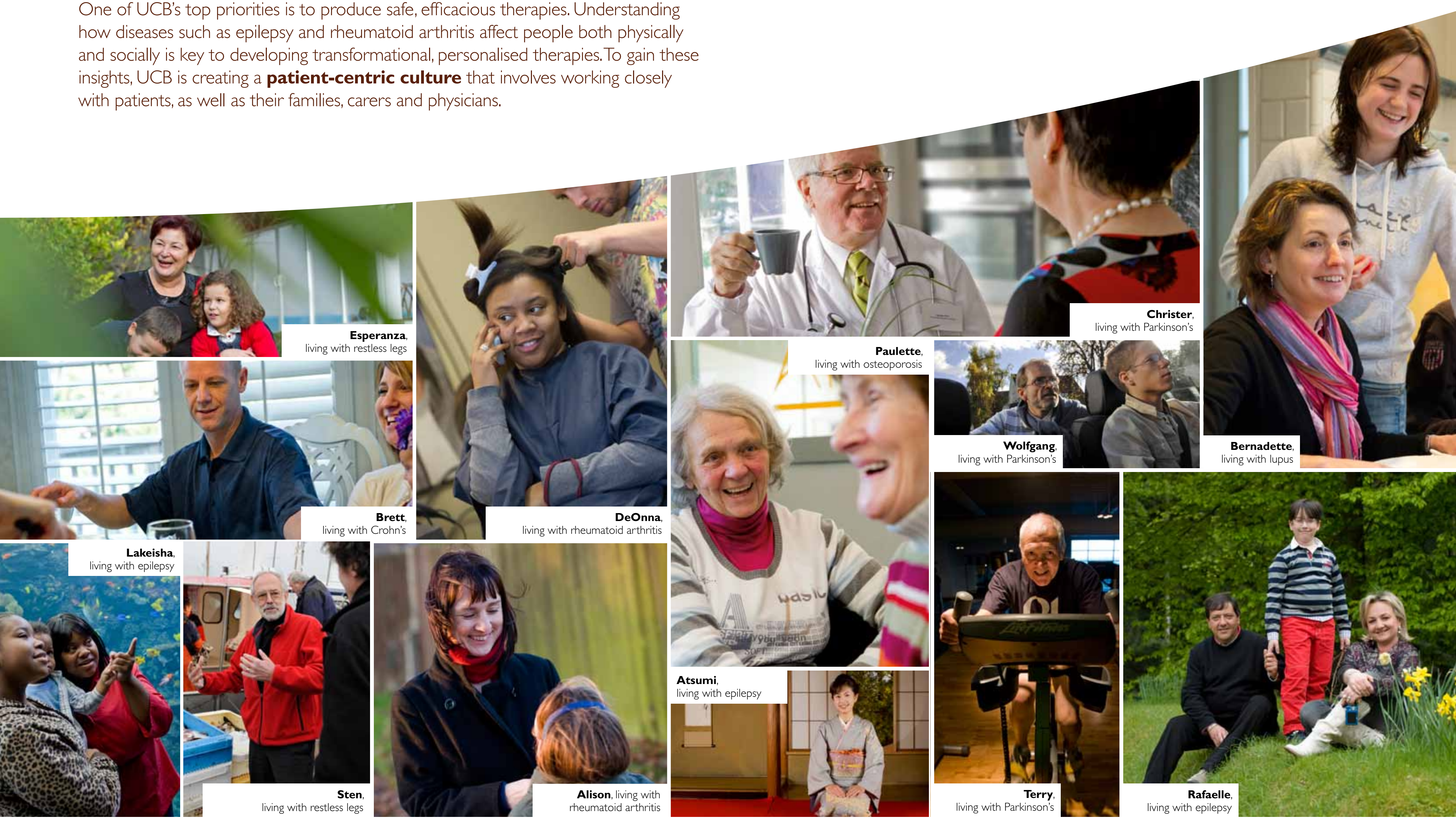
UCB aspires to be the **patient-centric** global biopharmaceutical leader, **transforming the lives of people** living with severe diseases

Thomas, living with epilepsy, talking to **Joe** and **Chris** (UCB)

2011 ANNUAL REPORT

Delivering solutions for patients

One of UCB's top priorities is to produce safe, efficacious therapies. Understanding how diseases such as epilepsy and rheumatoid arthritis affect people both physically and socially is key to developing transformational, personalised therapies. To gain these insights, UCB is creating a **patient-centric culture** that involves working closely with patients, as well as their families, carers and physicians.



Esperanza, living with restless legs

Brett, living with Crohn's

DeOnna, living with rheumatoid arthritis

Christer, living with Parkinson's

Paulette, living with osteoporosis

Wolfgang, living with Parkinson's

Bernadette, living with lupus

Lakeisha, living with epilepsy

Sten, living with restless legs

Alison, living with rheumatoid arthritis

Atsumi, living with epilepsy

Terry, living with Parkinson's

Rafaelle, living with epilepsy

Letter to stakeholders

Gerhard Mayr
Chairman as of May 2012

Roch Doliveux
Chief Executive Officer

Karel Boone
Chairman

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

In 2011, the tremendous work of our UCB colleagues in transforming UCB into a patient-centric biopharmaceutical leader produced commendable results.

Our new medicines, Cimzia®, Vimpat® and Neupro® (CVN) reached more than 304 000 patients with combined sales of € 625 million. CVN growth of 51% clearly demonstrates the transformation of our portfolio and UCB's focus on severe diseases, in particular neurological and immunological disorders.

Keppra®, our blockbuster anti-epileptic drug (AED), continues to be used by epileptic patients worldwide, with total sales of € 966 million (up 3%). Keppra® maintained strong loyalty, despite new generic competition in Europe in 2011, and in its first full year of sales in Japan, E-Keppra® has been the most successful new AED launch in Japanese history.

UCB's pipeline of medicines made significant progress over the past 12 months. The clinical research programmes for Cimzia®, Vimpat® and Neupro®, for both existing and new indications, will further strengthen their market potential. Together with our partner Amgen, we reached an important milestone with CDP7851, a potential novel therapy for bone-loss disorders. The successful completion of this broad Phase 2 programme enables us to move this exciting new medicine into full-scale Phase 3 trials. *Epratuzumab*, our antibody product for potential treatment of lupus, commenced Phase 3 studies.

In 2011, we achieved our financial targets, with revenue reaching € 3.2 billion, underlying profitability (recurring EBITDA) € 683 million and core earnings per share of € 1.89.

Beyond these successes, we continue our transformation to become the patient-centric biopharmaceutical leader, while acknowledging a fast changing world. Harnessing breakthroughs in science and technology enables us improve our success rates in UCB's discovery portfolio. Learnings from high-performing consumer goods and innovative technology companies stimulated us to improve cost effectiveness, while focusing more of our resources and efforts on the activities that really matter most, namely to patients and carers, physicians, payers and regulators.

Partnering with experts in all areas also contributes to our relentless focus on providing solutions to patients who suffer from severe diseases all around the world.

Wang KuangJie and **Ye Zhuang**, living with epilepsy

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

It has become increasingly evident that the pharmaceutical industry has reached an inflection point. On the one hand, an unprecedented number of patent expiries, stiffer generic competition and declining R&D productivity, coupled with rising R&D costs, are placing tremendous pressure on all biopharma companies. Additionally, we face the burden of the economic crisis, public deficits and tighter controls on public healthcare spending.

On the other hand, there are many positive trends that are likely to drive the long-term success of the biopharma sector. For example, the demand for innovative medicines for severe diseases is rising and this demand is likely to increase further as the population ages and emerging markets grow. The empowerment of individuals, supported by the rising use of Internet and social media, as well as new scientific advances, also offer opportunities for companies that can harness these forces to improve patients' lives. Simply put, every inflection point provides unique opportunities and new leaders will emerge.

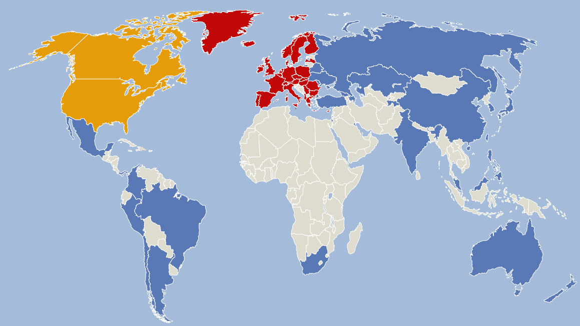
At UCB, we aspire to be one of those leaders. We see the future of healthcare driven by patients and their care givers, with ever-increasing power and demands for greater accountability. They are our prime customers and expect to live longer, better quality lives.

UCB is focused on delivering new solutions to them that offer superior value to the current standard of care. In fact, advancing the standard of care has become our new benchmark for allocating resources to breakthrough products. For example, CDP7851 was benchmarked against the two osteoporosis standards of care in our Phase 2 programme. Additionally *olokizumab* is being compared to in-market medicine in its Phase 2 programme. We also initiated the first ever head-to-head study between two anti-TNF's with Cimzia® in 2011.

We are equally committed to delivering value for money to both public and private, reflected in our offer to provide medicines on a pay-for-performance basis. For example, in the U.S. and the U.K. we offer unique outcome-based programmes for Cimzia® in which customers only pay for successful patient outcomes. Globally, we continue to demonstrate to payers that successfully treating seizures with medicines like Vimpat® can substantially reduce overall treatment costs.

More generally, UCB's patient-centricity provides an enormous stimulus to allocate every euro, dollar, yen or pound to our five key success factors. These include partnership with patients, carers, healthcare professionals, and leading specialists for the benefit of patients:

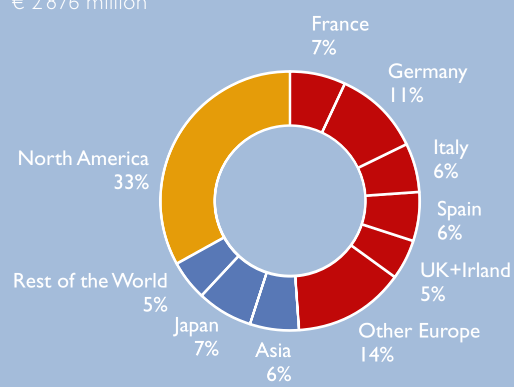
- Drive Cimzia®, Vimpat® and Neupro® access to many more patients;
- Advance our pipeline;
- Ensure compliance with laws and regulations;
- Passionately engage our colleagues;
- Reach peer level profitability.



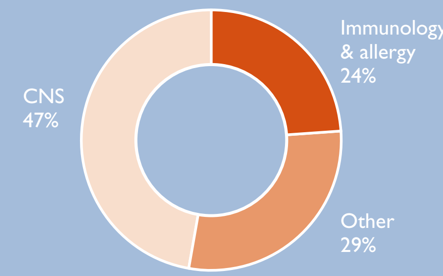
Helping thousands of patients across 66 countries

Net sales – Geographical area (2011)

€ 2 876 million



Net sales – Therapeutic area (2011)



“How to make them available to more patients?”

New medicines of today: Cimzia®, Vimpat® and Neupro® (combined sales of € 625 million) – and Keppra® (€ 966 million)

More and more patients are using UCB's new medicines: Cimzia® (for RA and CD), Vimpat® (for epilepsy) and Neupro® (for PD and RLS). Around the world, 304 000 patients in 28 countries have been prescribed one of these three promising new medicines. During 2011, we launched these new medicines in 20 additional countries, including in emerging markets. For example, we launched Cimzia® in Russia on our own and in Brazil through our partner, AstraZeneca.

The dynamic growth of Cimzia®, Vimpat® and Neupro® in 2011, and the clinical work we are doing to expand their potential labels of use, strengthens our confidence in the commercial potential of these products as measured by net sales of at least € 3.1 billion for all three.

Another UCB medicine, Keppra®, the current world leader for the treatment of epilepsy, continues to enable people living with epilepsy around the world to have a better life. Keppra®, lost its exclusivity in the U.S. in 2008, and in Europe in late 2010, with slower than anticipated generic erosion. In Asia, on the other hand, the growth of Keppra® is accelerating. In September 2010, E-Keppra was launched in Japan together with our partner Otsuka Pharmaceutical and became the most successful anti-epileptic launch in Japan and in the history of Keppra®. E-Keppra® enjoys exclusivity in Japan until at least 2018.

Nele, living with lupus

“What will follow Cimzia®, Vimpat® and Neupro®?”

We are investing 24% of revenue in a promising pipeline of new medicines

With 24% of revenues invested in R&D, UCB is focused on developing new medicines to control diseases of the central nervous system and immunological disorders.

In neurology, UCB's position as the leading epilepsy company is reflected by our unsurpassed portfolio of medicines, including Vimpat®; Keppra®; brivaracetam, a new anti-epileptic drug in Phase 3 development; and UCB0942, an innovative treatment option for drug-refractory epilepsy patients, currently in Phase 1.

In immunology, beyond Cimzia®, UCB is aiming to develop a best-in- class portfolio of medicines. *Epratuzumab* is being studied for the treatment of systematic lupus erythematosus (SLE), and is currently underway in two Phase 3 clinical studies for this severe disorder.

CDP7851 has been shown to form bone in our early human studies, and may offer a new treatment paradigm for women suffering from post-menopausal osteoporosis. Together with our partner Amgen, UCB announced robust Phase 2b results and decided to move ahead, starting Phase 3, targeted for the first half of 2012. For fracture healing, first results from Phase 2 are expected during 2012.

We are also moving forward with *olokizumab*, a new potential option for the treatment of rheumatoid arthritis and other autoimmune diseases. First results from the ongoing Phase 2b study are expected in Q3 2012.

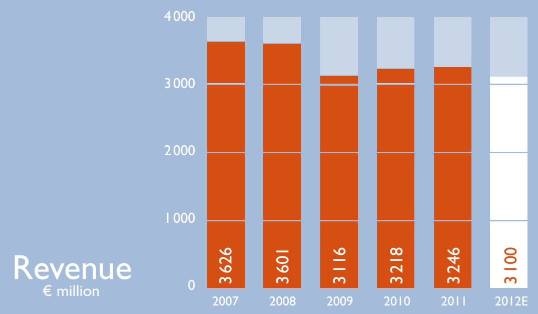
UCB is developing another option for SLE, CDP7657 with yet another mechanism of action (anti-CD40 ligand), together with our partner Biogen Idec. CDP7657 is also being investigated together with the Amyotrophic Lateral Sclerosis Therapy Development Institute (ALS TDI) for treatment of ALS.

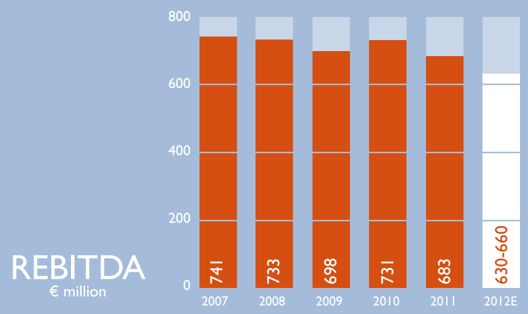
Beyond these new molecules, UCB continues to develop Cimzia®, Vimpat® and Neupro®, all three of which have potential beyond their current approved indications.

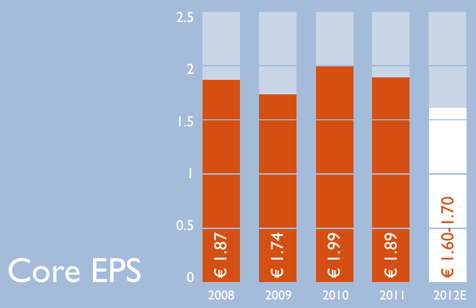
For Cimzia® new arthritis indications are moving forward in their development. For juvenile patients further development is starting in 2012. Also in 2012, we will seek Cimzia® approval in Japan.

Vimpat®, UCB's new AED, is in development as a monotherapy, with the aim of addressing the needs of up to 50% of patients.

In addition, we made good progress with Neupro® around the globe and we are aiming to make it available to U.S. patients during 2012, subject to regulatory approval.







“What is UCB’s outlook for 2012?”

We expect revenue of approx. € 3.1 billion and recurring EBITDA between € 630 - 660 million

Once more in 2011 UCB achieved its objectives: total revenue reached € 3.2 billion and underlying profitability (recurring EBITDA) were € 683 million. Core earnings per share (EPS) hit € 1.89. The 2011 numbers exceeded our most recent financial guidance, communicated in our interim report of October 2011.

Following UCB’s dividend policy, which considers the long-term potential of the company, the Board of Directors has proposed a gross dividend of € 1.00 per share (+2%).

Not only have we delivered on our annual objectives, we also improved UCB’s financial structure. In 2011, UCB successfully issued a perpetual bond, which qualifies as ‘equity’ for the group under the international accounting standards IFRS, and renegotiated its bank facility on more favourable terms.

For 2012, UCB expects total revenue of approximately € 3.1 billion, recurring EBITDA of between € 630 - 660 million and a core EPS expected in the corresponding range of € 1.60 - 1.70 – based on 177.3 million shares outstanding. This performance is expected to be driven by growth of our new medicines Cimzia®, Vimpat® and Neupro® – compensating for the decrease in sales of Keppra® due to its patent expiry in EU. At the same time we will continue to invest in our early and late-stage pipeline.

UCB’s priorities for 2012 are to continuously increase patient access to our core medicines with better customer insight and to further advance our pipeline while constantly striving for greater efficiency in everything we do and ensuring compliance.


Catherine, Alun's wife living with Parkinson's, talking to Sandrine (UCB)

"How will UCB continue to succeed?"

By working together for people living with severe diseases

To our UCB colleagues, we thank you: for your consistent dedication to excellence and your contributions to making UCB a truly patient-centric company; for your performance, compliance, innovation and creativity as well as the continuous attention given to environmental impact. Our corporate social responsibility has been demonstrated among others by our Japanese colleagues who focused on delivering our medicines to patients in the hours, days and months following the tsunami. Our 8 500 colleagues, who span more than 70 nationalities, are working in cross-functional and culturally diverse teams where people can express their talent.

Our work impacts lives, so we do not accept breaches of compliance. Worldwide we follow strict regulatory standards for development and manufacturing to ensure we meet safety, quality, regulatory, legal and environmental requirements. To protect out patients and UCB's reputation, we also adhere rigorously to the strict regulations that govern biopharma companies and our relationships with patients and carers, physicians and payers, as well as regulators.

Above all, we would like to thank all the people living with severe diseases, their physicians and payers for their insight, their constant stimulus and the inspiration we receive from them every day.

We also thank our partners for their complementary skills and their performance. To our shareholders we say "thank you" for their confidence and their trust.

Finally, we thank the UCB Board of Directors for their governance, experience and expertise as well as their support and challenging contribution that are enabling us to transform UCB into a patient-centric biopharmaceutical leader.

Roch Doliveux Karel Boone

I would like to pay a special tribute to Karel Boone, our Chairman, who is retiring from the UCB Board as he is reaching the age limit. Under Karel's Chairmanship, the Board has been strengthened. UCB's governance is now considered one of the best in our home country of Belgium and the relations between the Board, management and shareholders have been further enhanced. Since Karel joined the Board in 2000, he has thoughtfully stimulated and supported management in UCB's transformation yet done so with tact, experience and efficiency. The entire Board joins me in warmly thanking Karel for his immense contributions. He will be missed.

I am delighted that Gerhard Mayr takes over the Chairmanship of UCB's Board of Directors from Karel. Gerhard, a member of the Board since 2005, brings his exceptional experience, especially in the innovative pharmaceutical industry, and couples this with superb knowledge of UCB.

I look forward to continue working with Gerhard and the Board as, to steer UCB in our upcoming growth phase.

Roch Doliveux

2 therapeutic areas

9 molecules

14 indications

Central Nervous System

Small-molecule drug
(chemical production)

		Phase 1	Phase 2	Phase 3	Filed
Neupro® *(rotigotine)*	advanced Parkinson's disease (U.S.)				
Neupro® *(rotigotine)*	restless legs syndrome (U.S.)				
Vimpat® *(lacosamide)*	epilepsy / monotherapy (U.S.)				
brivaracetam	epilepsy / adjunctive therapy				
Vimpat® *(lacosamide)*	epilepsy / monotherapy (EU)				
Vimpat® *(lacosamide)*	epilepsy / paediatric adjunctive therapy (2-17 years)				
Vimpat® *(lacosamide)*	epilepsy / adjunctive therapy PGTCS[1]				
UCB0942	epilepsy refactory				

1. Primary generalised tonic clonic seizures

Immunology

Antibody-based, large-molecule drug
(biotechnology production)

		Phase 1	Phase 2	Phase 3	Filed
Cimzia® *(certolizumab pegol)*	rheumatoid arthritis (Japan)				
Cimzia® *(certolizumab pegol)*	psoriatic arthritis				
Cimzia® *(certolizumab pegol)*	ankylosing spondylitis				
epratuzumab	systemic lupus erythematosus				
Cimzia® *(certolizumab pegol)*	juvenile rheumatoid arthritis				
CDP7851 *(sclerostin antibody)*	post-menopausal osteoporosis				
CDP7851 *(sclerostin antibody)*	fracture healing				
olokizumab	rheumatoid arthritis				
CDP7657	systemic lupus erythematosus				

2011 Milestones

Clinical milestones

Cimzia®	rheumatoid arthritis (Japan) – positive Phase 3 results (March 2011)
Xyrem®	fibromyalgia – not recommended in Europe (March 2011)
CDP7851	post-menopausal osteoporosis – positive Phase 2 results (April 2011)
Cimzia®	rheumatoid arthritis – start of head-to-head clinical study with Humira® (December 2011)
Vimpat®	epilepsy PGTCS - Phase 2 headline results (January 2012)
Cimzia®	psoriatic arthritis – Phase 3 headline results (February 2012)

Partnerships

New partnerships	Harvard, KU Leuven, UCL Brussels, Parexel, PRA, Lectus
Biotie Therapies	SYN-115 - Parkinson's disease – Phase 2b started (April 2011)
Otsuka Pharmaceutical	Neupro® – Parkinson's disease (Japan) – positive Phase 3 results (June 2011)
Otsuka Pharmaceutical	Neupro® – Parkinson's disease and restless legs syndrome (Japan) – filing (December 2011)
Astellas	Agreement to develop and commercialise Cimzia® in Japan (January 2012)

FINANCIAL PERFORMANCE

€ 3.2
billion of revenue

€ 683
million of REBITDA

€ 1.89
core EPS

Cimzia®

- Reaching more than 33 000 patients across 26 countries
- € 312 million net sales (Crohn's / rheumatoid arthritis)
- 4 indications still in development

Vimpat®

- Reaching more than 171 000 patients across 25 countries
- € 218 million net sales (epilepsy adjunctive therapy)
- 4 indications still in development

Neupro®

- Reaching more than 100 000 patients across 28 countries
- € 95 million net sales (Parkinson's / restless legs syndrome)
- Under U.S. regulatory review

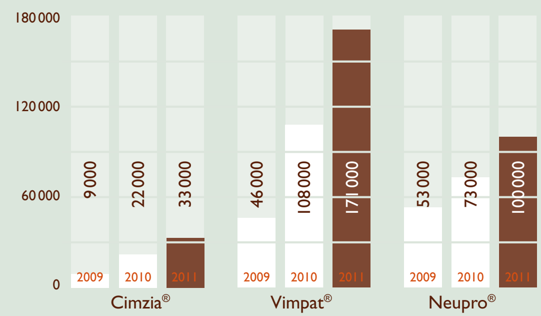
Keppra®

- € 966 million net sales (epilepsy)
- First generic entry in Europe (March 2011)
- Keppra® XR patent expiry (September 2011)

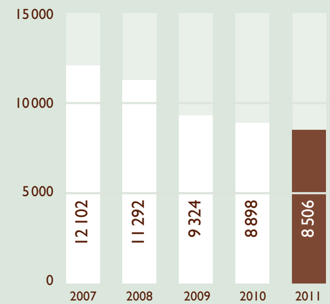
Key Figures

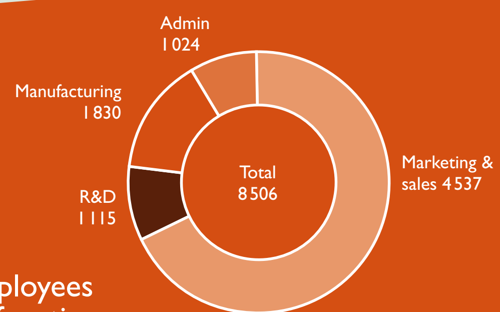
€ million	2007	2008	2009	2010	2011
Revenue	3 626	3 601	3 116	3 218	**3 246**
Net sales	3 188	3 027	2 683	2 786	**2 876**
Research and development expenses	-788	-767	-674	-705	**-780**
R&D as a % of revenue	21.7%	21.3%	21.6%	21.9%	**24.0%**
Recurring EBIT (REBIT)	480	531	453	467	**435**
Recurring EBITDA (REBITDA)	741	733	698	731	**683**
Net profit (after minority interests)	160	42	513	103	**235**
Core EPS (€ per non-diluted share)	-	1.86	1.74	1.99	**1.89**
Net debt	1 915	2 443	1 752	1 525	**1 548**
Equity ratio	44%	42%	48%	51%	**53%**
Net debt/REBITDA ratio	2.6	3.3	2.5	2.1	**2.3**
Cash flow from operating activities	490	366	295	506	**292**
Capital expenditures (including intangible assets)	251	179	87	78	**137**

Number of patients (year-end)

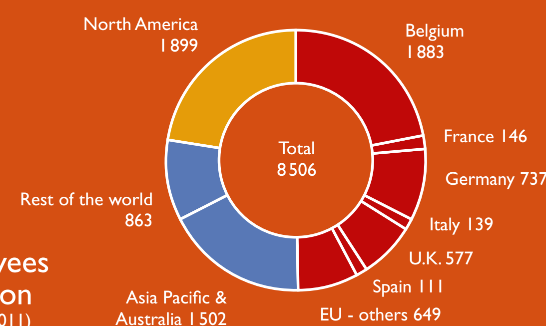


Number of employees (year-end)





Employees by function (year-end 2011)



Employees by region (year-end 2011)

Rest of the world: Kazakhstan, Mexico, Norway, Russia, Switzerland, Turkey, Ukraine.
Asia Pacific & Australia: Australia, China, Hong-Kong, India, Japan, St Korea.
Other EU: Austria, Bulgaria, Czech Rep., Denmark, Finland, Greece, Hungary, Ireland, Luxembourg, Netherlands, Poland, Portugal, Romania, Slovakia, Sweden.

Outlook

Clinical milestones

Cimzia®	rheumatoid arthritis (Japan) – filing (January 2012)
Cimzia®	ankylosing spondylitis - Phase 3 results (Q1 2012)
Cimzia®	juvenile rheumatoid arthritis – start of Phase 3 (Q1 2012)
Olokizumab	rheumatoid arthritis – Phase 2b results (Q3 2012)
CDP7851	fracture healing – Phase 2 results (2012)
Vimpat®	epilepsy - monotherapy (U.S.) – Phase 3 results (Q2 2013)
Brivaracetam	epilepsy - adjunctive therapy - Phase 3 results (H1 2013)
Eparatuzumab	systemic lupus erythematosus - Phase 3 results (H1 2014)
Vimpat®	epilepsy - monotherapy (EU) – Phase 3 results (Q4 2014)

Governance

Gerhard Mayr to become Chairman of the Board (May 2012)

2012 GUIDANCE

± € 3.1 billion of revenue

€ 630-660 million of REBITDA

€ 1.60-1.70 core EPS

Cimzia®
≥ € 1.5 billion peak sales

Vimpat®
≥ € 1.2 billion peak sales

Neupro®
≥ € 400 million peak sales

TARGET: 2015-2020

Adriana, living with rheumatoid arthritis

1. Management report of the Board of Directors

1.1. Business performance review[1]

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

1.1.1. Key highlights

- **Revenue** in 2011 increased by 1% to € 3 246 million. Net sales went up by 3% due to the solid performance of the three core products Cimzia®, Vimpat® and Neupro®, strong Keppra® sales in Europe, partially offset by the generic competition to the mature product portfolio. Royalty income and fees was down by 15% as a result of lower Toviaz® and other royalty income. Other revenue decreased by 14% due to lower milestones and contract manufacturing sales.
- **Recurring EBITDA** reached € 683 million in 2011 compared to € 731 million in 2010, reflecting the revenue increase offset by launch expenses for Cimzia®, Vimpat®, Neupro® and R&D investment.
- **Net profit** increased from € 103 million in 2010 to € 235 million in 2011, reflecting strong revenues and lower non-recurring and financing expenses. Net profit adjusted for non-recurring and one-off items reached € 225 million, which is 6% below the € 239 million of adjusted net profit for 2010.
- **Core EPS** decreased from € 1.99 in 2010 to € 1.89 per share in 2011.

	ACTUAL		VARIANCE	
€ million	2011	2010	ACTUAL RATES	CST RATES
Revenue	**3 246**	**3 218**	**1%**	**2%**
Net sales	2 876	2 786	3%	5%
Royalty income and fees	187	220	-15%	-15%
Other revenue	183	212	-14%	-13%
Gross profit	**2 233**	**2 165**	**3%**	**5%**
Marketing and selling expenses	-837	-797	5%	6%
Research and Development expenses	-780	-705	11%	12%
General and administrative expenses	-193	-194	-1%	0%
Other operating income/expenses (-)	12	-2	n.a.	n.a.
Recurring EBIT (REBIT)	**435**	**467**	**-7%**	**-5%**
Non recurring income/expenses (-)	-91	-263	-65%	-65%
EBIT (operating profit)	**344**	**204**	**68%**	**72%**
Net financial expenses	-115	-185	-38%	-37%
Income from associates	0	0	n.a.	n.a.
Profit before income taxes	**229**	**19**	**n.a.**	**n.a.**
Income tax expenses(-)/credit	-8	86		
Profit from continuing operations	**221**	**105**	**>100%**	**>100%**
Profit/loss (-) from discontinuing operations	14	-1	n.a.	n.a.
Non-controlling interest	0	-1	n.a.	n.a.
Net profit of the Group	**235**	**103**	**>100%**	**>100%**
Recurring EBITDA	**683**	**731**	**-7%**	**-5%**
Adjusted net profit	**225**	**239**	**-6%**	**-6%**
Capital expenditures (including intangible assets)	137	78	76%	n.a.
Net financial debt	1 548	1 525	1%	n.a.
Cash flow from operating activities	292	643	n.a.	n.a.
Weighted average number of shares - non diluted	**178.5**	**180.1**	**-1%**	n.a.
EPS (€ per weighted average number of shares - non diluted)	**1.32**	**0.57**	**>100%**	**>100%**
Core EPS (€ per weighted average number of shares - non diluted)	**1.89**	**1.99**	**-5%**	**-3%**

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

1.1.2. 2011 key events

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

Important agreements / initiatives

- **Agreement with Otsuka for the Japanese market amended:** UCB and its partner in Japan, Otsuka Pharmaceutical Co., Ltd. agreed to focus their collaboration on the therapeutic area of Central Nervous System (CNS) disorders and to discontinue their collaboration in immunology, namely their co-development and co-promotion agreement for certolizumab pegol in Japan. The decision to discontinue its collaboration in immunology is in line with Otsuka Pharmaceutical's clear priorities to focus in the future on CNS and oncology in its pharmaceutical business. On February 1, 2012 UCB and Astellas agreed to co-develop and co-promote certolizumab pegol in Japan.
- **Agreement with Immunomedics for epratuzumab amended**: In December 2011, UCB and Immunomedics, Inc. amended their Development, Collaboration and License Agreement for the exclusive worldwide rights to epratuzumab for all autoimmune disease indications. This provides UCB with the flexibility to select a partner to sublicense its rights for certain territories. UCB returned its buy-in right for the cancer indication to Immunomedics. Immunomedics received a non-refundable cash payment totalling US$30 million. In the event UCB exercises its right to sublicense, Immunomedics will be entitled to receive an additional cash payment of US$30 million and additional payments upon achievement of new regulatory and sales milestones pursuant to the amended agreement.
- **Research Alliances with Harvard University and K.U. Leuven**: In June 2011, UCB and Harvard University launched their innovative Research Alliance. UCB will bring its expertise in antibody generation and medicinal chemistry into the alliance and will provide up to US$6 million over two years to fund specific innovative research projects led by Harvard scientists. The collaboration focuses on central nervous system (CNS) and immunology. In April 2011, UCB and the Katholieke Universiteit Leuven (K.U. Leuven) signed a collaborative research agreement in the field of immunology. Within this framework, researchers from both organisations will work together closely for several years in an attempt to develop therapies for patients with serious immunological disorders.
- **UCB optimises its manufacturing network**: In March 2011, the acquisition of UCB's manufacturing businesses in Germany and Italy by Aesica was completed. This new partnership is part of UCB's strategy to optimise its manufacturing network while securing the long-term supply of products and a future for the sites' employees.
- **Strategic alliance in neurology with Biotie Therapies**: In January 2011, Biotie Therapies acquired Synosia, thereby creating a leading central nervous system development company. UCB holds 9.5% of the shares of Biotie Therapies and has a license for exclusive, worldwide rights to the development compound SYN-115 and rights to a second compound, SYN-118, for non-orphan indications. The phase 2b program for SYN-115 for the treatment of **Parkinson's disease (PD)** started in April 2011 with headline results expected in the first half of 2013. Results from the Phase 2a study of SYN-118 in PD reported by Biotie in May 2011 did not show a significant improvement in measures of PD motor function when compared to placebo. Hence UCB opted to not further pursue its rights to SYN-118. The partners are discussing options for other compounds within the Biotie pipeline.

Regulatory update and pipeline progress

Central Nervous System (CNS)

- The Phase 3 study evaluating **brivaracetam** as adjunctive therapy in the treatment of partial onset seizures in adults with epilepsy is on-going with headline results expected in the first half of 2013.
- In March 2011, the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) informed UCB that **Xyrem®** (sodium oxybate) will not be recommended as a treatment for **fibromyalgia** syndrome in adults.
- For the epilepsy medicine **Vimpat®** (lacosamide), the U.S.-monotherapy (Phase 3) development programme in **partial-onset seizures** is on track, with first results expected in the second quarter 2013. A Phase 3 clinical program is also on-going as planned across Europe to evaluate the efficacy and safety of Vimpat® as monotherapy in adult patients. Headline results are expected in the fourth quarter 2014.

  The Vimpat® open-label pilot Phase 2 study for adjunctive therapy in **primary generalised tonic-clonic seizures (PGTCS)** showed positive results. The compound will now move into Phase 3 development for PGTCS.
- In line with the requirements of the FDA, UCB is developing a room temperature stable patch formulation of **Neupro®** (rotigotine) for the treatment of **Parkinson's disease (PD)** and **restless legs syndrome (RLS)**. UCB aims to make the patch available to U.S. patients during 2012, subject to regulatory approval.

  In June 2011, UCB's partner in Japan, Otsuka Pharmaceutical reported positive Phase 3 results for Neupro® in advanced Parkinson's disease. In December 2011, Otsuka filed rotigotine for marketing authorisation in Japan with the Japanese authorities for the treatment of Parkinson's disease and restless legs syndrome. In 2002, Otsuka acquired the exclusive development and marketing rights to Neupro® for the Japanese market.

Immunology

- Two Phase 3 clinical studies on **Cimzia®** for the treatment of **rheumatoid arthritis (RA)** in Japan were completed with positive results ahead of plan. In January 2012 and based on these data, UCB filed certolizumab pegol for marketing authorisation with the Japanese Ministry of Health, Labour and Welfare (MHLW).

  In December 2011, UCB launched the first industry sponsored anti-TNF head-to-head study that will assess the relative efficacy of Cimzia® and Humira® (adalimumab) for certain pre-determined parameters in the treatment of moderate to severe rheumatoid arthritis (RA). The study includes a 12 week response-based therapeutic decision and assess the impact of an early response and decision on long-term (104 weeks) clinical and patient outcomes. This program is scheduled to report first results in 2016.

  UCB intends to submit regulatory applications for Cimzia® in psoriatic arthritis, by end of 2012. Top-line results from the RAPID-PsA™ phase 3 study evaluating the efficacy and safety of Cimzia® in patients with adult onset active psoriatic arthritis (PsA) demonstrated a clinically relevant and statistically significant improvement at week 12 in the signs and symptoms of psoriatic arthritis.
- The Phase 3 program for ***epratuzumab*** in patients with moderate to severe **systemic lupus erythematosus (SLE)** is ongoing as planned. First results are expected in the first half of 2014.
- **CDP7851** ("sclerostin antibody" also known as AMG 785), a novel therapy for bone loss disorders had positive top-line results

from the Phase 2 clinical study comparing CDP7851 to placebo in post-menopausal women with low bone mineral density for the treatment of **post-menopausal osteoporosis (PMO)**. In 2012, the Phase 3 programme is expected to start upon completion of consultations with the regulatory authorities in the U.S. and EU.

Two Phase 2 studies in **fracture healing** (in tibia fracture and in hip fracture) are ongoing with first headline results expected in 2012. Amgen and UCB are collaborating for the development of CDP7851/AMG785 for the treatment of bone-related conditions, including PMO and fracture healing.

- A Phase 2b programme for ***olokizumab*** (anti-IL 6) being developed for the treatment of moderate to severe **rheumatoid arthritis (RA)** is on track with headline results expected in the third quarter of 2012.

1.2. Operating and financial review[1]

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

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

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

Core EPS: The adjusted net profit, as defined above, adding back the after tax amortisation of intangible assets linked to sales, per non-dilluted share.

Core products: The "core products" are UCB's newly launched medicines being Cimzia®, Vimpat® and Neupro®. UCB's priority is the continued launch and growth of those three products.

1.2.1. Net sales by product – total net sales amount to € 2 876 million or 3% higher than the period before

	ACTUAL		VARIANCE	
€ million	2011	2010	ACTUAL RATES	CST RATES
Core products				
Cimzia®	312	198	58%	63%
Vimpat®	218	133	65%	70%
Neupro®	95	82	16%	16%
Other products				
Keppra® (includ. Keppra® XR)	966	942	3%	4%
Zyrtec® (includ. Zyrtec-D®/Cirrus®)	260	229	13%	9%
Xyzal®	108	115	-7%	-9%
omeprazole	76	65	17%	23%
Nootropil®	69	66	4%	9%
Metadate™ CD	62	54	16%	22%
venlafaxine XR	48	162	-71%	-69%
Tussionex™	44	80	-44%	-42%
Other	618	660	-6%	-6%
Total net sales	**2 876**	**2 786**	**3%**	**5%**

Core products

Cimzia® *(certolizumab pegol)*, for patients suffering from moderately to severely active rheumatoid arthritis (RA) and for Crohn's disease (CD; available in the U.S. and Switzerland only) reached net sales of € 312 million, an increase of 58%. This performance was driven by North American net sales up by 36% to € 226 million, while net sales in Europe increased by 160% to € 81 million

Vimpat® *(lacosamide)*, for epilepsy, as add-on therapy for the treatment of partial-onset seizures reached net sales of € 218 million (+65%). Net sales in North America reached € 158 million (+66%) and € 57 million (+57%) in Europe.

Neupro® *(rotigotine)*, available to patients in Europe and Rest of World with Parkinson's disease and for restless legs syndrome (RLS) showed net sales increasing to € 95 million a plus of 16%.

Other products

Keppra® *(levetiracetam)*, for epilepsy, reported net sales of € 966 million (of which € 65 million for Keppra® XR in the U.S.) which is 3% higher than last year. Further post-patent expiry erosion in North America (-18%), market leadership in Europe (+8%) and in the Rest of World (+33%) are the factors of this performance. Net sales include generic drug launched in selected countries.

Zyrtec® (*cetirizine*, including Zyrtec®-D/Cirrus®), for allergy, increased net sales by 13% to € 260 million, of which 5% in Europe and 19% in Japan through a strong allergic season.

Xyzal® *(levocetirizine)*, for allergy, reported net sales of € 108 million, going down by 7% following entry of generic competitors in Europe. Xyzal® U.S. sales are not consolidated. UCB's part of the profit-sharing agreement with sanofi-aventis in the U.S. is reported under the line "other revenue".

Omeprazole, a generic product for hyperacidity disease, reached net sales of € 76 million compared to € 65 million last year.

Nootropil® *(piracetam)*, for cognitive disorders, reached net sales of € 69 million (+4%), a slight decrease in Europe whilst a 13% increase in the Rest of World.

Metadate™ CD *(methylphenidate HCl)*, for attention deficit and hyperactivity disorders, reported net sales of € 62 million, an increase of 16%.

Venlafaxine XR, to treat major depressive and social anxiety disorders, achieved € 48 million net sales in the U.S., a decrease of 71% due to generic competition since August 2010. UCB holds exclusive rights from Osmotica to market and sell *venlafaxine hydrochloride XR* in the U.S.

Tussionex™ *(hydrocodone polistirex and chlorpheniramine polistirex)*, an anti-tussive in the U.S., reached net sales of € 44 million, a decrease of 44% compared to 2010 impacted by further generic competition. Net sales include the generic drug launched by UCB's generic arm in the U.S.

Other products: Net sales for other mature products went down by 6% to € 618 million, due to product divestments, generic competition and the maturity of the portfolio.

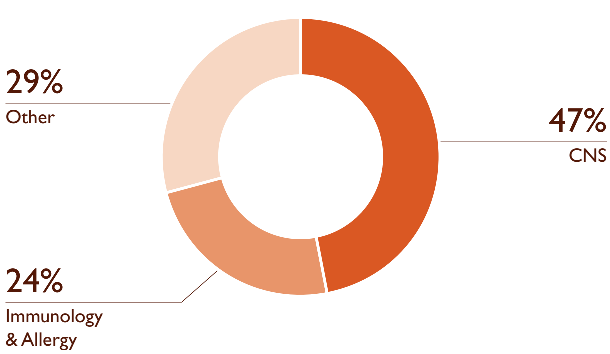
1.2.2. Net sales by geographical area

North America net sales in 2011 reached € 943 million, a decrease of 8% from the year before. At constant currency rates, the decline would have been 3%. Cimzia®, for patients suffering from Crohn's disease (CD) and rheumatoid arthritis (RA), increased net sales by 36% to € 226 million. The anti-epileptic drug Vimpat®, available as an add-on therapy for the treatment of partial-onset seizures reached net sales of € 158 million (+66%). The Keppra® franchise declined to € 228 million, down by 18% year-over-year, including a decrease of 22% related to Keppra®XR (exclusivity expired in September 2011). *Venlafaxine XR* reached net sales of € 47 million (-71%) and Tussionex™ net sales amounted € 44 million (-44%), both due to generic competition since 2010. Net sales of the other products reached € 240 million (-1%).

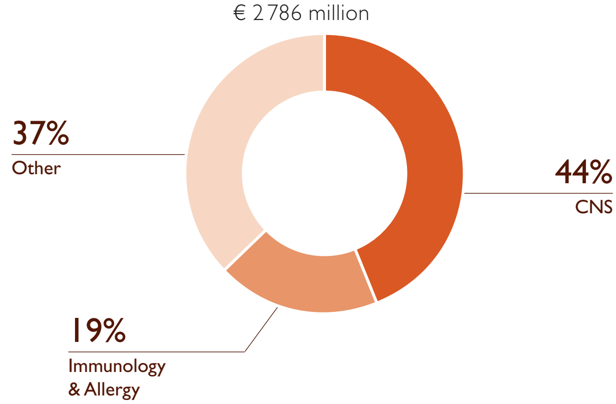
Europe net sales reached € 1 403 million in 2011, up by 7%. Cimzia® net sales increased from € 31 million in 2010 to € 81 million in 2011, driven by further national launches throughout Europe. The new anti-epileptic drug Vimpat® increased by 57% to € 57 million. Neupro® for the treatment of Parkinson's disease and restless legs syndrome reached net sales of € 94 million, an increase of 16% year-over-year. Keppra® net sales increased by 8% and represented € 630 million, benefiting from a delay in generic erosion. The 23% decrease in the allergy drug Xyzal® was due to the entrance of generic competition while the net sales of Zyrtec® increased to a level of € 61 million (+ 5%). Nootropil® remained stable, achieving € 38 million net sales. All other products contributed € 378 million, a reduction of 7% versus the previous year.

'Rest of World' net sales in 2011 amounted to € 515 million, an increase of 14%, mainly related to a strong allergy season and E-Keppra® in Japan. Zyrtec® and Xyzal® contributed € 234 million, of which € 184 million in Japan. Market leading Keppra® grew 33% year-over-year. All three new core products, Cimzia®, Vimpat® and Neupro®, are available to patients in this region.

Net sales – 2011
€ 2 876 million



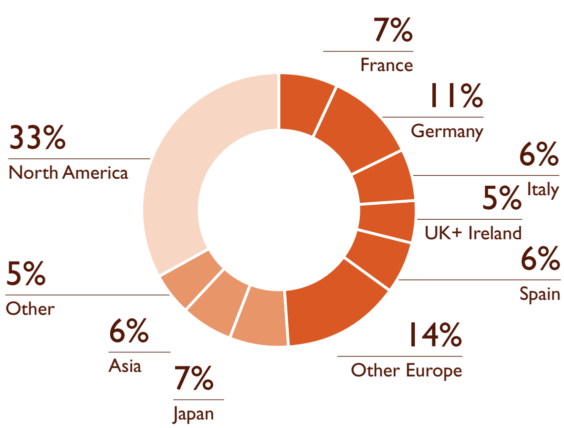
Net sales – 2010
€ 2 786 million



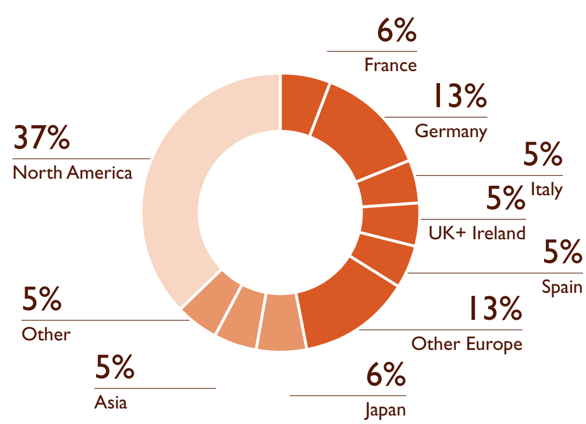
€ million	ACTUAL 2011	2010	2011/2010 VARIANCE AT ACTUAL RATES € MILLION	%	AT CONSTANT RATES € MILLION	%
Net sales North America	**943**	**1 024**	**-81**	**-8%**	**-35**	**-3%**
Core products						
Cimzia®	226	166	60	36%	71	43%
Vimpat®	158	96	63	66%	71	74%
Other products						
Keppra® (including Keppra® XR)	228	278	-50	-18%	-39	-14%
venlafaxine XR	47	162	-115	-71%	-112	-69%
Tussionex™	44	80	-35	-44%	-33	-42%
Other	240	243	-3	-1%	8	3%
Net sales Europe[1]	**1 403**	**1 316**	**86**	**7%**	**84**	**6%**
Core products						
Cimzia®	81	31	50	160%	49	159%
Vimpat®	57	36	21	57%	21	57%
Neupro®	94	81	13	16%	13	15%
Other products						
Keppra®	630	583	47	8%	47	8%
Xyzal®	64	83	-19	-23%	-19	-24%
Zyrtec® (including Cirrus®)	61	58	3	5%	2	4%
Nootropil®	38	39	-1	-1%	0	-1%
Other	378	406	-28	-7%	-28	-7%
Net sales Rest of World	**515**	**454**	**62**	**14%**	**55**	**12%**
Core products						
Cimzia®	5	1	4	833%	4	786%
Vimpat®	3	1	2	258%	2	246%
Neupro®	2	1	1	110%	1	111%
Other products						
Zyrtec® (including Cirrus®)	191	163	28	17%	20	12%
Keppra®	108	82	27	33%	28	34%
Xyzal®	43	31	12	41%	10	32%
Nootropil®	31	27	4	13%	6	22%
Other	132	149	-16	-11%	-15	-10%
Unallocated	**15**	**-7**				
Total net sales	**2 876**	**2 786**	**90**	**3%**	**127**	**5%**

[1] The net sales of Russia and Turkey previously reported in Europe were re-classified to Rest of World in 2010

Net sales – 2011
€ 2 876 million



Net sales – 2010
€ 2 786 million



1.2.3. Royalty income and fees

€ million	ACTUAL 2011	ACTUAL 2010	VARIANCE ACTUAL RATES	VARIANCE CST RATES
Biotechnology IP	104	98	6%	6%
Toviaz®	39	52	-25%	-25%
Zyrtec® U.S.	18	19	-3%	2%
Other	26	51	-50%	-51%
Royalty income and fees	**187**	**220**	**-15%**	**-15%**

Royalty income and fees for 2011 amounted to € 187 million, down by € 33 million or 15% compared to the same period last year. Biotechnology intellectual property (IP) increased with 6%, whilst the net variation remained stable (see below: "Royalty expenses"). The royalties paid by Pfizer for the overactive bladder treatment Toviaz® (*fesoterodine*) went down by 25% to € 39 million. Zyrtec® U.S. royalty income received on the over-the-counter sales amounted to € 18 million in 2011 compared to € 19 million in the same period last year. The other royalty income decreased by € 25 million mainly in the U.S. market, due to the divestment of smaller products in 2010 and generic competition.

1.2.4. Other revenue

€ million	ACTUAL 2011	ACTUAL 2010	VARIANCE ACTUAL RATES	VARIANCE CST RATES
Contract manufacturing sales	93	101	-8%	-7%
Provas™ and other profit sharing	39	33	21%	21%
Otsuka	22	20	13%	13%
Xyzal® U.S. milestones / profit sharing	5	28	-82%	-81%
Other	24	30	-23%	-21%
Other revenue	**183**	**212**	**-14%**	**-13%**

Other revenue for 2011 amounted to € 183 million, down by 14% or € 29 million.

The decrease of contract manufacturing sales to € 93 million, 8% lower compared to the same period last year, was essentially the result of the agreements with GSK and Shire announced in 2009.

The profit sharing agreement with Novartis on the cardiovascular drug Provas™, Jalra® and Icandra® in Germany represents € 39 million, up by 21%. Profit sharing with sanofi-aventis on Xyzal® in the U.S. generated € 5 million down by 82%. Since 1 March 2010, sanofi-aventis U.S. assumes all of the commercialisation responsibility for Xyzal®. UCB continues to receive a percentage of Xyzal® profits, however at a lower rate than before and overall profits are impacted by generic competition. The 2011 Otsuka-related other revenue pertains to the reimbursement of R&D expenses and milestones recognised as part of the agreements entered into by Otsuka and UCB in June 2008 for E Keppra® and Cimzia® in Japan. Early 2012 it was announced that the collaboration with Otsuka focuses now on E Keppra® and Neupro® and the new partner for Cimzia® in Japan is now Astellas (see: above "2011 key events").

1.2.5. Gross profit

€ million	ACTUAL 2011	ACTUAL 2010	VARIANCE ACTUAL RATES	VARIANCE CST RATES
Revenue	**3 246**	**3 218**	**1%**	**2%**
Net sales	2 876	2 786	3%	5%
Royalty income and fees	187	220	-15%	-15%
Other revenue	183	212	-14%	-13%
Cost of sales	**-1 013**	**-1 053**	**-4%**	**-3%**
Cost of sales products and services	-730	-724	1%	1%
Royalty expenses	-128	-155	-18%	-16%
Amortisation of intangible assets linked to sales	-155	-173	-10%	-9%
Gross profit	**2 233**	**2 165**	**3%**	**5%**
of which				
Products and services	2 328	2 273	2%	4%
Net royalty income	60	64	-7%	-10%
Amortisation of intangible assets linked to sales	-155	-173	-10%	-9%

Gross profit of € 2 233 million is 3% higher than 2010 following the increase of net sales and lower cost of sales.

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

Cost of sales for products and services: The cost of sales for products and services increased by € 6 million from € 724 million in 2010 (26.0% of net sales) to € 730 million in 2011 (25.4% of net sales). This is the combined result of industrial efficiencies on yield and discards, consolidation of external partners and improvements in the biotech production.

Royalty expenses: Royalties decreased from € 155 million in 2010 to € 128 million in 2011 as a result of higher royalties relating to the launched products (Cimzia®, Vimpat®), and a decrease of the *venlafaxine XR* royalty expense.

	ACTUAL		VARIANCE	
€ million	2011	2010	ACTUAL RATES	CST RATES
Biotechnology IP	-42	-36	16%	18%
Other	-86	-119	-28%	-27%
Royalty expenses	**-128**	**-155**	**-18%**	**-16%**

Amortisation of intangible assets linked to sales: Under IFRS 3 (Business Combinations), UCB has reflected on its balance sheet a significant amount of intangible assets relating to the Celltech and Schwarz Pharma acquisitions (in-process Research and Development, manufacturing know-how, royalty streams, trade names, etc.), which gave rise to amortisation expenses of € 155 million in 2011, compared to € 173 million in 2010, representing the amortisation of intangible assets for which products have already been launched.

1.2.6. Recurring EBIT and recurring EBITDA

	ACTUAL		VARIANCE	
€ million	2011	2010	ACTUAL RATES	CST RATES
Revenue	**3 246**	**3 218**	**1%**	**2%**
Net sales	2 876	2 786	3%	5%
Royalty income and fees	188	220	-14%	-15%
Other revenue	183	212	-14%	-13%
Gross profit	**2 233**	**2 165**	**3%**	**5%**
Marketing and selling expenses	-837	-797	5%	6%
Research and development expenses	-780	-705	11%	12%
General and administrative expenses	-193	-194	-1%	0%
Other operating income/expenses (-)	12	-2	n.a.	n.a.
Total operating expenses	**-1 798**	**-1 698**	**6%**	**7%**
Recurring EBIT (REBIT)	**435**	**467**	**-7%**	**-5%**
Add: Amortisation of intangible assets	180	190	-5%	-4%
Add: Depreciation charges	68	73	-7%	-9%
Recurring EBITDA (REBITDA)	**683**	**731**	**-7%**	**-5%**

Operating expenses, encompassing marketing and selling expenses, research and development expenses, general and administrative expenses and other operating income/expenses, reached € 1 798 million in 2011, 6% higher than last year, reflecting:

- € 40 million higher marketing and selling expenses, or an increase of 5%, driven substantially by the launch expenses for Cimzia®, Vimpat®, Neupro® and E Keppra®.
- € 75 million higher research and development expenses, or a 11% increase, reflecting the advanced late-stage pipeline and projects that are on fast track.
- € 1 million lower general and administrative expenses or an decrease of 1%.
- € 14 million increase in other operating income/expenses is mainly related reimbursement of expenses and to lower impairment of trade receivables.

Recurring EBIT is down by 33 million or 7%.

Recurring EBITDA is down by 7% to € 683 million compared to 2010, reflecting the increase in revenue and gross profit offset by launch expenses for the core products and advanced R&D projects.

1.2.7. Net profit and adjusted net profit

€ million	ACTUAL 2011	2010	VARIANCE ACTUAL RATES	CST RATES
Recurring EBIT	**435**	**467**	**-7%**	**-5%**
Impairment charges	-39	-223	-82%	-82%
Restructuring expenses	-27	-40	-32%	-32%
Gain on disposals	0	49	n.a.	n.a.
Other non recurring income/expenses (-)	-24	-49	n.a.	n.a.
Total non recurring income/expenses (-)	**-91**	**-263**	**-65%**	**-65%**
EBIT (operating profit)	**344**	**204**	**68%**	**72%**
Net financial expenses	-115	-185	-38%	-37%
Income from associates	0	0	n.a.	n.a.
Profit before income taxes	**229**	**19**	**n.a.**	**n.a.**
Income tax expenses (-)/credit	-8	86	n.a.	n.a.
Profit from continuing operations	**221**	**105**	**110%**	**115%**
Profit/loss (-) from discontinued operations	14	-1	n.a.	n.a.
Non-controlling interests	0	-1	n.a.	n.a.
Net profit	**235**	**103**	**126%**	**131%**
After-tax non-recurring items and financial one-offs	70	216	-68%	-67%
Profit/loss from discontinued operations	-14	1	n.a.	n.a.
Tax one-offs	-66	-81	-18%	-17%
Adjusted net profit (after non-controlling interests)	**225**	**239**	**-6%**	**-6%**

Total **non-recurring income/expenses** amounted to € 91 million pre-tax expense, compared to € 263 million pre-tax expense in 2010. The 2011 non-recurring items include impairment charges for € 39 million and are mainly related to SYN-118 and the further optimisation of the manufacturing facilities. The € 27 million restructuring expenses include primarily the new organisation of the European operations. The other non-recurring expenses are composed out of US$ 30 million restructuring of *epratuzumab* licence agreement between Immunomedics and UCB (see: above "2011 key events") and aditional amortisation/depreciation.

The 2010 non-recurring items included € 223 million impairment charges mainly related to Toviaz®, Mylotarg® (giving raise to lower amortisation of intangible assets linked to sales in 2011) and the manufacturing facilities disposed to Aesica. The € 40 million restructuring expenses include the PCP business in Japan and Turkey, items related to the SHAPE programme and other severance costs. The divestment of small businesses gave rise to a gain on disposal of € 49 million, offset by other non-recurring expenses of € 49 million mainly related to write-offs of three manufacturing facilities disposed to Aesica of € 20 million and charges related to the U.S. Department of Justice in an investigation relating to the marketing of Keppra® of more than seven years ago.

Net financial expenses decreased from € 185 million in 2010 to € 115 million in 2011, or by € 70 million due to lower interest rates. Last year the financial expenses included the termination of hedge-accounting on interest rate derivatives and € 7 million one-off revocation of the cash-settlement option related to the convertible bond.

The **average tax rate** on recurring activities is 30% in 2011 compared to 23% in the same period of last year. The difference is mainly due to losses and tax credits not being fully realized in high tax jurisdictions. Non-recurring items lead to income tax expenses of EUR 8 million compared to a tax credit of € 86 million in 2010.

The 2011 non-recurring items include one off tax income of € 37 million due to the release of liabilities no longer required and € 28 million in respect of the reduction of tax rates at which deferred tax liabilities are provided.

Net profit after non-controlling interest for the year reached € 235 million, i.e. € 132 million above 2010, reflecting the lower non-recurring expenses and one-off tax income.

Adjusting for the after-tax impact of non-recurring items and financial one-offs and for the after-tax contribution from discontinued operations, **adjusted net profit** reached € 225 million, which is 6% below the € 239 million of adjusted net profit for 2010.

1.2.8. Capital expenditure

The tangible capital expenditure resulting from UCB biopharmaceutical activities amounted to € 82 million in 2011 compared to € 54 million in 2010. The 2011 capital expenditures related mainly to improvement and replacement, as well as investments supporting new product, a new biotech pilot plant in Braine-l'Alleud (Belgium) and delivery devices.

Acquisition of intangible assets reached € 55 million in 2011 (versus € 24 million in 2010) for the payment of license 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. Depreciation charges on this investment are recognised in the cost of goods sold and is added back for recurring EBITDA calculation purposes.

1.2.9. Balance sheet

Intangible assets: The intangible assets decreased by € 116 million from € 1 641 million at 31 December 2010 to € 1 525 million at 31 December 2011. This includes the ongoing amortisation of the intangible assets related to the acquisition of Celltech and Schwarz Pharma (€ 155 million), the impairment (€ 17 million) including SYN-118 and the yearly impairment testing, and the impact of the increasing U.S. dollar and British pound.

Goodwill: Goodwill amounts € 4 799 million or a € 81 million increase between 31 December 2010 and 31 December 2011 reflecting the impact of the increasing U.S. dollar and British pound.

Other non-current assets: Other non-current assets increased by € 270 million, mainly driven by recognition of previously not recognised deferred tax assets, offset by further depreciation and impairment of tangible assets.

Current assets: The decrease from € 1 731 million as of 31 December 2010 to € 1 706 million as of 31 December 2011 stems from an increase in inventories and trade receivables, offset by lower cash.

Shareholders' equity: UCB's shareholders' equity, at € 4 823 million, increased by € 231 million between 31 December 2010 and 31 December 2011. Equity increased by the amount of net profit after non-controlling interest (€ 235 million), the perpetual bond (€ 295 million), € 41 million cumulative translation adjustments due to the stronger U.S. dollar and British pound, share based payments (€ 10 million), off set by the fair value adjustments related to the derivative financial instruments and the available for sale financial assets and the cash flow hedges (€ 14 million), € 176 million as the result of dividends declared on the 2010 results, acquisition of treasury shares shares € 142 million and the dividend to the shareholders of the perpetual bond (€ 18 million).

Non-current liabilities: The increase in non-current liabilities from € 2 524 million to € 2 743 million is mainly related to increase in long term tax provisions.

Current liabilities: The decrease in current liabilities from € 1 853 million to € 1 612 million results from the repayment of the rovolving credit facility and an increase in trade and other liabilities.

Net debt: The net debt increased by € 22 million from € 1 525 million as of end December 2010 to € 1 548 million as of end December 2011. The underlying profitability and the perpetual bond offset the dividend payment on the 2010 results, the acquisition of own shares and the repayment of the revolving credit facility

1.2.10. Cash Flow Statement

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

Cash flow from operating activities: The cash flow from operating activities amounted € 290 million compared to € 643 million in 2011. This stemms from higher working capital, especially related to an increase of the Cimzia® inventory and higher trade receivables.

Cash flow from investing activities: The cash flow from investing activities amounted to € 129 million outflow in 2011 and was mainly driven by the acquisition of licensed products, the payment of milestones related to in-licencing agreements and the investment in the construction of a biological plant in Braine-l'Alleud, Belgium and a biological plant in Bulle, Switzerland. The 2010 € 62 million outflow results from € 78 million spending in tangible and intangible assets, an increase in investments, offset by the proceeds of the divestiture of small businesses.

Cash flow from financing activities has an outflow € 388 million due to the repayment of the revolving credit facility, the purchase of treasury shares, the dividend payment relating to the 2010 results, partially compensated by issuing of a hybrid bond.

1.2.11. Outlook 2012

UCB expects its financial results in 2012 to be driven by the continued growth of Cimzia®, Vimpat® and Neupro® as well as by post-exclusivity expiry erosion for Keppra®.

Revenue 2012 is anticipated at approximately € 3.1 billion. UCB's **recurring EBITDA** is expected between approximately € 630 and € 660 million.

Core EPS 2012 is expected in the corresponding range of € 1.60 and € 1.70 based on 177.3 million shares outstanding.

1.3. Corporate Governance Statement

Directors and Auditors

Board of Directors

- Karel Boone, Chair
- Evelyn du Monceau, Vice Chair
- Roch Doliveux, Executive Director
- Armand De Decker, Director until 28 April 2011
- Bert De Graeve, Director
- Arnoud de Pret, Director
- Peter Fellner, Director
- Jean-Pierre Kinet, Director
- Thomas Leysen, Director
- Gerhard Mayr, Director
- Tom McKillop, Director
- Norman J. Ornstein, Director
- Alexandre Van Damme, Director
- Gaëtan van de Werve, Director
- Bridget van Rijckevorsel, Director
- Inge Basteleurs, Secretary of the Board

Statutory Auditors

- PricewaterhouseCoopers represented by its permanent representative Bernard Gabriëls

Honorary Directors

- André Jaumotte, Honorary Chair
- Willy De Clercq (†), Honorary Chair
- Mark Eyskens, Honorary Chair
- Georges Jacobs, Honorary Chair
- Daniel Janssen, Honorary Deputy Chair
- Prince Lorenz of Belgium
- Alan Blinken
- Michel Didisheim
- Eric Janssen
- Guy Keutgen
- Paul Etienne Maes
- Jean-Louis Vanherweghem

Honorary Chairmen of the Executive Committee

- Georges Jacobs
- Daniel Janssen
- Paul Etienne Maes

As a Belgian-headquartered company with a commitment to the highest standards of corporate governance, the Board of Directors of UCB S.A./N.V. (hereafter "UCB") (hereafter "the Board") adopted a Charter of Corporate Governance in October 2005, as required by the Belgian Code of Corporate Governance (first edition, 2004). As required by article 96 of the Belgian Companies Code, UCB has adopted the Belgian Code of Corporate Governance (second edition, March 2009) (hereafter "the Code") as its reference code of corporate governance, taking into account the specific international aspects of UCB[1].

This Charter of Corporate Governance, which is available on UCB website (www.ucb.com/investors/governance/charter), describes the main aspects of UCB's corporate governance, including its governance structure and the terms of reference of the Board, as well as those of its committees and the Executive Committee. The Charter of Corporate Governance is annually updated, in December, and reviewed by the Board to be in line with the Code and its interpretation.

In accordance with the Belgian Companies Code and with the Code, the following pages provide factual information about UCB's corporate governance. This includes changes to UCB's corporate governance, together with relevant events that took place during 2011, such as changes in UCB's capital or shareholder structure, the modifications in UCB's governance and in the Boards and committees' composition, the main features of UCB's internal control and risk management systems, and the remuneration report. It also includes explanations, where applicable, of any deviations from the Code.

1.3.1. Capital and shares

1.3.1.1. Capital

The capital of UCB has not been modified in 2011. On 31 December 2011 it amounted to € 550 095 156, and was represented by 183 365 052 shares.

1.3.1.2. Shares

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

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

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

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

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

1.3.1.3. Warrants

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

- The 145 200 warrants issued in 1999 each confer the right to subscribe to one ordinary share: following the cancellation, expiration and exercise of part of these warrants, 54 700 warrants can still 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 cancellation, expiration and exercise of part of these warrants, 67 700 warrants can still be exercised up to 28 February 2013.

It follows from the above that, if all the rights attached to these warrants were exercised, UCB's capital would be € 550 462 356 and the number of UCB shares would be 183 487 452.

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

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

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

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

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

1.3.1.4. Convertible bonds

UCB issued senior unsecured 4.5% bonds due 2015 for an aggregate principal amount of € 500 000 000, placed with institutional investors following an accelerated book-building procedure on 30 September 2009 (hereafter the "Convertible Bond(s)"). An Extraordinary General Meeting decided on 6 November 2009 to attach a conversion right to these Bonds.

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

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

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

1.3.1.5. Treasury shares

UCB acquired 4 699 923 and sold 704 733 UCB shares in 2011. On 31 December 2011, UCB held a total of 3 995 190 UCB shares, representing 2.18% of the total number of UCB shares.

UCB Fipar S.A., an affiliate indirectly controlled by UCB, acquired 746 800 UCB shares in 2002, 372 904 UCB shares in 2003, 1 064 200 UCB shares in 2004, 370 000 UCB shares in 2005 and 950 000 UCB shares in 2006. On 31 December 2011, UCB Fipar S.A. held a total of 3 138 750 UCB shares representing 1.71% of the total number of UCB shares.

UCB S.C.A., an affiliate indirectly controlled by UCB, acquired 61 200 UCB shares in 2007, 50 384 UCB shares in 2008, 128 116 UCB shares in 2009 and 239 639 UCB shares in 2010. On 31 December 2011, UCB S.C.A. holds one UCB share.

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

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

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

1.3.2.Shareholders and shareholders structure

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

Financière de Tubize has made a transparency notification of its holding in UCB on 1 September 2008 and in subsequent notifications, in compliance with the Law of 2 May 2007 on the publication of significant shareholdings in listed companies. According to article 3§1, 13° of the Law of 2 May 2007, Financière de Tubize acts in concert with Schwarz Vermögensverwaltung GmbH. Until 23 August 2011, such concert also existed with KBC Bank NV (see notification of 9 September 2011). The concert which existed with Degroof Corporate Finance S.A., Imofig S.A., Levimmo S.A., Pharmahold S.A., Cosylva S.A. and Compar Finance S.A. expired 28 February 2012.

Their holdings are listed under Nos 1-5 in the table hereunder. The shares that are covered by this agreement, including the shares held by Financière de Tubize S.A. represent 40.76% of the share capital of UCB.

52.74% of Financière de Tubize is held by the Janssen family.

Pharmahold S.A. made on 29 February 2012 a transparency notification of its holding in UCB S.A. in compliance with Article 3§1, 13° of the Law of 2 May 2007, pursuant to which it acts in concert with Cosylva S.A. and Compar Finance S.A. Their holdings are listed under Nos 7 and 8 hereunder. The shares that are covered by this agreement represent 4.40%.

The remainder of UCB shares is held by the public.

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

1.3.2.1. UCB controlling and major shareholdings on 29 February 2012

		CURRENT	VOTING	DATE (ACCORDING TO THE NOTIFICATION IN COMPLIANCE WITH THE LAW OF 2 MAY 2007)
	Capital €	**550 095 156**		
	Shares	**183 365 052**		
1	Financière de Tubize S.A. (Tubize)	66 370 000	36.20%	5 October 2011
2	UCB SA	2 767 297	1.51%	27 February 2012
	options [1]	4 800 000	2.62%	
3	UCB Fipar S.A.	3 136 150	1.71%	31 January 2012
4	UCB SCA	1	0.00%	5 October 2011
5	Schwarz Vermögensverwaltung GmbH	2 471 404	1.35%	5 October 2011
	Tubize + linked companies + concert 5 (excluding options)	**74 744 852**	**40.76%**	**29 February 2012**
6	Banque Degroof S.A.			
	through Degroof Corporate Finance S.A.	450 000		5 October 2011
	through Imofig S.A.	219 230		5 October 2011
	Levimmo S.A.	1 230 770		5 October 2011
		1 900 000	1.04%	
7	Compar Invest S.A.	0		29 February 2012
	through Compar Finance S.A.	2 065 830		29 February 2012
		2 065 830	1.13%	
8	Pharmahold S.A.	3 000 000		29 February 2012
	through Cosylva S.A.	3 000 000		29 February 2012
		6 000 000	3.27%	
	Pharmahold + linked companies + concert 7	**8 065 830**	**4.40%**	**29 February 2012**
9	Capital Research and Management Company (voting interests) [2]	21 717 895	11.84%	30 October 2008

[1] If all options were exercised this would represent an additional voting right of 2.62%.

[2] Including the UCB shares held by Euro Pacific Growth Fund which exceed 3% of UCB share capital

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

Pharmahold has declared acting in concert with Cosylva S.A. and Compar Finance S.A.

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

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

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

	SEPTEMBER 2007		FEBRUARY 2012	
Financière de Tubize	66 370 000	36.20%	66 370 000	36.20%
Schwarz Vermögensverwaltung GmbH & Co KG	9 885 618	5.39%	2 471 404	1.35%
UCB S.A.[1]	-	-	2 767 297	1.51%
UCB SCA	-	-	1	0.00%
UCB Fipar S.A.	3 176 578	1.73%	3 136 150	1.71%.
Total voting rights	79 432 196	43.32%	74 744 852	40.76%

[1] The voting rights of the shares of UCB S.A are suspended in compliance with Article 325§2 of the Belgian Companies Code.

On 6 April 2011 and 20 December 2010 a new legislation was introduced into Belgian law, effective January 2012, which aims at granting shareholders additional rights and which changes certain formalities of the shareholders' meeting. The articles of incorporation of the company were updated on 27 April 2011 to incorporate these changes.

1.3.3. Board of Directors and Board committees

1.3.3.1. Board of Directors

Composition of the Board and independent directors

From 1 January 2011 until 28 April 2011, the composition of the Board was as follows:

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

At the General Meeting held on 28 April 2011, Armand De Decker retired as a Director and Evelyn du Monceau, Arnoud de Pret, Bridget van Rijckevorsel, Gerhard Mayr, Norman J. Ornstein and Jean-Pierre Kinet were re-elected for a term of four (4) years, pursuant to the decision of the same meeting which fixed the term for a Board mandate on four (4) years. At the same meeting, Thomas Leysen was re-elected, at his request for one year only, in view of the new commitments he has taken on.

Karel Boone is Chair of the Board. Karel Boone serves his fourth term as a director since his last re-election on 30 April 2009 and therefore does not qualify as independant director. Karel Boone has reached the age limit and will end his mandate at the next General Meeting, to be held on 26 April 2012.

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

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

Alexandre van Damme does not qualify as an independent director because of his family's indirect interests in Pharmahold S.A.

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

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

	FIRST APPOINTED AS DIRECTOR	END OF TERM OF OFFICE	INDEPENDENT DIRECTOR
Karel Boone, Chair	2000	2012	
Evelyn du Monceau, Vice Chair	1984	2015	
Roch Doliveux, Executive Director	2004	2013	
Bert De Graeve	2010	2013	×
Arnoud de Pret	2005	2015	
Peter Fellner	2005	2013	×
Jean-Pierre Kinet	2008	2015	×
Thomas Leysen	2009	2012	×
Gerhard Mayr	2005	2015	×
Tom McKillop	2009	2012	×
Norman J. Ornstein	2008	2015	×
Alexandre Van Damme	2010	2013	
Gaëtan van de Werve	2006	2012	
Bridget van Rijckevorsel	1992	2015	

The mandates of Karel Boone, Thomas Leysen, Tom McKillop and Gaëtan van de Werve will expire at the next General Meeting, to be held on 26 April 2012. The mandate of Tom McKillop will be submitted for renewal at this meeting. Gaëtan van de Werve has chosen, in view of the other activities he has taken on, not to present himself for re-election. Thomas Leysen has asked that his mandate would not be prolonged, in view of the new commitments he has taken on.

The Board's secretary was Michèle de Cannart until 1 June 2011 and was replaced by Inge Basteleurs as of 1 June 2011.

Pursuant to article 96§2, 6° Belgian Companies Code, UCB declares currently having two female directors in its Board being 14% of the Board members. When replacements or appointments for the Board are considered, UCB – via its Board and its Remuneration and Nomination Committee - is systematically taking into account enhancing diversity in the Board, which includes searching for senior female profiles which could add a complementary value to the Board.

Functioning of the Board

In 2011, the Board met seven times. The attendance rate of its members was as follows:

Karel Boone, Chair	100%
Evelyn du Monceau, Vice Chair	100%
Roch Doliveux, Executive Director	100%
Bert De Graeve	86%
Arnoud de Pret	100%
Peter Fellner	100%
Jean-Pierre Kinet	100%
Thomas Leysen	57%
Gerhard Mayr	100%
Tom McKillop	100%
Norman J. Ornstein	100%
Alexandre Van Damme	100%
Gaëtan van de Werve	100%
Bridget van Rijckevorsel	100%

Armand De Decker did not attend the two meetings he was invited to in 2011.

During 2011, the Boards main areas of discussion, review and decision were: UCB's strategy, the reports of the Audit Committee and of the Remuneration and Nomination Committee, UCB's corporate governance and organisation, risk and risk management, succesion planning, the structuring of the UCB group, tax strategy, the appointments reserved to the Board, the remuneration policies, the management and financial reporting, R&D, the debt refinancing, investment programs and business development proposals, financial and commercial partnerships, license agreements, divestments of non-core activities and assets, reports and resolution proposals to the shareholders as published in the invitations to the General Meetings in compliance with the Belgian Companies Code.

There were no transactions or contractual relationships in 2011 between UCB, including its affiliated companies, and a member of the Board, giving rise to conflicts of interest other than UCB's investment in Biotie, a Finish company in which Peter Fellner is a Board member. In compliance with UCB's internal rules on conflict of interest, Peter Fellner did not participate in the discussions and deliberations about this investment.

During 2011, the Board pursued an induction programme started in 2009 for its new and existing directors to cover the various areas of expertise required in a biopharmaceutical company, in particular technical operations, for which an induction session was held on 1 March 2011 in Braine (Belgium). Specific induction was organised for the new chairman to expose him to best Board management practices as well as Belgian and internationalbest-in-class corporate governance.

Assessment of the Board

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

In 2011 the Remuneration and Nomination Committee also assessed for each of the director who is candidate for re-election at the next General Meeting, to be held on 26 April 2012, its commitment and effectiveness. The Remuneration and Nomination Committee also assessed for the director who was proposed by collegiate decision of the Board to become the chair of the Board, its commitment and effectiveness. The assessment was conducted by the Chair of the Board and the Chair of the Remuneration and Nomination Committee who had meetings with each of the members of the Board in their capacity as a Board member and, as the case may be, as Chair or member of a Board committee.

The sessions were based on a questionnaire and cover the Directors' role in the governance of UCB and effectiveness of the Board and, amongst others, how they evaluate their commitment, contribution and constructive involvement in the discussions and decision-making. Feedback of the sessions was given to the Remuneration and Nomination Committee which reported to the Board.

1.3.3.2. Board committees

Audit Committee

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

The composition of the Audit Committee is as follows:

	END OF TERM OF OFFICE	INDEPENDENT DIRECTOR
Arnoud de Pret, Chair	2015	
Karel Boone	2012	
Bert De Graeve	2013	×
Gerhard Mayr	2015	×

Bert De Graeve and Gerhard Mayr fulfill the independence criteria set by article 526ter of the Belgian Companies Code, and all members have the competencies in accounting and audit matters as required by article 526bis§2 of the Belgian Companies Code. The Audit Committees composition complies with the Belgian Companies Code requiring that (at least) one member is an independent director. The Code recommends that a majority of the members of the Audit Committee is independent. In appointing the members of the Audit Committee, the Board has chosen the most competent to perform the committees tasks. The Board is further of the opinion that all members of the Audit Committee, being independent from management, of which two are also independent in the sense of the Belgian Companies Code, insure the independence of judgment needed in the committees' works.

The Audit Committee met five times in 2011 with an attendance rate of its members of 100%, except for Gerhard Mayr, whose attendance rate was 80%. Three of the five meetings were held in the presence of the external auditor. Each Audit Committee has a part without management presence and just with the internal and/or external auditors present.

The Audit Committee meetings were attended by Detlef Thielgen (Executive Vice President & Chief Financial Officer); Doug Gingerella (Senior Vice President Global Internal Audit/M&A); Olaf Elbracht, (Vice President Reporting & Consolidation)(four times) and Michèle de Cannart (Vice President & General Secretary) - replaced by Inge Basteleurs as from 1 June 2011 - who acted as Secretary. Two of the meetings were partly attended by Robert Trainor (Executive Vice President & General Counsel), by André van der Toorn (Vice President Treasure & Risk Management) and by Caroline Vancoillie (Senior Director Reporting & Consolidation), one meeting by Guy Van den Dorpe (Vice President Financial Control), Aaron Bartlone (Senior Vice President Corporate SA and HS), Bo Iversen (Vice President Tax), Nasreen Vadachia (Director IFRS Competence Center) and by Simona Meuer (Vice President Group & Support Functions Controlling). Roch Doliveux (Chair of the Executive Committee) attended once at the request of the Chairman of the Audit Committee, on a question about *fesoterodine*.

In 2011, and according to its terms of reference (see Charter of Corporate Governance available on UCB wesbite: www.ucb.com/investors/governance/charter), the Audit Committee monitored the financial reporting process, the company's internal control and risk management systems and their effectiveness, the internal audit and its effectiveness, the statutory audit of the annual and consolidated accounts and the independence of the external auditor including the provision of additional services to UCB for which the Audit Committee reviewed and authorised the fees. In addition, the Audit Committee reviewed the impairments, corporate restructuring projects, the equity value of the subsidiaries, risk management (including litigation and tax), IFRS, and the external auditor satisfaction surveys.

Remuneration and Nomination Committee

The Board has set up a Remuneration and Nomination Committee which composition until 31 December 2011 was as follows:

	END OF TERM OF OFFICE	INDEPENDENT DIRECTOR
Evelyn du Monceau, Chair	2015	
Karel Boone	2012	
Thomas Leysen	2012	×
Gerhard Mayr	2015	×
Tom McKillop	2012	×

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

The Remuneration and Nomination Committee met four times in 2011 with an attendance rate of its members of 100% by four of its members and 50% by Thomas Leysen. The committee was attended by Roch Doliveux (Chair of the Executive Committee), except when discussing issues relating to him, and by Fabrice Enderlin (Executive Vice President Human Resources & Communication), who acts as secretary, except when discussing issues relating to him.

In 2011, and according to its terms of reference (see Charter of Corporate Governance available on UCB wesbite: www.ucb.com/investors/governance/charter), the Remuneration and Nomination Committee reviewed the appointment proposals to be submitted to Board approval, the performance of the Executive Committee members and their remuneration. It reviewed the succession planning of the CEO and of the other members of the Executive Committee. It reviewed and submitted to Board approval the remuneration policy and the long-term incentives to be granted to the company management and the performance criteria to which these grants were linked.

Scientific Committee

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

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

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

The Scientific Committee met three times in 2011 with an attendance rate of its members of 100% by Jean-Pierre Kinet and 33% by Peter Fellner.

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

1.3.3.3. Executive Committee

Composition of the Executive Committee

Until 1 July 2011 the composition of the Executive Committee was as follows:

- Roch Doliveux, CEO & Chair of the Executive Committee
- Michele Antonelli, Executive Vice President Technical Operations, QA & HSE
- Fabrice Enderlin, Executive Vice President Corporate Human Resources & Communication
- Ismaïl Kola, Executive Vice President & President UCB NewMedicines™
- Iris Löw-Friedrich, Executive Vice President Global Projects & Development, Chief Medical Officer
- Mark McDade, Executive Vice President Global Operations
- Detlef Thielgen, Executive Vice President & Chief Financial Officer
- Robert Trainor, Executive Vice President & General Counsel

As of 1 July 2011, two members were added to the Executive Committee. On 9 June 2011, on the recommendation of the Chair of the Executive Committee and on proposal of the Remuneration and Nomination Committee, the Board has decided to appoint Jean-Christophe Tellier (Executive Vice President & President of European Operations), and Greg Duncan (Executive Vice President & President of North American Operations), as members of the Executive Committee.

As of 1 January 2012, in line with his personal desire to take on a new and commercial role within UCB, Michele Antonelli joined the European Commercial Operations team as Executive Vice President & Managing Director of UCB France. During his assignment in France, Michele left his responsibilities as Executive Committee member.

Since 1 January 2012 the composition of the Executive Committee was as follows:

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

Functioning of the Executive Committee

In 2011, the Executive Committee met two to three days a month.

There were no transactions or contractual relationships in 2011 between UCB, including its related companies, and a member of the Executive Committee, giving rise to a conflict of interests other than UCB's investment in WILEX AG, a German listed company in which Iris Löw-Friedrich is member of the Supervisory Board. In compliance with UCB's internal rules on conflict of interest, Iris Löw-Friedrich did not participate in the discussions and deliberations when this investment was discussed and decided by the Executive Committee.

1.3.4. Remuneration report

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

1.3.4.1. UCB's Global Reward Principles

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

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

The Global Rewards Programme supports this drive and vision.

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

1.3.4.2. Development of the UCB remuneration policy

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 Remuneration and Nomination Committee meets at least twice per year during which time it:

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

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

Remuneration for non-executive directors

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

Annual fees

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

Board of Directors attendance fees

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

Audit Committee / Remuneration and Nomination Committee – annual compensation

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

Scientific Advisory Committee – annual compensation

- Members of the committee - € 7 500

In application of these rules, the total remuneration of directors and Board committee members for 2011 in UCB was as follows:

• Karel Boone, Chairman	€ 149 000
• Evelyn du Monceau, Vice Chair	€ 115 500
• Roch Doliveux, Executive Director	€ 67 000
• Armand De Decker	€ 20 000
• Bert De Graeve	€ 73 500
• Arnoud de Pret	€ 82 000
• Peter Fellner	€ 74 500
• Jean-Pierre Kinet	€ 74 500
• Thomas Leysen	€ 71 500
• Gerhard Mayr	€ 82 000
• Tom McKillop	€ 74 500
• Norman Ornstein	€ 67 000
• Bridget van Rijckevorsel	€ 67 000
• Gaëtan van de Werve	€ 67 000
• Alexandre Van Damme	€ 67 000

1.3.4.3. Statement on the remuneration policy applied to the reported year: remuneration for executive directors

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

Benchmark for our Total Reward Programme

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

We observe an increasingly competitive market for scientific and other top talent. This is due to several factors, including for instance, patent expiries, tension in the macro economy, globalisation of markets, combined with a trend towards consolidation within the biopharma market. As such, we need to entail a constant benchmarking of the UCB rewards programme to ensure competitiveness and pay-for-performance.

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

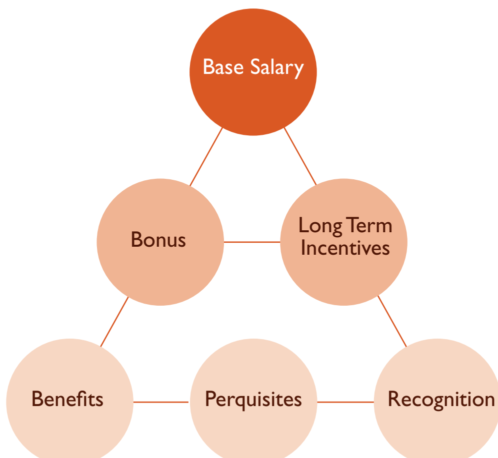
- Base salary (a fixed element of pay)
- Variable pay (consisting of a cash bonus and long-term incentives)

UCB benchmarks its executive Total Reward Programme against a defined comparator group of international companies within the biopharmaceutical sector (companies with pharmaceutical or biotechnology activities). In the benchmark we take a focussed approach to peer companies in Europe as well as the US. The actual compensation level for each individual is determined according to the benchmark and taking into account their performance and level of experience in relation to the benchmark.

Compensation elements and pay for performance

Our executive compensation programmes are based on a balance of individual and corporate performance and market competitiveness. For our senior executives, both short-term and long-term incentives take into account performance against financial targets which are set by the Board of Directors. Throughout the performance period, the ongoing achievements are monitored and at the moment of vesting or payout, the final results are validated by the corporate finance department and are finally approved by the Audit Committee. In addition to the base salary and performance-related incentive pay, our executives are eligible for a range of benefits and perquisites which are in line with market compensation practices.

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



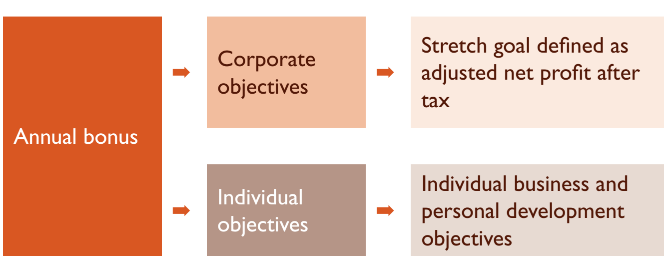
Base salary

The target base salary is determined based on the specific job dimensions and criteria, and in relation to level of base pay that the market typically pays for such a role. Once the market level of base pay is defined, the specific compensation level of the individual depends on the extent to which they impact the business and their level of skill and experience.

Variable pay

Bonus

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



For all Executive Committee members the corporate performance represents 75% of the target bonus and individual performance objectives, 25% of the target bonus.

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

The payout for the corporate component is defined by the percentage of actual adjusted net profit after tax versus the budget. The payout curve enables the link to be made between performance within a range from zero to 200% of the target.

In addition, for the individual portion of the bonus, the CEO assesses the performance of the other Executive Committee members and makes the recommendation for the bonus payout to the Remuneration and Nomination Committee. The Remuneration and Nomination Committee assesses the performance of the CEO and considers the appraisals provided for the other Executive Committee members. Upon the Remuneration and Nomination Committee's review, the Committee proposes to the Board, for endorsement, the actual bonus payout for the CEO and each of the Executive Committee members.

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

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

Long-term incentives (LTI)

Our remuneration practice is to also link a significant portion of equity-based compensation to mid-term and long-term company financial and strategic goals. The long-term incentive programmes are benchmarked against European Biopharmaceutical company practices. The offering currently follows a fixed number of shares approach. It is a three-tiered incentive programme which includes a stock option plan, a free share plan (stock award) and a performance share plan.

Stock option

Eligibility for participation in the Stock Option Plan is at the Board's and management's discretion and is based on satisfactory performance, with the ability to reward overachievements. The vesting period is typically three years from date of grant but can be longer depending on local legislative requirements. Once vested, stock options are only exercisable once the share price exceeds the original grant price and thus executives are incentivised to increase the share price over the vesting period in order to benefit from their stock options. In the U.S., Stock Appreciation Rights are granted instead of stock options. These follow the same vesting rules as the Stock Option plan and result in employees receiving a cash amount equal to the appreciation of UCB stock, instead of actual shares.

All Stock Options and Stock Appreciation Rights expire on their tenth anniversary from the date of grant. The grant price is fixed on the grant date, without further discount on the underlying UCB share price.

Stock award

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

In some countries, delivery of the award may also be made in 'phantom shares' (an award for which the value is based on the evolution of the share price but which is settled in cash on a pre-determined vesting date), depending on the local legislative environment.[1]

Performance Share Plan

This plan ensures a strong link between pay and performance. Performance shares are grants of UCB common stock to the highest performers within the senior executive group, for which certain corporate targets must be met at the time of vesting. The performance criteria and targets are defined by the Remuneration and Nomination Committee and the Board at the time of grant. For the 2011 grant the metrics are net sales growth, EBITDA and net debt reduction targets.

The vesting period is three years. The number of shares awarded is adjusted at the end of the vesting period based on the company's performance against its goals. If actual company performance is below 100% of the target or the beneficiary leaves prior to vesting, then typically no shares are awarded. The maximum award is capped at 150% of the original grant.

In some countries, delivery of the award may also be made in 'phantom shares', depending on the local legislative environment.[1]

Below you will find a summary of UCB's long-term incentive grant levels, including guidelines for potential adjustment based on individual performance:

Long-term incentives		
Stock option	Stock award	Performance share
Granted at target for performance rating "Fully Effective" Maximum ± 25% of target		Granted at target for performance rating "Exceeds Expectations" Maximum +25% of target

Pensions

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

[1] The Remuneration & Nomination Committee has agreed that, in order to meet the local tax (including social security) obligations at the moment of vesting, a part of the award is vested in cash equal to the tax due at vesting, estimated in accordance with the individual tax situation of the beneficiary. This partial phantom vesting will occur as from the vesting in April 2012 and going forward. Exceptionally, for the vesting of 2012, withholding tax obligations relating to previous vestings for plan participants with Belgian tax obligations which were potentially not fulfilled, will also be accounted for in the 2012 vesting.

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

Belgium

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

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

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

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

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

U.S.

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

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

Germany

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

Other remuneration elements

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

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

Termination arrangements

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

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

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

Ismail Kola also holds a Belgian employment contract and does have a termination clause which would entitle him to a severance payment of 18 months base salary and bonus in case the contract is terminated by the company. In case of a change of control of UCB, this payment would be equivalent to 24 months base salary and bonus.

Iris Löw-Friedrich has a German employment agreement which provides a minimum of six months' notice and a termination indemnity equal to one year base salary and bonus. Overall this would represent an 18 months termination package.

For Robert Trainor and Mark McDade, who both hold U.S. employment agreements, a clause is included in their agreements specifying a termination payment of 18 months base salary and bonus should there be an involuntary termination of the agreement by the company in case of a change of control.

Jean-Christophe Tellier, who was hired during the course of 2011, and Greg Duncan who was appointed to the Executive Committee during 2011, are both covered by US employment agreements, and each has a clause allowing for a severance payment equal to 18 months base salary and bonus should there be an involuntary termination of the employment agreement or in case of change of control in UCB.

1.3.4.4. Remuneration Policy as of 2012

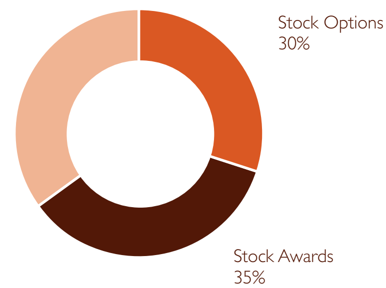
As of fiscal year 2012, the Remuneration & Nomination Committee has endorsed a new executive compensation policy for its Executive Committee members, to ensure sustainable competitiveness with other global biopharmaceutical companies. The new policy intends to maintain an appropriate level of reward for short-term performance while rebalancing the proportion of pay that addresses long-term and sustainable performance. These changes are fully aligned with the spirit of recent Belgian governance legislation, and therefore also with European regulations on executive compensation. This will enable a better alignment of executive compensation with UCB's strategies and commitment to deliver both short- and long-term performance.

The policy will align the target variable pay levels (bonus and long-term incentives) closer to the median of the market while providing the opportunity for each executive to exceed median market levels when company and individual performance are outstanding.

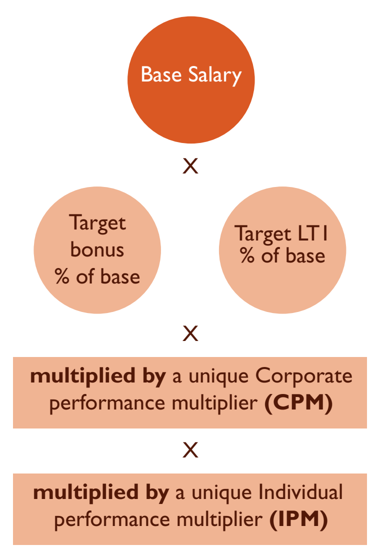
For the CEO, as of 2012 the short-term incentive (bonus) target will be reduced from 100% of base pay to 90% and for the other Executive Committee members from 75% to 65%. The target will be subject to a new calculation mechanism, which consists of both corporate and individual performance multipliers, that ensures the link between individual contribution and company performance.

In addition, it is the intention of the policy that a greater proportion of variable pay is tied to long-term rather than short-term performance. This is guaranteed by the fact that the long-term incentive target will also be expressed as a percentage of base pay. The new target represents 120% of base pay at target for the CEO and 80% for the other Executive Committee members. The same corporate and individual performance multipliers that are applied to the short-term incentive will be applied to this target.

The resulting value will be translated into a number of long-term incentives, using the binomial value of each award and spread across our existing long-term incentive programmes based on the following allocation:



The new calculation mechanism aims to deliver higher payout levels, compared to today, when both company and individual performance are excellent. Conversely, less value will be delivered, compared to the existing scheme, when company and individual performance levels are lower than expectations. The double multiplier, as shown in the below table, ensures that the corporate and individual components of variable pay are interdependent and that company performance cannot be achieved without individual performance. [2]



[2] Compared to the current system whereby the individual and corporate bonus elements are separate, allowing a substantial payout of corporate-related bonus when the company is performing well, even if individual performance is not meeting expectations.

1.3.4.5. Compensation of the Executive Committee

Chairman of the Executive Committee and Chief Executive Officer

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

In addition to his director's fees as a Board member of UCB S.A., the remuneration and other benefits granted directly or indirectly to the Chairman of the Executive Committee and CEO by UCB or any other of its affiliates in 2011 amount to:

- Base salary (earned in 2011): € 1 286 081
- Short-term incentive (bonus), paid in 2012 and relating to the financial year 2011: € 799 532
- Long-term incentive (number of UCB shares and options): see section below.
- Other components of the remuneration, such as the cost of pension, insurance coverage and monetary value of other fringe benefits: € 1 991 309. This amount includes the retirement benefit (based on service cost): € 1 448 889.

Based on performance, the external benchmark and on inflation, the Board has approved a salary increase of 3% in 2012 and the CEO's new annual base salary as of March 2012 will be € 1 326 853.

The CEO's total compensation (base salary + bonus + LTI) for 2011 amounts to € 3 234 721 (excluding pension contributions and other benefits), which represents a 2.5% decrease compared to 2010 (in value), mainly due to a lower share price on the grant date compared to the prior year long-term incentive grant.

Discretionary mandate

An agreement exists between Roch Doliveux, CEO, and a bank, whereby part of the stock awards and performance shares vested are to be sold to pay the corresponding taxes. The agreement, which is for one year, authorises the bank to sell the corresponding amount of shares as of two days after disclosure of the half year results 2012.

Caring Entrepreneurship Fund

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

Other members of the Executive Committee

The amount of compensation stated below, reflects the amount the Executive Committee members have earned in 2011 based on their effective period in service as Executive Committee members (see above section 'Composition of the Executive Committee').

The remuneration and other benefits granted directly or indirectly on a global basis to all the other members of the Executive Committee by the company or any other affiliate belonging to the Group in 2011 amount to:

- Base salaries (earned in 2011): € 3 680 867
- Short-term incentive (bonus), paid in 2012 and relating to financial year 2011: € 2 889 938
- Long-term incentive (number of UCB shares and options): see section below
- Other components of the remuneration, such as the cost of pension, insurance coverage and monetary value of other fringe benefits: € 2 529 170. This amount includes the retirement benefit (based on service cost): € 1 454 431.

The aggregated Executive Committee compensation (base salary + bonus + LTI) for 2011 amounts to: € 8 915 562 (excluding pension contributions and other benefits). It should be noted that two new members have joined the Executive Committee in 2011

Long-term incentives (LTI) granted in 2011

	Stock options[1]	Binomial value stock option[2]	Stock awards[3]	Binomial value stock awards[4]	Performance shares[5]	Binomial value performance shares[6]	Total binomial value LTI[7]
Roch Doliveux	45 000	344 250	24 000	497 520	28 750	307 338	1 149 108
Michele Antonelli	15 000	114 750	7 500	155 475	8 750	93 538	363 763
Fabrice Enderlin	15 000	114 750	7 200	149 256	8 050	86 055	350 061
Ismail Kola	15 000	114 750	7 200	149 256	8 050	86 055	350 061
Iris Löw-Friedrich	15 000	114 750	7 200	149 256	8 050	86 055	350 061
Mark McDade	12 000	92 160	6 000	124 380	-	-	216 540
Detlef Thielgen	15 000	114 750	7 200	149 256	8 050	86 055	350 061
Bob Trainor	15 000	115 200	7 500	155 475	8 750	93 538	364 213
Totals	147 000	1 125 360	73 800	1 529 874	78 450	838 631	3 493 865

[1] Number of rights to acquire one UCB share at a price of € 26.72 (€26.80 for Mark McDade and Robert Trainor) between 1 April 2014 and 31 March 2021 (between 1 January 2015 and 31 March 2021 for Roch Doliveux, Fabrice Enderlin, Detlef Thielgen, Ismail Kola and Michele Antonelli).

[2] The 2011 value of stock options has been calculated based on the binomial methodology at € 7.65 (€7.68 for Mark McDade and Robert Trainor), as defined by Towers Watson.

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

[4] The 2011 value of stock awards has been calculated based on the binomial methodology at € 20.73 per share award, as defined by Towers Watson.

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

[6] The 2011 value of performance shares has been calculated based on the binomial methodology at € 10.69 per performance share, as defined by Towers Watson.

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

Long-Term Incentives Vesting in 2011

Below is a schedule showing the long-term incentives granted to the Executive Committee members in previous years (reported in previous annual reports) and which have vested during the calendar year 2011 (not to be accumulated with the information in the above table which details the long-term incentives granted in 2011).

	Stock options	Stock awards[1]		Performance shares[1]	
	Number vested (not exercised)[2,3,4]	Number vested	Total value upon vesting[5]	Number vested	Total value upon vesting[5]
Roch Doliveux	45 000	20 000	538 600	18 750	504 938
Fabrice Enderlin[6]		6 000	161 580	5 250	141 383
Ismail Kola[7]	-	10 000	307 950	-	-
Iris Löw-Friedrich	15 000	6 000	161 580	5 250	141 383
Mark McDade	12 000	4 500	121 185	-	-
Detlef Thielgen[8]		7 500	201 975	6 563	176 742
Bob Trainor	15 000	7 500	201 975	6 563	176 742

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

[2] Michele Antonelli, Ismail Kola and Fabrice Enderlin joined UCB after the 2007 LTI grant. Jean-Christophe Tellier joined after the 2008 LTI grant. In addition, Greg Duncan became a member of the Executive Committee after the 2011 LTI vesting.

[3] The stock options granted to Iris Löw-Friedrich and Detlef Thielgen and the stock appreciation rights granted to Robert Trainor and Mark McDade on 1 April 2008 vested on 1 April 2011 and have an exercise price of € 22.01. The stock options granted to Roch Doliveux on 1 April 2007 vested on 1 January 2011 and have an exercise price of € 43.57.

[4] No stock options were exercised by Executive Committee members during 2011.

[5] Upon vesting, the UCB share had a value of € 26.93 which represents the market value of the shares delivered on the vesting date, determined as the average of the high and the low price of UCB shares on that date.

[6] In 2008, Fabrice Enderlin was granted a sign-on Phantom Stock Award over 4 000 UCB shares (no delivery of shares but payment of a cash amount on 1 February 2011). The UCB shares had a value of € 26.20 on 1 February 2011.

[7] On 1 December 2009 Ismail Kola was granted a sign-on Phantom Stock Award (no delivery of shares but payment of a cash amount on 1 December 2011). The UCB shares had a value of € 30.795 on 1 December 2011.

[8] In 2007, Detlef Thielgen was granted stock options under the German stock option plan. These options vested in 2010 (3 years after the date of grant). In 2008, Detlef Thielgen was granted stock options under the Belgian plan. These options will vest on 1 January 2012 (fourth calendar year following the grant).

The General Meeting of Shareholders on 28 April 2011 approved the allocation of free shares under the Stock Award and Performance Share Plans.

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

1.3.5.1. Internal control

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

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

The Global Internal Audit function provides independent, objective assurance activities designed to evaluate, add value and improve UCB's internal control and operations by bringing a systematic, disciplined approach to the evaluation of, and recommending enhancements to, UCB's governance, compliance, risk management and internal control processes. The Global Internal Audit Group undertakes an Audit Plan of financial, compliance and operational audits and reviews, as reviewed and approved by the Audit Committee and covering relevant company activities. The programme includes independent reviews of the systems of internal control and risk management. The findings and the status of corrective actions taken to address these are regularly reported in writing to the Executive Committee and the status of the completion of the Audit Plan as well as a summary of the findings and the status of corrective actions are reported in writing to the Audit Committee four times per year.

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

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

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

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

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

1.3.5.2. Risk management

A global Risk Management policy, applicable for the whole UCB Group and its affiliates worldwide, describes UCB's commitment to provide an effective risk management system across UCB in order to minimise its exposure to risks that could threaten its corporate objectives. The global Risk Management Policy and its guidelines were revised and updated in 2011.

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

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

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

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

1.3.6. Private investment transactions and trading in UCB shares

The Board has approved a Dealing Code to prevent insider trading offences and market abuse, particularly during the periods preceding the publication of results or information which is liable to considerably influence the UCB share price or the price of the shares issued by the company targeted by a planned operation. This document was reviewed and updated by the Board on 15 December 2011.

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

The Board has designated Michèle de Cannart, Vice President & General Secretary, until 1 June 2011 and Robert Trainor, Executive Vice President & General Counsel, as of 1 June 2011 as Insider Trading Compliance Officer whose duties and responsibilities are defined in the Dealing Code.

The Dealing Code establishes the list of key employees and directors, who have to inform the Compliance Officer of the transactions on UCB shares they intend to make for their own account. The Code is fully in compliance with Directive 2003/6/EC on insider dealing and market manipulation and the Belgian Law of 2 August 2002 on the supervision of the financial sector and on financial services.

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

1.3.7. External audit

The General Meeting held on 30 April 2009 appointed PricewaterhouseCoopers (hereafter "PwC") as external auditors for UCB for the legal term of three (3) years. The permanent representative designated by PwC for UCB in Belgium is Bernard Gabriëls.

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

The re-election of the external auditors will be submitted to the next General Meeting, to be held on 26 April 2012.

The 2011 fees paid by UCB to its auditors amounted to:

€	AUDIT	AUDIT RELATED	NON-AUDIT RELATED	TOTAL
PricewaterhouseCoopers (in Belgium)	485 000*	104 593	7 500	597 093
PricewaterhouseCoopers (outside Belgium)	1 570 663	83 188	107 116	1 760 967
Total	2 055 663	187 781	114 616	2 358 060

* The amount of € 485 000 is for UCB S.A.

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

The following elements may have an impact in the event of a takeover bid (see section 1.3.1):

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

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

All shares are entitled to the same rights. There are no different classes of shares (see section 1.3.1.2).

1.3.8.2. Restrictions, either legal or prescribed by the Articles of Association, on the transfer of securities

Restrictions on the transfer of securities only apply to not fully paid up shares according to article 11 of UCB's articles of association (hereafter: the "Articles of Association") as follows:

"…

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

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

The Board of Directors may, by registered letter, oppose this sale within a month of such notification, by presenting another candidate as purchaser to the selling shareholder. The candidate proposed by the Board will have a right of pre-emption on the shares offered for sale, unless the proposed seller withdraws from the sale within 15 days.

The right of pre-emption will be exercisable at a unit price corresponding to the lower of the two following amounts:

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

The above-mentioned notification by the Board of Directors shall be taken as notification of the exercise of the right of pre-emption in the name and for the account of the purchasing candidate presented by the Board. The price will be payable within the month of this notification without prejudice to any more favorable conditions offered by the third party presented for approval.

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

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

1.3.8.3. Holders of any securities with special control rights and a description of those rights

There are no such securities.

1.3.8.4. System of control of any employee share scheme where the control rights are not exercised directly by the employees

There is no such system.

1.3.8.5. Restrictions, either legal or prescribed by the Articles of Association, on voting rights

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

Under article 38 of the Articles of Association of UCB:

"Each share gives the right to one vote.

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

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

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

1.3.8.6. Agreements between shareholders which are known to UCB and may result in restrictions on the transfer of securities and/or the exercise of voting rights

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

Under this agreement, the Schwarz Family Holding agreed not to transfer (as defined in the agreement) at least 41.58% of the new UCB shares it would receive if the Schwarz Family Holding accepts the exchange offer as follows: 20.79% of the UCB shares received by the Schwarz Family Holding under the offer remained 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.

On 29 April 2011 Schwarz VermögensverWaltung GmbH Co KG sold a number of UCB shares, making it cross the statutory threshold for notification under the law of 2 May 2007. On 5 October 2011, it sold a further 2 980 512 shares and currently holds 2 471 404 shares representing 1.35% of UCB's share capital.

As to the UCB shares that are subject to lock-up, Financière de Tubize shall have a right of first offer at the higher of (a) the volume weighted average of the UCB share price over the 20 Euronext Brussels trading days ending on the day prior to the notification by the Schwarz Family Holding of its intention to transfer UCB shares or (b) any price offered under a public takeover bid for the UCB shares. Subject to certain conditions and limitations, Financière de Tubize 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 in UCB falls below 33%; (ii) the shareholding of the Janssen Family in Financière de Tubize falls below 50% or (iii) if Financière de Tubize or the Janssen Family respectively decides to tender any of its shares in UCB or Financière de Tubize respectively in a public takeover bid.

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

UCB received on 29 February 2012 a notification that an agreement was entered into between Pharmahold S.A., Cosylva S.A. and Compar Finance S.A.

UCB 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.

1.3.8.7.a) Rules governing the appointment and replacement of Board members

Under the Articles of Association of the company

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

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

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

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

"…

Composition of the Board of Directors

Composition

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

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

The curricula vitae of the directors and directorship candidates are available for consultation on UCB's website (www.ucb.com/investors/governance/board-directors). These curricula vitae mention, for each Directors, the directorships in other listed companies.

Designation of directors

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

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

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

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

For each new directorship appointment, the Remuneration and Nomination Committee performs an assessment of existing and required abilities, knowledge and experience on the Board. The profile of the ideal candidate is drawn up on the basis of this assessment and proposed to the Board for discussion and definition.

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

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

Duration of mandates and age limit

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

Moreover, an age limit of 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, which strives to maintain an optimum level of abilities and experience within UCB and its Board.

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

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

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

The assessment is conducted by the Chair of the Board and the Chair of the Remuneration and Nomination Committee, who have meetings with each of the Directors in their capacity as a Director and, as the case may be, as Chair or member of a Board Committee. For the Chair of the Board, the assessment is conducted by the Chair of the Remuneration and Nomination Committee and a senior independent Director; for the Chair of the Remuneration and Nomination Committee the assessment is conducted by the Chair of the Board and a senior independent Director. The sessions are based on a questionnaire and cover the Director's role in the governance of the Company and the effectiveness of the Board, and, amongst others, how they evaluate their commitment, contribution and constructive involvement in the discussions and decision-making.

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

The Board submits to the General Meeting of Shareholders its proposals concerning the appointments, renewals, resignations or possible retirement of Directors. These proposals are communicated to the General Meeting of Shareholders as part of the agenda of the relevant shareholders meeting.

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

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

Proposals for appointment state whether or not the candidate is proposed as an executive Director, define the term proposed for the mandate (i.e., not more than four years, in accordance with the Articles of Association), and indicate the place where all useful information in relation to the professional qualifications of the candidate, in addition to the main functions and directorships of the candidate, may be obtained or consulted.

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

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

1.3.8.7.b) Rules governing the amendment of UCB's Articles of Association

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

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

1.3.8.8. Powers of Board members, in particular power to issue or buy back shares

Powers of the Board are those defined by Belgian Law and by the Articles of Association.

The Terms of Reference of the Board and the responsibilities that the Board has reserved to itself are further described in the Charter of Corporate Governance of the company as follows:

"The Board is UCB's governing body.

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

The roles and responsibilities and the functioning of the Board are determined by UCB's Articles of Association and by the terms of reference of the Board and the Boards Committees that are described in this Charter.

Among the matters over which it may, by law, take decisions, the Board has reserved key areas for itself, and has delegated wide powers of administration to an Executive Committee (see point 5).

It did not opt to create a Management Committee in the sense of the article 524 of the Belgian Company Code, since it preferred not to permanently delegate the powers granted to it by the law nor the general representation of UCB.

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

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

1. *Definition of UCB's mission, values and strategy, risk tolerance and key policies;*
2. *Monitoring of:*
   - *management's performance and implementation of the company's strategy,*
   - *the effectiveness of the Board's Committees,*
   - *the performance of the external auditor;*
3. *Appointment or removal:*
   - *from among its members, of the Chair of the Board, after a consultation of all Board members conducted by the Chair of the Remuneration and Nomination Committee,*
   - *from among its members, of the Chair and members of the Audit Committee, of the Remuneration and Nomination Committee and of the members of the Scientific Committee,*
   - *of the Chair 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 Chair of the Executive Committee,*
   - *of persons in major external bodies or of persons outside UCB requested to represent UCB at certain subsidiaries, on the recommendation of the Chair of the Executive Committee,*
   - *Reviews the succession planning for the Chair of the Executive Committee and the other Executive Committee members, as proposed by the Remuneration and Nomination Committee;*
4. *For endorsement, appointment or removal of senior executives on the recommendation of the Chair of the Executive Committee;*
5. *Ensure the integrity and timely disclosure of the financial statements of the UCB Group and UCB and of material financial and non-financial information to shareholders and financial markets;*
6. *Approve the framework of internal control and risk management set up by the executive management and controlled by the internal audit with direct access to the Audit Committee;*
7. *Preparation of the General Meeting of Shareholders and of the decisions proposed to be considered at the meeting;*
8. *Executive management structure and general organisation of UCB (and of the UCB Group);*
9. *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 programme and the capital plan);*
10. *The long-term or major finance operations;*
11. *Creating, establishing, closing, settling or transferring subsidiaries, branches, production locations or major divisions exceeding a value of € 50 million;*
12. *Allotment, merger, division, purchase, sale or pledging of instruments and shares to a value exceeding € 20 million and involving third parties;*
13. *Purchase, sale or pledging of property assets to a value exceeding € 50 million and leases over a period exceeding nine (9) years for an aggregate amount of expenditures exceeding € 20 million;*
14. *The terms and conditions of plans for the grant of stock and stock options to employees;*
15. *To be informed, at the end of every semester, of the charitable donations in excess of € 10 000 YTD to each single beneficiary;*
16. *At the request of the Chair of the Executive Committee, the Board may also be asked to pronounce in the event of diverging opinions among a majority of the members of the Executive Committee and its Chair."*

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

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

Further, there are the warrants (see section 1.3.1.3) which under predefined conditions in the event of a hostile takeover can be exercised if the abovementioned ad-hoc committee so decides.

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

- Subscription agreement between UCB, Barclays Bank PLC, BNP Paribas, KBC Financial Products U.K. Ltd., ABN AMRO Bank N.V. (London branch), Calyon, and Commerzbank AG, dated

30 September 2009, which change of control clause was approved by the General Meeting held on 6 November 2009.

- Subscription agreement between UCB, Fortis Bank S.A./N.V., ING Belgium S.A./N.V. and KBC S.A./N.V., dated 23 October 2009, which change of control clause was approved by the General Meeting held on 6 November 2009.
- Subscription agreement between UCB, Calyon, Commerzbank AG, ING Belgium S.A./N.V., Merrill Lynch International, The Royal Bank of Scotland, Mizuho International, Fortis Bank S.A./N.V., and Banco Santander S.A., dated 10 December 2009, which change of control clause was approved by the General Meeting held on 29 April 2010.
- Facility agreement between, amongst others, UCB S.A., Commerzbank AG, Fortis Bank S.A./N.V. and Mizuho Corporate Bank Nederland N.V. as joint coordinators, mandated lead arrangers and book runners, The Royal Bank of Scotland N.V. (Belgium branch), ING Belgium S.A./N.V., KBC Bank NV, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Barclays Capital, DnB NOR Bank ASA and Sumitomo Mitsui Banking Corporation as mandated lead arrangers, dated 14 December 2009 (as amended and restated on 30 November 2010 and on 7 October 2011), which change of control clause will be submitted for approval to the General Meeting held on 26 April 2012.
- Hybrid bonds of UCB S.A. in the amount of € 300 million Fixed-to-Floating Rate Perpetual Subordinated Securities issued 18 March 2011 and which include 4 (h) (*Step-up after Change of Control*) in the Terms and Conditions which states that in case of a change of control (as the concept is defined in the Terms and Conditions) the applicable interest rate will be increased by 500 base points unless UCB elects to reimburse the Bond at that point.
- The UCB stock awards and performance share plans by which UCB shares are granted annually by UCB to certain employees according to grade and performance criteria, vest according to the rules of both plans after three years, upon condition that its beneficiary remains in continuous employment with the UCB Group.

  They also vest upon change of control or merger.

  On 31 December 2011, the following number of stock awards and performance shares are outstanding:

  - 431 055 stocks awards, of which 128 395 will vest in 2012;
  - 389 025 performance shares, oif which 113 925 will vest in 2012.

1.3.8.10. Agreements between UCB and its Board members or employees providing for compensation if the Board members resign or are made redundant without valid reason or if the employment of the employees ceases because of a takeover bid

- For more details, see section 1.3.4.3 on the main contractual terms on hiring and termination arrangements for the CEO and members of the Executive Committee. No other agreements provide for a specific compensation of Board members in case of termination because of a takeover bid.
- In addition to the Executive Committee members identified in section 1.3.4.3, seven employees in the U.S. benefit from a change of control clause that guarantees their termination compensation if the employment of the employee ceases because of a takeover bid.

1.3.9. Application of article 523 of the Belgian Companies Code

Application of article 523 of the Belgian Companies Code

Excerpt from the minutes of the meeting of the Board held on 1 March 2011:

"Present:

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

Excused:

- Armand De Decker, Director

In attendance:

- Michèle de Cannart, General Secretary

(…)

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

- Approval of the Executive Committee and CEO bonus on 2010 performance base salary as from 1/3/2011 and 2011 LTI grants
- Approval of the stock option plan 2011
- Approval of the stock award plan 2011
- Approval of the performance share plan 2011

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

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

The Board, having discussed the recommendations of the Remuneration and Nomination Committee relating to the Executive Committee members and CEO bonus on their 2010 performance, their base salary as from March 2011 and on their 2011 LTI grants, resolved that these bonuses and LTI grants were approved as proposed.

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

- the CEO bonus: € 1 329 831
- the CEO base salary increase: € 18 946/year or 1%
- the CEO LTI: the cost of 52 750 UCB shares at vesting for the share awards and Share performance Plans and for the Stock Options the difference which might exist between the purchase price of 45 000 own shares by the Company and the exercise price determined in accordance with the conditions stipulated in the plan rules.

The Board, having discussed the recommendations of the Remuneration and Nomination Committee on the LTI programme 2011 as summarised in its report (Annex VI), resolved the following:

1.3.9.1. Approval of the UCB Stock Option Plan 2011

- The present operation is designed, as in the past, to promote shareholding by some 1 017 employees level MM1 and above of the UCB Group within their company - including the Executive Director who is a member of the Executive Committee - and to financially encourage them by continuing to further involve them in the success of the company and to make them aware of the value of UCB shares on the markets, whilst adhering to the rules governing insider information.
- The financial consequences of the operation for the company, which basically consist in the difference which might exist between the purchase price of own shares by the company and the price of resale of these same shares to the concerned beneficiary when exercising the options in accordance with the conditions stipulated in the plan rules. The company is considering hedging the options granted via external derivative contracts, within pre-approved parameters and provided market circumstances permit, with the aim to limit the financial consequences to the company.

Distribution

The Board of Directors approved the recommendations of the Remuneration and Nomination Committee concerning the rules of the stock option allocation on the basis of job category and level of responsibility. Thus a number of 3 200 000 (± 25%) options shall be allocated to some 1 017 employees level MM 1 and above of the UCB Group (this estimate does not take into account employees hired or promoted to eligible levels between 1 January 2011 and 1 April 2011).

Stock Appreciation Rights (SAR) in the U.S.

UCB will again grant SARs rather than Stock Options in the U.S. The SAR Plan follows the rules of the UCB Stock Option Plan. The only difference is that instead of granting real shares to the participants, it provides them with the ability to benefit from the appreciation in value of UCB stock. This appreciation is paid in cash at the moment of exercise.

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 2011)
- or the closing price of the day preceding the offer (31 March 2011).

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 3 years as of the date of grant except for countries where this is not allowed or less favorable. As a consequence, for the beneficiaries residing in Belgium the vesting will occur on the 1st of January of the fourth calendar year following the year of the grant and for the beneficiaries residing in France, the vesting will occur on the day following the fourth anniversary of the grant.

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.

Conditions

The Board approved the conditions of the offer of the UCB Stock Option Plan 2011.

1.3.9.2. Approval of the UCB Stock Award Plan 2011

The present operation, reserved to the Senior Executives - including the Executive Director who is a member of the Executive Committee-, and proposed by the Remuneration and Nomination Committee, is designed to promote shareholding among this category of personnel of the UCB group within the company, and to financially encourage them by continuing to further involve them in the success of the company and to make them aware of the value of UCB shares on the markets, whilst adhering to the rules governing insider information. As this is in line with the remuneration policy for these beneficiaries and is intended to provide a long term incentive, this free share grant is linked to the condition that the beneficiary remains employed within the Group until the end of the vesting period (i.e. normally three years after grant date).

The financial consequences of the operation for the company basically consist in the value of the UCB shares at time of vesting.

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 150 000 shares shall be allocated to 33 Senior Executives within the Group. This figure is an estimate based on Line Management proposals on February 18th 2011 for level SE and above and on anticipated decision of the Remuneration Committee for the Executive Committee and the CEO. Final amounts will be approved on 1 April 2011 (in case of new recruits).

Conditions

The Board approved the conditions of the offer of the UCB Stock Award Plan 2011.

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.

1.3.9.3. Approval of the UCB Performance Share Plan 2011

The present operation, reserved for Senior Executives who have "Exceeded Expectations" or who are considered "Top Performers" - including the Executive Director who is a member of the Executive Committee -, and proposed by the 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 these beneficiaries and is intended to provide a long term incentive.

The vesting of this performance share award is linked to the condition that the beneficiary remains employed within the Group for at least three years after grant date and that pre-defined targets are achieved by the UCB Group. The payout will vary from 0% to 150% of the granted amount, depending on the level of achievement of the performance conditions.

The financial consequences of the operation for the company basically consist in the value of the UCB shares at time of vesting.

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 150 000 shares shall be allocated to 28 Senior Executives within the Group (with payout ranging from 0 to 150% depending on meeting the performance conditions set by the Board of Directors). This figure is an estimate based on Line Management proposals on 18 February 2011 for level SE and above and on anticipated decision of the Remuneration Committee for the Executive Committee and the CEO. Final amounts will be approved on 1 April 2011 (in case of new recruits).

Conditions

The Board approved the conditions of the offer of the UCB Performance Share Plan 2011.

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.

1.3.9.4. Allocation of Stock Awards and Performance Shares in exceptional circumstances

In accordance with the measures concurrent to the creation of an "incentive stock" pool, the Board approved to allocate for the year 2011 only, 100 000 shares for allocation of stocks in exceptional circumstances. The requested amount is higher than in the prior years due to the fact that we expect some major recruitments (e.g. Head of Europe, T.A. immunology…) and as due to the fact that the competition is granting free shares to lower management levels than at UCB. A list of potential positions will be provided to the Remuneration Committee and the additional 50 000 will be closely monitored by the Corporate Human Resources department and will be used exclusively to recruit new talents.

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

1.3.9.5. Delegating powers

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

(…)"

1.3.10. Application of article 96§2 section 2 of the Belgian Companies Code (Deviation from the Code)

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

Principle 3.6: In its Corporate Governance Charter (Section 3.3.4), the policy of UCB on transactions that might raise a conflict of interest for a member of the Board and fall outside the scope of the Company Code, are set out. This policy was applied once in 2011, as set out in Section 1.3.3.1, Functioning of the Board.

Principle 5.2/4: The composition of the Audit Committee is explained in section 1.3.3.2 of this Statement. This deviation should moreover come to an end at the next General Meeting, to be held on 26 April 2012.

Principle 6.7: In its Corporate Governance Charter (Section 7.1), the policy of UCB on transactions that might raise a conflict of interest for a member of the Executive Committee and fall outside the scope of the Company Code, are set out. This policy was applied once in 2011, as set out in Section 1.3.3.3, Functioning of the Executive Committee.

Principle 7.18: Jean-Christophe Tellier and Greg Duncan joined the Executive Committee 1 July 2011. On advice of the Remuneration and Nomination Committee, based on the alignment with the previously existing departure payments of the other Executive Committee members, the Board of Directors granted Jean-Christophe Tellier and Greg Duncan a departure payment of eighteen months.

2. Consolidated Financial Statements

2.1. Consolidated income statement

For the year ended 31 December	Note	2011	2010
€ million			
CONTINUING OPERATIONS			
Net sales	3.5	2 876	2 786
Royalties		187	220
Other revenue	3.8	183	212
Revenue		**3 246**	**3 218**
Cost of sales		-1 013	-1 053
Gross profit		**2 233**	**2 165**
Marketing and selling expenses		-837	-797
Research and development expenses		-780	-705
General and administrative expenses		-193	-194
Other operating income/expenses (-)	3.11	12	-2
Operating profit before impairment, restructuring and other income and expenses		**435**	**467**
Impairment of non-financial assets	3.12	-39	-223
Restructuring expenses	3.13	-27	-40
Other income and expenses	3.14	-25	0
Operating profit		**344**	**204**
Financial income	3.15	90	9
Financing costs	3.15	-205	-194
Share of profit/loss (-) of associates	3.21	0	0
Profit/loss (-) before income taxes		**229**	**19**
Income tax expense (-)/ credit	3.16	-8	86
Profit/loss (-) from continuing operations		**221**	**105**
DISCONTINUED OPERATIONS			
Profit/loss (-) from discontinued operations	3.7	14	-1
PROFIT		**235**	**104**
Attributable to:			
Equity holders of UCB SA		235	103
Non-controlling interest		0	1
BASIC EARNINGS PER SHARE (€)			
from continuing operations	3.38	1.24	0.58
from discontinued operations	3.38	0.08	-0.01
Total basic earnings per share		**1.32**	**0.57**
DILUTED EARNINGS PER SHARE (€)			
from continuing operations	3.38	1.20	0.57
from discontinued operations	3.38	0.07	-0.01
Total diluted earnings per share		**1.27**	**0.56**

2.2. Consolidated statement of comprehensive income

For the year ended 31 December	Note	2011	2010
€ million			
PROFIT FOR THE PERIOD		235	104
Other comprehensive income			
Net gain/loss(-) on available for sale financial assets	3.17	-2	1
Income tax		0	0
		-2	1
Exchange differences on translation of foreign operations		39	179
Effective portion of gains/losses(-) on cash flow hedges	3.17	-12	7
Income tax		0	0
		-12	7
Net gain/loss(-) on hedge of net investment in foreign operation	3.17	0	0
Income tax		0	0
		0	0
Share of other comprehensive income of associates	3.21	0	1
Income tax		0	0
		0	1
Other comprehensive income/loss (-) for the period, net of tax		**25**	**188**
Total comprehensive income for the period, net of tax		**260**	**292**
Attributable to:			
Equity holders of UCB S.A.		260	293
Non-controlling interests		0	-1
Total comprehensive income for the period, net of tax		**260**	**292**

2.3. Consolidated statement of financial position

For the year ended 31 December	Note	2011	2010
€ million			
ASSETS			
Non-current assets			
Intangible assets	3.18	1 525	1 641
Goodwill	3.19	4 799	4 718
Property, plant and equipment	3.20	500	505
Deferred income tax assets	3.31	443	217
Employee benefits	3.32	25	18
Investments in associates	3.21	0	16
Financial and other assets (including derivative financial instruments)	3.22	180	123
Total non-current assets		**7 472**	**7 238**
Current assets			
Inventories	3.23	537	434
Trade and other receivables	3.24	851	705
Income tax receivables		13	9
Financial and other assets (including derivative financial instruments)	3.22	38	61
Cash and cash equivalents	3.25	267	494
		1 706	**1 703**
Assets of disposal group classified as held for sale	3.6	0	28
Total current assets		**1 706**	**1 731**
Total assets		**9 178**	**8 969**
EQUITY AND LIABILITIES			
Equity			
Capital and reserves attributable to UCB shareholders	3.26	4 821	4 590
Non-controlling interests		2	2
Total equity		**4 823**	**4 592**
Non-current liabilities			
Borrowings	3.28	42	32
Bonds	3.29	1 730	1 683
Other financial liabilities (including derivative financial instruments)	3.30	60	43
Deferred income tax liabilities	3.31	220	316
Employee benefits	3.32	111	105
Provisions	3.33	472	218
Trade and other liabilities	3.34	108	127
Total non-current liabilities		**2 743**	**2 524**
Current liabilities			
Borrowings	3.28	45	308
Other financial liabilities (including derivative financial instruments)	3.30	116	79
Provisions	3.33	71	92
Trade and other liabilities	3.34	1 294	1 172
Income tax payables		86	198
		1 612	**1 849**
Liabilities of disposal group classified as held for sale	3.6	0	4
Total current liabilities		**1 612**	**1 853**
Total liabilities		**4 355**	**4 377**
Total equity and liabilities		**9 178**	**8 969**

2.4. Consolidated statement of cash flows[1]

For the year ended 31 December	Note	2011	2010
€ million			
Profit for the year attributable to equity holders of UCB SA		**235**	**103**
Non-controlling interests		0	1
Adjustment for (profit)/loss from discontinued operations	3.7	-14	1
Adjustment for non-cash transactions	3.35	208	381
Adjustment for items to disclose separately under operating cash flow	3.35	8	-86
Adjustment for items to disclose under investing and financing cash flows	3.35	129	105
Change in working capital	3.35	-110	267
Cash flow generated from operations		**456**	**773**
Tax paid during the period		-164	-130
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES		**292**	**643**
Acquisition of intangible assets	3.18	-55	-24
Acquisition of property, plant and equipment	3.20	-82	-54
Acquisition of subsidiaries, net of cash acquired		-3	-21
Acquisition of other investments		-5	0
SUB-TOTAL ACQUISITIONS		**-145**	**-100**
Proceeds from sale of intangible assets		0	27
Proceeds from sale of property, plant and equipment		1	2
Proceeds from sale of business unit, net of cash disposed		8	2
Proceeds from sale of other investments		4	7
Dividends received	3.15	0	0
SUB-TOTAL DISPOSALS		**14**	**38**
NET CASH FLOW USED IN INVESTING ACTIVITIES		**-131**	**-62**
Proceeds from issuance of perpetual subordinated bonds	3.26	295	0
Proceeds of bonds issuance	3.29	0	0
Proceeds of borrowings	3.28	345	3 336
(Repayments) of borrowings	3.28	-594	-3 600
Payment of finance lease liabilities		-2	-2
Purchase of treasury shares	3.26	-137	0
Dividend paid to UCB shareholders, net of dividend paid on own shares		-177	-174
Interest received		67	53
Interest paid		-184	-191
NET CASH FLOW USED IN FINANCING ACTIVITIES		**-387**	**-578**
Cash from discontinued operations		2	0
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**-224**	**3**
NET CASH AND CASH EQUIVALENTS AT THE BEGINNING OfTHE PERIOD	3.25	**477**	**466**
Effect of Exchange Rate Fluctuations		0	8
NET CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3.25	**253**	**477**
of which cash and cash equivalents		267	494
of which bank overdrafts		-14	-17

[1] In 2010, the interest received and interest paid were re-classified from net cash flow generated by operating activities to the net cash flow used in financing activities.

2.5. Consolidated statement of changes in equity

2011 - € million

	ATTRIBUTED TO EQUITY HOLDERS OF UCB S.A.											
	SHARE CAPITAL AND SHARE PREMIUM	HYBRID CAPITAL	TREASURY SHARES	RETAINED EARNINGS	OTHER RESERVES	CUMULATIVE TRANSLATION ADJUSTMENTS	AVAILABLE FOR SALE FINANCIAL ASSETS	CASH FLOW HEDGES	NET INVESTMENT HEDGE	TOTAL	NON-CONTROLLING INTERESTS	TOTAL STOCKHOLDERS' EQUITY
Balance at 1 January 2011	**2 151**	**0**	**-125**	**2 568**	**280**	**-342**	**1**	**2**	**55**	**4 590**	**2**	**4 592**
Profit for the period				235						235	2	**237**
Other comprehensive income/ loss (-)						41	-2	-12		27	-2	**25**
Total comprehensive income				**235**		**41**	**-2**	**-12**		**262**	**0**	**262**
Dividends				-177						-177		**-177**
Share-based payments				11						11		**11**
Transfer between reserves			5	-5						0		**0**
Treasury shares			-142							-142		**-142**
Issuance of perpetual subordinated bonds		295								295		**295**
Dividend to shareholders of perpetual subordinated bonds				-18						-18		**-18**
Balance at 31 December 2011	**2 151**	**295**	**-262**	**2 614**	**280**	**-301**	**-1**	**-10**	**55**	**4 821**	**2**	**4 823**

2010 - € million

	ATTRIBUTED TO EQUITY HOLDERS OF UCB S.A.											
	SHARE CAPITAL AND SHARE PREMIUM	HYBRID CAPITAL	TREASURY SHARES	RETAINED EARNINGS	OTHER RESERVES	CUMULATIVE TRANSLATION ADJUSTMENTS	AVAILABLE FOR SALE FINANCIAL ASSETS	CASH FLOW HEDGES	NET INVESTMENT HEDGE	TOTAL	NON-CONTROLLING INTERESTS	TOTAL STOCKHOLDERS' EQUITY
Balance at 1 January 2010	**2 151**	**0**	**-125**	**2 630**	**232**	**-523**	**0**	**-5**	**55**	**4 415**	**2**	**4 417**
Profit for the period				103						103	1	**104**
Other comprehensive income/ loss (-)						180	1	7		188	-1	**187**
Share of other comprehensive income of associates						1				1		**1**
Total comprehensive income				**103**		**181**	**1**	**7**		**292**	**0**	**292**
Dividends				-173						-173		**-173**
Share-based payments				15						15		**15**
Transfer between reserves			7	-7						0		**0**
Treasury shares			-7							-7		**-7**
Equity component of convertible bond					48					48		**48**
Balance at 31 December 2010	**2 151**	**0**	**-125**	**2 568**	**280**	**-342**	**1**	**2**	**55**	**4 590**	**2**	**4 592**

3. Notes to the consolidated financial statements

Notes to the consolidated financial statements

3.1. 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 2011 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 1 March 2012. The shareholders will be requested to approve the statutory financial statements of UCB S.A. at their annual meeting on 26 April 2012.

3.2. 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.

3.2.1. 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 3.3.

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

3.2.2. Changes in accounting policy and disclosures

New and amended standards adopted by the Group:

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2011 that had a material impact on the Group.

3.2.3. New standards and interpretations not yet adopted

The following new standards, amendments to existing standards, and interpretations have been issued but are not effective for the financial year beginning on 1 January 2011 and have not been early adopted.

- **IFRS 9**, *Financial instruments*, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is currently assessing IFRS 9's full impact.
- **IFRS 10**, *Consolidated Financial Statements*, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is currently assessing IFRS 10's full impact.
- **IFRS 11**, *Joint Arrangements (effective from 1 January 2013)*. IFRS 11 seeks to provide users of financial statements with greater clarity about an entity's involvement in joint arrangements by requiring the entity to recognise the contractual rights and obligations arising from the joint arrangement in which it participates, independently from the arrangement's legal structure. There are now only two forms of joint arrangement under IFRS 11 – joint operations and joint ventures. The Group is currently evaluating the impact of this standard.
- **IFRS 12**, *Disclosures on Interests in Other Entities (effective from 1 January 2013)*. IFRS 12 includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet

vehicles. The Group is still evaluating the impact of this standard on its financial statements.

- **IFRS 13**, *Fair Value Measurement*, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS's. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group has yet to assess IFRS 13's full impact.
- **IAS 19**, *Employee Benefits*, was amended in June 2011. The impact on the Group will be as follows: to eliminate the corridor approach and recognize all actuarial gains and losses in OCI as they occur; to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Group is assessing the full impact of the amendments.

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

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

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

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

Inter-company transactions, balances and 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.

Changes in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

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

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% - 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost and the carrying amount is increased or decreased to recognize the investors share of the profit or loss of the investee at the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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

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 other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not 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 the income statement.

3.2.5. Segment reporting

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

3.2.6. Foreign currency translation

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

	CLOSING RATE		AVERAGE RATE	
	2011	2010	2011	2010
USD	1.296	1.337	1.390	1.324
JPY	99.770	108.460	110.661	115.875
GBP	0.836	0.857	0.867	0.857
CHF	1.217	1.248	1.231	1.377

The closing rates represent spot rates as at 31 December 2011 and 31 December 2010.

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 other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the 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 other comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss.

Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available for sale reserve in other comprehensive income.

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 in other comprehensive income (referred to as 'cumulative translation adjustments').

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

3.2.7. 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 and Medicare in the U.S. and similar programmes in other countries.

Net sales

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.

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.

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.

3.2.8. 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'.

3.2.9. Research and development

Internally-generated intangible assets - research and development expenditure

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

Acquired intangible assets

In-process research and 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.

3.2.10. 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'.

3.2.11. 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 in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

Deferred income tax is 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, carried forward tax credits or carried forward losses 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 tax assets and liabilities are not discounted.

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

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

3.2.12. 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 5 to 20 years). Intangible assets (except for goodwill) are considered to have a finite economic useful life; therefore no intangible assets with an indefinite life have been identified.

Computer software

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

3.2.13. Goodwill

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

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

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

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

In the event that the fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess remaining after reassessment is recognised directly in profit or loss.

3.2.14. Property, plant and equipment

All property, plant and equipment are carried at cost less accumulated depreciation and impairment losses except for property, plant and equipment under construction, which is carried at cost less accumulated impairment losses.

Cost includes all directly attributable costs of bringing the asset to its working condition for its intended use.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

Land is not depreciated.

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

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

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

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

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

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

3.2.15. 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.

3.2.16. 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.

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

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

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

3.2.18. Impairment of financial assets

Assets carried at amortised cost

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

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

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

The group first assesses whether objective evidence of impairment exists.

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

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

Assets classified as available for sale

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the group uses the criteria referred to above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

3.2.19. 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 other comprehensive income. 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 other comprehensive income; 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'.

3.2.20. 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.

3.2.21. 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.

3.2.22. 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.

3.2.23. 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 neither depreciated nor amortised.

3.2.24. 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.

3.2.25. 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.

3.2.26. Compound financial instruments

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

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

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

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

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

3.2.27. Trade payables

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

3.2.28. Employee benefits

Pension obligations

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

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

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

The Group defined benefit obligation is calculated by independent actuaries using the 'projected unit credit method' with actuarial valuations being carried out regularly, at each balance sheet date for the main plans. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using yields on AA credit-rated corporate 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's net obligation is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The expected costs of these benefits are accrued over the period of employment using the same methodology used for defined benefit plans 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.

3.2.29. Provisions

Provisions are recognised in the balance sheet when:

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

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

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

3.2.30. Hybrid capital

If the bond conditions of the hybrid capital issued satisfy the criteria as stipulated under IAS 32, Financial Instruments: *Presentation*, such instruments are accounted for as an equity instrument of the group. If the hybrid capital is classified as equity, the interest is reflected as a "dividend" to shareholders in the statement of Changes in Equity.

3.3. 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.

3.3.1. 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 involve 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.

3.3.2. 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 the U.S. Medicaid Drug Rebate program and the U.S. Federal Medicare program, and similar rebates in other countries. Such estimates are based on analyses of existing contractual obligations or legislation, historical trends and the Group experience. Management believes that the total accruals for these items are adequate, based upon currently available information and interpretation of relevant regulations. As these deductions are based on management estimates, the actual deductions might differ from these estimates. Such differences could impact the accruals recognised in the balance sheet in future periods and consequently the level of sales recognised in the income statement in future period, as there is often a time lag of several months between the recording of the estimate and the final accounting of the sales allowances. In general, the discounts, rebates and other deductions shown on the invoice are accounted for as an immediate deduction from gross sales in the income statement. The sales returns, charge-backs, rebates and discounts that are not mentioned on the invoice are estimated, deducted from sales and presented on the balance sheet in the appropriate accrual account and deducted from sales.

Intangible assets and goodwill

The Group has intangible assets with a carrying amount of € 1 525 million (Note 3.18) and goodwill with a carrying amount of € 4799 million (Note 3.19). Intangible assets are amortised over their useful lives on a straight-line basis as from the moment they are available for use (i.e. when regulatory approval has been obtained).

Management estimates that the useful life for acquired in-progress R&D compounds 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	3.0%
• Discount rate in respect of Goodwill and Intangibles related to marketed products	10%
• Discount rate in respect of Intangibles related to pipeline products	13%

Since the cash flows also take into account tax expenses, a post-tax discount rate is used in the impairment testing.

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

Environmental provisions

The Group has provisions for environmental remediation costs, which are disclosed in Note 3.33. The most significant elements of the environmental provisions consist of costs to fully clean and refurbish contaminated sites and to treat contamination at certain other sites, mainly related to the discontinued chemical and films activities of the Group.

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

Employee benefits

The Group currently has many defined benefit plans, which are disclosed in Note 3.32. The calculation of the assets or liabilities related to these plans is based upon statistical and actuarial assumptions. This is in particular the case for the present value of the defined benefit obligation which is impacted by assumptions on discount rates used to arrive at the present value of future pension liabilities, and assumptions on future increases in salaries and benefits.

Furthermore, the Group uses statistically-based assumptions covering areas such as future withdrawals of participants from the plans and estimates of life expectancy. The actuarial assumptions used might differ materially from actual results due to changes in market and economic conditions, higher or lower employee turnover, longer or shorter life spans of participants, and other changes in the factors being assessed. These differences could impact the assets or liabilities recognised in the balance sheet in future periods.

3.4. 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.

3.4.1. Market risk

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

Foreign exchange risk

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

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

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

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

Effect of currency fluctuations

At 31 December 2011, 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. STRENGHTENING/ WEAKENING(-) EUR	IMPACT ON EQUITY: LOSS(-)/GAIN	IMPACT ON INCOME STATEMENT: LOSS(-)/GAIN
At 31 December 2011			
USD	+10%	-158	8
	-10%	184	-1
GBP	+10%	39	-9
	-10%	-48	11
CHF	+10%	-38	-1
	-10%	47	1

At 31 December 2010			
USD	+10%	-123	7
	-10%	147	-7
GBP	+10%	-7	-11
	-10%	9	13
CHF	+10%	-36	-2
	-10%	43	3

Interest rate risk

Changes in interest rates may cause variations in interest income and expenses resulting from interest-bearing assets and liabilities. In addition, they can affect the market value of certain financial assets, liabilities and instruments as described in the following section on market risk of financial assets. The interest rates on the Group's major debt instruments are both fixed and floating, as described in Note 3.28. The Group uses interest rate derivatives to manage its interest rate risk, as described in Note 3.37.

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

In 2011, all changes in fair value resulting from interest rate derivatives designated to the foreign currency denominated floating rate liabilities of the Group are accounted for through profit or loss. This is a consequence of the underlying future cash flows having been assessed to result with high probability from derivative instruments, which do not qualify for accounting of changes in fair value through equity under IAS39.

Effect of interest rate fluctuations

A 100 basis points increase in interest rates at balance sheet date would have increased equity by € 0 million (2010: € 0 million); a 100 basis points decrease in interest rates would have decreased equity by € 0 million (2010: € 0 million). Similar to 2010, at the balance sheet date there were no more interest rate derivatives outstanding through equity.

A 100 basis points increase in interest rates at balance sheet date would have increased profit and loss by € 5 million (2010: € 8 million); a 100 basis points decrease in interest rates would have decreased profit and loss by € 7 million (2010: € 12 million). These changes to the profit and loss would result from the change in fair value of the cash flow interest rate derivatives designated to the foreign currency denominated floating rate liabilities of the Group, which do not qualify for hedge accounting, as well as the inefficient portion of the fair value hedges designated to a portion of the fixed rate borrowings of the Group (retail bond and institutional eurobond).

Other market price risk

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

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

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

During 2011 the Group purchased treasury shares as well as American style call options providing the right to purchase shares of UCB SA, both of which were accounted for through equity. In 2009 the Group issued a € 500 million convertible bond maturing in 2015 (conversion rate at € 38.746). Following the revocation and cancellation by the Group of its right to make a cash alternative election on the exercise of conversion rights by bondholders on February 26, 2010 the derivative financial liability has been reclassified into equity. Neither instrument is subject to further remeasurement.

3.4.2. 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 3.24). For some credit exposures in critical countries, such as the Southern European countries, the Group has obtained credit insurance.

In the US, the Group entered into a trade receivable financing agreement that qualifies for derecognition. According to the terms and conditions of the agreement UCB retains a maximum of 10% of the credit risk relating to the transferred trade receivable.

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

Where appropriate to reduce exposure, netting agreements under an ISDA (International Swaps and Derivatives Association) master agreement are signed with the respective counterparties. The maximum exposure to credit risk resulting from financial activities, without considering netting agreements, is equal to the carrying amount of Financial assets plus the positive fair value of derivative instruments.

3.4.3. Liquidity risk

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

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

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

- Cash and cash equivalents (Note 3.25)
  € 267 million (2010: € 494 million)
- Marketable non-equity securities (Note 3.22)
  € 0 million (2010: € 2 million)
- Unutilised committed facilities (Note 3.28)
  € 1 085 million (2010: € 698 million)

The existing € 1 billion syndicated committed revolving credit facility of the Group was successfully amended in October 2011 leading to an extension of the maturity from 2015 to 2016. A further € 85 million bilateral committed credit facility will be linearly degressive from 2016 until 2025.

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

€ million	Note	TOTAL	CONTRACTUAL CASH FLOW	LESS THAN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS
At 31 December 2011							
Bank Borrowings	3.28	47	47	22	1	24	0
Debentures and other short term loans	3.28	7	7	7	0	0	0
Finance lease liabilities	3.28	19	19	2	3	11	3
Convertible Bond	3.29	444	590	22	22	546	0
Retail Bond	3.29	773	879	43	43	793	0
Institutional Eurobond	3.29	513	644	29	29	586	0
Trade and other liabilities	3.34	1 402	1 402	1 294	28	49	31
Bank overdrafts	3.28	14	14	14	0	0	0
Interest rate swaps		28	28	-7	9	25	0
Forward exchange contracts used for hedging purposes							
Outflow		452	452	344	108	0	0
Inflow		446	446	341	105	0	0
Forward exchange contracts and other derivative financial instruments at fair value through profit or loss							
Outflow		3 248	3 248	3 016	0	231	0
Inflow		3 181	3 181	2 978	0	203	0

€ million	Note	TOTAL	CONTRACTUAL CASH FLOW	LESS THAN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS
At 31 December 2010							
Bank Borrowings	3.28	295	295	282	0	13	0
Debentures and other short term loans	3.28	7	7	7	0	0	0
Finance lease liabilities	3.28	21	21	2	4	12	3
Convertible Bond	3.29	432	612	22	22	568	0
Retail Bond	3.29	756	922	43	43	836	0
Institutional Eurobond	3.29	495	673	29	29	86	529
Trade and other liabilities	3.34	1 299	1 299	1 172	32	46	49
Bank overdrafts	3.28	17	17	17	0	0	0
Interest rate swaps		17	17	-13	-5	32	3
Forward exchange contracts used for hedging purposes							
Outflow		685	685	581	104	0	0
Inflow		673	673	565	109	0	0
Forward exchange contracts and other derivative financial instruments at fair value through profit or loss							
Outflow		2 964	2 964	2 528	212	224	0
Inflow		2 972	2 972	2 557	212	203	0

3.4.4. Capital risk management

The Group policy with respect to managing capital is to safeguard the Group ability to continue as a going concern in order to provide returns to shareholders and benefits to patients and to reduce the Group external debt further, in order to obtain a capital structure that is consistent with others in the industry.

€ million	2011	2010
Total borrowings (Note 3.28)	87	340
Bonds (Note 3.29)	1 730	1 683
Less: cash and cash equivalents (Note 3.25), available for sale debt securities (Note 3.22) and cash collateral related to the financial lease obligation	-269	-498
Net debt	1 548	1 525
Total equity	4 823	4 592
Total financial capital	6 371	6 117
Gearing ratio	**24%**	**25%**

3.4.5. Fair value estimation

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

The fair value of financial instruments that are not traded in an active market is determined by using established valuation techniques such as option pricing models and estimated discounted values of cash flows. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

Quoted market prices are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of the interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of the forward exchange contract is determined using discounted value of the exchanged amounts in currencies, converted at the prevailing spot rate at the balance sheet date.

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

Fair value hierarchy

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

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

Financial Assets measured at fair value

€ million	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
31 December 2011				
Financial assets				
Available for sale assets (Note 3.22)				
Quoted Equity securities	31	0	0	31
Quoted Debt securities	2	0	0	2
Derivative financial assets (Note 3.37)				
Forward foreign exchange contracts – cash flow hedges	0	6	0	6
Forward exchange contracts – fair value through profit and loss	0	32	0	32
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	63	0	63

€ million	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
31 December 2010				
Financial assets				
Available for sale assets				
Quoted Equity securities	15	0	0	15
Quoted Debt securities (Note 3.22)	3	0	0	3
Derivative financial assets (Note 3.37)				
Forward foreign exchange contracts - cash flow hedges	0	9	0	9
Forward exchange contracts - fair value through profit and loss	0	54	0	54
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	13	0	13

Financial Liabilities measured at fair value

€ million	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
31 December 2011				
Financial liabilities				
Derivative financial liabilities (Note 3.37)				
Forward foreign exchange contracts – cash flow hedges	0	19	0	19
Forward exchange contracts – fair value through profit and loss	0	99	0	99
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	31	0	31
Derivative linked to convertible bond	0	0	0	0

€ million	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
31 December 2010				
Financial liabilities				
Derivative financial liabilities (Note 3.37)				
Forward foreign exchange contracts – cash flow hedges	0	9	0	9
Forward exchange contracts – fair value through profit and loss	0	60	0	60
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	44	0	44
Derivative linked to convertible bond	0	0	0	0

During the reporting period ending 31 December 2011, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

3.5. Segment reporting

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

3.5.1. Product sales information

Net sales consist of the following:

€ million	2011	2010
Cimzia®	312	198
Vimpat®	218	133
Neupro®	95	82
Keppra® (includ. Keppra® XR)	966	942
Zyrtec® (includ. Zyrtec-D®/ Cirrus®)	260	229
Xyzal®	108	115
Omeprazole	76	65
Nootropil®	69	66
Metadate™ CD	62	54
venlafaxine XR	48	162
Tussionex™	44	80
Other products	618	660
Total net sales	**2 876**	**2 786**

5.2. Geographic information

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

€ million	2011	2010
North America	943	1 024
Germany	318	353
France	198	185
Italy	176	141
Spain	162	141
U.K. and Ireland	145	132
Belgium	41	42
Rest of the world	893	768
Total net sales	**2 876**	**2 786**

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

€ million	2011	2010
North America	70	98
Switzerland	78	74
Germany	23	24
France	2	2
Spain	2	2
U.K. and Ireland	89	91
Belgium	220	198
Rest of the world	16	16
Total	**500**	**505**

5.3. Information about major customers

UCB has 1 customer which individually accounts for more than 10% of the total net sales at the end of 2011.

In the US, sales to 3 wholesalers accounted for approximately 83% of US sales (2010: 82%).

3.6. Non-current assets held for sale

3.6.1. Optimisation of manufacturing network

In 2010, UCB announced its decision to sell its manufacturing sites (plants) of Monheim and Zwickau (Germany) and Pianezza (Italy) to Aesica, a European leader in pharmaceutical manufacturing.

In March 2011, the acquisition of UCB's manufacturing businesses in Germany and Italy by Aesica was completed.

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

€ million	2011	2010
Assets classified as held for sale		
Property, plant and equipment	0	11
Inventories	0	17
Total assets	**0**	**28**
Liabilities classified as held for sale		
Employee benefits	0	4
Total liabilities	**0**	**4**

3.6.2. Other non-current assets held for sale

Other non-current assets held for sale decreased to € 0 million (2010: € 1 million). There are small businesses for sale in 2011 of which the net book value of the property, plant and equipment is equal to € 0 million. The 2010 other non-current assets held for sale were mainly the result of the disposal of small businesses other than discontinued operations.

€ million	Note	2011	2010
Intangible assets	3.18	0	0
Property, plant and equipment	3.20	0	1
Total		**0**	**1**

3.7. Discontinued operations

The profit from discontinued operations of € 14 million (2010: loss of € 1 million) arose from the partial reversal of provisions related to the legacy films and chemical activities, including terminations of environmental claims for sites for which UCB retained liability and which were settled in the past 12 months as well as the unwinding of the discount rate.

3.8. Other revenue

€ million	2011	2010
Revenue generated by means of profit-sharing agreements	44	61
Upfront payments, milestone payments and reimbursements	46	50
Contract manufacturing revenues	93	101
Total other revenue	**183**	**212**

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

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

During 2011, UCB received milestone payments and reimbursements from different parties, mainly from:

- Keppra® and Cimzia® related milestones and reimbursements due to the agreement entered into between Otsuka and UCB to co-promote E Keppra® for the adjunctive treatment of partial-onset seizures and Cimzia® in Japan,
- Milestone payments due to the agreement with Actient Pharmaceuticals.

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

3.9. 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	2011	2010
Employee benefit expenses	3.10	833	798
Depreciation of property, plant and equipment	3.20	60	65
Amortisation of intangible assets	3.18	186	190
Impairment of non-financial assets	3.12	39	223
Total		**1 118**	**1 276**

3.10. Employee benefit expense

€ million	Note	2011	2010
Wages and salaries		595	562
Social security costs		85	88
Post-employment benefits – defined benefit plans	3.32	30	38
Post-employment benefits – defined contribution plans		16	17
Share-based payments to employees and directors	3.27	20	20
Insurance		38	45
Other employee benefits		49	28
Total employee benefit expense		**833**	**798**

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	2011	2010
Hourly Paid	848	1 086
Monthly Paid	3 912	3 839
Management	3 746	3 973
Total	**8 506**	**8 898**

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

3.11. Other operating income/expenses (-)

Other operating income/expenses (-) amounted to € 12 million (2010: € -2 million) and consists mainly of the amortisation of non-production related intangible assets of € 6 million (2010: € 5 million); the reversal of provisions of € 6 million (2010: € 5 million); the impairment in respect of trade receivables and tangible fixed assets of € -1 million (2010: € -7 million); the reimbursement by third parties for development expenses incurred by the Group of € 5 million (2010: € 4 million); grants received of € 2 million and insurance indemnities of € 2 million.

3.12. Impairment of non-financial assets

A review of the recoverable amounts of the Group's assets resulted in the recognition of impairment charges amounting to € 39 million (2010: € 223 million).

The 2011 trademarks, patents and licences impairment charge amounts € 4 million (2010: € 2 million) and € 7 million with respect to the other intangible assets (2010: € 1 million), of which € 4 million related to SYN-118. As a result of the yearly impairment testing an additional impairment charge of € 6 million on the trademarks, patents and licences was recognised (2010: € 190 million mainly related to the *fesoterodine* royalty stream and Mylotarg®).

The impairment charge related to the Group property, plant and equipment of certain manufacturing facilities amounted to € 22 million (2010: € 29 million). In 2010 the impairment was related to the disposal of three manufacturing facilities to Aesica.

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

3.13. Restructuring expenses

The restructuring expenses as at 31 December 2011 amount to € 27 million (2010: € 40 million) and are mainly related to the new organization of the European operations. In 2010 the restructuring expenses can be attributed to restructuring the PCP business in Japan and Turkey, items related to the SHAPE programme and other severance costs.

3.14. Other income and expenses

Other expenses amounted to € 25 million (2010: € 0 million) and comprised of the following items:

- Other income for € 0 million in 2011 compared to € 49 million in 2010 for the divestment of small business;
- Other expenses amounted to € 25 million (2010: € 49 million) in 2011 and mainly relate to:
  - Restructuring of *epratuzumab* licence agreement between Immunomedics and UCB, where Immunomedics will receive a non-refundable cash payment totaling USD 30 million upon execution of the amendment;
  - and additional amortization and depreciation.

The € 49 million other expenses in 2010 were related to the write-off with respect to three manufacturing facilities that were disposed to Aesica and charges related to the U.S. Department of Justice.

3.15. Financial income and financing costs

The net financing costs for the year amounted to € 114 million (2010: € 185 million). The breakdown of the financing costs and financial income is as follows:

Financing costs

€ million	2011	2010
Interest expenses on:		
Convertible Bond	-33	-33
Retail Bond	-43	-43
Institutional Eurobond	-29	-29
Other borrowings	-25	-50
Interest expenses related to interest rate derivatives	-4	-15
Loss on derivative component of convertible bond	0	-7
Financial charges on finance leases	-1	-1
Fair value losses on foreign exchange derivatives	-62	-5
Net other financial income/expense(-)	-8	-11
Total financing costs	**-205**	**-194**

Financial income

€ million	2011	2010
Interest income on:		
On bank deposits	8	3
Dividend income	0	0
Net gain on interest rate derivatives	29	3
Net foreign exchange gains	53	3
Total financial income	**90**	**9**

3.16. Income tax expense (-)/credit

€ million	2011	2010
Current income taxes	-327	-88
Deferred income taxes	319	174
Total income tax expense(-)/ credit	**-8**	**86**

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

The income tax expense on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits (losses) of the consolidated companies.

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

€ million	2011	2010
Profit/loss(-) before tax	229	19
Income tax expense(-)/credit calculated at domestic tax rates applicable in the respective countries	**-67**	**-4**
Theoretical income tax rate	30%	23%
Reported current income tax	-327	-88
Reported deferred income tax	319	174
Total reported tax charge (-)/ credit	**-8**	**86**
Effective income tax rate	3.5%	-443%
Difference between theoretical and reported tax	**59**	**90**
Expenses non-deductible for tax purposes	-85	-118
Non-taxable income	127	67
Increase (-)/ decrease in tax provisions	-249	19
Effect of previously unrecognised tax losses used in the period	60	41
Tax credits	100	76
Variation in tax rates	5	5
Other tax rate effects	10	13
Current tax adjustments related to prior years	16	12
Deferred tax adjustments related to prior years	185	16
Effect of unused tax credits and tax losses not recognised for deferred tax	-107	-38
Withholding tax	-2	-2
Other taxes	-1	-1
Total income tax expense(-)/credit	59	90

The change in the effective tax rate is mainly attributable to the following: the recognition of previously unrecognised tax losses, losses and tax credits not being fully realized in high tax jurisdictions and the increase in provisions for tax exposures.

3.17. Components of other comprehensive income

€ million	2011	2010
Available for sale financial assets:		
Gains/losses(-) arising during the year	-2	1
Less: Reclassification adjustment for gains/losses(-) included in the income statement	0	0
	-2	1
Cash flow hedges:		
Gains/losses(-) arising during the year	-8	-14
Less: Reclassification adjustment for gains/losses(-) included in the income statement	4	-21
	-12	7
Net investment hedge:		
Gains/losses(-) arising during the year	0	0
Less: Reclassification adjustment for gains/losses(-) included in the income statement	0	0
	0	0

3.18. Intangible assets

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

€ million	2010 TRADEMARKS, PATENTS AND LICENCES	OTHER	TOTAL
Gross carrying amount at 1 January	**1 501**	**1 031**	**2 532**
Additions	10	14	24
Disposals	-15	-4	-19
Transfer from one heading to another	903	-905	-2
Transfer to assets held for sale	0	0	0
Effect of movements in exchange rates	42	37	79
Gross carrying amount at 31 December	**2 441**	**173**	**2 614**
Accumulated amortisation and impairment losses at 1 January	**-403**	**-176**	**-579**
Amortisation charge for the year	-177	-13	-190
Disposals	15	3	18
Impairment losses recognised in the income statement	-192	-1	-193
Transfer from one heading to another	-145	147	2
Transfer to assets held for sale	0	0	0
Effect of movements in exchange rates	-15	-16	-31
Accumulated amortisation and impairment losses at 31 December	**-917**	**-56**	**-973**
Net carrying amount at 31 December	**1 524**	**117**	**1 641**

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 2011, the Group acquired intangible assets totalling € 55 million (2010: € 24 million). These additions related mainly to the acquisition of non-marketed licensed products, and the payment of milestones with respect to certain in-licencing agreements. This includes milestone payments paid to Biotie Therapies (USD 5 million), a strategic partner who has granted UCB a license for exclusive, worldwide rights to the development compound SYN-118. In addition to the above, the Group made additions to software and also capitalised eligible software development costs.

During the year, the Group recognised total impairment charges of € 17 million (2010: € 193 million) on its intangible assets, mainly related to SYN-118 and the yearly impairment testing. The impairment charges are detailed in Note 3.12 and have been presented in the income statement under the caption 'impairment of non-financial assets'.

Other intangible assets includes software and in process development projects.

3.19. Goodwill

€ million	2011	2010
Cost at 1 January	4 718	4 552
Effect of movements in exchange rates	81	166
Net book value at 31 December	**4 799**	**4 718**

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 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:

	2011	2010
Discount rate marketed products	10%	9.1%
Discount rate pipeline products	13%	12.2%
Growth rate	3%	3%
Tax rate	31-27%	31%
USD	1.45	1.30

Management believes that no reasonable change in any of the key assumptions for the determination of the recoverable amount would cause the carrying value of the CGU to materially exceed its recoverable amount. For information purposes, the sensitivity analysis using a 0% perpetual growth rate combined with a 15% discount rate would not result in an impairment of the goodwill.

3.20. Property, plant and equipment

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

€ million			2010		
	LAND AND BUILDINGS	PLANT AND MACHINERY	OFFICE, COMPUTER EQUIPMENT, VEHICLES & OTHER	ASSETS UNDER CONSTRUCTION	TOTAL
Gross carrying amount at 1 January	**536**	**526**	**152**	**25**	**1 239**
Additions	1	7	4	42	54
Disposals	0	-5	-14	-1	-20
Transfers from one heading to another	14	26	-15	-5	20
Transfers from / to assets held for sale	-28	-61	-13	-1	-103
Effect of movements in exchange rates	21	19	7	1	48
Gross carrying amount at 31 December	**544**	**512**	**121**	**61**	**1 238**
Accumulated depreciation at 1 January	**-204**	**-385**	**-108**	**-8**	**-705**
Depreciation charge for the year	-21	-32	-12	0	-65
Impairment charge	-12	-9	-3	-5	-29
Disposals	-1	4	14	0	17
Transfers from one heading to another	-14	-11	-4	8	-21
Transfers from / to assets held for sale	29	54	11	1	95
Effect of movements in exchange rates	-7	-12	-6	0	-25
Accumulated depreciation at 31 December	**-230**	**-391**	**-108**	**-4**	**-733**
Net carrying amount at 31 December	**314**	**121**	**13**	**57**	**505**

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 2011, the Group acquired property, plant and equipment totalling € 82 million (2010: € 54 million).

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

During the year, the Group recognised total impairment charges of € 22 million (2010: € 29 million) on its property, plant and equipment. The impairment charges are detailed in Note 3.12 and have been presented in the income statement under the caption 'impairment of non-financial assets'.

Capitalised borrowing costs

During the 12 months of 2011, the capitalised borrowing costs amounted to € 0 million (2010: € 0 million).

Leased assets

UCB leases buildings and office equipment under a number of finance lease agreements. The carrying value of the leased buildings is € 19 million (2010: € 21 million).

3.21. Investment in associates

On 12 October 2010, UCB SA announced a strategic partnership with Synosia Therapeutics Holding AG (hereafter referred to as 'Synosia') wherein UCB acquired a license for exclusive, worldwide rights to SYN-115, for the treatment of Parkinson's disease, and an option to rights to, SYN-118, for non-orphan indications. Under the agreement, UCB made an equity investment totalling US$ 20 million or 19.6% interest in Synosia, which was accounted for as an investment in an associate in 2010.

On 11 January 2011, Biotie Therapies (hereafter referred to as 'Biotie') announced the acquisition of Synosia. Biotie is a specialised drug development company focused on central nervous system and inflammatory diseases based in Turku, Finland. Its shares are listed on the NASDAQ OMX Helsinki Ltda. As a result of the acquisition of Synosia by Biotie, UCB relinquished its investment in Synosia in exchange for an equity position of 9.5% in Biotie. The total investment in Biotie amounts to € 18 million at the end of the period and has been classified as available for sale financial asset (refer to note 3.22), in view of the fact that UCB does not have significant influence over Biotie Therapies.

€ million	2011	2010
At 1 January	16	0
Investment in associate	0	15
Divestment in associate	-15	0
Share of profit/loss (-)	0	0
Exchange differences	-1	1
Other equity movements	0	0
At 31 December	**0**	**16**

3.22. Financial and other assets

3.22.1. Non-current financial and other assets

€ million	2011	2010
Available for sale financial assets (refer below)	33	16
Cash deposits	9	8
Derivative financial instruments (Note 3.37)	63	17
Loans granted to third parties	3	1
Reimbursement rights with respect to German Defined Benefit plans	25	24
Other financial assets	47	57
Total financial and other assets at year end	**180**	**123**

3.22.2. Current financial and other assets

€ million	2011	2010
Available for sale financial assets (refer below)	0	2
Derivative financial instruments (Note 3.37)	38	59
Total financial and other assets at year end	**38**	**61**

3.22.3. Available for sale financial assets

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

€ million	2011	2010
Equity securities	31	15
Debt securities	2	3
Total available for sale financial assets at year end	**33**	**18**

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

€ million	2011		2010	
	EQUITY SECURITIES	DEBT SECURITIES	EQUITY SECURITIES	DEBT SECURITIES
At 1 January	15	3	8	5
Additions *	18	2	6	0
Disposals	0	-4	0	-2
Revaluation through equity	-2	0	1	0
Gain/loss(-) reclassified from equity to the income statement	0	1	0	0
Impairment charge (Note 3.15)	0	0	0	0
At 31 December	**31**	**2**	**15**	**3**

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.

On 17 March 2011, WILEX issued a capital increase in which UCB did not participate. UCB's equity stake in WILEX consequently decreased from 18.05% to 15.38% during 2011.

The investments in WILEX and Biotie are financial assets that have been classifed as avaliable for sale and measured at fair value upon initial recognition. A decrease in fair value related to the investments in WILEX and Biotie amounts to € 2 million at 31 December 2011and is recognised in other comprehensive income (refer to note 3.17).

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

* In 2011, UCB acquired a 9.5% equity stake in Biotie Therapies, a listed equity security (refer to note 3.21).

3.23. Inventories

€ million	2011	2010
Raw materials and consumables	112	113
Work in progress	278	230
Finished goods	130	84
Goods purchased for resale	17	7
Inventories	**537**	**434**

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to € 599 million (2010: € 613 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 € 8 million in 2011 (2010: € 26 million) and has been included in cost of sales. Total inventory increased with € 105 million, mainly related to the build-up of the Cimzia stock.

3.24. Trade and other receivables

€ million	2011	2010
Trade receivables	657	540
Less: provision for impairment	-5	-13
Trade receivables – net	652	527
VAT receivable	37	34
Interest receivables	10	10
Prepaid expenses	32	24
Accrued income	14	12
Other receivables	52	49
Royalty receivables	54	49
Trade and other receivables	**851**	**705**

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

There is some concentration of credit risk with respect to trade receivables. For some credit exposures in critical countries, such as the Southern European countries, the Group obtained credit insurance. The Group co-operates with dedicated wholesalers in certain countries. The largest outstanding trade receivable in 2011 from a single customer is 22% (2010: 19%) from McKesson Corp. U.S.

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

€ million	2011		2010	
	GROSS CARRYING AMOUNTS	IMPAIRMENT	GROSS CARRYING AMOUNTS	IMPAIRMENT
Not past due	557	-1	478	0
Past due – less than one month	50	0	14	0
Past due more than one month and not more than three months	13	0	11	0
Past due more than three months and not more than six months	10	0	8	0
Past due more than six months and not more than one year	11	-1	10	-1
Past due more than one year	16	-3	19	-12
Total	**657**	**-5**	**540**	**-13**

Based on historical default rates, the Group believes that no provision for impairment is necessary in respect of trade receivables not past due or past due up to one month. This concerns more than 92% (2010: 91%) 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	2011	2010
Balance at 1 January	**-13**	**-7**
Impairment charge recognised in the income statement	0	-10
Utilisation/reversal of provision for impairment	8	4
Effects of movements in exchange rates	0	0
Balance at 31 December	**-5**	**-13**

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	2011	2010
EUR	271	242
USD	363	269
JPY	38	22
GBP	21	35
Other currencies	158	137
Trade and other receivables	**851**	**705**

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.

3.25. Cash and cash equivalents

€ million	2011	2010
Short-term bank deposits	192	427
Cash at bank and on hand	75	67
Cash and cash equivalents	**267**	**494**
Bank overdrafts (Note 3.28)	-14	-17
Cash and cash equivalents, less bank overdrafts as reported in the cash flow statement	**253**	**477**

3.26. Capital and reserves

3.26.1. Share capital and share premium

The issued share capital of the company amounted to € 550 million (2010: € 550 million), and is represented by 183 365 052 shares (2010: 183 365 052 shares). The company's shares are without par value. At 31 December 2011, 72 403 411 shares were registered and 110 961 641 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 2011, the share premium reserves amounted to € 1 601 million (2010: € 1 601 million).

3.26.2. Hybrid capital

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

In view of the fact that the bonds have a perpetual maturity and are subordinated, associated with the fact that UCB has the right to defer interest payments, the perpetual subordinated bonds qualify as 'Equity' instruments for the Group under IAS32: Financial Instruments Presentation.

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

Hybrid capital amounted to € 295 million at 31 December 2011. The € 18 million dividend to shareholders of the perpetual subordinated bonds are presented in retained earnings.

3.26.3. Treasury shares

The Group acquired, thru UCB S.A., 4 699 923 and sold 704 733 treasury shares (net acquisition of 3 995 190 treasury shares) for a net amount of € 124 million.

The Group also acquired 378 798 shares for a total of € 5 million (2010: 239 739 shares for a total amount of € 7 million) and issued 405 598 treasury shares to UCB employees for a total amount of € 5 million (2010: 243 239 shares for a total amount of € 7 million). The shares were acquired by UCB Fipar S.A. in order to cover the obligations resulting from the employees' stock option plans, stock award plans and performance share plans.

The Group retained 7 133 941 (2010: 3 165 551) treasury shares at 31 December 2011. 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.

The Group purchased 2 200 000 call options on UCB shares for a total premium of € 14 million.

3.26.4. Other reserves

Other reserves amounted to € 280 million (2010: € 280 million) and consists of the following items:

- the IFRS acquisition value surplus that arose during the Schwarz Pharma business combination for € 232 million (2010: € 232 million); and
- the equity component linked to the convertible bond for € 48 million net of taxes as a result of UCB's decision to revoke the cash settlement option linked to the convertible bond. (refer to note 3.2.26.).

3.26.5. Cumulative translation adjustments

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

3.27. Share-based payments

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

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

3.27.1. Share option plan and share appreciation rights plan

The Remuneration Committee granted options on UCB S.A. shares to the Executive Committee members, the Senior Executives and the senior and middle management of the UCB Group. The exercise price of the granted options under these plans is equal to the lowest of the following two values:

- The average of the closing price of the UCB shares on Euronext Brussels, during the 30 days preceding the offer or
- The closing price of the UCB shares on Euronext Brussels the day before the grant.

A different exercise price is determined for those eligible employees subject to legislation which requires a different exercise price in order to benefit from reduced taxation. The options become exercisable after a vesting period of three years, except for those eligible employees subject to legislation which requires a longer vesting period in order to benefit from reduced taxation. If an employee leaves the Group, his/her options usually lapse upon expiry of a period of six months. Options do no lapse in case of death or retirement and in case of involuntary termination when taxes have been paid upon grant. The Group has no obligation to repurchase or settle the options in cash.

There are no reload features, and the options are not transferable (except in case of death).

The Share Appreciation Rights (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.

3.27.2. Share award plan

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

3.27.3. Performance share plan

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

Performance Shares lapse upon leaving the Group, except upon leaving on retirement or death in which case they vest immediately. The beneficiary is not entitled to dividends during the vesting period.

3.27.4. Phantom share option, share award and performance share plans

The Group also has phantom share option, phantom share award and performance phantom share plans (collectively referred to as 'phantom plans'). These phantom plans apply to certain employees who have an employment contract with certain affiliates of the Group and are governed under similar rules to the Group share option, share award and performance share plans except for their settlement.

3.27.5. Employee share purchase plans in the U.S.

The plan is intended to provide employees of UCB affiliates in the U.S. with an opportunity to purchase common shares of the Group. Shares are acquired at a discount of 15% which is funded by UCB. Employees save a defined percentage of their salary through payroll deduction and shares will be purchased with after-tax employee contributions. The shares are held by an independent third party banking institution in an account in the employee's name.

The limit placed on employees' participation in the plan is as follows:

- Between 1% and 10% of each participant's compensation;
- US$ 25 000 per year per participant;
- Maximum of US$ 5 million total ownership by U.S. employees in all forms of share plans over a rolling period of 12 months.

As of 31 December 2011, the plan had 388 participants (2010: 731). There are no specific vesting conditions and the share-based payment expense incurred for this plan is immaterial.

3.27.6. Share savings plan in the United Kingdom

The purpose of this plan is to encourage the holding of UCB shares by employees in the U.K. Participants save a certain portion of their salary through payroll deductions and UCB matches every 5 shares bought by each participant with 1 free share. Shares are held in an account in the employee's name by an independent company that acts as a trustee.

Employee contributions to the plan are limited to the lower of:

- 10% of each participant's compensation
- GBP 1 500 per year per participant.

As of 31 December 2011, the plan had 66 participants (2010: 40) and the share-based payment expense incurred for this plan is immaterial.

3.27.7. Share-based payment expense

The total share-based payment expense incurred for the Group amounted to € 20 million (2010: € 20 million), and has been included in the relevant functional lines within the income statement as follows:

€ million	2011	2010
Cost of sales	3	2
Marketing and selling expenses	6	5
Research and development expenses	6	5
General and administrative expenses	5	8
Total operating expense	**20**	**20**
Of which, Equity-settled:		
Share option plans	9	10
Share award plans	2	2
Performance share plan	1	4
Of which, Cash-settled:		
Share appreciation rights plan	7	1
Phantom share option, share award and performance share plans	1	3

3.27.8. Share option plans

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

	2011			2010		
	WEIGHTED AVERAGE FAIR VALUE	WEIGHTED AVERAGE EXERCISE PRICE (€)	NUMBER OF SHARE OPTIONS	WEIGHTED AVERAGE FAIR VALUE	WEIGHTED AVERAGE EXERCISE PRICE (€)	NUMBER OF SHARE OPTIONS
Outstanding at 1 January	6.62	30.55	7 660 505	6.30	30.24	6 805 705
+ New options granted	6.50	26.68	1 934 900	7.90	31.62	1 613 100
(-) Options forfeited	7.08	32.24	416 878	6.46	30.05	754 700
(-) Options exercised	3.99	24.05	88 980	3.71	27.21	3 600
(-) Options expired	-	-	0	-	-	0
Outstanding at 31 December	**6.60**	**29.72**	**9 089 547**	**6.62**	**30.55**	**7 660 505**
Number of options fully vested:						
At 1 January			2 259 505			1 383 005
At 31 December			3 362 747			2 259 505

The share options outstanding as at 31 December 2011 with the following last exercise dates and exercise prices are:

LAST EXERCISE DATE	RANGE OF EXERCISE PRICES (€)	NUMBER OF SHARE OPTIONS
21 April 2013	19.94	1 967
31 May 2013	[26.58 – 27.94]	185 732
05 April 2014	31.28	3 106
31 August 2014	[40.10 – 40.20]	327 322
31 March 2015	[37.33 - 37.60]	395 200
31 March 2016	[40.14 - 40.57]	573 700
31 March 2017	[43.57 - 46.54]	1 156 500
31 March 2018	[22.01 – 25.73]	1 592 320
31 March 2019	[21.38 – 22.75]	1 537 000
31 March 2020	31.62	1 421 400
31 March 2021	[25.32 – 26.87]	1 895 300
Total outstanding		**9 089 547**

The weighted average fair value of the share options granted during 2011 was € 6.50 (2010: € 7.90).

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:

		2011	2010
Share price at grant date	€	26.95	32.06
Weighted average exercise price	€	26.68	31.62
Expected volatility	%	33.41	32.92
Expected option life	Years	5	5
Expected dividend yield	%	3.71	2.99
Risk free interest rate	%	3.45	2.67
Expected annual forfeiture rate	%	7.00	7.00

3.27.9. Share appreciation rights (SAR's) plan

The movements of the SAR's and the model inputs as at 31 December 2011 can be found in the table below. The fair value of the SAR's at grant date is determined using the Black-Scholes model. The fair value of the liability is remeasured at each reporting date.

		2011	2010
Outstanding rights as of 1 January		**1 874 700**	**1 516 000**
+ New rights granted		651 200	576 100
(-) Rights forfeited		206 400	217 400
(-) Rights exercised		223 250	0
Outstanding rights as of 31 December		**2 096 250**	**1 874 700**
The significant assumptions used in the measurement of the fair value of the share appreciation rights are:			
Share price at year end	€	32.51	25.67
Exercise price	€	26.80	31.62
Expected volatility	%	34.62	33.35
Expected option life	Years	5	5
Expected dividend yield	%	3.08	3.82
Risk free interest rate	%	3.14	3.17
Expected annual forfeiture rate	%	7.00	7.00

3.27.10. Share award plans

The share-based payment expense related to these share awards is spread over the vesting period of three years.

The beneficiaries are not entitled to dividends during the vesting period. The movement in the number of share awards outstanding at 31 December is as follows:

	2011		2010	
	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR VALUE (€)	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR VALUE (€)
Outstanding at 1 January	**249 910**	**26.08**	**281 605**	**29.23**
+ New share awards granted	115 775	26.95	90 755	31.54
(-) Awards forfeited	28 680	27.10	35 775	27.69
(-) Awards vested and paid out	68 010	22.80	86 675	41.35
Outstanding at 31 December	**268 995**	**27.18**	**249 910**	**26.08**

3.27.11. Performance Share plans

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

	2011		2010	
	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR VALUE (€)	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR VALUE (€)
Outstanding at 1 January	**236 825**	**26.09**	**387 725**	**34.14**
+ New performance shares granted	77 175	26.95	84 525	32.07
(-) Performance shares forfeited	29 030	24.11	88 640	38.15
(-) Performance shares vested	51 845	23.08	146 785	43.52
Outstanding at 31 December	**233 125**	**27.29**	**236 825**	**26.09**

3.27.12. Options granted before 7 November 2002

According to the transitional provisions included in IFRS 2, the options granted before 7 November 2002 and not yet vested at 1 January 2005 are not amortised through the income statement.

In 1999 and 2000 respectively, UCB issued 145 200 and 236 700 subscription rights (warrants) to subscribe for one ordinary share. Out of these rights, 122 400 may still be exercised. These warrants expire progressively between 2012 and 2013.

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

	2011		2010	
	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR VALUE (€)	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR VALUE (€)
Outstanding at 1 January	**550 527**	**40.03**	**620 165**	**40.00**
(-) Options forfeited	9 514	41.40	19 038	41.44
(-) Options expired	58 924	35.85	50 600	39.19
Outstanding at 31 December	**482 089**	**40.51**	**550 527**	**40.03**

3.28. Borrowings

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

	CARRYING AMOUNT		FAIR VALUE	
€ million	2011	2010	2011	2010
Non-current				
Bank borrowings	25	13	25	13
Finance leases	17	19	17	19
Total non-current borrowings	**42**	**32**	**42**	**32**
Current				
Bank overdrafts	14	17	14	17
Current portion of bank borrowings	22	282	22	282
Debentures and other short-term loans	7	7	7	7
Finance leases	2	2	2	2
Total current borrowings	**45**	**308**	**45**	**308**
Total borrowings	**87**	**340**	**87**	**340**

3.28.1. Borrowings

On 7 October 2011, UCB announced that the existing € 1 billion syndicated committed revolving credit facility of the Group was amended leading to an extension of the maturity from 2015 to 2016. A further € 85 million bilateral committed credit facility will be linearly degressive from 2016 until 2025.

The amended facility expires on 7 October 2016. At year-end, the total amount drawn down under the facility was € 0 million (2010: € 299 million). The Borrowings linked to the amended Facilities agreement bear interest using a Euribor or Libor floating interest rate plus a margin depending on the UCB leverage ratio within the covenants of the agreement.

On 31 December 2011, the Groups weighted average interest rate was 5.31% (2010: 4.71%) prior to hedging. The floating interest rate payments are subject to designated cash flow hedges and fixed interest rate payments are subject to designated fair value hedges, thereby fixing the weighted average interest rate for the Group at 4.49% (2010: 4.29%) post hedging. The fees paid for the arrangement of the bonds, in note 3.29, and the amended facilities agreement are amortized over the life of the instruments.

Where applicable under hedge accounting, the fair value of the non-current borrowings is determined based on the present value of the payments associated with the debt instruments, using the applicable yield curve and UCB credit spread for the various different currencies.

Since the bank borrowings are at a floating interest rate that is reset every six months, the carrying amount of the bank borrowings equates to its fair value. With respect to the current borrowings, the carrying amounts approximate their fair values as the effect of discounting is considered to be insignificant.

Please refer to Note 3.4.3 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	2011	2010
EUR[1]	47	-4
USD	0	299
Total interest bearing loans by currency	**47**	**295**
Bank overdrafts - EUR	14	17
Debentures other than short term loans - EUR	7	7
Finance lease liabilities - EUR	19	21
Total borrowings	**87**	**340**

[1] Negative amount due to arrangement fees 2010

3.28.2. Finance lease liabilities – Minimum lease payments

€ million	2011	2010
Amounts payable under finance leases:		
1 year or less	2	2
1-2 years	3	4
2-5 years	11	12
More than 5 years	3	3
Present value of finance lease liabilities	**19**	**21**
Less: amount due for settlement within 12 months	2	2
Amount due for settlement after 12 months	**17**	**19**

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

3.29. Bonds

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

€ million	COUPON RATE	MATURITY DATE	CARRYING AMOUNT 2011	CARRYING AMOUNT 2010	FAIR VALUE 2011	FAIR VALUE 2010
Non-current						
Convertible Bond	4.50%	2015	444	432	509	496
Retail Bond	5.75%	2014	773	756	778	797
Institutional Eurobond	5.75%	2016	513	495	531	536
Total non-current bonds			**1 730**	**1 683**	**1 818**	**1 829**

3.29.1. Convertible bond

During September 2009, UCB issued senior unsecured convertible bonds amounting to € 500 million. The closing date for the transaction was 22 October 2009 and the bonds will mature on 22 October 2015 (i.e. 6 year duration).

The convertible bonds were issued and will be redeemed at 100% of their principal amount and bear a coupon of 4.5%, payable semi-annually in arrears. The conversion price has been set at € 38.746. Bondholders have the right to convert the Bonds into new and/or existing (at the option of the Company) shares of the Company.

The fair value of the debt component is based on the present value of the contractually determined stream of cash flows discounted at the rate of interest applied at the time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option. The residual amount, being the difference between the total gross proceeds on bond issuance and the fair value of the debt component, was attributed to the fair value of the derivative component. As a result of the Board's decision to revoke UCBs rights related to the cash settlement option, the derivative component was reclassified to equity based on its fair value at the date of revocation (refer to note 3.26.2.).

At 31 December 2011, the debt component is measured based on its amortised cost, using an effective interest rate of 7.670% per annum. In accordance with IAS39, the remaining transaction costs included in the calculation of the effective interest rate will be amortised over the expected life of the instrument (i.e. 6 years). The bonds have been listed on the Luxembourg Stock Exchange.

The fair value of the debt component of the convertible bond at 31 December 2011 amounted to € 509 million (2010: € 496 million). The fair value is determined by a third party financial institution.

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

€ million	2011	2010
Balance at 1 January	**432**	**421**
Effective interest expense (Note 3.15)	33	33
Nominal interest accrued for/not yet due	-4	-4
Nominal interest accrual of previous period, paid in current period	4	4
Interest paid	-23	-23
Unamortised transaction costs upon initial recognition	0	0
Amortisation charge for the period	1	1
Balance at 31 December	**444**	**432**

3.29.2. Retail bond

During October 2009, UCB completed a public offering of € 750 million fixed rate bonds, due in 2014 and aimed at retail investors. These retail bonds will be redeemed at 100% of their principal amount and carry a coupon of 5.75% per annum while their effective interest rate is 5.75% per annum. The bonds have been listed on the Luxembourg Stock Exchange.

The carrying amount of the retail bond at 31 December 2011 amounted to € 773 million (2010: € 756 million). The Group designates derivative financial instruments under fair value hedges to the Retail Bond. The increase in the carrying amount of the Retail Bond is fully attributable to the change in the fair value of the hedged portion of the Retail Bond, and is almost fully offset by a change in fair value of the corresponding derivative financial instrument.

3.29.3. Institutional Eurobond

In December 2009, UCB completed an offering of € 500 million senior unsecured bonds, due in 2016 and aimed at institutional investors. The bonds were issued at 99.635% and will be redeemed at 100% of their principal amount. These bonds carry a coupon of 5.75% per annum while their effective interest rate is 5.8150% per annum. The bonds have been listed on the Luxembourg Stock Exchange.

The carrying amount of the institutional eurobond at 31 December 2011 amounted to € 513 million (2010: € 495 million). The Group designates derivative financial instruments under fair value hedges to the institutional eurobond. The increase in the carrying amount of the institutional eurobond is fully attributable to the change in the fair value of the hedged portion of the institutional eurobond, and is almost fully offset by a change in fair value of the corresponding derivative financial instrument.

3.30. Other financial liabilities

	CARRYING AMOUNT		FAIR VALUE	
€ million	2011	2010	2011	2010
Non-current				
Derivative financial instruments (Note 3.37)	60	43	60	43
Total non-current other financial liabilities	**60**	**43**	**60**	**43**
Current				
Derivative financial instruments (Note 3.37)	89	70	89	70
Other financial liabilities	27	10	27	10
Total current other financial liabilities	**116**	**80**	**116**	**80**
Total other financial liabilities	**176**	**123**	**176**	**123**

3.31. Deferred tax assets and liabilities

3.31.1. Recognised deferred tax assets and liabilities

€ million	2011	2010
Intangible assets	-239	-320
Property, plant and equipment	-6	-5
Inventories	58	68
Trade and other receivables	76	65
Employee benefits	8	12
Provisions	20	19
Other short-term liabilities	9	-9
Tax losses	207	2
Unused tax credits	90	69
Total net deferred tax assets/liabilities(-)	**223**	**-99**

3.31.2. Unused tax losses

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

€ million	2011	2010
Expiry date:		
1 year or less	0	0
1-2 years	1	0
2-3 years	4	10
3-4 years	1	1
More than 4 years	14	14
Without expiration	2 043	3 016
Unutilised tax losses	**2 063**	**3 041**

3.31.3. Temporary differences for which no deferred tax liability is recognised

No deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries. The unrecognised deferred tax liabilities amount to approximately € 5 million (2010: € 9 million).

3.31.4. Temporary differences for which no deferred tax asset is recognised

Deferred tax assets amounting to € 262 million (2010: € 176 million) in respect of unutilized tax credits and intangible assets have not been recognized in view of the uncertain character of the recovery.

3.31.5. Deferred tax was directly recognised in equity

€ million	2011	2010
Changes in accounting policy	0	0
Effective portion of changes in fair value of cash flow hedges	0	0
Deferred tax liability on convertible bond	0	-25
Deferred tax directly recognised in equity	**0**	**-25**

3.32. Employee benefits

Most employees are covered by retirement benefit plans sponsored by Group companies. The nature of such plans varies according to legal regulations, fiscal requirements and economic conditions of the countries in which the employees are employed. The Group operates both defined contribution plans and defined benefit plans.

3.32.1. Defined contribution plans

Post-employment benefit plans are classified as 'defined contribution' plans if the Group pays fixed contributions into a separate fund or to a third party financial institution and has 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.

3.32.2. Defined benefit plans

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

These plans are either unfunded or funded via outside pension funds or insurance companies. For (partially) funded plans, the assets of the plans are held separately in funds under the control of the trustees. Where a plan is unfunded, notably for the major defined benefit plans in Germany, a liability for the obligation is recorded in the Group balance sheet. For funded plans, the Group is liable for the deficits between the fair value of the plan assets and the present value of the benefit obligations. Accordingly, a liability (or an asset when the plan is over-funded) is recorded in the Group 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	2011	2010
Present value of funded obligations	650	592
Fair value of plan assets	-472	-443
Deficit /surplus(-) for funded plans	178	149
Present value of unfunded obligations	23	25
Unrecognised actuarial gains/losses(-)	-133	-94
Adjustment in respect of minimum funding requirements	0	0
Effect of the Asset ceiling limit under IAS19, paragraph 58(b)	1	0
Net liability in respect of defined benefit plans	**69**	**80**
Add: Liability with respect to cash settled share based payments (Note 3.27)	17	11
Total employee benefit liabilities	**86**	**91**
Of which:		
Portion recognised in non-current liabilities	111	105
Portion recognised in non-current assets	-25	-18
Portion recognised in liabilities held for sale (note 3.6.1)	0	4

UCB total non-current employee benefit liabilities amount to € 111 million (2010: € 105 million) of which € 17 million (2010: € 11 million) is related to the Group liability for cash settled share-based payments (Note 3.27).

The movement in defined benefit obligation over the year is as follows:

€ million	2011	2010
At 1 January	**616**	**565**
Current service cost	22	23
Interest cost	29	30
Contribution by plan participants	3	2
Amendments	0	0
Actuarial gains and losses	41	18
Exchange difference	12	18
Benefits paid	-31	-31
Premiums, taxes, expenses paid	-3	-5
Liabilities acquired in a business combination / divestitures / transfers	-5	0
Curtailments and settlements	-11	-4
At 31 December	**673**	**616**

The movement in the fair value of plan assets of the year is as follows:

€ million	2011	2010
At 1 January	**443**	**404**
Expected return on plan assets	24	25
Actuarial gains/losses(-) on plan assets	-1	-8
Exchange difference	10	15
Employer contribution	30	32
Employee contribution	3	2
Benefits paid	-22	-22
Premiums, taxes, expenses paid	-3	-5
Plan settlements	-9	-4
Assets acquired in a business combination / divestitures / transfers	-3	4
At 31 December	**472**	**443**

The fair value of plan assets amounts to € 472 million (2010: € 443 million), representing 70% (2010: 72%) of the benefits accrued to members for both funded and unfunded plans. The total deficit of € 201 million (2010: € 173 million) is expected to be eliminated over the estimated remaining average service period of the current membership.

The expenses recognised in the consolidated income statement are as follows:

€ million	2011	2010
Current service cost	22	23
Interest cost	29	30
Expected return on plan assets and reimbursement assets	-25	-26
Actuarial gain(-)/loss recognised	0	0
Amortisation of past service cost[1]	0	0
Amortisation of net gain(-)/loss1[1]	2	10
Adjustment in respect of minimum funding requirements	0	0
Effect of the asset ceiling limit under IAS19, paragraph 58(b)	0	0
Curtailment gain(-)/loss recognised	0	0
Settlement gain(-)/loss recognised	2	1
Total expense recognised in income statement	**30**	**38**

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

€ million	2011	2010
Cost of sales	-6	-8
Marketing and selling expenses	-5	-4
Research and development expenses	-11	-12
General and administrative expenses	-8	-14
Total	**-30**	**-38**

The actual return on plan assets is € 23 million (2010: € 17 million) and the actual return on reimbursement rights is € 1 million (2010: € 1 million).

The principal weighted average actuarial assumptions used were as follows:

	2011	2010
Discount rate	4.38%	4.91%
Expected rate of salary increases	3.76%	3.97%
Inflation rate	2.49%	2.75%
Expected long-term rate of return on plan assets	5.52%	5.88%
Assumed health-care trend rate:		
- immediate trend rate	8.10%	8.40%
- ultimate trend rate	4.50%	4.50%
- year that the rate reaches ultimate trend rate	2028	2028

Plan assets comprise the following:

	2011		2010	
	PERCENTAGE OF PLAN ASSETS	EXPECTED RETURN ON PLAN ASSETS	PERCENTAGE OF PLAN ASSETS	EXPECTED RETURN ON PLAN ASSETS
Equity securities	19.71%	6.78%	24.80%	7.38%
Debt securities	27.55%	4.38%	27.03%	4.91%
Real estate	0.97%	4.94%	0.75%	5.16%
Other	51.77%	4.69%	47.42%	4.98%

A one percentage point increase or decrease in the assumed health-care trend (i.e. medical inflation) rate would have the following effect:

€ million	1% INCREASE	1% DECREASE
Effect on the total service cost and interest cost	9	-7
Effect on the defined benefit obligation	29	-28

Amounts for the current and previous five periods (since transition to IFRS) are as follows:

€ million	2011	2010	2009	2008	2007	2006
At 31 December						
Present value of the defined benefit obligation	673	616	565	471	529	590
Fair value of plan assets	472	443	404	351	462	472
Surplus/Deficit(-) in the plan before adjustments	-201	-173	-161	-120	-67	-118
Experience adjustments arising on plan liabilities	5	1	3	9	6	3
Experience adjustments arising on plan assets	1	8	-14	80	3	-9

The pension expense for 2012 toward defined benefit plans is expected to be € 35 million (2011: € 32 million).

3.33. Provisions

The movements in provisions have been disclosed below:

€ million	ENVIRONMENT	RESTRUCTURING	TAX	OTHER	TOTAL
At 1 January 2011	**59**	**47**	**133**	**71**	**310**
Arising during the year	1	9	283	8	301
Unused amounts reversed	-13	-3	-27	-15	-58
Transfer from one heading to another	0	0	25	0	25
Effect of movements in exchange rates	0	0	0	1	1
Utilised during the year	0	-18	-1	-17	-36
At 31 December 2011	**47**	**35**	**413**	**48**	**543**
Non-current portion	25	18	410	19	472
Current portion	22	17	3	29	71
Total provisions	**47**	**35**	**413**	**48**	**543**

3.33.1. Environmental provisions

UCB has in the past retained certain environmental liabilities which were associated to the acquisition of Schwarz Pharma and the divestiture of Surface Specialties. The latter relates to the divested sites on which UCB has retained full responsibility in accordance with the contractual terms agreed upon with Cytec Industries Inc. In 2011 a part of the provisions related to the Surface Specialties business was reversed. The provisions have been discounted at a rate of 3.22% (2010: 3.62%).

3.33.2. Restructuring provisions

In 2011 the restructuring provision was utilised in view of the SHAPE programme (announced in August 2008), the PCP business in Japan and Turkey and other severance costs. On the other hand the main increase in the provision includes other severance costs.

3.33.3. Tax provisions

Provisions for tax risks are recorded if UCB considers that tax authorities might challenge a tax position taken by the Group or a subsidiary.

3.33.3. Other provisions

Other provisions relate mainly to litigations and product liabilities:

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.

3.34. Trade and other liabilities

3.34.1. Non-current trade and other liabilities

€ million	2011	2010
GSK / Sumitomo (Japan)	10	14
GSK Japan (Switzerland)	18	19
Other payables	80	94
Total non-current trade and other liabilities	108	127

3.34.2. Current trade and other liabilities

€ million	2011	2010
Trade payables	285	283
Taxes payable, other than income tax	36	36
Payroll and social security liabilities	153	124
Other payables	85	71
Deferred income linked to collaboration agreements	42	56
Other deferred income	16	24
Royalties payable	36	43
Dividend to shareholders of perpetual subordinated bond	18	0
Rebates/discount payable	340	271
Accrued interest	27	35
Other accrued expenses	256	229
Total current trade and other liabilities	1 294	1 172

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.

3.35. Note to the consolidated statement of cash flows

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

UCB uses the indirect method for the operating cash flows. The net profit and loss is adjusted for:

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

€ million	Note	2011	2010
Adjustment for non-cash transactions		**208**	**381**
Depreciation and amortization	3.9, 3.18, 3.20	246	255
Impairment/reversal(-) charges	3.9, 3.12	39	223
Equity settled share based payment expense	3.27	6	15
Adjustment IAS39	3.15	33	9
Unrealized exchange gain(-) / losses		-56	-48
Change in provisions & employee benefits		-51	-87
Change in inventories and bad debt provisions		-9	14
Adjustment for items to disclose separately under operating cash flow		**8**	**-86**
Tax charge of the period	3.16	8	-86
Adjustment for items to disclose under investing and financing cash flows		**129**	**105**
Gain(-) / loss on disposal of fixed assets		0	-63
Dividend income(-) / expenses	3.15	0	0
Interest income(-) / charge		129	168
Change in working capital			
Inventories movement per consolidated BS		-103	-29
Trade and other receivables and other assets movement per consolidated BS		-142	127
Trade and other payables movement per consolidated BS		124	145
As it appears in the consolidated balance sheet and corrected by:		**-121**	**243**
Non-cash items[1]		2	12
Change in inventories and bad debt provisions disclosed separately under operating cash flow		9	-14
Change in interest receivable / payable disclosed separately under operating cash flow		5	4
Change in dividend receivable disclosed separately under investing cash flow		0	0
Change in dividend payable disclosed separately under financing cash flow		0	0
Change in payable balance disclosed under cash flow from discontinued operations		0	0
Currency translation adjustments		-5	22
As it appears in the consolidated cash flow statement		**-110**	**267**

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

3.36. Financial instruments by category

€ million 31 December 2011 Assets as per balance sheet	Note	LOANS AND RECEIVABLES	ASSETS AT FAIR VALUE THROUGH THE PROFIT AND LOSS	DERIVATIVES USED FOR HEDGING	AVAILABLE FOR SALE	TOTAL
Financial assets and other assets (excl. Derivative financial instruments)	3.22	84	0	0	33	117
Derivative financial assets	3.37	0	95	6	0	101
Trade and other receivables – including prepaid expenses	3.24	851	0	0	0	851
Cash and cash equivalents	3.25	267	0	0	0	267
Total		**1 202**	**95**	**6**	**33**	**1 336**

€ million 31 December 2011 Liabilities as per balance sheet	Note	LIABILITIES AT FAIR VALUE THROUGH THE PROFIT AND LOSS	DERIVATIVES USED FOR HEDGING	OTHER FINANCIAL LIABILITIES AT AMORTISED COST	TOTAL
Borrowings	3.28	0	0	87	87
Bonds	3.29	0	0	1 730	1 730
Derivative financial liabilities	3.37	130	19	0	149
Trade and other liabilities	3.34	0	0	1 402	1 402
Other financial liabilities (excl. Derivatives financial instruments)	3.30	0	0	27	27
Total		**130**	**19**	**3 246**	**3 395**

€ million 31 December 2010 Assets as per balance sheet	Note	LOANS AND RECEIVABLES	ASSETS AT FAIR VALUE THROUGH THE PROFIT AND LOSS	DERIVATIVES USED FOR HEDGING	AVAILABLE FOR SALE	TOTAL
Financial assets and other assets (excl. Derivative financial instruments)	3.22	90	0	0	18	108
Derivative financial assets	3.37	0	67	9	0	76
Trade and other receivables – including prepaid expenses	3.24	705	0	0	0	705
Cash and cash equivalents	3.25	494	0	0	0	494
Total		**1 289**	**67**	**9**	**18**	**1 383**

€ million 31 December 2010 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	3.28	0	0	340	340
Bonds	3.29	0	0	1 683	1 683
Derivative financial liabilities	3.37	104	9	0	113
Trade and other liabilities	3.34	0	0	1 299	1 299
Other financial liabilities (excl. Derivatives financial instruments)	3.30	0	0	10	10
Total		**104**	**9**	**3 332**	**3 445**

3.37. Derivative financial instruments

€ million	ASSETS		LIABILITIES	
	2011	2010	2011	2010
Forward foreign exchange contracts – cash flow hedges	6	9	19	9
Forward foreign exchange contracts – fair value through profit and loss	32	54	99	60
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	63	13	31	44
Derivative linked to convertible bond (Note 3.29)	0	0	0	0
Total	**101**	**76**	**149**	**113**
Of which:				
Non-current - (Notes 22 and 30)	63	17	60	43
Current - (Notes 22 and 30)	38	59	89	70

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

The cash flow hedges entered into by the Group were assessed to be highly effective and as at 31 December 2011, a net unrealised loss of € 12 million (2010: net unrealised gain of € 7 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 (2010: € 0 million).

3.37.1. Foreign currency derivatives

The Group policy with respect to the use of financial derivative contracts is described in Note 3.4 'financial risk management'.

The Group entered into several forward foreign exchange contracts in order to hedge a portion of highly probable future sales and royalty income, expected to occur in 2012.

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

€ million	ASSETS		LIABILITIES	
	2011	2010	2011	2010
USD	3	11	72	39
GBP	1	7	31	2
EUR	31	44	0	1
PLN	1	0	0	1
MXN	0	0	0	0
JPY	0	0	10	2
CHF	0	1	0	22
Other currencies	2	0	5	2
Total foreign currency derivatives	**38**	**63**	**118**	**69**

The foreign currency derivatives maturity analysis is noted below:

€ million	2011	2010
1 year or less	-44	-10
1-5 years	-36	4
Beyond 5 years	0	0
Total foreign currency derivatives – net asset/net liability(-)	**-80**	**-6**

The following table shows the split of foreign currency derivatives by currency of denomination (currencies sold view) as at 31 December 2011:

Notional amounts in € million	USD	GBP	EUR	JPY	CHF	OTHER CURRENCIES	TOTAL
Forward contracts	342	21	191	83	0	138	775
Currency swaps	1 156	1 000	530	39	37	88	2 850
Option / collar	428	0	258	0	0	0	686
Total	**1 926**	**1 021**	**979**	**122**	**37**	**226**	**4 311**

3.37.2. Interest rate derivatives

The Group uses various interest rate derivative contracts to manage its exposure to interest rate movements on its borrowings. The re-pricing dates and amortisation characteristics are aligned with those of the fixed rate bonds. The outstanding interest rate derivative contracts are as follows:

CONTRACT TYPE	NOMINAL VALUES OF CONTRACTS (MILLION)	AVERAGE RATE (- IS PAYER / + IS RECEIVER)	PLUS MARGIN OF POINTS (- IS PAYER / + IS RECEIVER)	FOR PERIODS FROM/TO		FLOATING INTEREST RECEIPTS
IRS	EUR 900	-3.22%		31/1/2005	31/1/2012	EURIBOR 6 months
CAP	EUR 50	4.50%		15/2/2007	15/2/2012	EURIBOR 6 months
IRS	USD 400	-3.91%		25/8/2008	25/8/2012	USD LIBOR 6 Months
IRS	USD 150	-4.04%		22/1/2010	22/1/2012	USD LIBOR 6 Months
IRS	USD 150	-3.69%		22/1/2010	22/1/2013	USD LIBOR 3 Months
IRS	USD 100	-3.92%		24/1/2011	22/1/2013	USD LIBOR 3 Months
IRS	USD 50	-3.21%		23/1/2012	22/1/2014	USD LIBOR 3 Months
IRS	EUR 150	-3.59%		23/1/2012	22/1/2014	EURIBOR 6 Months
IRS	EUR 600	1.70%		29/1/2010	31/1/2012	-EURIBOR 6 Months
IRS	EUR 680	2.47%		27/11/2009	27/11/2014	-EURIBOR 3 Months
IRS	EUR 150	3.09%		23/1/2012	22/1/2014	-EURIBOR 6 Months
IRS	USD 150	-3.30%		22/1/2013	22/1/2014	USD LIBOR 3 Months
CCIRS	EUR 951	-USD LIBOR 3 Months	-0.22%	27/11/2009	27/11/2014	EURIBOR 3 Months
IRS	EUR 80	2.92%		10/12/2009	10/12/2016	-EURIBOR 3 Months
IRS	EUR 85	2.63%		10/12/2010	10/12/2016	-EURIBOR 3 Months
CCIRS	USD 455	+USD LIBOR 3 Months	0.29%	29/11/2010	27/11/2014	-EURIBOR 3 Months
Swaption (written)	USD 400	0.50%		25/2/2012	25/8/2012	-USD LIBOR 6 Month
IRS	USD 250	-0.76%		28/11/2011	27/11/2014	USD LIBOR 3 Months
IRS	USD 150	2.15%		22/1/2013	22/1/2014	-USD LIBOR 3 Months
IRS	USD 50	1.61%		23/1/2012	22/1/2014	-USD LIBOR 3 Months
IRS	USD 100	0.75%		24/1/2011	22/1/2013	-USD LIBOR 3 Months
IRS	USD 150	0.60%		22/7/2011	22/1/2012	-USD LIBOR 6 Months
IRS	USD 150	0.76%		24/1/2011	22/1/2013	-USD LIBOR 3 Months

3.37.3. Hedge of net investment in a foreign entity

In 2006, the Company entered into a loan agreement which was partly designated as a hedge of the net investment in the Group's U.S. operations. Following an internal corporate restructuring, this net investment hedge relationship was terminated in December 2007.

The unrealised cumulative foreign exchange gain of € 55 million has been reported in a separate component of equity, under 'Net Investment Hedge' in 2007. This unrealised gain will remain in equity and will only be recycled to profit or loss when the Group no longer holds the underlying USD assets.

3.37.4. Derivative linked to convertible bond

As a result of the decision of UCB to revoke the cash settlement option linked to the convertible bond in 2010, the fair value of the derivative component linked to the convertible bond has been reclassified to equity (€ 67 million before tax or € 48 million net of tax) (refer to note 3.2.26).

3.38. Earnings per share

3.38.1. Basic earnings per share

€	2011	2010
From continuing operations	1.24	0.58
From discontinued operations	0.08	-0.01
Basic earnings per share	**1.32**	**0.57**

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.

3.38.2. Diluted earnings per share

€	2011	2010
From continuing operations	1.20	0.57
From discontinued operations	0.07	-0.01
Diluted earning per share	**1.27**	**0.56**

Diluted earnings per share are calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Potential dilutive effects arise from the convertible debt instruments and the employee stock option plans. If the outstanding instruments were to be converted than this would lead to a reduction in interest expense and the reversal of the mark to market adjustment of the related derivative financial liability. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares).

3.38.3. Earnings

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

Basic

€ million	2011	2010
Profit/loss(-) from continuing operations attributable to shareholders of UCB SA	221	104
Profit/loss(-) from discontinued operations	14	-1
Profit attributable to shareholders of UCB SA	**235**	**103**

Diluted

€ million	2011	2010
Profit/loss(-) from continuing operations attributable to shareholders of UCB SA	221	104
Adjusted for:		
- interest expense on convertible debt (net of tax)	15	0
Profit/loss(-) from continuing operations used to determine diluted EPS	236	104
Profit/loss(-) from discontinued operations	14	-1
Adjusted profit attributable to shareholders of UCB SA	**250**	**103**

3.38.4. Number of shares

In thousands of shares	2011	2010
Weighted average number of ordinary shares for basic earnings per share	178 486	180 150
Adjusted for:		
- share options	5 248	4 053
- assumed conversion of convertible debt	12 905	0
Weighted average number of ordinary shares for diluted earnings per share	**196 639**	**184 203**

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 3.40). The UCB shares that might result from the exercise of these warrants will be issued with reference to the market price over a period prior to the issue.

Therefore, those contingently issuable shares have no dilutive effect as at 31 December 2011 and 31 December 2010 and have not been taken into account in the calculation of diluted earnings per share.

The shares related to the convertible debt have no dilutive impact as at 31 December 2011.

3.39. Dividend per share

The gross dividends paid in 2011 and 2010 were € 180 million (€ 0.98 per share) and € 176 million (€ 0.96 per share) respectively.

A dividend in respect of the year ended 31 December 2011 of € 1.00 per share, amounting to a total dividend of € 181 million, is to be proposed at the annual general meeting of the shareholders on 26 April 2012.

In accordance with IAS 10, Events after the reporting period, the proposed dividend has not been recognised as a liability at year-end.

3.40. Commitments and contingencies

3.40.1. Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

€ million	2011	2010
Less than one year	38	38
Between one and five years	99	86
More than five years	37	42
Total	174	166

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 2011, € 47 million (2010: € 52 million) was recognised as an expense in the income statement in respect of operating leases.

3.40.2. Capital commitments

At 31 December 2011, the Group has committed to spend € 127 million (2010: € 107 million) mainly with respect to capital expenditure on the construction of a biological pilot plant in Braine, Belgium and a biological plant in Bulle, Switzerland. Construction of the pilot plant in Belgium began in May 2009 and expected to be completed in mid-2013. This pilot plant is being financed partially by government assistance, as well as loans. In December 2010, UCB initiated a project to build an in-house biotech manufacturing capacity in Bulle, Switzerland in order to meet the rising future demand for Cimzia®. The new manufacturing plant should be operational in 2015 and requires an investment of € 250 million.

UCB has entered into long-term development agreements with various pharmaceutical, clinical trial operators and private equity companies. Such collaboration agreements include milestone payments which are dependent on successful clinical development or on meeting specified sales targets. The table below sets out the maximum that would be paid if all milestones, however unlikely, are achieved but excludes variable royalty payments based on unit sales.

€ million	2011	2010
Less than one year	42	34
Between one and five years	350	423
More than five years	595	624
Total	987	1 081

The amounts are not risk-adjusted or discounted and the timing of the payments is based on the Group's current best estimate of achievement of the relevant milestones.

3.40.3. Guarantees

Guarantees arising in the normal course of business are not expected to result in any material financial loss.

3.40.4. Contingent liabilities

The Group continues to be actively involved in litigations, claims and investigations. The ongoing matters could result in liabilities, civil and criminal penalties, loss of product exclusivity and other costs, fines and expenses associated with findings adverse to UCB's interests.

Amongst the matters UCB is involved in, are the Reglan® product liability cases and a Civil Investigation Demand (CID) initiated by the U.S. Attorneys Office for the Eastern District and Pennsylvania. Reglan® was acquired by UCB as part of the Schwarz acquisition. Presently, there are more than 7 000 cases in which the company is named as a defendant. A few of the Reglan® cases are tentatively scheduled for trial in the course of 2012. As with all litigations the outcome cannot be predicted with any certainty, but the company has viable defense that are being asserted in each of these cases. UCB also received the above referred CID relating certain Cimzia® programs and is working with the authorities to provide the requested information.

Furthermore, the Group entered into various agreements in order to conduct its activities which provide for potential contingent liabilities such as the financial arrangements with the Walloon Region amounting to € 41 million (2010: € 41 million) and the manufacturing capacity arrangements with Sandoz amounting to € 4 million (2010: € 4 million).

It is not anticipated that any other material liabilities will arise from the contingent liabilities other than those provided for in Note 3.33 (2010: no material liabilities).

3.40.5. Contingent assets

On 26 April 2005 UCB and Lonza AG entered into a strategic bio-manufacturing alliance. UCB and Lonza signed a longterm supply agreement, whereby Lonza will manufacture PEGylated antibody fragment-based bulk actives for UCB.

Lonza has built a commercial scale biopharmaceutical manufacturing facility which is co-financed by UCB. The facility has been approved by the Food and Drug Administration (FDA) in 2010 and UCB is currently applying for approval from the EMEA (European Medicines Agency), which is expected in the second half of 2012.

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.

3.41. Related party transactions

3.41.1. Intra-group sales and services

During the financial years ended 31 December 2011 and 2010, 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.

3.41.2. Financial transactions with related parties other than UCB S.A. affiliates

There are no financial transactions with other related parties other than affiliates of UCB S.A.

3.41.3. Defensive warrants

On 24 April 2008, the General Meeting of Shareholders resolved to issue a stock loan represented by 30 000 loan stock units with a nominal value of € 20 each, each having 1 000 defensive warrants attached to it (the 'defensive warrants').

Each defensive warrant confers the right to its holders to subscribe to one share newly issued by UCB S.A. The loan was subscribed for by Financière de Tubize. The holders of the defensive warrants have entered into an agreement with UCB S.A. to comply with the terms and conditions relating to the issue and exercise of the defensive warrants.

At the mentioned General Meeting of Shareholders it was also resolved to create an ad hoc committee to decide, in pre-defined circumstances, about the implementation of this defensive measure and the transfer of the défensive 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.

3.41.4. Key management compensation

Key management compensation as disclosed below comprises compensation recognised in the income statement for members of the Board of Directors and the Executive Committee, for the portion of the year where they exercised their mandate.

€ million	2011	2010
Short-term employee benefits	10	8
Termination benefits	0	0
Post-employment benefits	3	3
Share-based payments	3	4
Total key management compensation	**16**	**15**

Short-term employee benefits include salaries (including social security contributions), bonuses earned during the year, car leasing and other allowances where applicable. Share-based compensation includes the amortisation over the vesting period of the fair value of equity instruments granted, and comprises share options, share awards and performance shares as further explained in Note 3.27. 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.

3.41.5. Shareholders and shareholders structure

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

Financière de Tubize has made a transparency notification of its holding in UCB on 1 September 2008 and in subsequent notifications, in compliance with the Law of 2 May 2007 on the publication of significant shareholdings in listed companies. According to article 3§1, 13° of the Law of 2 May 2007, Financière de Tubize acts in concert with Schwarz Vermögensverwaltung GmbH. Until 23 August 2011, such concert also existed with KBC Bank NV (see notification of 9 September 2011). The concert which existed with Degroof Corporate Finance S.A., Imofig S.A., Levimmo S.A., Pharmahold S.A., Cosylva S.A. and Compar Finance S.A. expired 28 February 2012.

Their holdings are listed under Nos 1-5 in the table hereunder. The shares that are covered by this agreement, including the shares held by Financière de Tubize S.A. represent 40.76% of the share capital of UCB.

52.74% of Financière de Tubize is held by the Janssen family.

Pharmahold S.A. made on 29 February 2012 a transparency notification of its holding in UCB S.A. in compliance with Article 3§1, 13° of the Law of 2 May 2007, pursuant to which it acts in concert with Cosylva S.A. and Compar Finance S.A. Their holdings are listed under Nos 7 and 8 hereunder. The shares that are covered by this agreement represent 4.40%.

The remainder of UCB shares is held by the public.

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

UCB controlling and major shareholdings on 29 February 2012

		CURRENT	VOTING	DATE (ACCORDING TO THE NOTIFICATION IN COMPLIANCE WITH THE LAW OF 2 MAY 2007)
	Capital €	**550 095 156**		
	Shares	**183 365 052**		
1	Financière de Tubize S.A. (Tubize)	66 370 000	36.20%	5 October 2011
2	UCB SA	2 767 297	1.51%	27 February 2012
	options [1]	4 800 000	2.62%	
3	UCB Fipar S.A.	3 136 150	1.71%	31 January 2012
4	UCB SCA	1	0.00%	5 October 2011
5	Schwarz Vermögensverwaltung GmbH	2 471 404	1.35%	5 October 2011
	Tubize + linked companies + concert 5 (excluding options)	**74 744 852**	**40.76%**	**29 February 2012**
6	Banque Degroof S.A.			
	through Degroof Corporate Finance S.A.	450 000		5 October 2011
	through Imofig S.A.	219 230		5 October 2011
	Levimmo S.A.	1 230 770		5 October 2011
		1 900 000	1.04%	
7	Compar Invest S.A.	0		29 February 2012
	through Compar Finance S.A.	2 065 830		29 February 2012
		2 065 830	1.13%	
8	Pharmahold S.A.	3 000 000		29 February 2012
	through Cosylva S.A.	3 000 000		29 February 2012
		6 000 000	3.27%	
	Pharmahold + linked companies + concert 7	**8 065 830**	**4.40%**	**29 February 2012**
9	Capital Research and Management Company (voting interests) [2]	21 717 895	11.84%	30 October 2008

[1] If all options were exercised this would represent an additional voting right of 2.62%.

[2] Including the UCB shares held by Euro Pacific Growth Fund which exceed 3% of UCB share capital

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

Pharmahold has declared acting in concert with Cosylva S.A. and Compar Finance S.A.

3.42. Events after the balance sheet date

Cimzia® in Japan: UCB signs up new partner

Astellas Pharma Inc. ("Astellas") and UCB entered into an agreement on 31st January 2012 to jointly develop and commercialize certolizumab pegol (Cimzia®) for rheumatoid arthritis (RA) in Japan.

Under this agreement, UCB will manufacture and supply the product for commercialization. Astellas will manage the distribution exclusively (Astellas books the sales), and both Astellas and UCB will jointly develop and commercialise certolizumab pegol in Japan.

Under the terms of the agreement, UCB will receive an initial cash payment and UCB is also eligible to receive clinical and regulatory milestones as well as commercial milestones.

UCB strengthens strategic alliance with WILEX

In January 2012 UCB has exercised its subscription and oversubscription rights on the issuance of new shares in WILEX AG, Munich, Germany, a company specialising in the development of drugs and diagnostic agents for cancer.

UCB has acquired additional 576 484 shares in WILEX which increases its total holding to 15.71%.

U.S. shareholder, Wellington Management, decreases its UCB shareholding

Wellington Management Company LLP, U.S. sold a number of shares with voting rights on January 23, 2012 crossing down the threshold of 3% of UCB's capital, the lowest statutory threshold for notification (5 505 950 shares on a total of 183 365 052 or 3%).

UCB and Nodality enter into a multi-year strategic collaboration

Nodality and UCB entered into a strategic collaboration agreement to utilize the Nodality's proprietary Single Cell Network Profiling (SCNP) technology to assist the development of several UCB compounds in the field of immunology. The terms of the agreement include an upfront payment, R&D funding, success-based milestones, and royalties on future diagnostic sales.

3.43. UCB companies

3.43.1. List of fully consolidated companies

Name and office	Holding	Parent
Australia		
UCB Australia Pty. Ltd. – Level 1, 1155 Malvern Road – 3144 Malvern, Victoria	100%	Viking Trading Co. Ltd
Austria		
UCB Pharma Gesellschaft m.b.H. – Geiselbergstrasse 17-19, 1110 Wien	100%	UCB Finance N.V.
Belgium		
UCB Fipar S.A. – Allée de la Recherche 60 – 1070 Brussels (BE0403.198.811)	100%	UCB Belgium S.A.
Fin UCB S.A. – Allée de la Recherche 60 – 1070 Brussels (BE0426.831.078)	100%	UCB Pharma S.A.
UCB Belgium S.A. – Allée de la Recherche 60 – 1070 Brussels (BE0402.040.254)	100%	UCB Pharma S.A.
UCB Pharma S.A. – Allée de la Recherche 60 – 1070 Brussels (BE0403.096.168)	100%	UCB S.A.
Sifar S.A. – Allée de la Recherche 60 – 1070 Brussels (BE0453.612.580)	100%	UCB Finance N.V.
Immo UCB Braine S.A. in liquidation– Allée de la Recherche 60 – 1070 Brussels (BE0820.150.341)	100%	UCB Pharma S.A.
Brazil		
UCB Farma Brasil Ltda – Rue Sete de Setembro 67, Sala 301, 20050-005 Rio de Janerio	100%	UCB S.A.
Bulgaria		
UCB Bulgaria EOOD – 15, Lyubata Str., Fl. 4 apt. 10-11, Lozenetz, Sofia 1407	100%	UCB S.A.

Name and office	Holding	Parent
Canada		
UCB Canada Inc. – 2060 Winston Park Drive, Suite 401 – ON L6H5R7 Oakville	100%	UCB Holdings Inc.
China		
UCB Trading (Shanghai) Co Ltd – Room 317, No. 439 Fu Te Xi Yi Road, Shanghai (Waigaoqiao Free Trade Zone)	100%	UCB S.A.
UCB Pharma (Hong Kong) Ltd – Unit 514, 5/F South Tower, World Finance Center The Gateway, Harbour City – Hong Kong	100%	UCB Pharma GmbH
Zhuhai Schwarz Pharma Company Ltd – Block A. Changsa Industrial zone. Qianshan District – 519070 Zhuhai Guangdong Province	75%	UCB Pharma GmbH
Czech Republic		
UCB S.R.O. – Thámova 13 – 186 00 Praha	100%	UCB S.A.
Denmark		
UCB Nordic AS – Arne Jacobsen Alle 15 – 2300 Copenhagen	100%	Celltech Pharma Europe Ltd
Finland		
UCB Pharma Oy (Finland) – Itsehallintokuja 6 – 02600 Espoo	100%	UCB Finance N.V.
France		
UCB Pharma S.A. – 420 rue d'Etienne d'Orves – 92700 Colombes	100%	UCB S.A.
Germany		
UCB Pharma GmbH – Alfred Nobel Strasse, 10 – 40789 Monheim am Rhein	100%	UCB GmbH
UCB GmbH – Alfred Nobel Strasse, 10 – 40789 Monheim am Rhein	100%	UCB Finance N.V.
UCB BioSciences GmbH – Alfred-Nobel-Strasse 10 – 40789 Monheim am Rhein	100%	UCB Pharma GmbH
Sanol GmbH – Alfred-Nobel-Strasse 10 – 40789 Monheim am Rhein	100%	UCB Pharma GmbH
Greece		
UCB A.E. – 63 Agiou Dimitriou Street – 17456 Alimos – Athens	100%	UCB S.A.
Hungary		
UCB Hungary Ltd – Obuda Gate Building Arpád Fejedelem ùtja 26-28, 1023 Budapest	100%	UCB S.A.
India		
UCB India Private Ltd – 504 Peninsula Towers, Peninsula Corporate Park, Ganpatrao Kadam Marg, Lower Parel – 400 013 Mumbai	100%	UCB S.A.
Uni-Mediflex Private Ltd – 504 Peninsula Towers, Peninsula Corporate Park, Ganpatrao Kadam Marg, Lower Parel – 400 013 Mumbai	100%	UCB S.A
Ireland		
UCB (Pharma) Ireland Ltd – United Drug House Magna Drive, Magna Business Park, City West Road – Dublin 24	100%	UCB S.A.
Celltech Pharma Ireland – United Drug House Magna Drive, Magna Business Park, City West Road – Dublin 24	100%	Celltech Group Ltd

Name and office	Holding	Parent
UCB Manufacturing Ireland Ltd – Shannon Industrial Estate – Shannon County Clare	100%	UCB Pharma GmbH
Kudco Ireland Ltd – Shannon Industrial Estate – Shannon County Clare	100%	Kremers Urban Pharmaceuticals Inc
Italy		
UCB Pharma SpA – Via Gadames 57 – 20151 Milano	100%	Viking Trading Co. Ltd
Japan		
UCB Japan Co Ltd – Ochanomizu Kyoun Bldg 2-2, Kanda-Surugadai – 101-0062 Chiyoda-Ku, Tokyo	100%	UCB S.A.
Luxembourg		
Société Financière UCB S.A. – Rue Eugène Ruppert, 12 – 2453 Luxembourg	100%	UCB S.A.
UCB Lux S.A. – Rue Eugène Ruppert, 12 – 2453 Luxembourg	100%	UCB S.A.
UCB S.C.A – Rue Eugène Ruppert, 12 – 2453 Luxembourg	100%	UCB Lux S.A.
Mexico		
UCB de Mexico S.A. de C.V. – Homero#440, 7fl Col. Chapultepec Morales – 11570 Mexico D.F.	100%	UCB S.A.
Vedim S.A. de C.V. – Homero#440, 7fl Col. Chapultepec Morales – 11570 Mexico D.F.	100%	Sifar S.A.
Netherlands		
UCB Finance N.V. – Lage Mosten 33 – 4822 NK Breda	100%	UCB S.A.
UCB Pharma B.V. (Netherlands) – Lage Mosten 33 – 4822 NK Breda	100%	UCB Finance N.V.
Medeva Holdings B.V. – Lage Mosten 33 – 4822 NK Breda	100%	Celltech Pharma Europe Ltd
Medeva B.V. – Lage Mosten 33 – 4822 NK Breda	100%	Medeva Holdings B.V.
Norway		
UCB Pharma A.S. – Grini Naeringspark 8b – 1361 Osteras, Baerum	100%	UCB Finance N.V.
Poland		
Vedim Sp. z.o.o. – Ul. Kruczkowskiego 8 – 00-380 Warszawa	100%	Sifar S.A.
UCB Pharma Sp. z.o.o. – Ul. Kruczkowskiego 8 – 00-380 Warszawa	100%	UCB S.A.
Portugal		
UCB Pharma (Produtos Farmaceuticos) Lda – Ed. D. Amelia, piso 0 sala A2, Quinta da Fonte, 2770-229 Paço de Arcos	100%	Vedim Pharma S.A.
Vedim Pharma (Prod. Quimicos e Farma) Lda – Ed. D. Amelia, piso 0 sala A2, Quinta da Fonte, 2770-229 Paço de Arcos	100%	UCB Pharma (Produtos Farmaceuticos) Lda.
Romania		
UCB Pharma Romania S.R.L. – 40-44 Banu Antonache, 4th fl., district 1, 011655 Bucharest	100%	UCB S.A.
Russia		
UCB Pharma LLC – Shturvaluaya 5 bldg 1 – 125364 Moscow	100%	UCB S.A.
UCB Pharma Logistics LLC– Perevedenovky pereulok 13 bldg 21 – 105082 Moscow	100%	UCB S.A.

Name and office	Holding	Parent
South Korea		
Korea UCB Co Ltd. – 1674-1, Seocho-dong, Seocho-gu, 137-881 Seoul	100%	UCB S.A.
Spain		
Vedim Pharma SA – Paseo de la Castellana 141, Planta 15 – 28046 Madrid	100%	UCB S.A.
UCB Pharma S.A. – Paseo de la Castellana 141, Planta 15 – 28046 Madrid	100%	Vedim Pharma S.A.
Sweden		
UCB Pharma AB (Sweden) – Stureplan 4C 4 van – 11435 Stockholm	100%	UCB Finance N.V.
Switzerland		
UCB Farchim S.A.(A.G. – Ltd.) – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Investissements S.A.
UCB Investissements S.A. – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Finance N.V.
Doutors Réassurance S.A. – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Investissements S.A.
UCB-Pharma AG – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Investissements S.A.
Medeva Pharma Suisse S.A. – Chemin de Croix Blanche 10 – 1630 Bulle	100%	Medeva B.V.
Turkey		
UCB Pharma A.S. – Rüzgarlibahçe, Cumhuriyet Caddesi Gerçekler Sitesi, B-Blok Kat:6, Kavacik, Beykoz – 34805 Istanbul	100%	UCB Lux S.A.
Melusin Ilac ve Maddeleri Pazarlama TLS – Rüzgarlibahçe, Cumhuriyet Caddesi Gerçekler Sitesi, B-Blok Kat:6, Kavacik, Beykoz – Istanbul	100%	UCB Pharma GmbH
U.K.		
Fipar – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Medeva Ltd
UCB Fipar Ltd, subs. of UCB Inc. – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB Inc.
Fipar U.K. Ltd, subs of UCB Fipar Ltd. – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB Fipar Ltd
UCB (Investments) Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB S.A.
UCB T&R Graham Ltd – c/o Baker Tilly Breckenridge House 274 Sauchiehall Street – G2 3EH Glasgow	100%	UCB (Investments) Ltd
UCB Services Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB (Investments) Ltd
Viking Trading Co Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB (Investments) Ltd
Vedim Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB (Investments) Ltd
UCB Watford Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB (Investments) Ltd
Celltech Group Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB Lux S.A.
Celltech R&D Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Celltech Group Ltd
UCB Ireland – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB Lux S.A.
Celltech Japan Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Celltech R&D Ltd
Celltech Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Medeva Ltd
Chiroscience Group Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Celltech Japan Ltd
Chiroscience R&D Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Celltech Group Ltd
Darwin Discovery Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Chiroscience Group Ltd
Medeva Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Celltech Group Ltd
UCB Pharma Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Evans Healthcare Ltd
Evans Healthcare Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Medeva Ltd
Medeva International Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Medeva Ltd

Name and office	Holding	Parent
Celltech Pharma Europe Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Medeva Ltd
International Medication Systems (U.K.) Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB Pharma GmbH
Oxford GlycoSciences – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Celltech Group Ltd
Oxford GlycoSciences (U.K.) Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Oxford GlycoSciences
Oxford GlycoTherapeutics Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Oxford GlycoSciences
Confirmant Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Oxford GlycoSciences (U.K.) Ltd
Schwarz Pharma Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Celltech Group Ltd
Schwarz Pharmaceuticals Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Schwarz Pharma Ltd
Medo Pharmaceuticals Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Schwarz Pharma Ltd
Schwarz Pharma Employee Nominee Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Schwarz Pharma Ltd

U.S.

UCB Holdings Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	UCB Finance N.V.
Fipar U.S. Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	Fipar UK Ltd
UCB Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	UCB Holdings Inc.
UCB Biosciences Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	UCB Inc.
UCB Pharco Inc. – 300 Delaware Avenue 9th floor – 19801 Wilmington, Delaware	100%	UCB Inc.
Celltech U.S. LLC – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington Delaware	100%	Medeva Ltd
UCB Manufacturing Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	UCB Inc.
UCB Technologies Inc. – C T Corporation System, 111 Eight Avenue, NY, 10011 New York	100%	UCB Manufacturing Inc.
Upstate Pharma LLC – C T Corporation System, 111 Eight Avenue, NY, 10011 New York	100%	UCB Inc.
Kremers Urban Pharmaceuticals Inc. – 251 E. Ohio Street Suite 1100 –46204 Indianapolis	100%	UCB Manufacturing Inc.

4. Responsibility statement

We hereby confirm that, to the best of our knowledge, the consolidated financial statements as of 31 December 2011, prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and with the legal requirements applicable in Belgium, give a true and fair view of the assets, liabilities, Financial position and profit or loss of the company and the undertakings included in the consolidation as a whole, and that the management report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed by Roch Doliveux (CEO) and Detlef Thielgen (CFO) on behalf of the Board of Directors.

Roch Doliveux
Chief Executive Officer

Detlef Thielgen
Chief Financial Officer

5. Report of the Statutory Auditors

Statutory Auditor's Report to the General Shareholders' meeting on the consolidated accounts of the company UCB S.A./N.V. as of and for the year ended 31 December 2011

As required by law and the company's articles of association, we report to you in the context of our appointment as the company's statutory auditor. This report includes our opinion on the consolidated accounts and the required additional disclosure.

Unqualified opinion on the consolidated accounts

We have audited the consolidated accounts of UCB S.A./N.V. and its subsidiaries (the "Group") as of and for the year ended 31 December 2011, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated accounts comprise the consolidated statement of financial position as of 31 December 2011 and the consolidated statement of income, changes in shareholders' equity, comprehensive income and cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The total of the consolidated statement of financial position amounts to EUR 9 178 million and the consolidated statement of income shows a profit for the year (group share) of EUR 235 million.

The company's board of directors is responsible for the preparation of the consolidated accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated accounts based on our audit. We conducted our audit in accordance with the legal requirements applicable in Belgium and with Belgian auditing standards, as issued by the "Institut des Réviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free of material misstatement.

In accordance with the auditing standards referred to above, we have carried out procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The selection of these procedures is a matter for our judgment, as is the assessment of the risk that the consolidated accounts contain material misstatements, whether due to fraud or error. In making those risk assessments, we have considered the Group's internal control relating to the preparation and fair presentation of the consolidated accounts, in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. We have also evaluated the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as the presentation of the consolidated accounts taken as a whole. Finally, we have obtained from the board of directors and Group officials the explanations and information necessary for our audit. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the consolidated accounts set forth on pages 32 - 92 give a true and fair view of the Group's net worth and financial position as of 31 December 2011 and of its results and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Additional remark

The company's board of directors is responsible for the preparation and content of the management report on the consolidated accounts.

Our responsibility is to include in our report the following additional remark, which does not have any effect on our opinion on the consolidated accounts:

- The management report on the consolidated accounts set forth on pages 1 - 31 deals with the information required by the law and is consistent with the consolidated accounts. However, we are not in a position to express an opinion on the description of the principal risks and uncertainties facing the companies included in the consolidation, the state of their affairs, their forecast development or the significant influence of certain events on their future development. Nevertheless, we can confirm that the information provided is not in obvious contradiction with the information we have acquired in the context of our appointment.

Brussels, 1 March 2012

The statutory auditor PricewaterhouseCoopers Reviseurs d'Entreprises / Bedrijfsrevisoren Represented by

Bernard Gabriëls
Bedrijfsrevisor

6. Abbreviated Statutory Financial Statements of UCB S.A.

6.1. Introduction

In accordance with the Belgian Company Code, it has been decided to present an abbreviated version of the statutory financial statements of UCB S.A.

The statutory financial statements of UCB S.A. are prepared in accordance with Belgian Generally Accepted Accounting Principles.

It should be noted that only the consolidated financial statements as presented above, present a true and fair view of the financial position and performance of the UCB Group.

The Statutory auditor has issued an unqualified audit opinion and certify that the non-consolidated Financial statements of UCB S.A. for the year ended 31 December 2011 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).

6.2. Balance sheet

€ million	AT 31 DECEMBER 2011	AT 31 DECEMBER 2010
ASSETS		
Formation expenses	31	30
Intangible assets	0	0
Tangible assets	7	7
Financial assets	6 977	6 001
Fixed assets	**7 015**	**6 038**
Amounts receivable after more than one year	1 810	1 819
Amounts receivable within one year or less	56	93
Short-term investments	139	0
Cash at bank and on hand	84	2
Deferred charges and accrued income	26	28
Current assets	**2 115**	**1 942**
Total assets	**9 130**	**7 980**
LIABILITIES		
Capital	550	550
Share premium	1 601	1 601
Reserves	3 079	2 054
Profit brought forward	145	149
Equity	**5 375**	**4 354**
Provisions	51	2
Provisions and deferred taxes	**51**	**2**
Amounts payable after more than one year	3 125	2 830
Amounts payable within one year or less	539	769
Accrued charges and deferred income	40	25
Current liabilities	**3 704**	**3 624**
Total liabilities	**9 130**	**7 980**

6.3. Income statement

€ million	AT 31 DECEMBER 2011	AT 31 DECEMBER 2010
Operating income	44	47
Operating charges	-118	-52
Operating result	**-74**	**-5**
Financial income	502	450
Financial charges	-218	-217
Financial result	**284**	**233**
Operating result before income taxes	**210**	**228**
Exceptional income	1 072	2
Exceptional charges	-99	-9
Exceptional result	**973**	**-7**
Profit before income taxes	**1 183**	**221**
Income taxes	19	-2
Profit for the year available for appropriation	**1 202**	**219**

6.4. Appropriation account

€ million	AT 31 DECEMBER 2011	AT 31 DECEMBER 2010
Profit for the period available for appropriation	1 202	219
Profit brought forward from previous year	148	146
Profit to be appropriated	**1 350**	**365**
To legal reserve	0	0
To other reserves	-1 025	-37
Appropriation to capital and reserves	**-1 025**	**-37**
Profit to be carried forward	-144	-148
Result to be carried forward	**-144**	**-148**
Dividends	-181	-180
Profit to be distributed	**-181**	**-180**
If the proposed allocation of the profit is approved, the total gross dividend will be fixed at:	€ 1.00	€ 0.98
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:	€ 0.75	€ 0.735

The activities of UCB S.A. generated in 2011 a net profit of € 1 202 million after income taxes. After taking into account the profit brought forward of € 148 million, the amount available for distribution is € 1 350 million.

The issued share capital of UCB S.A. is represented by 183 365 052 shares without par value. However, during 2011 the Company acquired 4 699 923 and sold 704 733 treasury shares. On 27 February 2012, UCB S.A. sold 1 227 893 treasury shares. The own shares are in order to honour the exercise of share options and share awards granted to the Board of Directors and certain categories of employees.

The Board of Directors proposes to pay a gross dividend of € 1.00 to the holders of the 180 597 755 UCB shares, or a total dividend distribution of € 181 million. If this dividend proposal is approved by the company's shareholders on their Meeting on 26 April 2012, the net dividend of € 0.75 per share will be payable as of 3 May 2012 against the delivery of coupon nr 14 attached to the company's bearer shares.

6.5. 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.

6.5.1. Intangible assets

Research and development costs have been capitalised as intangible assets at their purchase or at cost. These capitalised costs have been entirely depreciated in the year but the difference between the actual amount of depreciation taken in the year and the gross amount capitalised has been treated as a write-back of depreciation on the exceptional income.

A straight-line depreciation rate of 33 1/3% has been applied to these costs, based on a three-year life considering 'pro rata temporis'. The depreciation of the purchase price of patents, licenses and similar items is either in accordance with a prudent assessment of the economic life of such intangible assets or at a minimum rate equal to that of the assets required to handle the patent or process, or by a fixed period of the depreciation not lower than five years considering 'pro rata temporis'.

6.5.2. Tangible assets

Tangible assets purchased from third parties have been included in the balance sheet at purchase price; assets manufactured by the company itself have been valued at cost. The purchase price or cost is depreciated on a straight-line basis considering "pro rata temporis". The depreciation rates are as follows:

• Administrative buildings	3%
• Industrial buildings	5%
• Tools	15%
• Furniture and office machinery	15%
• Vehicles	20%
• Computer equipment & office machines	33.3%
• Prototype equipment	33.3%

6.5.3. Financial assets

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

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.

6.5.4. 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.

6.5.5. 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.

7. Corporate Social Responsiblity Performance Report

Global Reporting Initiative™

GRI REPORT
3rd PARTY CHECKED

Global Reporting Initiative Disclosure

The table summarises the performance indicators on the economic, environmental and social performance of UCB in 2011. The indicators are reported in line with the GRI Guidelines: 17 fully and 6 partially reported.

Legend: ● indicators fully reported and compliant with the GRI indicators definition

◐ indicators partially reported and partially compliant with the GRI indicators definition

		REPORTED	PAGE
GENERAL			
1.	**Strategy and analysis**		
1.1	Statement of CEO		Letter to stakeholders
2.	**Organisational profile**		
2.1 - 2.2	Name, products / services	●	Letter to stakeholders; http://2011.ucbannualreport.com/medicines/current-treatments/
2.3 - 2.7	Structure, geographical presence, markets served	●	Letter to stakeholders; Financial Report 2011 p 4-10
2.8	Scale	●	Letter to stakeholders; Financial Report 2011 p 11-17
2.9	Significant changes in size, structure or ownership	●	Letter to stakeholders; Financial Report 2011 p 2-4; 11-17
2.10	Awards received in 2011	●	http://2011.ucbannualreport.com/patient-centricity/awareness/ucb-activities-around-the-world/us http://2011.ucbannualreport.com/planet/carbon-footprint http://2011.ucbannualreport.com/planet/carbon-footprint/supply-chain-carpooling/
3.	**Report parameters**		
3.1 - 3.4	Report profile, contacts points	●	back cover
3.5 - 3.13	Report scope and assurance	●	CSR Performance report p 105-107
4.	**Governance, commitments, and engagement**		
4.1 - 4.13	Structure and governance	●	Financial Report 2011 p 11-32
4.14 - 4.17	Stakeholder engagement	●	Letter to stakeholders
ECONOMIC			
Economic performance			
EC1*	Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.(Core)	●	Letter to stakeholders Financial Report 2011s p 2-10; 34-39
EC3*	Coverage of the organisation's defined benefit plan obligations. (Core)	●	Financial Report 2011 p 48; 50; 58; 74; 75
ENVIRONMENTAL			
Energy			
EN3*	Direct energy consumption by primary energy source. (Core)	●	CSR Performance report p 104; http://2011.ucbannualreport.com/planet/carbon-footprint
EN4*	Indirect energy consumption by primary source. (Core)	●	
EN5*	Energy saved due to conservation and efficiency improvements. (Additional)	●	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved (Additional)	◐	http://2011.ucbannualreport.com/planet/carbon-footprint
Water			
EN8*	Total water withdrawal by source. (Core)	●	CSR Performance report p 104; http://2011.ucbannualreport.com/planet/water

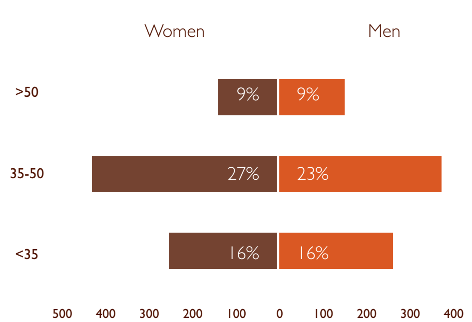
Emissions, effluents, and waste			
EN16*	Total direct and indirect greenhouse gas emissions by weight. (Core)	●	CSR Performance report p 104
EN19	Emissions of ozone-depleting substances by weight. (Core)	◐	
EN20	Emissions of volatile organic compounds (chlorinated and non-chlorinated) by weight. (Core)	◐	
EN22*	Total weight of waste by type and disposal method. (Core)	●	CSR Performance report p 104; http://2011.ucbannualreport.com/planet/waste-management
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally. (Additional)	◐	
SOCIAL PERFORMANCE: LABOR PRACTICES & DECENT WORK			
Employment			
LA1*	Total workforce by employment type, employment contract, and region. (Core)	●	CSR Performance report p 103 http://2011.ucbannualreport.com/ucb-people/talent-management/diverse-talent
LA2*	Total number and rate of employee turnover by age group, gender, and region. (Core)	●	CSR Performance report p 103
Occupational health and safety			
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region. (Core)	◐	CSR Performance report p 103 http://2011.ucbannualreport.com/ucb-people/work-environment
Training and education			
LA10*	Average hours of training per year per employee by employee category. (Core)	●	http://2011.ucbannualreport.com/ucb-people/talent-management/developing-talent
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. (Additional)	◐	
LA12*	Percentage of employees receiving regular performance and career development reviews. (Additional)	●	
Diversity and equal opportunity			
LA13*	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity. (Core)	●	Letter to stakeholders p 11; http://2011.ucbannualreport.com/ucb-people/talent-management/diverse-talent
SOCIAL PERFORMANCE: HUMAN RIGHTS			
Investment and procurement practices			
HR3*	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. (Additional)	●	http://2011.ucbannualreport.com/governance/compliance-ethics/code-of-conduct
SOCIAL PERFORMANCE: SOCIETY			
Corruption			
SO3*	Percentage of employees trained in organization's anti-corruption policies and procedures. (Core)	●	http://2011.ucbannualreport.com/governance/compliance-ethics/code-of-conduct
Public policy			
SO5*	Public policy positions and participation in public policy development and lobbying. (Core)	●	http://2011.ucbannualreport.com/governance/compliance-ethics/relations-with-public-authorities
SOCIAL PERFORMANCE: PRODUCT RESPONSIBILITY			
Marketing communications			
PR6*	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. (Core)	●	http://2011.ucbannualreport.com/governance/compliance-ethics/press-promotion-scientific-communications

* Indicators identified by an asterisk (*) have been reviewed for the year 2011 by the Statutory Auditors. Their assurance statement, detailing the work they have performed as well as their comments and conclusions, appears on pages 106-107 of this CSR report.

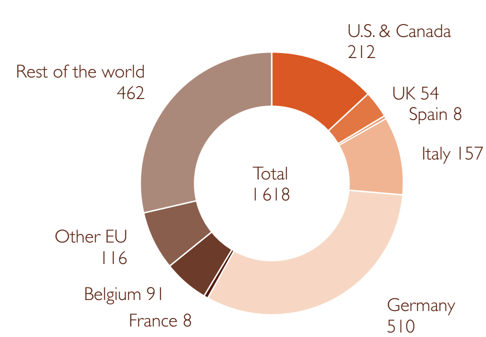
Human Resources and Environmental Data

HUMAN RESOURCES DATA						
GRI INDICATOR		DEFINITION	UNIT OF MEASURE	2009	2010	2011
LA 1	Total workforce	Workforce as of December 31	Total number of employees	9324	8898	8506
	Workforce by gender	Male and female Group employees	Number of women	4433	4167	4064
				48%	48%	48%
			Number of men	4891	4583	4442
				52%	52%	52%
	Workforce by area	Europe-5 / Belgium / Other Europe / Asia-Pacific-Australia / North America / Rest of the world	Number of employees in			
			- EU-5	2322	2320	1710
			- Belgium	1944	1800	1883
			- Other EU	767	690	649
			- Asia-Pacific-Australia	1215	1458	1502
			- North America	2 157	1 829	1899
			- Rest of the World	919	801	863
	Workforce by FTE and PTE	Full Time Employees (FTE) and Part-Time Employees (PTE) Group	Number of FTE	8787	8352	7992
				94%	94%	94%
			Number of PTE	537	546	514
				6%	6%	6%
LA 2	Recruitment	Hired	Number of employees hired	1648	1547	1252
	Departure	Left	Number of employees who left the company	3616	1973	1618
			Turnover in %	39%	22%	19%
LA 7	Absenteeism	Number of working days lost due to absenteeism of the main sites and excluding U.S. locations because the absenteeism is not monitored in U.S.	Days	Not reported	39924	Not reported
	LTIR	Lost Time Incident Rate	Number of incidents resulting in lost time of one day or more within a 12-month period, per million hours worked	3.34	2.33	1.80
	LTSR	Lost Time Severity Rate	Number of lost days resulting from a lost time incident within a 12-month period, per thousand hours worked	0.08	0.05	0.04

Departure (year-end 2011)



Departure by age distribution
(year-end 2011)
(% are expressed compared to total departure)



Departure by region
(year-end 2011)

ENVIRONMENTAL DATA

GRI INDICATOR		DEFINITION	UNIT OF MEASURE	2009	2010	2011
EN 3	Gas	Gas consumption	m³	19 802 198	23 080 863	19 701 596
			MegaJoules	731 752 170	877 599 359	749 110 095
	Fuel oil	Fuel oil consumption	liters	1 965 196	792 752	658 225
			MegaJoules	72 712 252	29 331 838	24 354 325
	Fuel for utilitary vehicle	Vehicle fuel consumption	liters	32 553	11 778	27 553
			MegaJoules	1 204 461	435 801	1 035 938
EN 4	Electricity	Electricity consumption	KwH	159 292 945	154 489 251	143 534 422
			MegaJoules	573 454 602	556 161 304	516 723 919
EN 5	Energy Saved	Energy saved due to conservation and efficiency improvements	KwH	-	5 894 000	743 286
			MegaJoules	-	21 218 400	2 675 830
EN 8	Water	Total water Main water Ground and surface water Other	m³	898 120 642 666 255 454 0	1 015 918 651 573 364 345 0	936 025 596 755 339 270 0
	COD	Chemical Oxygen Demand in effluents following internal treatment	Tons	146	108	76
	TSS	Discharge of residual Total Suspended Solids after internal treatment	Tons	40	42	19
EN 16	Direct & Indirect CO_2 emissions - Scope 1&2	Electricity Gas Fuel	Tons CO_2	54 443 35 160 4 962	52 341 42 749 1 849	46 450 34 990 1 706
EN 19	ODS	Emissions of Ozone Depleting Substances	CFC-11 equivalent tons	1.6	1.3	1.8
EN 20	Chlorinated VOC	Emissions of chlorinated volatile organic compounds	Tons	6	8	11
	Non-chlorinated VOC	Emissions of non-chlorinated volatile organic compounds	Tons	119	114	93
EN 22	Waste disposal	Incinerated Re-used as liquid Solvent recycled by 3rd party Packaging recycled by 3rd party Other	Tons	1 859 3 926 2 145 1 806 789	1 235 2 923 2 577 1 524 1 636	3 098 3 187 2 785 1 359 544
EN 24	Hazardous waste	Hazardous waste products as defined by locally applicable regulations	Tons	10 415	8 801	9 607
	Non-hazardous waste	Other solid waste (excluding emissions and effluents)	Tons	3 273	2 755	2 732

Scope and Reporting Principles

Scope

People data are consolidated for all UCB companies worldwide that are globally integrated into our financial consolidation, regardless of their activity (research or industrial sites, sales affiliates, headquarters).

A corporate tool "UCB learning" is consolidating all the trainings organised by UCB and followed by UCB employees with the exception of three sites where the tool is not in place: Zhuhai in China, Vapi in India, and Shannon in Ireland. This population not covered by this tool represents 3% of the total population.

However, compulsory training such as Code of Conduct, Pharmacovigilance and IT security are tracked and consolidated for all UCB employees.

Our regional split is defined as following:

- EU-5: France, Germany, Italy, Spain and United Kingdom
- Other EU: Austria, Bulgaria, Czech Republic, Denmark, Finland, Greece, Hungary, Ireland, Luxemburg, Netherlands, Poland, Portugal, Romania, Slovakia, Sweden
- Asia Pacific & Australia: Australia, China, Hong-Kong, India, Japan, South Korea
- North America: United States and Canada
- Rest of the World (RoW): Kazakhstan, Mexico, Norway, Russia, Switzerland, Turkey, Ukraine

Health and Safety data (occupational accidents) addressed the whole UCB employee population excluding affiliates with less than 10 employees.

Planet data are consolidated for:

- all manufacturing sites and research sites,;
- sales affiliates from India, Italy and Mexico and
- headquarters in Belgium.

This scope covers 75% of UCB's workforce.

For each of these elements we state whether UCB's level of reporting covers the requirements fully or partially.

Also note that for strategic reasons, we transferred three of UCB's manufacturing sites, Monheim and Zwickau in Germany and Pianezza in Italy, to Aesica in 2011. This transfer has an impact on the reported CSR figures compared to last years.

Reporting principles

In order to ensure the uniformity and reliability of indicators used for all entities, UCB Group implemented the Global Reporting Initiative's G3 Sustainability Reporting Guidelines covering social factors, safety and environmental impacts of a company's performance. We have self-assessed ourselves as a C+ reporter according to GRI-defined application levels.

These guidelines specify the methodologies to be used for indicator reporting for UCB: definitions, methodological principles, calculation formulas and emission factors.

Accuracy

The UCB Corporate Health, Safety & Environment (HSE) department and Corporate Social Responsibility (CSR) team are responsible for ensuring that all data are consolidated on the basis of information provided by the manufacturing and research sites and sales affiliates and administrative headquarters throughout the world.

HSE coordinators for each activity perform an initial validation of safety and environmental data prior to their consolidation. Corporate HSE and CSR also verify data consistency during consolidation. These validations include data comparisons from previous years as well as careful analysis of any significant discrepancies.

Social data regarding the workforce are extracted from global IT HR systems used as management control database for UCB worldwide.

Reliability

In order to obtain an external review of our data's reliability and the thoroughness of our reporting procedures, we asked our Statutory Auditors to perform specific verification of certain social and HSE indicators appearing in tables on pages 101-104. Their assurance statement, describing the work they performed as well as their comments and conclusions, appears on pages 106-107.

In UCB, we will continue to enhance the reliability of data and further strenghten the reporting processes.

Assurance Report

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INDEPENDENT ASSURANCE REPORT ON THE UCB CORPORATE SOCIAL RESPONSIBILITY PERFORMANCE (CSR) REPORT 2011

This report has been prepared in accordance with the terms of our engagement contract dated 3 February 2010, whereby we have been engaged to express a conclusion in connection with the CSR Report of UCB S.A. for the year 2011.

Responsibility of Board of Directors

The Board of Directors of UCB ("the Company") is responsible for the preparation of the information and indicators marked with an asterisk (*) in the CSR Report of the Company and the declaration that its reporting meets the requirements of the Global Reporting Initiative (GRI) G3 application level C+, set out on pages 103-107 ("the Subject Matter Information"), in accordance with the criteria stated in the Scope and Reporting Principles and with the recommendations of the GRI (the "Criteria") described on page 107.

This responsibility includes the selection and application of appropriate methods for the preparation of the Subject Matter Information, for ensuring the reliability of the underlying information and for the use of assumptions and estimates for individual sustainability disclosures which are reasonable in the circumstances. Furthermore, responsibility of Board of Directors includes the design, implementation and maintenance of systems and processes relevant for the preparation of the Subject Matter Information.

Independent Auditor's Responsibility

Our responsibility is to express an independent conclusion about the Subject Matter Information based on our work performed. Our assurance report has been made in accordance with the terms of our engagement contract. Our report is intended solely for the use of the Company, in connection with their CSR Report and should not be used for any other purpose. We do not accept, or assume responsibility to anyone else, except to the Company for our work, for this report, or for the conclusions that we have reached.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements other than Audits or Reviews of Historical Information". This standard requires that we comply with ethical requirements and that we plan and perform the engagement to obtain limited assurance as to whether the Subject Matter Information has been prepared, in all material respects, in accordance with the Criteria issued by the Company.

The objective of a limited assurance engagement is to reduce the assurance risk to an acceptably low level in the circumstances of the engagement as the basis for a negative form of expression of our conclusion on the Subject Matter Information.

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The scope of our work included, amongst others the following procedures:

- Assessing and testing the design and functioning of the systems and processes used for data-gathering, collation, consolidation and validation, including the methods used for calculating and estimating the information and 2011 indicators marked with an asterisk (*) presented in the CSR Report on pages 103-107;
- Conducting interviews with responsible officers;
- Inspecting internal and external documents;

We have evaluated the Subject Matter Information against the Criteria. The accuracy and completeness of the Subject Matter Information are subject to inherent limitations given their nature and the methods for determining, calculating or estimating such information. Our Assurance Report should therefore be read in connection with the Criteria.

Conclusion

Based on our work, as described in this Independent Assurance Report, nothing has come to our attention that causes us to believe that the information and indicators marked with an asterisk (*) presented on pages 103-107 of the 2011 reported figures of the CSR Report and UCB's assertion that the report meets the requirement GRI G3 application level C+ has not been prepared, in all material respects, in accordance with the Criteria.

Sint-Stevens-Woluwe, 1 March 2012

PwC Bedrijfsrevisoren bcvba
Represented by

Marc Daelman
Bedrijfsrevisor

2 of 2

Financial calendar 2012

26 April	Annual general meeting
26 April	Interim report
1 August	2012 half-year financial results
29 October	Interim report

Forward-looking statements

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

Official report language

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

Availability of the Annual Report

The Annual Report is as such available on the website of UCB (www.ucb.com/investors/annual-reports/annual-report). Other information on the website of UCB or on any other website, does not form part of this Annual Report.

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