue

Revenue is recognised when it is probable that future economic benefits associated with the transaction will flow to the entity and that these benefits can be measured reliably. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved.

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

Sale of goods

Revenue from the sale of goods is recognised when:

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

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

Royalty income

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

Interest income

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

Dividend income

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

2.8. Cost of sales

Cost of sales includes primarily the direct production costs, related production overheads and the amortisation of the related intangible assets as well as services rendered. Start-up costs are expensed as incurred. Royalty expenses directly linked to goods sold are included in ‘cost of goods sold’.

2.9. Other revenue

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

2.10. Research & development

Internally-generated intangible assets - research & development expenditure

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

Acquired intangible assets

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

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

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

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

The expenses made by the Group in order to be better positioned to face the economic environment in which it operates are presented in the income statement as ‘restructuring expenses’.

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

2.12. Income taxes

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

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

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

Deferred income tax liabilities are generally recognised for all taxable temporary differences and deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Deferred income tax is not accounted for if it arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction (other than in a business combination) that at the time of the transaction affects neither accounting nor taxable profit.

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

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

Deferred income tax assets and liabilities are not discounted.

2.13. Intangible assets

Patents, licenses, trademarks and other intangible assets

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

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

Computer software

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

2.14. Goodwill

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

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

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

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

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

2.15. Property, plant and equipment

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

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are expensed as incurred.

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

Land is not depreciated.

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

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

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

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

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

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

2.16. Leases

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

Finance leases

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

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

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

Operating leases

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

2.17. Impairment of non-financial assets

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

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

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

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

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

2.18. Financial assets

Classification

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and measurement

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

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

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

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

2.19. Derivative financial instruments and hedging activities

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

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

The Group documents at inception of the transaction the relationship between the hedging instrument and the hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, as to whether the derivative financial

instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

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

Embedded derivative financial instruments are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative financial instrument are 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.

Cash flow hedges

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

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

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

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

Fair value hedges

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

Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'financial income'. Gains and losses accumulated in equity are recycled to the income statement when the foreign operation is partially disposed of or sold.

Derivative financial instruments that do not qualify for hedge accounting

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

2.20. Inventories

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

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

2.21. Trade receivables

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

2.22. Cash and cash equivalents

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

2.23. Non-current assets (or disposal groups) held for sale and discontinued operations

A discontinued operation is a component of the company that either has been disposed of, or that is classified as held for sale. It represents a major separate line of business or geographical area of operations and is part of a single coordinated plan to dispose of; or is a subsidiary acquired exclusively with a view to resale.

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

2.24. Share capital

Ordinary shares

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

Treasury shares

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

2.25. Borrowings

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

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

2.26. Trade payables

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

2.27. Employee benefits

Pension obligations

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

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligations to pay further contributions in the event that the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Obligations for contributions to defined contribution pension plans are recognised as en employee benefit expense in the income statement when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

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

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

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

Other long-term employee benefits

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

Termination benefits

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

Profit-sharing and bonus plans

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

Share-based payments

The Group operates several equity-settled and cash-settled share-based compensation plans.

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

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

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

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

2.28. Provisions

Provisions are recognised in the balance sheet when:

- There is a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

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

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

3. Critical judgements and accounting estimates

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

3.1. Critical judgements in applying the Group accounting policies

Revenue recognition

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

Accounting for contingent consideration with respect to the Schwarz Pharma acquisition

In December 2006, the wholly owned subsidiary UCB SP GmbH acquired a majority stake in Schwarz Pharma AG, which is included in full in the consolidated financial statements of UCB as of 28 December 2006. On that date UCB held approximately 87.6% of the voting capital of Schwarz Pharma AG. On 22 March 2007, UCB SP GmbH and Schwarz Pharma AG, as a dependent company, concluded a domination and profit transfer agreement, which was approved by an Extraordinary Shareholders Meeting of Schwarz Pharma AG on 8 May 2007. This agreement took effect on 13 July 2007.

Under the terms of the domination and profit transfer agreement, UCB offers to the remaining minority shareholders a one-time cash compensation of € 104.60 - limited to the minimum time frame of two months, but this time frame is suspended as long as any claim on the offered compensation is still pending - or a yearly guaranteed dividend of five years and will continue thereafter except if one of both parties notifies within a prescribed delay the other party to end the agreement.

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

Since claims have been filed before the competent court in Germany contesting the offered compensation, and management's position in the previous year-end was not to terminate the agreement early, the liability towards the Schwarz Pharma minority shareholders was measured based on the net present value of the guaranteed dividend that would be paid for an indefinite period to those minority shareholders that have not tendered their shares. Given the low number of remaining minority shareholders at year-end, the measurement of this financial liability has been based on management's best estimate of the net present value of the redemption amount. At 31 December 2008, UCB held 98.27% (2007: 87.6%) of Schwarz Pharma AG shares on a fully diluted basis after having acquired 4 410 740 shares at a total cost of € 505 million during the course of 2008. The financial liability related to the Domination and Profit Transfer agreement is valued at € 95 million (2007: € 384 million) and is presented under the Note 'Other financial liabilities'.

Disposal groups held for sale

During December 2008, the Board of Directors announced its decision to dispose of certain subsidiaries and assets that are no longer core to UCB strategy. Accordingly such assets were classified as disposal groups held for sale. The Board considered that the assets met the criteria to be classified as held for sale at that date for the following reasons:

- The assets are available for immediate sale and can be sold to a potential buyer in its current condition;
- The Board has a plan to sell the assets and had entered into preliminary negotiations with a potential buyer. Should negotiations with the party not lead to a sale, a number of other potential buyers have been identified;
- The Board expects negotiations to be finalised and the sale to be completed during the course of 2009.

For more details on the disposal group held for sale, refer to Note 6.

3.2. Critical accounting estimates and assumptions

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

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

Sales allowances

The Group has accruals for expected sales returns, charge-backs and other rebates, including Medicaid in the U.S. and similar rebates in other countries. Such estimates are based on analyses of existing contractual obligations or legislation, historical trends and the Group experience. Management believes that the total accruals for these items are adequate, based upon currently available information. As these deductions are based on management estimates, the actual deductions might differ from these estimates. Such differences could impact the accruals recognised in the balance sheet in future periods and consequently the level of sales recognised in the income statement in future period. In general, the discounts, rebates and other deductions shown on the invoice are accounted for as an immediate deduction from gross sales in the income statement. The sales returns, charge-backs, rebates and discounts that are not mentioned on the invoice are estimated and presented on the balance sheet in the appropriate accrual account.

Intangible assets and goodwill

The Group has intangible assets with a carrying amount of € 2 169 million (Note 17) and goodwill with a carrying amount of € 4 579 million (Note 18). Intangible assets are amortised over their useful lives on a straight-line basis as from the moment they are available for use (i.e. when regulatory approval has been obtained).

Management estimates that the useful life for acquired in-progress R&D compounds equates to the period 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 realise substantially all the cash contributions.

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

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

The Group applied the following key assumptions for the 'value in use' calculations required for the impairment testing of intangible assets and goodwill at year-end:

- Growth rate: 3%
- Discount rate in respect of Goodwill and Intangibles related to existing products: 10.5%
- Discount rate in respect of Intangibles related to in-process R&D compounds: 11.8%

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

Environmental provisions

The Group has provisions for environmental remediation costs, which are disclosed in Note 30. The most significant elements of the environmental provisions consist of costs to fully clean and refurbish contaminated sites and to treat contamination at certain other sites, mainly related to the discontinued chemical and films activities of the Group. Future remediation expenses are affected by a number of uncertainties that include, amongst others, the detection of previously unknown contaminated sites, the method and extent of remediation, the percentage of waste attributable to the Group, and the financial capabilities of the other potentially responsible parties. Given the inherent difficulties in estimating the liabilities in this area, it cannot be guaranteed that additional costs will not be incurred beyond the amounts currently accrued. The effect of resolution of environmental matters on results of operations cannot be predicted due to uncertainty concerning both the amount and timing of future expenditures and the results of future operations. Such changes that arise could impact the provisions recognised in the balance sheet in the future.

Employee benefits

The Group currently has many defined benefit plans, which are disclosed in Note 29. The calculation of the assets or liabilities related to these plans is based upon statistical and actuarial assumptions. This is in particular the case for the present value of the defined benefit obligation which is impacted by assumptions on discount rates used to arrive at the present value of future pension liabilities, and assumptions on future increases in salaries and benefits. Furthermore, the Group uses statistically-based assumptions covering areas such as future withdrawals of participants from the plans and estimates of life expectancy. The actuarial assumptions used might differ materially from actual results due to changes in market and economic conditions, higher or lower employee turnover, longer or shorter life spans of participants, and other changes in the factors being assessed. These differences could impact the assets or liabilities recognised in the balance sheet in future periods.

4. Financial risk management

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

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

The FRMC is responsible for:

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

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

4.1. Market risk

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

Foreign exchange risk

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

The instruments purchased to hedge transaction exposure are primarily denominated in U.S. dollar, GB pound, Japanese yen and Swiss franc, the currencies where the Group has its most important exposures. The Group financial risk management policy is to hedge for a period of minimum six and maximum 26 months of anticipated cash flows derived from sales, royalties or out-licensing revenues provided that no natural hedges exist.

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

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

Effect of currency fluctuations

At 31 December 2008, if the euro had strengthened or weakened by 10% against the following currencies with all other variables being held constant, the impact on equity and post-tax profit for the year would have been as follows:

€ million	Change in rate	Impact on equity: (loss)/gain	Impact on income statement: (loss)/gain
At 31 December 2008			
USD	+10%	(60)	(4)
	-10%	89	-
GBP	+10%	(42)	(8)
	-10%	51	10
CHF	+10%	(36)	10
	-10%	44	(12)

€ million	Change in rate	Impact on equity: (loss)/gain	Impact on income statement: (loss)/gain
At 31 December 2007			
USD	+10%	(65)	13
	-10%	79	(16)
GBP	+10%	(55)	(1)
	-10%	68	1
CHF	+10%	(33)	12
	-10%	40	(15)

The impact on Equity as disclosed at 31 December 2007 has been restated in order to enhance the inter-period comparability of information presented in the current and previous reporting period.

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 major debt instruments are floating rates, as described in Note 26. The Group uses interest rate derivatives to manage its interest rate risk, as described in Note 33.

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

Effect of interest rate fluctuations

A 100 basis points increase in interest rates at balance sheet date would have increased equity by € 54 million (2007: € 33 million); a 100 basis points decrease in interest rates would have decreased equity by € 54 million (2007: € 35 million).

Other market price risk

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

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

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

4.2. Credit risk

Credit risk arises from the possibility that the counterparty to a transaction may be unable or unwilling to meet its obligations causing a financial loss to the Group. Trade receivables are subject to a policy of active risk management, which focuses on the assessment of country risk, credit availability, ongoing credit evaluation and account monitoring procedures. There are certain concentrations within trade receivables of counterparty credit risk, particularly in the U.S., due to the sales via wholesalers (Note 22). For some credit exposures in critical countries, the Group has obtained or is seeking to obtain credit insurance.

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

4.3 Liquidity risk

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

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

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

- Cash and cash equivalents (Note 24) € 463 million (2007: € 479 million)
- Marketable non-equity securities[1] € 3 million (2007: Nil)
- Unutilised committed facilities € 502 million (2007: € 992 million)

At the balance sheet date, the Group existing committed facilities amounted to € 3 268 million of which € 300 million falls due in October 2010 and the remaining amount of € 2 968 million falls due in October 2011. With respect to borrowings, the amount that falls due within one year represents the revolving part of the syndicated facilities loan agreement that is renewed every six months.

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

€ million	Note	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2008						
Banks borrowings	26	2 844	872	294	1 678	-
Debentures and other short-term loans	26	14	13	1	-	-
Finance lease liabilities	26	26	2	3	5	16
Trade and other payables	31	1 215	1 159	11	19	26
Bank overdrafts	26	29	29	-	-	-
Interest rate swaps			(17)	(29)	(19)	-
Forward exchange contracts used for hedging purposes						
Outflow			568	430	-	-
Inflow			547	413	-	-
Forward exchange contracts and other derivative financial instruments at fair value through profit or loss						
Outflow			892	-	-	-
Inflow			923	-	-	-
At 31 December 2007						
Banks borrowings	26	2 347	467	-	1 880	-
Debentures and other short-term loans	26	9	9	-	-	-
Finance lease liabilities	26	29	3	3	6	17
Trade and other payables	31	1 264	1 235	10	10	9
Bank overdrafts	26	35	35	-	-	-
Interest rate swaps			6	(1)	18	-
Forward exchange contracts used for hedging purposes						
Outflow			406	259	-	-
Inflow			428	262	-	-
Forward exchange contracts and other derivative financial instruments at fair value through profit or loss						
Outflow			1 586	69	-	-
Inflow			1 600	74	-	-

4.4 Capital risk management

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

1 Includes the short-term portion of available for sale listed debt securities. Refer to Note 20 for further details.

€ million	2008	2007
Total borrowings (Note 26)	2 913	2 420
- Cash and cash equivalents (Note 23), available-for-sale debt securities and cash collateral related to the financial lease obligation (Note 20)	(470)	(505)
Net debt[1]	2 443	1 915
Total equity	4 017	4 264
Total financial capital	6 460	6 179
Gearing ratio	**38%**	**31%**

4.5 Fair value estimation

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

The fair value of financial instruments that are not traded in an active market is determined by using established valuation techniques such as option pricing models and estimated discounted values of cash flows. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of the interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

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

5. Segment reporting

5.1. Primary reporting format – Geographical segments

The Group's geographical segments comprise:

- North America (U.S. and Canada);
- Europe; and
- Rest of World.

There are significant sales and other transactions between the geographical segments listed above. The inter-segment sales and other inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. This implies that transfer prices between segments are set on an arm's length basis. Segment results, assets and liabilities include the ones directly attributable to a segment as well as the ones that can be allocated to a segment on a reasonable basis.

North America

This area of operations contains the Group activities in the United States of America and Canada.

Europe

This area of operations contains the Group activities in the 27 countries of the European Union, Switzerland, Norway, Russia and Turkey.

Rest of World

This area of operations contains the Group activities in the different countries in Asia, Africa, Oceania and South America.

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

€ million	North America	Europe	Rest of World	Unallo-cated[1]	Total
For the year ended as at 31 December 2008					
Income and Expenses					
Sales to 3rd party[2]	1 200	1 522	305	-	3 027
Inter-segment sales[3]	8	439	1	(448)	-
Royalty income[4]	63	331	2	-	396
Other revenue	94	84	-	-	178
Segment result/Operating profit[5]	22	1 042	29	(980)	113
Net finance cost	-	-	-	-	(156)
Profit/(loss) before income taxes	-	-	-	-	(43)
Income tax expense/credit	-	-	-	-	30
Profit/(loss) from continuing operations	-	-	-	-	(13)
Discontinued operations – profit net of tax	-	-	-	-	55
Profit for the period	-	-	-	-	43
Segmental expense information					
Depreciation charges	(13)	(59)	(3)	-	(75)
Amortisation charges	(22)	(80)	(3)	-	(105)
Restructuring expenses	(9)	(259)	(4)	-	(272)
Impairment of goodwill and intangible assets[6]	-	(12)	-	-	(12)
Impairment of property, plant and equipment	-	(148)	-	-	(148)
Other non-cash (expenses)/income	(9)	(277)	14	-	(272)
Other segment information					
Total segment assets[7]	3 240	5 379	132	773	9 524
Total segment liabilities[8]	517	1 060	85	3 845	5 507
Gross capital expenditures[9]	31	147	-	-	178

For the year ended as at 31 December 2007					
Income and Expenses					
Sales to 3rd party[2]	1 448	1 430	310	-	3 188
Inter-segment sales[3]	3	544	-	(547)	-
Royalty income[4]	159	130	5	-	294
Other revenue	49	93	2	-	144
Segment result/Operating profit[5]	372	846	33	(907)	344
Net finance cost	-	-	-	-	(125)
Profit before income taxes	-	-	-	-	219
Income tax expense	-	-	-	-	(60)
Profit from continuing operations	-	-	-	-	159
Discontinued operations – net of tax	-	-	-	-	2
Profit for the period	-	-	-	-	161
Segmental expense information					
Depreciation charges	(14)	(58)	(3)	-	(75)
Amortisation charges	(17)	(62)	(6)	-	(85)
Restructuring expenses	(12)	(109)	(2)	-	(123)
Impairment of goodwill and intangible assets[6]	-	(12)	-	-	(12)
Impairment of property, plant and equipment	(7)	(17)	-	-	(24)
Other non-cash expenses	-	(111)	-	-	(111)
Other segment information					
Total segment assets[7]	2 792	5 246	460	1 184	9 682
Total segment liabilities[8]	547	1 280	96	3 495	5 418
Gross capital expenditures[9]	7	242	2	-	251

The following conventions and assumptions have been taken into account for the segment reporting:

1 Unallocated items represent income, expenses, assets and liabilities of corporate functions that are not directly attributable to specific geographical segments.

2 Product sales to third parties are allocated to the geographical segments based on the country in which the assets are located.

3 Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

4 Royalty income is allocated to the geographical segments based on the country that receives the royalty.

5 Operating profit is allocated to the geographical segments as recorded by the legal entities in the respective regions

6 All impairments are recorded in the income statement.

7 Assets are allocated to the geographical segments where the assets are located. Unallocated assets are cash and cash equivalents, financial assets, derivatives, current and deferred taxes and the headquarter building.

8 Liabilities are allocated to the geographical segments as recorded by the legal entities in the respective regions. Unallocated liabilities are financial liabilities, derivatives, current and deferred income taxes, leasing liability related to the headquarter building and the accrued liabilities related to the business combination.

9 Additions to tangible and intangible assets are allocated to the geographical segments in which the assets are located / held.

5.2. Secondary reporting format – Business segments

The Group activities are in one business segment, Biopharmaceuticals.
There are no other significant classes of business, either singularly or in aggregate.

This Biopharmaceuticals business is primarily engaged in the research, development, manufacturing and marketing of products focused on severe diseases in two therapeutic areas namely central nervous system disorders, and immunology .

6. Non-current assets held for sale

6.1. Disposal of non-core distribution activities

As a consequence of the SHAPE initiative, UCB commenced a process to dispose of certain activities that are no longer core to the Group strategy. Consequently, part of the distribution activities in certain emerging markets have been presented as a disposal group held for sale following the approval of the Board in December 2008 to sell the business concerned, in order to align with the Group strategy. The completion date for the transaction is expected during the course of 2009.

The major classes of assets and liabilities of the disposal group classified as held for sale at year-end are as follows:

€ million	Note	2008
Assets classified as held for sale		
Property, plant and equipment	19	1
Intangible assets	17	20
Inventories		2
Trade and other receivables		11
Total		**34**
Liabilities classified as held for sale		
Trade and other payables		5
Total		**5**
Cumulative loss recognised directly in equity relating to disposal group classified as held for sale		
Foreign exchange translation adjustments		(1)
Total		**(1)**

The above disposal group is presented under the 'Rest of World' geographic segment.

6.2. Other non-current assets held for sale

At 31 December 2008, non-current assets held for sale also included Property, plant and equipment with carrying values of € 3 million in aggregate with respect to other non-core assets held for sale. The completion dates for the transactions are expected during the course of 2009. These non-current assets are presented under the 'Europe' geographic segment.

€ million	Note	2008
Property, plant and equipment	19	3
Total		**3**

7. Discontinued operations

The profit from discontinued operations of € 55 million (2007: € 2 million) arose due to the partial reversal of provisions related to the legacy chemical activities, including adjustments for environmental claims for sites for which UCB retained liability and which were settled in the past 12 months.

8. Other revenue

€ million	2008	2007
Revenue generated by means of profit-sharing agreements	78	18
Upfront and milestone payments	58	76
Contract manufacturing revenues	42	50
Total other revenue	**178**	**144**

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

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

During 2008, UCB received milestone payments from different parties, the details of which have been noted below:

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

The revenue from contract manufacturing activities is mainly linked to the toll manufacturing agreement on Delsym™.

9. Operating expenses by nature

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

€ million	Note	2008	2007
Employee benefit expenses	10	938	983
Depreciation of property, plant and equipment	19	75	75
Amortisation of intangible assets	17	105	85
Impairment of non-financial assets	12	160	36
Total operating expenses by nature		**1 278**	**1 179**

10. Employee benefit expense

€ million	Note	2008	2007
Wages and salaries		673	696
Social security costs		129	135
Post-employment benefits – defined benefit plans	29	15	28
Post-employment benefits – defined contribution plans		19	27
Share-based payments granted to employees and directors	25	14	10
Insurance		29	17
Other employee benefits		59	70
Total employee benefit expense		**938**	**983**

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	2008	2007
Hourly paid	1 300	1 275
Monthly paid	5 614	6 501
Management	4 378	4 326
Total	**11 292**	**12 102**

Further information regarding post-employment benefits and share-based payments can be found in Notes 29 and 25.

11. Other operating income / expenses

Other operating income/expenses amounted to € (1) million (2007: € 10 million) and consists mainly of the reimbursement of charges from insurance companies of € 2 million (2007: € 2 million), as well as the amortisation of non-production related intangible assets of € 3 million (2007: € 4 million); the reversal of provisions of € 7 million (2007: Nil) and integration expenses of € -5 million (2007: Nil). The overall variance can be explained by the fact that in 2007, the Group was reimbursed by third parties for development expenses incurred (Amount: € 7 million), this was not the case for 2008.

12. Impairment of non-financial assets

A review of the recoverable amounts of the Group assets resulted in the recognition of impairment charges amounting to € 160 million (2007: € 36 million).

At 31 December 2008, as a consequence of the SHAPE programme, the Group recognised impairment charges of € 2 million (2007: € 12 million) on its Trademarks, patents and licenses. The Group has also recognised an impairment charge of € 10 million (2007: nil) with respect to Other intangible assets; this charge can be attributed to the impairment of know-how pertaining to certain manufacturing processes. The assets concerned are reported within the 'Europe' segment.

As a result of the yearly impairment review, an impairment charge of € 148 million (2007: € 24 million) was recognised with respect to the Group property, plant and equipment. This charge relates mainly to a reduction in the 'value in use' for certain manufacturing facilities as a consequence of the SHAPE programme.
The assets concerned are reported within the 'Europe' segment. The 2007 impairment charge pertaining to the Group property, plant and equipment comprised the following items: € 7 million for the Group production facility in the U.S., € 10 million with respect to the closure of the research centre in Cambridge (U.K.), € 6 million for the production facility in Shannon (Ireland) and € 1 million on leasehold improvements and office equipment in the legacy Schwarz premises in the U.K.

13. Restructuring expenses

The restructuring expenses as at 31 December 2008 amount to € 272 million (2007: € 123 million), mainly related to the SHAPE programme (announced in August 2008) and the closure of the Cambridge research site (announced in January 2008). The SHAPE programme is a major global project aimed at accelerating UCB transformation into a focused specialist biopharmaceutical company. With SHAPE, UCB aims to increase focus on its core assets, redeploy resources, advance R&D and simplify the organisation, while successfully delivering UCB new medicines to patients and improving both its competitiveness and profitability.

14. Other income and expenses

Other income amounted to € 14 million (2007: € 23 million) and is mainly attributable to proceeds from a litigation claim that was favourably settled. The comparative amount comprised the realised capital gain on the sale of Cytec shares (Amount: € 29 million), the sale of the OTC business to Pierre Fabre (Amount: € 19 million), as well as expenses related to start-up costs and the write-off of Cimzia® material produced at Lonza (Amount: € 33 million).

15. Financial income and financing costs

The net financing costs for the year amounted to € 156 million (2007: € 125 million). The breakdown of the financing costs and financial income is as follows:

Financing costs

€ million	2008	2007
Interest expenses on borrowings	(140)	(170)
Interest expenses on interest rate derivatives	8	5
Interest rate swaps: cash flow hedges, transfer from equity	0	1
Net foreign exchange losses	(51)	-
Financial charges on financial lease	(1)	(2)
Total financing costs	**(184)**	**(166)**

Financial income

€ million	2008	2007
Interest income:		
On bank deposits	23	31
Provisions: unwinding of discount	0	0
Dividend income	0	1
Net foreign exchange gains	-	2
Fair value gains on financial derivatives	22	14
Net gain/(loss) on sale of equity financial derivatives	0	-
Net gain/(loss) on sale of debt securities	0	-
Ineffective part of cash flow hedges	0	0
Guaranteed dividend related to the Schwarz Pharma minority shareholders	(16)	
Net other financial income/(expense)	(1)	(7)
Total financial income	**28**	**41**

16. Income tax (expense)/credit

€ million	2008	2007
Current income taxes	(103)	(181)
Deferred income taxes	133	121
Total income tax (expense)/credit	**30**	**(60)**

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

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

€ million	2008	2007
Profit before income taxes	(43)	219
Income tax (expense)/credit calculated at domestic tax rates applicable in the respective countries	3	(52)
Expenses non deductible for tax purposes	(119)	(148)
Non-taxable income	146	68
Tax credits	3	1
Variation in tax rates	0	41
Other tax rate effects	20	39
Current tax adjustments related to prior years	18	6
Deferred tax adjustments related to prior years	1	(11)
Reversal of write-downs/(write-downs) of previously recognised deferred tax assets	(35)	(2)
Withholding tax impact on intercompany dividends	(5)	-
Other taxes	(2)	(2)
Total income tax (expense)/credit	**30**	**(60)**

	2008	2007
Effective tax rate	**69.8%**	**27.4%**

The change in the effective tax rate is mainly attributable to the following: the integration of Schwarz Pharma entities into UCB entities; the finalisation of certain tax audits and; the recognition of previously unrecognised deferred tax assets.

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

€ million	2008	2007
Current tax	-	-
Deferred tax:		
Arising upon the adoption of IFRIC 14 - Onerous minimum funding requirements (Note 2.2)	(2)	-
Effective portion of changes in fair value of cash flow hedges	14	3
Income taxes directly recognised in equity	**12**	**3**

17. Intangible assets

€ million	Trademarks, patents and licenses	Other[1]	Total
Gross carrying amount at 1 January 2008	**1 078**	**1 468**	**2 546**
Additions	52	23	75
Disposals	(8)	(4)	(12)
Transfer from one heading to another	450	(429)	21
Transfer to assets held for sale	(23)	-	(23)
Effect of movements in exchange rates	(8)	(80)	(88)
Gross carrying amount at 31 December 2008	**1 541**	**978**	**2 519**
Accumulated amortisation and impairment losses at 1 January 2008	**(179)**	**(74)**	**(253)**
Amortisation charge for the year	(95)	(10)	(105)
Disposals	8	4	12
Impairment losses recognised in the income statement	(2)	(10)	(12)
Transfer from one heading to another	(14)	1	(13)
Transfer to assets held for sale	3	-	3
Effect of movements in exchange rates	3	15	18
Accumulated amortisation and impairment losses at 31 December 2008	**(276)**	**(74)**	**(350)**
Net carrying amount at 31 December 2008	**1 265**	**904**	**2 169**
Gross carrying amount at 1 January 2007	**1 048**	**1 618**	**2 666**
Additions	17	14	31
Disposals	(1)	(2)	(3)
Transfer from one heading to another	135	(135)	-
Disposal through sale of business	(7)	-	(7)
Effect of movements in exchange rates	(114)	(27)	(141)
Gross carrying amount at 31 December 2007	**1 078**	**1 468**	**2 546**
Accumulated amortisation and impairment losses at 1 January 2007	**(107)**	**(72)**	**(179)**
Amortisation charge for the year	(80)	(5)	(85)
Disposals	1	2	3
Impairment losses recognised in the income statement	(12)	-	(12)
Disposal through sale of businesses	5	-	5
Effect of movements in exchange rates	14	1	15
Accumulated amortisation and impairment losses at 31 December 2007	**(179)**	**(74)**	**(253)**
Net carrying amount at 31 December 2007	**899**	**1 394**	**2 293**

The Group amortises all intangible assets. The amortisation of intangible assets is allocated to cost of sales for all intangible assets that are related to compounds. The amortisation charges related to software are allocated to the functions that use this software.

The majority of the Group intangible assets arose from previous acquisitions. During 2008, the Group acquired intangible assets totalling € 75 million (2007: € 31 million). These additions related mainly to the acquisition of licensed products, and the payment of milestones with respect to in-licensing agreements as well as additions to software.

During the year, the Group recognised total impairment charges of € 12 million (2007: € 12 million) on its intangible assets. The impairment charges are detailed in Note 12 and have been presented in the income statement under the caption 'impairment of non-financial assets'.

1 Other intangible assets include mainly software and acquired in-progress research & development projects that are not yet available for use.

18. Goodwill

€ million	2008	2007
Cost at 1 January	**4 403**	**4 391**
Adjustment related to Schwarz Pharma acquisition (Note 3.1)	201	269
Effect of movement in exchange rates	(25)	(257)
Net booking value at 31 December	**4 579**	**4 403**

The adjustment to goodwill pertains to the contingent consideration attributable to the Schwarz Pharma AG acquisition in 2006. Reference can be made to Note 3.1 for further details.

Goodwill is allocated to the Group cash-generating units (CGU's) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

€ million	2008	2007
U.S.	2 179	2 003
Europe	2 293	2 302
Rest of World	107	98
Total carrying amount at 31 December	**4 579**	**4 403**

The Group tests goodwill for impairment at each reporting date or more frequently if there are indications that goodwill might be impaired. The 'recoverable amount' of a CGU is determined based on 'value in use' calculations.
These calculations are based on cash flow projections as derived from financial budgets approved by management which cover a period of 10 years. Given the nature of the industry, these long-term projections are used to fully model the appropriate product lifecycles based on the patent expiry and therapeutic area. Cash flows beyond the projected forecast period are extrapolated using estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the relevant territories in which the CGU operates. The discount rate (refer below) is derived from a capital asset pricing model adjusted to reflect the specific risks relating to the assets, the company risk profile and the industry within which it operates. Since after-tax cash flows are incorporated into the calculation of the 'value in use' of the CGU's, a post-tax discount rate is used in order to remain consistent.
The use of the post-tax discount rate approximates the results of using a pre-tax rate applied to pre-tax cash flows.

Key assumptions used for the value in use calculations:

	2008	2007
Discount rate	10.5%	10.5%
Growth rate	3.0%	3.0%

19. Property, plant and equipment

€ million	Land and buildings	Plant and machinery	Office, computer equipment vehicles & other	Assets under constr-uction	Total
Gross carrying amount at 1 January 2008	**452**	**428**	**109**	**222**	**1 211**
Additions	22	41	15	26	104
Disposals	(20)	(21)	(20)	-	(61)
Transfer from one heading to another	73	61	41	(183)	(8)
Transfer to assets held for sale	(12)	-	(1)	-	(13)
Effect of movements in exchange rates	-	-	-	(5)	(5)
Gross carrying amount at 31 December 2008	**515**	**509**	**144**	**60**	**1 228**
Accumulated depreciation at 1 January 2008	**(135)**	**(235)**	**(83)**	**-**	**(453)**
Depreciation charge for the year	(20)	(36)	(19)	-	(75)
Impairment charge	(34)	(104)	(2)	(8)	(148)
Disposals	16	19	23	-	58
Transfer from one heading to another	(3)	10	(7)	-	-
Transfer to assets held for sale	8	-	1	-	9
Effect of movements in exchange rates	3	1	-	-	4
Accumulated depreciation at 31 December 2008	**(165)**	**(345)**	**(87)**	**(8)**	**(605)**
Net carrying amount at 31 December 2008	**350**	**164**	**57**	**52**	**623**
Gross carrying amount at 1 January 2007	**465**	**407**	**123**	**76**	**1 071**
Additions	15	41	18	146	220
Disposals	(11)	(19)	(13)	(1)	(44)
Transfer from one heading to another	-	12	(14)	4	2
Effect of movements in exchange rates	(17)	(13)	(5)	(3)	(38)
Gross carrying amount at 31 December 2007	**452**	**428**	**109**	**222**	**1 211**
Accumulated depreciation at 1 January 2007	**(114)**	**(210)**	**(82)**	**-**	**(406)**
Depreciation charge for the year	(20)	(38)	(17)	-	(75)
Impairment charge	(14)	(10)	-	-	(24)
Disposals	10	16	9	-	35
Transfer from one heading to another	(3)	(2)	3	-	(2)
Effect of movements in exchange rates	6	9	4	-	19
Accumulated depreciation at 31 December 2007	**(135)**	**(235)**	**(83)**	**-**	**(453)**
Net carrying amount at 31 December 2007	**317**	**193**	**26**	**222**	**758**

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 2008, the Group acquired property, plant and equipment totalling € 104 million (2007: € 220 million). These additions related mainly to improvement and replacement capital expenditure as well as investments supporting new product and delivery mechanisms.

During the year, the Group recognised total impairment charges of € 148 million (2007: € 24 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'.

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

Leased assets

UCB leases buildings and office equipment under a number of finance lease agreements. The carrying value of the leased buildings is € 50 million (2007: € 49 million) and the carrying value of the leased office equipment is € 1 million (2007: € 1 million).

20. Financial and other assets

Non-current financial and other assets

€ million	2008	2007
Available-for-sale financial assets (refer below)	4	8
Cash deposits	8	21
Derivative financial instruments (Note 33)	1	41
Reimbursement rights with respect to German defined benefit plans	22	22
Other financial assets	91	112
Non-current income tax receivable	21	22
Total financial and other assets at year-end	**147**	**226**

Current financial and other assets

€ million	2008	2007
Clinical trial material	35	45
Available-for-sale financial assets (refer below)	3	0
Derivative financial instruments (Note 33)	66	51
Total financial and other assets at year-end	**104**	**96**

Available-for-sale financial assets

Available-for-sale financial assets comprise the following:

€ million	2008	2007
Listed debt securities	7	8
Total available-for-sale financial assets at year-end	**7**	**8**

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

€ million	2008	2007	
	Debt securities	Shares of Cytec Industries Inc.	Debt securities
At 1 January	**8**	**248**	**14**
Additions	-	-	1
Disposals	(2)	(219)	(6)
Revaluation through equity	1	-	(1)
Gain/(loss) transferred from equity and reported in the income statement	-	(29)	-
At 31 December	**7**	**-**	**8**

The Group has investments in listed debt securities, mainly issued by European governments as well as by some financial institutions. These bonds have been classified as available-for-sale and are measured at fair value.
The fair value of the listed debt securities is determined by reference to published price quotations in an active market.
None of these financial assets is either past due or impaired.

21. Inventories

€ million	2008	2007
Raw materials and consumables	162	84
Work in progress	59	36
Finished goods	116	150
Goods purchased for resale	26	37
Inventories	**363**	**307**

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to € 656 million (2007: € 723 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 € 21 million in 2008 (2007: € 16 million) and has been included in cost of sales.

22. Trade and other receivables

€ million	2008	2007
Trade receivables	676	629
- Provision for impairment of trade receivables	(10)	(5)
Trade receivables – net	666	624
VAT receivable	24	25
Interest receivables	32	27
Prepaid expenses	35	32
Accrued income	6	3
Other receivables	42	55
Royalty receivables	54	107
Trade and other receivables	**859**	**873**

Trade and other receivables and 'trade and other liabilities' as disclosed at 31 December 2007 have been restated by an amount of € 127 million in order to enhance the inter-period comparability of information presented in the current and previous reporting period.

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

There is some concentration of credit risk with respect to trade receivables. The Group co-operates with dedicated wholesalers in certain countries. The largest outstanding trade receivable in 2008 from a single customer is 16.0% (2007: 16.9%) from McKesson Corp. U.S.

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

€ million	2008		2007	
	Gross carrying amounts	Impairment	Gross carrying amounts	Impairment
Not past due	442	-	423	-
Past due – less than one month	36	-	18	-
Past due more than 1 month and not more than 3 months	26	(1)	40	0
Past due more than 3 months and not more than 6 months	142	(3)	130	(1)
Past due more than 6 months and not more than 1 year	14	(1)	11	(3)
Past due more than 1 year	16	(5)	7	(1)
Total	**676**	**(10)**	**629**	**(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 71% (2007: 70%) 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	2008	2007
Balance at 1 January	**(5)**	**(8)**
Impairment charge recognised in the income statement	(7)	(3)
Utilisation/reversal of provision for impairment	2	6
Effects of movements in exchange rates	0	-
Balance at 31 December	**(10)**	**(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	2008	2007
EUR	311	309
USD	356	390
JPY	57	44
GBP	28	29
Other currencies	107	101
Trade and other receivables	**859**	**873**

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.

23. Cash and cash equivalents

€ million	2008	2007
Short-term bank deposits	200	384
Cash equivalents	209	-
Cash at bank and on hand	54	95
Cash and cash equivalents	**463**	**479**
Bank overdrafts (Note 26)	(29)	(35)
Cash and cash equivalents, less bank overdrafts as mentioned in the cash flow statement	**434**	**444**

24. Capital and reserves

Share capital and share premium

The issued share capital of the company amounted to € 550 million (2007: € 550 million), and is represented by 183 365 052 shares (2007: 183 361 252 shares). The company's shares are without par value. At 31 December 2008, 69 429 260 shares were registered and 113 935 792 were bearer/dematerialised shares. The holders of UCB shares are entitled to receive dividends as declared and are also entitled to one vote per share at the Shareholders' meeting of the company. There is no authorised, unissued capital.

At 31 December 2008, the share premium reserves amounted to € 1 601 million (2007: 1 601 million).

On 29 February 2008, the company's share capital increased by € 11 400 while the share premium reserve increased by € 138 817. This increase arose due to the exercise of warrants in the previous year and therefore 3 800 new UCB shares without par value were issued.

Treasury shares

As a result of the above-mentioned capital increase, 3 800 treasury shares have been acquired for zero consideration. Subsequent to the above, the Group acquired 50 384 treasury shares for a total amount of € 1 million (2007: 61 200 shares for a total amount of € 2 million) and reissued 100 598 treasury shares for a total amount of € 3 million. The Group retained 3 187 264 (2007: 3 233 678) treasury shares at 31 December 2008. These treasury shares have been acquired in order to honour the exercise of share options and share awards granted to the Board of Directors and certain categories of employees. UCB Fipar or UCB SCA have the right to resell these shares at a later date.

Other reserves

Other reserves consist of the fair value reserve, the hedging reserve and the equity account linked to the difference of acquisition value for the Schwarz Pharma business combination between IFRS and Belgian GAAP (related to the capital increase in 2006 in UCB S.A.).

Cumulative translation adjustments

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

25. Share-based payments

The Group operates several equity-based compensation plans, including a share option plan, a share appreciation rights plan, a share award plan and a performance share plan to compensate employees for services rendered. The share option plan, the share award plan and the performance share plan are equity-settled, whereas the share appreciation rights plan is a cash-settled plan. Besides these plans, the Group also operates employee share purchase plans in the U.K. and the U.S.

Share option plans and share appreciation rights plan

The Remuneration Committee granted options on UCB S.A. shares to the Executive Committee members, the Senior Executives and the senior and middle management of the UCB Group. The exercise price of the granted options under these plans is equal to the lowest of the following two values:

- The average of the closing price of the UCB shares on Euronext Brussels, during the 30 days preceding the offer or
- The closing price of the UCB shares on Euronext Brussels the day before the grant.

A different exercise price is determined for those eligible employees subject to legislation which requires a different exercise price in order to benefit from reduced taxation. The options become exercisable after a vesting period of three years, except for those eligible employees subject to legislation which requires a longer vesting period in order to benefit from reduced taxation. If an employee leaves the Group, his/her options usually lapse upon expiry of a period of six months. Options are acquired in case of death or retirement and in case of involuntary termination when taxes have been paid upon grant. The Group has no obligation to repurchase or settle the options in cash. There are no reload features, and the options are not transferable (except in case of death).

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

Share award plan

The Remuneration Committee granted free UCB S.A. shares to members of the Leadership Team with a grade 12 or above. 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.

Performance share plan

The Remuneration Committee granted performance shares to members of the Leadership Team with a grade 12 or above who achieved an outstanding performance. The performance shares are conditional on the beneficiary completing three years of service (the vesting period) and are also subject to the fulfilment of certain performance conditions.

Performance Shares lapse upon leaving the Group, except upon leaving on retirement or death in which case they vest immediately. The beneficiary is not entitled to dividends during the vesting period.

Phantom share option, share award and performance share plans

The Group also has phantom share option, phantom share award and phantom performance share plans (collectively referred to as 'phantom plans'). These phantom plans apply to certain members of the Leadership Team 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. The share-based payment expense incurred for these plans is immaterial.

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 certain portion of their salary through payroll deduction and shares will be purchased with after-tax employee savings. 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 2008, the plan had 544 participants (2007: 621). There are no specific vesting conditions and the share-based payment expense incurred for this plan is immaterial.

Share savings plan in the United Kingdom

The purpose of this plan is to encourage the holding of UCB shares by employees in the U.K. Participants save a certain portion of their salary through payroll deductions and UCB matches every 5 shares bought by each participant with 1 free share. Shares are held in an account in the employee's name by an independent company that acts as a trustee.

Employee contributions to the plan are limited to the lower of:

- 10% of each participant's compensation
- GBP 1 500 per year per participant.

As of 31 December 2008, the plan had 119 participants (2007: 105) and the share-based payment expense incurred for this plan is immaterial.

Share-based payment expense

The total share-based payment expense incurred for the Group equity-based compensation plans amounted to € 14 million (2007: € 10 million), and has been included in the relevant functional lines within the income statement as follows:

€ million	2008	2007
Cost of sales	1	1
Marketing & selling expenses	4	3
Research & development expenses	4	2
General & administrative expenses	5	4
Total operating expense	**14**	**10**
of which, equity-settled:		
Share option plans	8	6
Share award plans	3	3
Performance share plan	3	1
Employee share purchase plans	-	-
of which, cash-settled:		
Share appreciation rights plan	-	-

Share option plans

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

	2008			2007		
	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	**8.13**	**40.54**	**3 840 821**	**7.19**	**37.46**	**2 200 217**
+ New options granted	4.28	22.18	2 288 100	9.08	43.65	1 855 100
- Options forfeited	7.56	37.63	530 277	7.99	40.61	141 100
- Options exercised	7.13	25.87	1 014	4.07	26.79	73 396
- Options expired	-	-	-	-	-	-
Outstanding at 31 December	**6.61**	**33.31**	**5 597 630**	**8.13**	**40.54**	**3 840 821**
Number of options fully vested:						
At 1 January			577 421			438 200
At 31 December			618 530			577 421

The share options outstanding as at 31 December 2008 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	2 395
31 May 2013	[26.58 – 27.94]	231 732
5 April 2014	31.28	7 903
31 August 2014	[40.10 – 40.20]	376 500
31 March 2015	[37.33 – 37.60]	494 100
31 March 2016	[40.14 – 40.57]	752 400
31 March 2017	[43.57 – 46.54]	1 557 500
31 March 2018	[22.01 – 25.73]	2 175 100
Total outstanding		**5 597 630**

The weighted average fair value of the share options granted during 2008 was € 4.28 (2007: € 9.08).
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:

		2008	2007
Share price at grant date	€	22.80	43.45
Weighted average exercise price	€	22.18	43.65
Expected volatility	%	25.23	19.30
Expected option life	Years	5	5
Expected dividend yield	%	4.12	1.73
Risk-free interest rate	%	3.98	4.43
Expected annual forfeiture rate	%	7.00	7.00

Share appreciation rights (SAR's) plan

The movements of the SAR's and the model inputs as at 31 December 2008 can be found in the table below. The fair value of the SAR's at grant date is determined using the Black-Scholes model. The fair value of the liability is re-measured at each reporting date.

		2008 Number of SAR's	2007 Number of SAR's
Outstanding rights as of 1 January		**749 700**	**314 600**
+ New rights granted		592 500	482 600
- Rights forfeited		150 200	47 500
- Rights exercised		-	-
Outstanding rights as of 31 December		**1 192 000**	**749 700**
The significant assumtions used in the measurement of the fair value of the share appreciation rights are:			
Share price at year-end	€	23.30	31.02
Exercise price	€	22.01	43.57
Expected volatility	%	30.74	24.37
Expected option life	Years	5	5
Expected dividend yield	%	4.03	1.73
Risk-free interest rate	%	3.36	4.22
Expected annual forfeiture rate	%	7.00	7.00

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:

	2008		2007	
	Number of shares	Weighted average fair value (€)	Number of shares	Weighted average fair value (€)
Outstanding at 1 January	**293 100**	**41.55**	**200 275**	**40.27**
+ New rights granted	101 005	22.80	118 025	43.53
- Rights forfeited	20 700	39.14	22 900	40.53
- Rights exercised	71 200	38.08	2 300	41.88
Outstanding at 31 December	**302 205**	**36.27**	**293 100**	**41.55**

Performance Share plans

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

	2008		2007	
	Number of share options	Weighted average fair value (€)	Number of share options	Weighted average fair value (€)
Outstanding at 1 January	**283 000**	**43.54**	**-**	**-**
+ New performance shares granted	94 675	22.80	**283 000**	**43.54**
- Performance shares forfeited	8 000	43.57	-	-
- Performance shares exercised	15 000	43.57	-	-
Outstanding at 31 December	**354 675**	**38.00**	**283 000**	**43.54**

Options granted before 7 November 2002

According to the transitional provisions included in IFRS 2, the options granted before 7 November 2002 and not yet vested at 1 January 2005 are not amortised through the income statement.

In 1999 and 2000 respectively, UCB issued 145 200 and 236 700 subscription rights (warrants) to subscribe for one ordinary share. Out of these rights, 209 000 may still be exercised. These warrants expire progressively between 2009 and 2013.

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

	2008		2007	
	Number of share options	Weighted average exercise price (€)	Number of share options	Weighted average exercise price (€)
Outstanding at 1 January	**730 303**	**40.37**	**762 889**	**39.87**
- Options forfeited	15 015	41.79	10 600	40.40
- Options exercised	-	-	21 986	39.11
Outstanding at 31 December	**715 288**	**40.34**	**730 303**	**40.37**

26. Borrowings

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

€ million	Carrying amount		Fair value	
	2008	2007	2008	2007
Non-current				
Bank borrowings	1 972	1 880	1 972	1 880
Finance lease	24	26	24	22
Total non-current borrowings	**1 996**	**1 906**	**1 996**	**1 902**
Current				
Bank overdrafts	29	35	29	35
Current portion of bank borrowings	872	467	872	467
Debentures and other short-term loans	14	9	14	9
Finance lease	2	3	2	3
Total current borrowings	**917**	**514**	**917**	**514**
Total borrowings	**2 913**	**2 420**	**2 913**	**2 416**

Bank borrowings

In 2006, the Group concluded a Syndicated Loan Facilities Agreement in order to help finance the acquisition of Schwarz Pharma. The Group has borrowing facilities of € 3 268 million (2007: € 3 372 million). The facility expires on 31 December 2011.

At year-end, the total amount drawn down was € 2 854 million (2007: € 2 278 million). The Borrowings linked to the Facilities Agreement bear interest using a Euribor or Libor floating interest rate plus a margin depending UCB leverage ratio on the covenants of the agreement. On 31 December 2008, the floating weighted average interest rate was 4.62% (2007: 5.53%). The floating interest rate payments are subject to a designated cash flow hedge, thereby fixing the interest rate for the Group at 4.55% (2007: 4.96%). The fees paid for the arrangement of the Facilities Agreement are amortised over the estimated term of the Facility.

The fair value of the non-current borrowings is determined based on the present value of the payments associated with the debt instruments, using the applicable yield curve and UCB credit spread for the various different currencies. Since the bank borrowings are at a floating interest rate that is reset every six months, the carrying amount of the bank borrowings equates to its fair value. With respect to the current borrowings, the carrying amounts approximate their fair values as the effect of discounting is considered to be insignificant.

Please refer to Note 4.3 for the maturity analysis of the Group borrowings (excluding other financial liabilities).

The carrying amounts of the Group borrowings are denominated in the following currencies:

€ million	2008	2007
EUR	1 573	1 449
USD	1 271	898
Total interest bearing loans by currency	2 844	2 347
Bank overdrafts - EUR	29	35
Debentures other than short-term loans - EUR	14	9
Finance lease liabilities - EUR	26	29
Total borrowings	**2 913**	**2 420**

Finance lease liabilities – Minimum lease payments

€ million	2008	2007
Amounts payable under finance leases:		
1 year or less	2	3
1-2 years	3	3
2-5 years	5	6
More than 5 years	16	17
Present value of finance lease liabilities	**26**	**29**
- Amount due for settlement within 12 months	2	3
Amount due for settlement after 12 months	**24**	**26**

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

27. Other financial liabilities

€ million	Carrying amount		Fair value	
	2008	2007	2008	2007
Non-current				
Financial liability related to the Domination and Profit Transfer Agreement	23	366	**23**	366
Derivative financial instruments (Note 33)	80	10	80	10
Total non-current other financial liabilities	**103**	**376**	**103**	**376**
Current				
Financial liability related to the Domination and Profit Transfer Agreement	**72**	18	**72**	18
Derivative financial instruments (Note 33)	57	17	57	17
Total current other financial liabilities	**129**	**35**	**129**	**35**
Total other financial liabilities	**232**	**411**	**232**	**411**

The financial liability related to the Domination and Profit Transfer Agreement between UCB SP Gmbh and Schwarz Pharma AG (refer to Note 3.1) is valued based on management's best estimate of the net present value of the redemption amount payable to the minority shareholders of Schwarz Pharma AG that have not tendered their shares by year-end (that being 844 268 shares).

During 2008 UCB acquired 4 410 740 shares in Schwarz Pharma AG from minority shareholders and consequently, the total financial liability related to the remaining minority shareholders of Schwarz Pharma AG decreased from € 384 million in 2007 to € 95 million in 2008.

28. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

€ million	2008	2007
Intangible assets	(486)	(504)
Property, plant and equipment	0	(16)
Inventories	118	49
Trade and other receivables	70	10
Employee benefits	20	17
Provisions	27	28
Other short-term liabilities	(32)	(74)
Unused tax losses	85	46
Unused tax credits	4	2
Write-down of previously recognised deferred income tax assets	(86)	(48)
Total deferred tax liabilities (net)	**(280)**	**(490)**

Unutilised tax losses

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

€ million	2008	2007
Expiry dates		
1 year or less	1	-
1-2 years	1	-
2-3 years	7	-
3-4 years	5	4
More than 4 years	16	8
Without expiration	648	261
Unused tax losses	**678**	**273**

Temporary differences for which no deferred tax liability is recognised

No deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries. The unrecognised deferred tax liabilities amount to approximately € 8 million (2007: € 6 million).

Temporary differences for which no deferred tax asset is recognised

Deferred tax assets are recognised on tax losses carried-forward that represent income likely to be realised in the foreseeable future. Deferred tax assets amounting to € 604 million (2007: € 676 million) have not been recognised in view of the uncertain character of the recovery.

29. Employee benefits

Most employees are covered by retirement benefit plans sponsored by Group companies. The nature of such plans varies according to legal regulations, fiscal requirements and economic conditions of the countries in which the employees are employed. The Group operates both defined contribution plans and defined benefit plans.

Defined contribution plans

Post-employment benefit plans are classified as 'defined contribution' plans if the Group pays fixed contributions into a separate fund or to a third party financial institution and will have no further legal or constructive obligation to pay further contributions. Therefore no assets or liabilities are recognised in the Group balance sheet in respect of such plans, apart from regular prepayments and accruals of contributions.

Defined benefit plans

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

These plans can be either unfunded or funded via outside pension funds or insurance companies. For (partially) funded plans, the assets of the plans are held separately in funds under the control of the trustees. Where a plan is unfunded, notably for the major defined benefit plans in Germany, a liability for the obligation is recorded in the Group balance sheet. For funded plans, the Group is liable for the deficits between the fair value of the plan assets and the present value of the benefit obligations. Accordingly, a liability (or an asset when the plan is over-funded) is recorded in the Group balance sheet. Independent actuaries assess all main plans annually.

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

The assets held in the funds do not contain any direct investment in UCB Group shares, nor any property occupied by, or other assets used by the Group, though this does not exclude UCB shares being included in mutual investment fund type investments.

The amounts recognised in the balance sheet are determined as follows:

€ million	2008	2007
Present value of funded obligations	398	451
Fair value of plan assets	(351)	(462)
Deficit/(surplus) for funded plans	47	(11)
Present value of unfunded obligations	73	78
Unrecognised actuarial gain/(loss)	(46)	29
Adjustment in respect of minimum funding requirements	4	-
Effect of the asset ceiling limit under IAS 19, paragraph 58(b)	18	19
Net liability in respect of defined benefit plans	**96**	**115**
+ Liability with respect to cash-settled share-based payments (Note 25)	2	1
Total employee benefit liabilities	**98**	**116**
of which		
Portion recognised in the non-current liabilities	106	126
Portion recognised in the non-current assets	(8)	(10)

UCB total non-current employee benefit liabilities amount to € 106 million (2007: € 126 million) of which € 2 million (2007: € 1 million) is related to the Group liability for share appreciation rights (Note 26).

The movement in defined benefit obligation over the year is as follows:

€ million	2008	2007
At 1 January	**529**	**590**
Current service cost	22	21
Interest cost	27	27
Contribution by plan participants	2	2
Amendments	-	-
Actuarial gain/(loss)	(4)	(45)
Exchange difference	(56)	(31)
Benefits paid	(38)	(31)
Premiums, taxes, expenses paid	(2)	(2)
Liabilities acquired in a business combination	-	-
Curtailments and settlements	(9)	(2)
At 31 December	**471**	**529**

The movement in the fair value of plan assets of the year is as follows:

€ million	2008	2007
At 1 January	**462**	**472**
Expected return on plan assets	29	28
Actuarial gain/(loss) on plan assets	(80)	(3)
Exchange difference	(60)	(33)
Employer contribution	38	34
Employee contribution	2	2
Benefits paid	(37)	(31)
Premiums, taxes, expenses paid	(2)	(3)
Plan settlements	(1)	(4)
Assets acquired in a business combination	-	-
At 31 December	**351**	**462**

The fair value of plan assets amounts to € 351 million (2007: € 462 million), representing 75% (2007: 87%) of the benefits accrued to members for both funded and unfunded plans. The total deficit of € 120 million (2007: € 67 million) is expected to be eliminated over the estimated remaining average service period of the current membership.

The amounts recognised in the consolidated income statement are as follows:

€ million	2008	2007
Current service cost	22	21
Interest cost	27	27
Expected return on plan assets & reimbursement assets	(30)	(27)
Actuarial (gain)/loss recognised	-	(1)
Amortisation of past service cost[1]	-	-
Amortisation of net (gain)/loss[1]	-	(11)
Adjustment fin respect of minimum funding requirement	(1)	-
Effect of the asset ceiling limit under IAS 19, paragraph 58(b)	5	17
Curtailment (gain)/loss recognised	(8)	-
Settlement (gain)/loss recognised	-	2
Total expense recognised in income statement	**15**	**28**

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

€ million	2008	2007
Cost of sales	(4)	(7)
Marketing & selling expenses	(1)	(6)
Research & development expenses	(6)	(6)
General & administrative expenses	(4)	(9)
Total	**(15)**	**(28)**

The actual return on plan assets is € -51 million (2007: € 24 million) and the actual return on reimbursement rights is € 0 million (2007: € 1 million).

1 Includes the effect of applying paragraph 58A of IAS 19

The principal actuarial assumptions used were as follows:

	2008	2007
Discount rate	5.92%	5.51%
Expected rate of compensation increases	4.16%	3.95%
Inflation rate	2.52%	2.62%
Expected long-term rate of return on plan assets	6.59%	5.82%
Assumed health-care trend rate		
Immediate trend rate	7.00%	7.80%
Ultimate trend rate	4.50%	5.00%
Year that the rate reaches ultimate trend rate	2028	2012

Plan assets comprise the following:

	2008		2007	
	Percentage of plan assets	Expected return of plan assets	Percentage of plan assets	Expected return of plan assets
Equity securities	26.50%	8.65%	33.85%	7.84%
Debt securities	49.06%	6.17%	46.49%	5.45%
Real estate	0.74%	6.51%	0.50%	2.93%
Other	22.24%	5.11%	19.07%	4.31%

A one percentage point increase or decrease in the assumed health-care trend (i.e. medical inflation) rate would have the following effect:

€ million	1% Increase	1% Decrease
Effect on total service cost and interest cost	7	(6)
Effect on defined benefit obligation	22	(22)

Amounts for the current and previous three periods (since transition to IFRS) are as follows:

€ million	2008	2007	2006	2005
At 31 December				
Present value of the defined benefit obligation	471	529	590	540
Fair value of plan assets	351	462	472	438
Surplus/(deficit) in the plan before adjustments	(120)	(67)	(118)	(102)
Experience adjustments arising on plan liabilities	9	6	3	8
Experience adjustments arising on plan assets	80	3	(9)	(38)

The Group expects to contribute € 36 million (2007: € 36 million) to its defined benefit plans in 2009.

30. Provisions

The movements in provisions have been disclosed below:

€ million	Environment	Restructuring	Other	Total
At 1 January 2008	**88**	**49**	**205**	**342**
Arising during the year	4	220	64	288
Utilised during year	(1)	(44)	(32)	(77)
Transfer from one heading to another		4	19	23
Effect of movements in exchange rates		(4)	1	(3)
Unused amounts reversed	(28)	(4)	(33)	(65)
At 31 December 2008	**63**	**221**	**224**	**508**
Non-current portion	58	14	179	251
Current portion	5	207	45	257
Total provisions	**63**	**221**	**224**	**508**

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 2008 a part of the provisions related to the Surface Specialties business was reversed. The provisions have been discounted at a rate of 3.4% (2007: 4.67%).

Restructuring provisions

The overall increase in the restructuring provision in 2008 can be attributed to the closure of the Cambridge research site (announced in January 2008) as well as the SHAPE programme (announced in August 2008).
Refer to Note 13 for further information on the SHAPE programme.

Other provisions

Other provisions relate mainly to tax risks, product liability and litigations. Provisions for tax risks are recorded if UCB considers that the tax authorities might challenge a tax position taken by the Group or a subsidiary. Provisions for litigation comprise mainly provisions for litigations where UCB or a subsidiary is or might be a defendant against claims of previous employees. Product liability provisions relate to the risks related to the normal course of business and for which the Group might be liable by selling these kinds of drugs.

An assessment is performed with respect to the above-mentioned risks together with the Group legal advisers and experts in the different domains.

31. Trade and other liabilities

Non-current trade and other liabilities

€ million	2008	2007
GSK / Sumitomo (Japan)	18	21
GSK Japan (Switzerland)	16	0
Other payables	22	8
Total non-current trade and other liabilities	**56**	**29**

Current trade and other liabilities

€ million	2008	2007
Trade payables	385	445
Taxes payable, other than income tax	23	29
Payroll and social security liabilities	132	131
Other payables	44	75
Deferred income linked to collaboration agreements[1]	49	0
Other deferred income	13	6
Royalties payable	26	12
Rebates/discount payable	291	362
Accrued interest	75	74
Other accrued expenses	121	101
Total current trade and other liabilities	**1 159**	**1 235**

Trade and other liabilities and 'trade and other receivables' as disclosed at 31 December 2007 have been restated by an amount of € 127 million in order to enhance the inter-period comparability of information presented in the current and previous reporting period. The restatement had no impact on retained earnings.

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.

1 The Group entered into various collaboration agreements with third parties. The deferred income relates to upfront payments received from such third parties and will be amortised to income over the duration of the agreement.

32. Financial instruments by category

€ million 31 December 2008 Assets as per balance sheet	Note	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available-for-sale	**Total**
Available-for-sale financial assets[1]	20	-	-	-	7	**7**
Derivative financial assets[2]	33	-	61	6	-	**67**
Trade and other receivables - including prepaid expenses [3]	22	859	-	-	-	**859**
Cash and cash equivalents[3]	23	463	-	-	-	**463**
Total		**1 322**	**61**	**6**	**7**	**1 396**

€ million 31 December 2008 Liabilities as per balance sheet	Note	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	**Total**
Borrowings[4]	26	-	-	2 913	**2 913**
Derivative financial liabilities[2]	33	30	107	-	**137**
Trade and other liabilities[3]	31	-	-	1 215	**1 215**
Other financial liabilities[5]	27	95	-	-	**95**
Total		**125**	**107**	**4 128**	**4 360**

€ million 31 December 2007 Assets as per balance sheet	Note	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available-for-sale	**Total**
Available-for-sale financial assets[1]	20	-	-	-	8	**8**
Derivative financial assets[2]	33	-	30	62	-	**92**
Trade and other receivables - including prepaid expenses[3]	22	873	-	-	-	**873**
Cash and cash equivalents[3]	23	479	-	-	-	**479**
Total		**1 352**	**30**	**62**	**8**	**1 452**

€ million 31 December 2007 Liabilities as per balance sheet	Note	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	**Total**
Borrowings[4]	26	-	-	2 420	**2 420**
Derivative financial liabilities[2]	33	18	9	-	**27**
Trade and other liabilities[3]	31	-	-	1 264	**1 264**
Other financial liabilities[6]	27	-	-	384	**384**
Total		**18**	**9**	**4 068**	**4 095**

1 The fair values are based on quoted market prices in an active market.

2 Derivative financial assets and liabilities comprise mainly interest rate swaps and forward foreign exchange contracts. The fair value of the interest rate swaps is estimated using valuation techniques such as discounted cash flow analyses. The fair value of the forward foreign exchange contracts is calculated with reference to the relevant published closing spot and forward exchange rates taken from an active market.

3 The carrying amounts of cash and cash equivalents, trade receivables and trade payables approximate fair value due to the short-term maturity of these amounts.

4 Borrowings bear interest at variable, market determined rates and thus the carrying value approximates fair value.

5 The fair value has been based on management's best estimate of the net present value of the redemption amount.

6 The amortised cost has been based on management's best estimate of the net present value of the estimated future cash flows (that being the yearly guaranteed dividend of €3.43 per share payable to Schwarz Pharma minority shareholders that have not tendered their shares by year-end). The original effective discount rate used was 4.7%.

33. Derivative financial instruments

€ million	Assets		Liabilities	
	2008	2007	2008	2007
Forward foreign exchange contracts – cash flow hedges	6	28	47	2
Forward exchange contracts – fair value through the profit and loss	61	30	30	17
Interest rate derivatives – cash flow hedges	-	34	60	7
Interest rate derivatives – fair value through the profit and loss	-	0	-	1
Total	**67**	**92**	**137**	**27**
of which				
Non-current (Notes 20 & 27)	1	41	80	10
Current (Notes 20 & 27)	66	51	57	17

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

The cash flow hedges entered into by the Group were assessed to be highly effective and as at 31 December 2008, a net unrealised loss of € 146 million (2007: net unrealised gain of € 15 million) after deferred taxes was included in equity in respect of these contracts. These gains/losses will be recycled to the profit or loss in the period during which the hedged forecast transactions affect the profit or loss.

The ineffective portion recognised in the profit or loss that arises from cash flow hedges amounts to € 0 million (2007: € 1 million).

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 2009.

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

€ million	Assets		Liabilities	
	2008	2007	2008	2007
USD	2	42	54	6
GBP	41	14	-	-
EUR	13	1	17	13
PLN	7	-	-	-
MXN	2	-	-	-
JPY	1	1	5	-
Other currencies	1	-	1	-
Total foreign currency derivatives	**67**	**58**	**77**	**19**

The foreign currency derivatives maturity analysis is noted below:

€ million	2008	2007
1 year or less	12	34
1-5 years	(22)	5
Beyond 5 years	-	-
Total foreign currency derivatives – net asset / (net liability)	**(10)**	**39**

The following table shows the split of foreign currency derivatives by currency of denomination (currencies sold view) as at 31 December 2008.

Notional amounts in € million	USD	GBP	EUR	JPY	Other currencies	**Total**
Forward contracts	654	54	161	8	32	**909**
Currency swaps	173	236	290	58	45	**802**
Option / collar	287	-	-	-	-	**287**
Total	**1 114**	**290**	**451**	**66**	**77**	**1 998**

Interest rate derivatives

The Group uses various interest rate derivative contracts to manage its exposure to interest rate movements on its variable rate borrowings. The re-pricing dates and amortisation characteristics are aligned with those of the floating rate syndicated loan recorded in Borrowings. The outstanding interest rate derivative contracts are as follows:

Contract type	Nominal values of contract (million)	Average rate	For period from-to		Floating interest receipts
IRS	€ 900	3.22%	31/01/05	31/01/12	EURIBOR 6 months
IRS	€ 100	4.09%	23/07/07	23/07/09	EURIBOR 6 months
IRS	US$ 400	4.91%	22/01/07	22/01/10	USD LIBOR 6 months
IRS	US$ 100	4.78%	22/01/08	22/01/10	USD LIBOR 6 months
IRS floating/floating	€ 300	EURIBOR 6 months	31/01/08	31/01/10	EURIBOR 1M + 7.5 bps
Collar	US$ 300	4.18% to 5.10%	22/01/07	22/01/09	USD LIBOR 6 months
FRA	US$ 300	3.67%	22/01/09	22/01/10	USD LIBOR 6 months
CAP	€ 50	4.50%	15/02/07	15/02/12	EURIBOR 6 months
FRA	US$ 200	2.41%	22/07/08	22/01/09	USD LIBOR 6 months
IRS	US$ 300	3.40%	22/01/10	24/01/11	USD LIBOR 6 months
IRS	US$ 400	3.91%	25/08/08	25/08/12	USD LIBOR 6 months
IRS	US$ 150	4.04%	22/01/10	22/01/12	USD LIBOR 6 months
IRS	US$ 150	3.69%	22/01/10	22/01/13	USD LIBOR 3 months
IRS	US$ 100	3.92%	24/01/11	22/01/13	USD LIBOR 3 months
IRS	US$ 50	3.21%	23/01/12	22/01/14	USD LIBOR 3 months
IRS	€ 50	3.64%	23/01/12	22/01/14	EURIBOR 6 months

Hedge of net investment in a foreign entity

In 2006, the company entered into a loan agreement which was partly designated as a hedge of the net investment in the Group U.S. operations. Following an internal corporate restructuring, this net investment hedge relationship was terminated in December 2007.

The unrealised cumulative foreign exchange gain of € 55 million has been reported in a separate component of equity, under 'other reserves' in 2007. This unrealised gains/losses will remain in equity up until the date of termination of the USD loan and will only be recycled to profit or loss when the Group no longer holds the underlying USD assets.

34. Earnings per share

Basic earnings per share

€	2008	2007
From continuing operations	(0.07)	0.88
From discontinued operations	0.31	0.01
Basic earnings per share	**0.24**	**0.89**

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.

Diluted earnings per share

€	2008	2007
From continuing operations	(0.07)	0.86
From discontinued operations	0.30	0.01
Basic earnings per share	**0.23**	**0.87**

Diluted earnings per share are calculated adjusting the weighted average number of ordinary shares outstanding to assume exercise of all-in-the-money share options and warrants.

The numerators used are the same as those detailed above for both earnings per share from continuing and discontinued operations.

For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares).

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

Earnings

€ million	2008	2007
Profit/(loss) from continuing operations	(13)	158
Profit from discontinued operations	55	2
Profit attributable to shareholders of UCB S.A.	**42**	**160**

Number of shares

In thousand shares	2008	2007
Weighted average number of ordinary shares for basic earnings per share	180 167	180 174
Adjustments for:		
Share options	2 424	3 198
Weighted average number of ordinary shares for diluted earnings per share	182 591	183 372

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 37). The UCB shares that might result from the exercise of these warrants will be issued with reference to the market price over a period prior to the issue. Therefore, those contingently issuable shares have no dilutive effect as at 31 December 2008 and have therefore not been taken into account in the calculation of diluted earnings per share.

35. Dividend per share

The gross dividends paid in 2008 and 2007 were € 169 million (€ 0.92 per share) and € 165 million (€ 0.90 per share) respectively. A dividend in respect of the year ended 31 December 2008 of € 0.92 per share, amounting to a total dividend of € 169 million, is to be proposed at the annual general meeting of the shareholders on 30 April 2009. In accordance with IAS 10, *Events after the reporting period*, the proposed dividend has not been recognised as a liability at year-end.

36. Commitments and contingencies

Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

€ million	2008	2007
Less than 1 year	37	41
Between 1 and 5 years	79	77
More than 5 years	7	1
Total	**123**	**119**

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 2008, € 62 million (2007: € 63 million) was recognised as an expense in the income statement in respect of operating leases.

Capital Commitments

At 31 December 2008, the Group has committed to spend € 9 million (2007: € 14 million) with respect to capital expenditure on property, plant and equipment in Belgium.

The Group has entered into several in-licensing agreements with different counterparties. At 31 December 2008, the Group had commitments payable within the coming year of approximately € 10 million (2007: € 5 million) with respect to intangible assets. These payments are usually due upon achievement of specified milestone events for products under development and in-licensed from third parties. Besides the above-mentioned R&D milestones, sales milestones might also be due within the coming year, however given the uncertainty over the timing and the measurement of the amounts involved, these milestones have not been reflected above.

Purchase commitments

At 31 December 2008, the Group had committed to pay approximately € 6 million (2007: € 10 million) in respect of commitments for purchases and services.

Guarantees

With respect to the syndicated loan facilities agreement, UCB and certain of its affiliates have provided certain financial guarantees towards the consortium of banks.

Additionally, the company has provided guarantees to XL Winterthur International amounting to US$ 6 million (2007: US$ 6 million), as well as guarantees to Zurich Insurance Company amounting to € 30 million (2007: € 30 million) in respect of reinsurance liabilities. The company has also provided guarantees to Sandoz GmbH of € 8 million (2007: Nil) in respect of manufacturing capacity arrangements. With respect to the former chemical activities of the Group, UCB has provided guarantees to the public waste agency of Flanders, OVAM, pertaining to environmental liabilities € 13 million (2007: € 13 million).

Contingent liabilities

Contingent liabilities amounting to € 3 million (2007: Nil) relate to employment grants received in the past that might have to be repaid due to the overall decrease in the number of employees.

Contingent assets

On 26 April 2005 UCB and Lonza AG entered into a strategic bio-manufacturing alliance. UCB and Lonza signed a long-term supply agreement, whereby Lonza will manufacture PEGylated antibody fragment-based bulk actives for UCB. Lonza has built a commercial scale biopharmaceutical manufacturing facility which is co-financed by UCB.
Based on the terms and conditions of the agreement related to the manufacturing facility, the agreement will be accounted for as an operating lease in the consolidated financial statements of UCB. Nevertheless, the agreement stipulates that 50% of the joint assets are owned by UCB, which means that:

- the facility excluding the land on which it is built;
- the technology used by Lonza;
- all the capital items acquired, created or developed by Lonza during the term of the agreement; and
- all other assets that are acquired, created or developed by or on behalf of Lonza and where it has been wholly or partially funded by UCB;

will belong to UCB at 50%, not taking into account any improvements made by Lonza.

37. Related party transactions

Intra-group sales and services

During the financial years ended 31 December 2008 and 2007, all intra-UCB Group transactions were carried out based on assessments of mutual economic benefit to the parties involved, and the applicable conditions were established in accordance with criteria of at arm's length negotiations and fair dealing, and with a view to creating value for the entire UCB Group. Conditions governing intra-UCB Group transactions were similar to conditions governing third-party transactions.

With regard to the sale of intermediary and finished products, these criteria were accompanied by the principle of increasing each party's respective production cost by an at arm's length profit margin. With regard to intra-UCB Group services rendered, these criteria are accompanied by the principle of charging fees sufficient to cover each party's respective incurred costs and an at arm's length mark-up. Intra-group transactions carried out within the UCB Group constitute standard transactions for a biopharmaceutical group. These transactions include the purchase and sale of intermediary and finished medical products, deposits and loans for UCB Group affiliates as well as centralised functions and activities carried out by the UCB Group in order to optimise operations through economies of scale and scope.

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.

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.

Key management compensation

Key management compensation as disclosed below comprises compensation recognised in the income statement for members of the Board of Directors and the Executive Committee, for the portion of the year where they exercised their mandate.

€ million	2008	2007
Short-term employee benefits	10	8
Termination benefits	0	3
Post-employment benefits	2	3
Share-based payment	3	2
Total key management compensation	**15**	**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 amortisation over the vesting period of the fair value of equity instruments granted, and comprises share options, share awards and performance shares as further explained in Note 25. The termination benefits contain all compensated amounts, including benefits in kind and deferred compensation.

There have been no loans granted by the company or a subsidiary of the Group to any Director or Officer of the Group, nor any guarantees given with respect hereto.

38. Events after the balance sheet date

UCB and WILEX to enter into a strategic alliance to develop UCB pre-clinical oncology portfolio

On 9 January 2009, UCB announced the commencement of a strategic alliance with WILEX, a specialist oncology development company. Under the terms of the deal, WILEX will acquire worldwide rights to develop UCB entire pre-clinical oncology portfolio. UCB will become a strategic investor in WILEX and both parties will collaborate on a joint development strategy. The deal entails buy-back options for UCB as each product reaches clinical proof of concept.

UCB divests of certain products and affiliates in selected emerging markets

On 23 January 2009, UCB announced its decision to sell certain distribution activities and affiliates in selected emerging markets to GlaxoSmithKline. The completion of the sale is expected to take place in late March 2009. The assets/ liabilities impacted by this agreement have been highlighted separately on the balance sheet and the related disclosures can be found in Note 6, 'non-current assets held for sale'.

UCB sells anti-haemorrhagic drug to Eumedica

On 11 February 2009, UCB announced the sale of the worldwide rights to its anti -haemorrhagic product Somatostatine-UCB™ to Eumedica.

UCB to divest of Equasym® to Shire

On 20 February 2009, UCB agreed to the sale of Equasym® IR and Equasym® XL (*methylphenidate HCl*) for the treatment of attention deficit hyperactivity disorder (ADHD) to Shire, a specialty biopharmaceutical company.

39. UCB companies

The Group has investments in the following subsidiaries, all of which have been consolidated:

Name and office	Holding
Australia	
UCB Australia Pty Ltd. - Level 1, 1155 Malvern Road – 3144 Malvern, Victoria	100%
Austria	
UCB Pharma GmbH – Jacquingasse 16-18, OG – 1030 Wien	100%
Belgium	
UCB Fipar S.A. - Allée de la Recherche 60 – 1070 Brussels (BE0403.198.811)	100%
UCB-Actias S.A. - Allée de la Recherche 60 – 1070 Brussels (BE0416.836.318)	100%
Fin UCB S.A. - Allée de la Recherche 60 – 1070 Brussels (BE0426.831.078)	100%
UCB Belgium S.A. - Allée de la Recherche 60 – 1070 Brussels (BE0402.040.254)	100%
M.I.O. Zwijnaarde NV – Allée de la Recherche 60 – 1070 Brussels (BE0456.929.386)	100%
UCB Pharma S.A. – Allée de la Recherche 60 – 1070 Brussels (BE0403.096.168)	100%
Sifar S.A. - Allée de la Recherche 60 – 1070 Brussels (BE0453.612.580)	100%
Brazil	
UCB Holdings do Brasil Ltda – Rua Sao Joaquin 249, Sala 13 Bairrio Liberdade – Sao Paulo 01508-001	100%
Bulgaria	
UCB Bulgaria EOOD - 15, Lyubata Str., Fl. 4 apt. 10-11, Lozenetz, Sofia 1407	100%
Canada	
UCB Pharma Canada Inc. - 4145 North Service Road 200 - ON L7L 6A3 Burlington	100%
China	
UCB Trading (Shanghai) Co Ltd. - 317, N°439 Fu Te Xi Yi Road, Waigaoqiao, Free Trade Zone, Shanghai	100%
UCB Pharma Ltd. – 18/F Tai Tung Building, 8 Fleming Road, Wanchai – Hong Kong	100%
Zhuhai Schwarz Pharma Company Ltd. – Block A. Changsa Industrial zone. Qianshan District – 519070 Zhuhai Guangdong Province	73.70%
Schwarz Pharma Commercial Offshore de Macau Lda. – Avenida da Praia Grande n° 762-804 China Plaza 18 Andar J-2 Macau	98.27%
Schwarz Pharma (HK) Ltd. – Unit 4912-13, 49/F The Center, 99 Queen's Road Central Hong Kong	98.27%
Czech Republic	
UCB s.r.o. – Thámova 13 - 186 00 Praha 8	100%
Denmark	
UCB Nordic A/S – Arne Jacobsen Alle 15 – 2300 Copenhagen	100%
Schwarz Pharma ApS – Gydevang 39-41, Allerod 3450	100%
Finland	
UCB Pharma OY Finland – Malminkaari 5 – 00700 Helsinki	100%
France	
UCB France S.A. – 420 rue d'Etienne d'Orves – 92700 Colombes	100%
UCB Pharma S.A. - 420 rue d'Etienne d'Orves – 92700 Colombes	100%
Vedim Pharma S.N.C. - 420 rue d'Etienne d'Orves – 92700 Colombes	100%

Germany

UCB SP Gmbh - Alfred Nobel Strasse, 10 - 40789 Monheim am Rhein	100%
Vedim Pharma GmbH – Hüttenstrasse 205 PF 1340 - 50170 Kerpen-Sindorf	100%
UCB GmbH - Hüttenstrasse 205 – 50170 Kerpen-Sindorf	100%
Celltech Pharma GmbH & Co Kg – Hüttenstrasse 205 - 50170 Kerpen-Sindorf	100%
Celltech Pharma Beteiligungs GmbH - Hüttenstrasse 205 - 50170 Kerpen-Sindorf	100%
Schwarz Pharma AG - Alfred Nobel Strasse, 10 - 40789 Monheim am Rhein	98.27%
Schwarz Biosciences GmbH – Alfred-Nobel-Strasse 10- 40789 Monheim am Rhein	98.27%
Sanol GmbH – Alfred-Nobel-Strasse 10- 40789 Monheim am Rhein	98.27%
Schwarz & Co Immobiliengesellschaft Zwickau – Galileistrasse 6 – 08056 Zwickau	98.27%
Schwarz & Co Immobiliengebäudegesellschaft Zwickau – Galileistrasse 6 – 08056 Zwickau	98.27%
Schwarz Pharma Produktions GmbH – Alfred-Nobel-Strasse 10- 40789 Monheim am Rhein	98.27%
Schwarz Pharma Deutschland GmbH AG – Alfred-Nobel-Strasse 10- 40789 Monheim am Rhein	98.27%

Greece

Ilika Epikalipseon Hellas EPE (in liquidation) – 39-42 Grigoriou Lambraki and Ulof Palme Str 2 – 14123 Likovrissi Attika	100%
UCB AE – 580 Vouliagmenis Avenue – 16452 Argyroupolis - Athens	100%
Schwarz Pharma Mepe Hellas – Ethnikis Antistaseos 103 – 15451 Neo Psychico	100%

Hungary

UCB Hungary Ltd. – Obuda Gate Building Arpád Fejedelem ùtja 26-28, 1023 Budapest	100%

India

UCB India Private Ltd. – 504 Peninsula Towers, Peninsula Corporate Park, Ganpatrao Kadam Marg, Lower Parel – 400013 Mumbai	100%
Uni-Mediflex Private Ltd. – G-6 Venus Apartments RG Thandani Marg Worli – 400018 Mumbai	100%

Ireland

UCB (Pharma) Ireland Ltd. – United Drug House Magna Drive, Magna Business Park, City West Road – Dublin 24	100%
Celltech Pharma Ireland – United Drug House Magna Drive, Magna Business Park, City West Road – Dublin 24	100%
Celltech Reinsurance (Ireland) Ltd. - 4th fl St. James House 25-29 Adelaide Road - Dublin 2	100%
Celltech Insurance (Ireland) Ltd. - 4th fl St. James House 25-29 Adelaide Road - Dublin 2	100%
Schwarz Pharma Ltd – Shannon Industrial Estate – Shannon County Clare	98.27%
Kudco Ireland Ltd – Shannon Industrial Estate – Shannon County Clare	100%

Italy

UCB Pharma SpA – Via Praglia 15 – 10044 Pianezza (To)	100%

Japan

UCB Japan Co Ltd. – Ochanomizu Kyoun Bldg 2-2, Kanda-Surugadai – 101-0062 Chiyoda-Ku, Tokyo	100%

South Korea

Korea UCB Co Ltd. – 1674-1, Seocho-dong, Seocho-gu, 137-881 Seoul	100%
Schwarz Pharma Korea Co Ltd – 1674-1, Seocho-dong, Seocho-gu, 137-881 Seoul	100%

Luxembourg

Société Financière UCB S.A. – Rue Eugène Ruppert, 12 – 2453 Luxembourg	100%
UCB Lux S.A. – Rue Eugène Ruppert, 12 – 2453 Luxembourg	100%
UCB S.C.A - Rue Eugène Ruppert, 12 – 2453 Luxembourg	100%

Malaysia

UCB Pharma Asia Pacific Sdn. Bhd. – c/o Symphony Corporate House Sdn. Bhd. - 10th floor, Wisma Havela Thakardas, No. 1 Jalan Tiong Nam, Off Jalan Raja Laut - 50350 Kuala Lumpur	100%

Mexico

UCB de Mexico SA de CV – Homero#440, 7fl Col. Chapultepec Morales – 11570 Mexico D.F.	100%
Vedim SA de CV - Homero#440, 7fl Col. Chapultepec Morales – 11570 Mexico D.F.	100%

Netherlands

UCB Finance NV – Lage Mosten 33 – 4822 NK Breda	100%
UCB Pharma BV - Lage Mosten 33 – 4822 NK Breda	100%
Medeva Holdings BV - Lage Mosten 33 – 4822 NK Breda	100%
Medeva BV - Lage Mosten 33 – 4822 NK Breda	100%

Norway

UCB Pharma AS – Brynsveien 96 – 1352 Kolsas, Baerum	100%

Philippines

UCB Philippines Inc. – 9th fl Salcedo Towers 169 HV dela Costa St. Salcedo Village – 1227 Makati City	100%
Schwarz Pharma Philippines Inc. – 3rd fl, Rufino Centre Bldg, Corner Herrera Street, Ayala Avenue – 1200 Makati	98.27%

Poland

Vedim Sp.z.o.o. – Ul. Kruczkowskiego, 8 - 00-380 Warszawa	100%
UCB Pharma Sp.z.o.o. – Ul. Kruczkowskiego, 8 - 00-380 Warszawa	100%

Portugal

UCB Pharma (Produtos Farmaceuticos) Lda – Ed. D. Maria I, Q 60, piso 1 A, Quinta da Fonte Porte Salvo, Paço de Arcos 2770-229	100%
Vedim Pharma (Prod. Quimicos e Farma) Lda – Ed. D. Maria I, Q 60, piso 1 A, Quinta da Fonte Porte Salvo, Paço de Arcos 2770-229	100%

Romania

UCB Pharma Romania S.R.L. - 37 Paris Street, Bucharest 011814	100%

Russia

UCB Pharma LLC - Shabolovka 10 Bldg 2 – 119048 Moscow	100%
Schwarz Pharma ooo – Kantemirovskaja 58 – 115477 Moscow	98.27%

Singapore

UCB Singapore Private Ltd. – 3 Church Street #08-01, Samsung Hub - 49483 Singapore	100%

Spain

Vedim Pharma SA – Paseo de la Castellana 141, Planta 15 – 28046 Madrid	100%
UCB Pharma SA – Paseo de la Castellana 141, Planta 15 – 28046 Madrid	100%

Sweden

UCB Pharma AB (Sweden) – Stureplan 4C 4van - 11435 Stockholm	100%

Switzerland

UCB Farchim S.A. – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%
UCB Investissements S.A. – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%
Doutors Réassurance S.A. – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%
Cogefina S.A. – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%

UCB-Pharma AG – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%
Medeva Pharma Suisse S.A. – Chemin de Croix Blanche 10 – 1630 Bulle	100%

Taiwan

UCB (Taiwan) Ltd. – 12F, n° 35, Lane 11, Kwang Fu North Road - Taipei	100%

Thailand

Fipar (Thailand) Ltd. – 16th Floor, Q. House Sathorn, 11, South Sathorn Road	100%
Kwaeng Tung Mahamaek, Khet Sathorn, Bangkok Metropolis	
UCB Pharma (Thailand) Ltd. – 27th fl, Panjathanee Tower 127/32 Nonsee Road Chongnonsee Yannawa – 10120 Bangkok	99.98%

Turkey

UCB Pharma AS – Rüzgarlibahçe, Cumhuriyet Caddesi Gerçekler Sitesi, B-Blok Kat:6, Kavacik, Beykoz - 34805 Istanbul	100%
Melusin Ilac ve Maddeleri Pazarlama TLS – Besiktas 4 Levent Selvili Sok n° ½ - Istanbul	98.27%

U.K.

Fipar Ltd. – 208 Bath Road – SL1 3WE Slough, Berkshire	100%
UCB Fipar Ltd., subs. of UCB Inc. – 208 Bath Road – SL1 3WE Slough, Berkshire	100%
Fipar U.K. Ltd., subs of UCB Fipar Ltd. – 208 Bath Road – SL1 3WE Slough, Berkshire	100%
UCB (Investments) Ltd. – 208 Bath Road – SL1 3WE Slough, Berkshire	100%
UCB T&R Graham Ltd. – c/o Baker Thilly Breckenridge House 274 Sauchiehall Street – G2 3EH Glasgow	100%
UCB Services Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100%
Viking Trading Co Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100%
Vedim Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100%
UCB Watford Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100%
Celltech Group Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100%
Celltech R&D Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100%
UCB Ireland – 208 Bath Road – SL1 3WE Slough, Berkshire	100%
Celltech Japan Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100%
Celltech Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100%
Chiroscience Group Ltd. – 208 Bath Road – SL1 3WE Slough, Berkshire	100%
Chiroscience R&D Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100%
Darwin Discovery Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100%
Medeva Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100%
UCB Pharma Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100%
Evans Healthcare Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100%
Medeva International Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100%
Evans Medical Pensions Ltd - 208 Bath Road – SL1 3WE Slough, Berkshire	100%
Celltech Pharma Europe Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100%
International Medication Systems (U.K.) Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100%
Oxford GlycoSciences – 208 Bath Road – SL1 3WE Slough, Berkshire	100%
Oxford GlycoSciences (U.K.) Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100%
Oxford GlycoTherapeutics Ltd. - 208 Bath Road – SL1 3WE Slough, Berkshire	100%
Confirmant Ltd. – 208 Bath Road – SL1 3WE Slough, Berkshire	100%
Schwarz Pharma Ltd – 5 Hercules Way, Laevesden Park, WD25 7GS Warford Hertfordshire	100%
Schwarz Pharmaceuticals Ltd – 5 Hercules Way, Laevesden Park, WD25 7GS Warford Hertfordshire	100%
Medo Pharmaceuticals Ltd – 5 Hercules Way, Laevesden Park, WD25 7GS Warford Hertfordshire	100%

U.S.

UCB Holdings Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%
Fipar U.S. Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%

UCB Inc. - Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%
UCB Research Inc. - Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%
UCB Pharco Inc. – 300 Delaware Avenue – 19801 Wilmington Delaware	100%
Celltech U.S. LLC – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington Delaware	100%
Celltech Manufacturing CA Inc. – C T Corporation System, 818 W. Seventh Street, Los Angeles California 90017	100%
UCB Manufacturing Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%
UCB Technologies Inc. – C T Corporation System, 111 Eight Avenue, NY, 10011 New York	100%
Upstate Pharma LLC – C T Corporation System, 111 Eight Avenue, NY, 10011 New York	100%
Cistron Biotechnology Inc. - Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%
Schwarz Biosciences Inc. – 8010 Arco Corporative Drive – Raleigh 27617 North Carolina	100%
Schwarz Pharma Inc - 1209 Orange Street, Wilmington 19801, Delaware	100%
Schwarz Pharma Manufacturing Inc. – Manufacturing Facility 1101 C Avenue West – 47274 Seymour Indianapolis	100%
Kremers Urban Development Company – 103 Foulk road 205-1 – 19803 Wilmington Delaware	100%
SRZ Properties Inc. – 103 Foulk road 254 – 19803 Wilmington Delaware	100%
CPM Properties Inc. – 103 Foulk road 254 – 19803 Wilmington Delaware	100%
Kremers Urban LLC – 103 Foulk road 254 – 19803 Wilmington Delaware	100%
Schwarz Pharma LLC – 103 Foulk road 254 – 19803 Wilmington Delaware	100%

We hereby confirm that, to the best of our knowledge, the consolidated financial statements as of 31 December 2008, prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and with the legal requirements applicable in Belgium, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation as a whole, and that the management report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed by Roch Doliveux (CEO) and Detlef Thielgen (CFO) on behalf of the Board of Directors.

Report of the Board of Auditors

to the general shareholders' meeting on the consolidated accounts on the company UCB S.A./N.V. as of and for the year ended 31 December 2008.

As required by law and the company's articles of association, we report to you in the context of our appointment as statutory auditors. This report includes our opinion on the consolidated accounts and the required additional comment.

Unqualified opinion on the consolidated accounts

We have audited the consolidated accounts of UCB S.A./N.V. and its subsidiaries (the 'Group') as of and for the year ended 31 December 2008, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable to quoted companies in Belgium. These consolidated accounts comprise the consolidated balance sheet as of 31 December 2008 and the consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The total of the consolidated balance sheet amounts to EUR 9 524 million and the consolidated statement of income shows a profit (group share) for the year of EUR 42 million. The annual accounts of certain subsidiaries included in the consolidation have been audited by other external auditors. We based our audit on their audit opinions and we have carried out specific additional audit procedures in the context of the consolidation.

The company's board of directors is responsible for the preparation of the consolidated accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated accounts based on our audit. We conducted our audit in accordance with the legal requirements applicable in Belgium and with Belgian auditing standards, as issued by the 'Institut des Réviseurs d'Entreprises / Instituut der Bedrijfsrevisoren'. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free of material misstatement.

In accordance with the auditing standards referred to above, we have carried out procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The selection of these procedures is a matter for our judgment, as is the assessment of the risk that the consolidated accounts contain material misstatements, whether due to fraud or error. In making those risk assessments, we have considered the Group's internal control relating to the preparation and fair presentation of the consolidated accounts, in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. We have also evaluated the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as the presentation of the consolidated accounts taken as a whole. Finally, we have obtained from the board of directors and Group officials the explanations and information necessary for our audit. We believe that the audit evidence we have obtained and the work of the other auditors who have audited the accounts of certain subsidiaries provides a reasonable basis for our opinion.

In our opinion, based on our audit and on the reports of other auditors, the consolidated accounts of give a true and fair view of the Group's net worth and financial position as of 31 December 2008 and of its results and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Additional comment

The company's board of directors is responsible for the preparation and content of the management report on the consolidated accounts.

Our responsibility is to include in our report the following additional comment, which does not have any effect on our opinion on the consolidated accounts:

- The management report on the consolidated accounts deals with the information required by the law and is consistent with the consolidated accounts. However, we are not in a position to express an opinion on the description of the principal risks and uncertainties facing the companies included in the consolidation, the state of their affairs, their forecast development or the significant influence of certain events on their future development. Nevertheless, we can confirm that the information provided is not in obvious contradiction with the information we have acquired in the context of our appointment.

Brussels, 3 March 2009

The Board of Auditors

Emmanuèle Attout

Daniel Goossens

Abbreviated Statutory Financial Statements of UCB S.A.

1. Introduction

In accordance with the Belgian Company Code, it has been decided to present an abbreviated version of the statutory financial statements of UCB S.A.

The statutory financial statements of UCB S.A. are prepared in accordance with Belgian Generally Accepted Accounting Principles.

It should be noted that only the consolidated financial statements as presented above, present a true and fair view of the financial position and performance of the UCB Group.

The Board of Auditors have issued an unqualified audit opinion and certify that the non-consolidated financial statements of UCB S.A. for the year ended 31 December 2008 give a true and fair view of the financial position and results of UCB S.A. in accordance with all legal and regulatory dispositions.

In accordance with the legislation, these separate financial statements, together with the management report of the Board of Directors to the general assembly of shareholders, as well as the auditors' report will be filed at the National Bank of Belgium within the statutory periods.

These documents are available on our website www.ucb.com or on simple request, addressed to:

UCB S.A.

Corporate Communication

Allée de la Recherche 60

B-1070 Brussels (Belgium)

2. Balance sheet

€ million	31 December 2008	31 December 2007
ASSETS		
Formation expenses	20	27
Intangible assets	1	1
Tangible assets	7	7
Financial assets	4 805	4 785
Fixed assets	**4 833**	**4 820**
Amounts receivable after more than 1 year	1 068	859
Amounts receivable within 1 year or less	42	346
Short-term investments	0	46
Cash at bank and on hand	1	1
Deferred charges and accrued income	47	46
Current assets	**1 158**	**1 298**
Total assets	**5 991**	**6 118**
LIABILITIES		
Capital	550	550
Share premium	1 601	1 601
Reserves	2 008	1 920
Profit brought forward	145	145
Equity	**4 304**	**4 216**
Provisions	4	3
Provisions and deferred taxes	**4**	**3**
Amounts payable after more than 1 year	1 446	1 566
Amounts payable within 1 year or less	213	313
Accrued charges and deferred income	24	20
Current liabilities	**1 683**	**1 899**
Total liabilities	**5 991**	**6 118**

3. Income statement

€ million	31 December 2008	31 December 2007
Operating income	36	49
Operating charges	(57)	(66)
Operating result	**(21)**	**(17)**
Financial income	359	240
Financial charges	(97)	(98)
Financial result	**262**	**142**
Operating result before income taxes	**241**	**125**
Exceptional income	1	141
Exceptional charges	(3)	(6)
Exceptional result	**(2)**	**135**
Profit before income taxes	**239**	**260**
Income taxes	17	(2)
Profit for the year available for appropriation	**256**	**258**

4. Appropriation account

€ million	31 December 2008	31 December 2007
Profit for the period available for appropriation	256	258
Profit brought forward from previous year	145	145
Profit to be appropriated	**401**	**403**
To legal reserve	-	-
To other reserves	(88)	(89)
Appropriation to capital and reserves	**(88)**	**(89)**
Profit to be carried forward	(145)	(145)
Result to be carried forward	**(145)**	**(145)**
Dividends	(169)	(169)
Profit to be distributed	**(169)**	**(169)**
If the proposed allocation of the profit is approved, the total gross dividend will be fixed at:	€ 0.92	€ 0.92
If the proposed allocation of profit is approved and taking into account the tax regulations, the total net dividend off withholding tax per share will be fixed at:	€ 0. 69	€ 0.69

The activities of UCB S.A. generated in 2008 a net profit of € 256 348 698 after income taxes. After taking into account the profit brought forward of € 145 356 879, the amount available form distribution is € 401 705 577.

The Board of Directors proposes to pay a gross dividend of € 0.92 per share, or a total dividend distribution of € 168 695 848. If this dividend proposal is approved by the company's shareholders on their Meeting on 30 April 2009, the net dividend of € 0.69 per share will be payable as of 8 May 2009 against the delivery of coupon nr 11, 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.

Intangible assets

Research and development costs have been capitalised as intangible assets at their purchase or at cost. These capitalised costs have been entirely depreciated in the year but the difference between the actual amount of depreciation taken in the year and the gross amount capitalised has been treated as a write-back of depreciation on the exceptional income.

A straight-line depreciation rate of 33 1/3% has been applied to these costs, based on a three-year life considering 'pro rata temporis'. The depreciation of the purchase price of patents, licenses and similar items is either in accordance with a prudent assessment of the economic life of such intangible assets or at a minimum rate equal to that of the assets required to handle the patent or process, or by a fixed period of the depreciation not lower than five years considering 'pro rata temporis'.

Tangible assets

Tangible assets purchased from third parties have been included in the balance sheet at purchase price; assets manufactured by the company itself have been valued at cost. The purchase price or cost is depreciated on a straight-line basis considering 'pro rata temporis'. The depreciation rates are as follows:

- Administrative buildings 3%
- Industrial buildings 5%
- Tools 15%
- Furniture and office machinery 15%
- Vehicles 20%
- Computer equipment & office machines 33.3%
- Prototype equipment 33.3%

Financial assets

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

Receivables and liabilities

They are shown at their book value. Receivables have been written down if their repayment, when due, is entirely or partly uncertain and doubtful.

Assets and commitments expressed in foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Non-monetary assets and liabilities (intangible and tangible assets, shareholdings), denominated in foreign currencies, are translated at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at balance sheet date rate. Realised exchange differences on foreign currency transactions are recognised in the income statement, as are non-realised exchange losses, whilst non-realised exchange profits are included under accrued charges and deferred income in the balance sheet.

Provisions

All the risks born by the company have been the subject of provisions reviewed each year, in accordance with the rules of prudence, good faith and sincerity. Provisions are recorded at normal value.

Glossary

Adjusted Earnings Per Share (Adjusted EPS): It is the adjusted net profit as defined below divided by the weighted average total outstanding number of shares for the year.
Adjusted net profit: Profit for the year as reported in the consolidated financial statements adjusted for the impact of one-off and non-recurring items, the contribution from discontinued operations and the inventory step-up corrected for income taxes.
Earnings Before Interest and Taxes (EBIT): Operating profit as mentioned in the consolidated financial statements.
Free cash flow: Cash flow from operating activities plus cash flow from investing activities of the continuing operations.
Gross capital expenditure: Acquisition of property, plant and equipment and of intangible assets.
Net debt: Non-current and current borrowings and bank overdrafts less debt securities, restricted cash deposit with respect to financial lease agreements, cash and cash equivalents. The other financial liabilities, which are related to the estimated perpetual dividend to be paid to outside Schwarz Pharma shareholders under the domination and profit transfer agreement, are not included in the calculation of the Group's net debt.
Non-recurring items: Items of income or expense which do not occur regularly as part of the normal activities of the company.
Recurring Earnings Before Interest, Taxes, Depreciation and Amortisation charges (Recurring EBITDA): Operating profit adjusted for amortisation, depreciation, impairment charges, restructuring expenses and other income and expenses.
Recurring EBIT: Operating profit adjusted for impairment charges, restructuring expenses, and other income and expenses.
Treatment days: Treatment days are a measure of the average number of days of treatment associated with a form/strength of a product. It is calculated as: Total number of retail standard units/average daily dose.
Working capital: Includes inventories, trade and other receivables and trade and other payables, both due within and after 12 months.

Information

Official Report Language

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

Availability of the Annual Report

The Annual Report is as such available on the website of UCB (www.ucb.com). Other information on the website of UCB or on any other website, does not form part of this Annual Report.

A printed version of the Annual Report is also available and can be obtained in printed form upon request to:

UCB S.A.
Attention Investor Relations
Allée de la Recherche, 60
1070 Brussels, Belgium
Phone +32 2 559 9588
Fax +32 2 559 9571

Forward-looking Statements

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

Headquarters

UCB S.A.
Allée de la Recherche, 60
1070 Brussels - Belgium
Tel.: +32 2 559 9999
Fax: +32 2 559 9900
www.ucb.com

Design: The Crew
Typesetting and Production: The Crew
Photography: Yves Fonck
Printing: HH Print Management

Corporate Communications & Investor Relations

Antje Witte
VP Corporate Communications & Investor Relations
Tel.: +32 2 559 9414
E-mail: antje.witte@ucb.com

Richard Simpson
Senior Director, Investor Relations
Tel.: +32 2 559 9494
E-mail: richard.simpson@ucb.com