Half-Year Report 2006

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1 KEY FIGURES / FINANCIAL HIGHLIGHTS[1]

For the six months ended 30 June[2] million EUR	**2006** **unaudited**	2005 unaudited	Change in %
Results			
Net sales	1 133	1 040	9%
Revenue	**1 322**	**1 184**	**12%**
Recurring EBITDA	317	289	10%
Recurring EBITA	**290**	**266**	**9%**
Recurring EBIT	271	248	9%
Operating profit	**360**	**246**	**46%**
Profit from continuing operations (net income)	**237**	**165**	**44%**
Profit	**237**	**644**	**(63%)**
Research & Development expenses	307	247	24%
Capital expenditures (including intangible assets)	61	48	27%
Net financial debt	354	591	(40%)
Cash flow from operating activities	**167**	**138**	**21%**
Share information			
Basic earnings per share (in EUR)[3]	1.66	1.15	44%

[1] In this document, the financial data may not apparently add-up which is caused by rounding of figures.
[2] Except for the net financial debt, where 2005 relates to the situation as published in the audited consolidated financial statements as at 31 December 2005.
[3] Basic earnings per share as defined in accordance with International Accounting Standard 33 (*Earnings per Share*).

2 GROUP RESULTS AND OUTLOOK 2006

This financial review should be read in conjunction with the condensed consolidated interim financial statements and the consolidated financial statements as at 31 December 2005. These condensed consolidated interim financial statements were not subject to an audit.

1. Factors affecting the results of the first half of 2006

The health care market, in which UCB is currently active, is characterised by a number of ongoing fundamental changes, particularly the need for new medicines that are an answer to unmet medical needs. UCB has focused on therapeutic areas such as oncology, inflammation and immunology. At the same time, the competitive conditions for the pharmaceutical market have increased due to the continuous pressure of governments to lower the prices of prescription drugs and consequently the health care expenses. UCB continues to invest heavily in the research and development of molecules aiming at addressing unmet medical needs and focusing on selected severe diseases. Since the research and development of such new products is essential for our company, UCB has also concluded in the first half of the year collaboration agreements in order to develop in the most efficient ways new products, such as the in-licensing of the molecule Epratuzumab from Immunomedics Inc.

The key financial highlights of the first half of 2006 can be further summarised as follows:

- *Revenue increased by 12% (or +10% at constant exchange rates) to 1 322 million euro (H1 2005: 1 184 million euro), driven by strong net sales, up by 9%, and substantial royalty income contribution.*
- *Net sales increased by 9% (or +7% at constant exchange rates) to 1 133 million euro (H1 2005: 1 040 million euro), primarily driven by UCB's core products: Keppra®, Zyrtec® and Xyzal®.*
- *Strong growth in Keppra® net sales up by 42% to 365 million euro (+38% at constant exchange rates), reinforcing US market leadership.*
- *Solid allergy sales of 406 million euro up by 6% (or +5% at constant exchange rates) with Zyrtec® continuing to grow in the U.S.A., and steady performance of Xyzal®.*
- *Investments in R&D up by 24% to 307 million euro, reaching 27% of net sales, focused primarily on various indications of Cimzia™ and Keppra® successors.*
- *Recurring EBITA of 290 million euro and Recurring EBIT of 271 million euro, both up by 9% (or +6% at constant exchange rates).*
- *Profit from continuing operations of 237 million euro (up by 44%), including an after-tax amount of 57 million euro related to substantial capital gains on the sale of a non-core business (Bioproducts) and products (Delsym®, Corifeo® rights) and to other non-recurring charges.*
- *At constant scope (excluding divested activities in Bioproducts, Delsym® and Corifeo® rights and expenses related to Epratuzumab), net sales in the first half of 2006 would have gone up by 12% (or +10% at constant exchange rates) and Recurring EBIT would have been higher by 15% (or +12% at constant exchange rates).*

Given that a significant part of UCB results is realised outside the Euro-zone, fluctuations in foreign currencies have an important impact on its financial performance. The following table summarises the average rates used for converting UCB's income and expenses into euro:

Average for the period Equivalent for 1 euro	**2006**	2005	Fluctuation
USD	1.228	1.284	+ 4.5%
JPY	142.130	136.150	- 4.2%
GBP	0.687	0.686	- 0.2%
CHF	1.561	1.546	+ 1.0%

2. Group revenue

Net sales by product and by region

- **Net sales** are up by 73 million euro at constant exchange rates or +7%. Currency impact is 20 million euro positive year-to-date, mainly as a result of the 4.5% better US dollar.
- **Net sales at constant perimeter**, i.e. excluding sales of the divested Bioproducts, Delsym® and Corifeo® rights, would have been higher than last year by 96 million euro at constant exchange rates or +10%.
- **Keppra®** net sales of 365 million euro are 42% higher in euros or 38% higher than prior year representing more than 97 million euro at constant exchange rates thanks to solid performances in the U.S.A., Europe and the Emerging Markets, with strengthened market leadership in the U.S.A. supported by the launch of the 1 gram tablet in May.
- **Allergy** net sales of 406 million euro are 5% above prior year or + 19 million euro at constant exchange rates, driven by sustained US performance (sales of Zyrtec® in the U.S.A. have increased by 14% from 697 million US dollar to 798 million US dollar helped by growing market share, price increases and favourable sales mix; sales reported by UCB have consequently improved by 12% or 14 million euro), slightly increased European sales (+2% or + 3 million euro with Xyzal® sales more than compensating Zyrtec® losses), good Emerging performance (+19% or + 5 million euro) but compensated by lower Japanese net sales (versus an above-average pollen season in 2005). Total Xyzal® sales of 88 million euro are up by 12% compared to the same period in 2005 at constant exchange rates.
- **Metadate™ CD / Equasym™ XL** net sales are up by 18% or 5 million euro at constant exchange rates supported by solid performance in the U.S.A. (market share gains and price increases) and launches in Europe.
- **Tussionex® / Delsym®** net sales are down compared to last year by 6 million euro or -10% at constant exchange rates due to the absence of a cough & cold season in the first quarter and the discontinued Delsym® sales since mid-June.
- **Other products** net sales are down by 13% or - 42 million euro at constant exchange rates, mostly driven by discontinued peptides and food diagnostics sales following the divestment of Bioproducts and the Food Diagnostics division (accounting for - 20 million euro or 6% of the 13% deficit), lower Nootropil® sales (- 4 million euro), lower Japanese non-Zyrtec® sales and the negative impact of divested products such as Gastrocrom® or Corifeo® rights.

million EUR	1st half		2006 / 2005 variance			
	Actual 2006	Actual 2005	At real rates million EUR	At real rates %	At constant rates million EUR	At constant rates %
Keppra	**365**	**258**	107	42%	97	38%
US	233	166	67	40%	57	34%
Europe	119	86	33	38%	33	38%
Allergy	**406**	**383**	23	6%	19	5%
US	141	121	20	17%	14	12%
Europe	144	141	3	2%	3	2%
Japan	86	93	(7)	(7%)	(3)	(3%)
Metadate™CD / Equasym™XL	**35**	**28**	7	23%	5	18%
US	33	28	5	19%	4	13%
Tussionex® / Delsym®	**58**	**61**	(3)	(6%)	(6)	(10%)
Other Products	**269**	**310**	(40)	(13%)	(42)	(13%)
UCB reported net sales	**1 133**	**1 040**	**93**	**9%**	**73**	**7%**
U.S.A.	495	430	65	15%	43	10%
Europe	442	421	21	5%	21	5%
Japan	115	127	(13)	(10%)	(8)	(6%)
Rest of World	83	63	20	32%	17	28%
UCB net sales at constant perimeter (1)	**1 114**	**998**	**116**	**12%**	**96**	**10%**

(1) excluding Bioproducts, Delsym® and Corifeo®-rights

- **U.S.A.:** the net sales are up by 10% or + 43 million euro at constant exchange rates with gains in Keppra®, allergy and Metadate™ CD sales more than offsetting losses in Tussionex®/Delsym®, Bioproducts and other products.
- **Europe:** the net sales are 5% higher or + 21 million euro at constant exchange rates, reflecting the substantial gains in net sales and improved allergy sales more than compensating lower sales in other products such as Nootropil® (- 5 million euro) or discontinued products (Corifeo® rights).
- **Japan:** the net sales are down by 6% or - 8 million euro at constant exchange rates, as a result of the below-2005 pollen season in Japan as well as the increased competition on the other products such as Bup-4™.
- **Rest of World:** the net sales have improved by 28% or + 17 million euro at constant exchange rates, mostly driven by increased penetration of Keppra® and the Allergy franchise as well as other products such as Nootropil® or Atarax®.

Royalty income and expenses

million EUR	1st half		2006 / 2005 variance			
	Actual 2006	Actual 2005	At real rates million EUR	%	At constant rates million EUR	%
Royalty income & fees						
Zyrtec® US	77	69	8	12%	6	8%
Boss related	62	55	7	12%	7	
Other	50	20	30		30	
Total royalty income & fees	**189**	**144**	**45**	**32%**	**42**	**29%**
Royalty expenses						
Boss related	(31)	(21)	(10)	-47%	(10)	-47%
Other	(4)	(7)	3	46%	3	47%
Total royalty expenses	**(35)**	**(28)**	**(7)**	**-26%**	**(7)**	**-25%**
Net royalty income & fees	**154**	**116**	**38**	**33%**	**35**	**30%**

Net royalty income & fees for the first half of 2006 amount to 154 million euro, up by 33% compared to the same period last year or +30% at constant exchange rates:

- The royalty income & fees amount to 189 million euro, up by 29% at constant exchange rates compared to last year, essentially thanks to higher royalty income from Pfizer on the back of strong in-market sales of Zyrtec® in the U.S.A., the higher Boss related royalties thanks to the strong underlying sales of Herceptin®, Remicade® and Avastin®, in addition to a one-time income related to retro-active payments for toll-manufacturing fees.
- The royalty expenses of 35 million euro, which are recognised in the cost of goods sold, are up by 25% versus last year due to the contractual increase of the Boss royalty rate and higher underlying third-party sales.

3. Recurring EBIT

million EUR	1st half		2006 / 2005 variance			
	Actual 2006	Actual 2005	At real rates million EUR	%	At constant rates million EUR	%
Revenue	**1 322**	**1 184**	**139**	**12%**	**116**	**10%**
Net sales	1 133	1 040	93	9%	73	7%
Royalty income	189	144	45	32%	42	29%
Gross profit	**1 041**	**906**	**135**	**15%**	**121**	**13%**
as a % of revenue	78.7%	76.5%				
Marketing & Selling expenses	(360)	(310)	(50)	-16%	(47)	-15%
as a % of net sales	-31.8%	-29.8%				
Research & Development expenses	(307)	(247)	(60)	-24%	(57)	-23%
as a % of net sales	-27.1%	-23.8%				
General & Administrative expenses	(102)	(94)	(8)	-8%	(7)	-7%
as a % of net sales	-9.0%	-9.0%				
Other operating income/(expenses)	(1)	(7)	6		5	
Total operating expenses	**(770)**	**(658)**	**(112)**	**-17%**	**(106)**	**-16%**
Recurring EBIT (REBIT)	**271**	**248**	**23**	**9%**	**16**	**6%**
as a % of net sales	24%	24%				
as a % of revenue	20%	21%				
+ Amortisation of intangible assets	19	18	1		1	
Recurring EBITA (REBITA)	**290**	**266**	**24**	**9%**	**17**	**6%**
as a % of net sales	26%	26%				
as a % of revenue	22%	22%				
Recurring EBIT at constant perimeter (1)	**266**	**232**	**34**	**15%**	**27**	**12%**

(1) excluding contribution from Bioproducts, Delsym® and Corifeo®-rights and the expenses related to Epratuzumab rights acquired from Immunomedics

- **Gross profit** is up by 121 million euro at constant exchange rates or +13%, driven by the impact of 116 million euro or +10% better revenue (85 million euro increased gross profit from Keppra®, 26 million euro from the Allergy franchise, 25 million euro from royalties, but - 27 million euro lower gross profit from other products caused mainly by Bioproducts and Tussionex®/Delsym® deficits), combined with the positive mix and the reduced standard cost of goods sold per unit compared to 2005. The currency impact is 14 million euro positive, mainly as a result of the 4.5% better US dollar.

- **Operating expenses** are 16% higher than last year at constant exchange rates, reflecting:
  - 47 million euro higher Marketing & Selling expenses or 15% at constant exchange rates, due to the reclassification to Marketing & Selling expenses of GSK/Dai-Ichi discounts following the new co-distribution agreement terms for Zyrtec® Japan, and the remainder due to sales growth and launch activities. Excluding the Japanese reclassification and Cimzia™'s increased spending, Marketing & Selling expenses would have gone up by 5%, at a slower pace than the net sales growth of 7%.
  - 57 million euro higher Research & Development expenses at constant exchange rates, reflecting the increased investments behind Cimzia™ in several indications, and for brivaracetam, seletracetam and Keppra® XR (extended release) as well as medical affairs. Research & Development as a percentage of net sales increases from 24% to 27%.
  - 7 million euro higher General & Administrative expenses at constant exchange rates: the two first months of 2005 only reflected the Pharma allocation for central G&A whilst Surface Specialties was still absorbing 2 million euro of G&A. The remainder of the adverse variance is due to a reduced allocation of central expenses to Research & Development and manufacturing and reflects inflation on salaries.
  - 5 million euro better other operating income than last year reflects the change in the Zyrtec® Japan co-promotion profit recognition which no longer includes a 4 million euro of Sumitomo profit-sharing.
- **Recurring EBIT** and **Recurring EBITA** is up by respectively 16 million euro and 17 million euro at constant exchange rates or +6%. The positive impact of foreign currency fluctuations amounts to 7 million euro due to the 4.5% stronger US dollar that more than compensates the declining JPY (-4.2%).
- **At constant perimeter**, i.e. excluding contribution of the divested Bioproducts, Delsym® and Corifeo® rights and the expenses related to the Epratuzumab rights acquired from Immunomedics Inc., the Recurring EBIT would have been higher than last year by 27 million euro at constant exchange rates or +12%.

4. Profit from continuing operations

million EUR	1st half		2006 / 2005 variance			
	Actual 2006	Actual 2005	At real rates million EUR	%	At constant rates million EUR	%
Recurring EBIT	**271**	**248**	**23**	**9%**	**16**	**6%**
Restructuring & other non-recurring expenses	89	(2)	91		89	
EBIT (operating profit)	**360**	**246**	**114**	**46%**	**104**	**42%**
Financial expenses	(24)	(17)	(7)		(7)	
Profit before income taxes	**336**	**229**	**106**	**46%**	**97**	**42%**
Income tax expenses	(98)	(64)	(34)		(32)	
Profit from continuing operations ***before non-recurring items***	**237** ***180***	**165** ***166***	**72** ***14***	**44%** ***8%***	**65** ***7***	**40%** ***4%***
Profit from continuing operations at constant perimeter (1) before non-recurring items	**177**	**154**	**22**	**14%**	**15**	**10%**

(1) excluding after-tax contribution from Bioproducts, Delsym® and Corifeo®-rights and the expenses related to the acquired Epratuzumab rights

- Year-to-date June profit from continuing operations reaches 237 million euro, i.e. 65 million euro or 40% above prior year at constant exchange rates, reflecting 57 million euro post-tax impact of non-recurring items in the first half of 2006 (as a result of the significant impact of capital gains on the sale of Bioproducts, Delsym®, Corifeo® rights and Gastrocrom®), higher revenue than last year, strong Celltech net royalty income & fees, more than offsetting higher spending in Research & Development and in Marketing & Selling as well as the loss of the Bioproducts contribution margin and an adverse financial expenses evolution.
- Restructuring & non-recurring income/(expenses) are substantially higher than last year and include predominantly:
  - Capital gain on sale of Bioproducts — 42 million euro pre-tax/28 million euro post-tax
  - Capital gain on sale of Delsym® — 53 million euro pre-tax/34 million euro post-tax
  - Capital gain on sale of Corifeo® rights — 10 million euro pre-tax/6 million euro post-tax
  - Capital gain on sale of Gastrocrom® — 9 million euro pre-tax/6 million euro post-tax
  - Restructuring expenses — - 14 million euro pre-tax/- 10 million euro post-tax
  - Provisions — - 8 million euro pre-tax/- 6 million euro post-tax
- Financial expenses in the first half of 2006 are 7 million euro higher than last year, as actuals include a loss on adverse mark-to-market adjustments as well as higher financial charges resulting from financial instruments entered into following the Celltech acquisition. These instruments have reduced the net debt, as expressed in euro, by 21 million euro in the first half of the year.

- The average tax rate on recurring activities is 27% in the first half of 2006 compared to 28% in the prior year, whilst the average tax rate on non-recurring items amounts to 36% as a result of the capital gains on asset deals being fully taxed in the U.S.A., Belgium and Germany for the most important part.
- **At constant perimeter**, i.e. excluding after-tax contribution of the divested Bioproducts, Delsym® and Corifeo® rights and the expenses related to the Epratuzumab rights acquired from Immunomedics Inc., the profit from continuing operations, before after-tax capital gains and other non-recurring items, would have been higher than last year by 15 million euro or +10% at constant exchange rates.

5. Balance sheet and cash flow statement

Trade working capital analysis

million EUR	**30 June 2006**	**31 December 2005**
+ Trade and other receivables	552	514
+ Inventories	226	261
- Trade payables and other short-term liabilities	(565)	(525)
Working capital	**212**	**250**
Adjusted for non-trade related items (incl. dividend)	91	69
Trade working capital	**303**	**319**
as a % of net sales	13%	16%
as a % of net sales at constant rates	14%	15%
Closing USD/EUR rate	*1.271*	*1.183*

- ***Working capital***: The working capital, as it results from the sum of 1) Trade and other receivables, 2) Inventories and 3) Trade payables and other short-term liabilities, is decreasing from the end of 2005 to 30 June 2006 further to the divestment of the peptides division and the ensuing reduction of corresponding working capital, due to part of the dividend being still payable in the second half of 2006 (45 million euro), as well as to the weakening of major trading currencies (closing exchange rate US dollar -7%, Japanese yen -5%), more than compensating the seasonal increase in trade receivables related to the Allergy franchise.
- ***Trade working capital***: A few elements which are non-trade related are included in the reported working capital and should be excluded to make a relevant analysis, such as the dividend payable. Adjusting for the non-trade related items, the trade working capital decreased from 319 million euro as at 31 December 2005 to 303 million euro as at 30 June 2006. Expressed as a percentage of net sales, the trade working capital represented 13% at the end of June 2006 compared to 16% at the end of 2005. Adjusting for constant exchange rates, the ratio of trade working capital to net sales would have been 14%, versus a comparable ratio of 15% as of the end of 2005.

Cash flow statement

million EUR	2006 First half	2005 First half
Profit from continuing operations	**237**	**165**
Non-cash items Change in working capital	(16) (54)	64 (91)
Cash flow from operating activities	**167**	**138**
Cash flow from investing activities of which tangible fixed assets purchase of which divestments (Bioproducts, Delsym®, Corifeo®, Gastrocrom®)	**181** (21) 239	**(44)** (42) -
Free cash flow from continuing operations	**348**	**94**
Cash flow from financing activities	**(69)**	**(1 213)**
Purchase of treasury shares	**(39)**	**(14)**
Proceeds / (outflows) from discontinued operations	**(2)**	**1 077**

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

- ***Cash flow from operating activities***: The increased profit from continuing operations before non-recurring items, offset by prepayments to Lonza of 34 million euro for the construction of the biological manufacturing facility and the increased working capital related to sales growth, underpins the 167 million euro cash flow from operating activities.
- ***Cash flow from investing activities***: The tangible fixed assets additions of 21 million euro and the 30 million euro consideration paid to Immunomedics for entering into co-development on Epratuzumab, is more than offset by the proceeds from the sale of Bioproducts, Delsym®, Corifeo® rights and Gastrocrom®, resulting in a cash flow from investing activities of 181 million euro in the first half of 2006.
- ***Free cash flow from continuing operations***: defined as the sum of the cash flow from operating activities and cash flow from investing activities, the free cash flow amounts to 348 million euro in the first half of 2006 compared to 94 million euro in 2005.
- ***Cash flow from discontinued operations***: last year's reported cash flow was positively impacted by the 1 077 million euro net proceeds from the sale of the remaining Surface Specialties' activities, which is shown in a separate line in the condensed consolidated cash flow statement. These proceeds were used to reimburse bank loans, shown under the heading of "Cash flow from financing activities".
- ***Net debt:*** the net debt decreased from 591 million euro at the end of 2005 to 354 million euro at the end of June 2006. In addition, UCB owns a 12.5% stake in Cytec Industries Inc., which was worth 244 million euro at the end of June 2006.

6. Outlook

In the second half of 2006, the financial performance of UCB will be impacted by the following:

- The seasonal pattern of UCB's earnings profile, mostly due to both its allergy and cough & cold franchise. Historically, more than half of UCB's profit contribution has been realised during the first half of the year.
- Expected increase in net sales compared to the second half of 2005.
- Decrease in royalty income due to the Boss patent expiry, as previously announced.
- Expected acceleration of pre-launch activities for Cimzia™ in Crohn's disease.
- Continuing substantial investment in Research & Development, including in Epratuzumab.

Notwithstanding the lost contribution from the recently divested non-core products and businesses as well as the increased investment in research & development and marketing & sales, and the weaker trading currencies, we expect the Full Year 2006 profit of the ongoing business to be in line with 2005 and in line with our previous guidance, namely 270 million euro, excluding capital gains and other non-recurring charges.

Full Year 2006 profit from continuing operations, including capital gains and non-recurring charges, is expected to exceed 300 million euro.

3 CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June million EUR	Note	2006 unaudited	2005 unaudited
Continuing operations			
Net sales		1 133	1 040
Royalty income		189	144
Revenue		**1 322**	**1 184**
Cost of sales		(281)	(278)
Gross profit		**1 041**	**906**
Marketing & Selling expenses		(360)	(310)
Research & Development expenses		(307)	(247)
General & Administrative expenses		(102)	(94)
Other operating income and expenses		(1)	(7)
Operating profit before impairment, restructuring and other income and expenses		**271**	**248**
Impairment of non-financial assets	6	(7)	-
Restructuring expenses	7	(14)	(2)
Other income and expenses	5,8	110	-
Operating profit		**360**	**246**
Net financing costs		(24)	(17)
Profit before income taxes		**336**	**229**
Income tax expense	9	(98)	(64)
Profit from continuing operations		**237**	**165**
Discontinued operations			
Profit from discontinued operations		-	479
Profit		**237**	**644**
Attributable to:			
Equity holders of UCB S.A.		237	644
Minority interest		-	-
Basic earnings per share (EUR)			
from continuing operations		1.66	1.15
from discontinued operations		-	3.33
Total earnings per share		**1.66**	**4.48**
Diluted earnings per share (EUR)			
from continuing operations		1.62	1.13
from discontinued operations		-	3.28
Total diluted earnings per share		**1.62**	**4.41**

The weighted average number of shares for the calculation of the basic earnings per share is 143,016,000 per 30 June 2006 and 143,582,000 per 30 June 2005.

The weighted average number of shares for the calculation of the diluted earnings per share is 146,119,000 per 30 June 2006 and 145,933,000 per 30 June 2005.

4 CONDENSED CONSOLIDATED BALANCE SHEET

million EUR	Note	30 June 2006 unaudited	31 December 2005 audited
ASSETS			
Non-current assets			
Intangible assets	10	688	721
Goodwill		1 586	1 663
Property, plant and equipment	11	446	500
Deferred income tax assets		165	176
Employee benefits		19	17
Financial and other assets	12	399	337
Total non-current assets		**3 303**	**3 414**
Current assets			
Inventories	13	226	261
Trade and other receivables		552	514
Income tax receivables		11	53
Financial and other assets		65	51
Cash and cash equivalents		716	424
Total current assets		**1 570**	**1 303**
Total assets		**4 873**	**4 717**
EQUITY AND LIABILITIES			
Equity			
Capital and reserves attributable to UCB shareholders	14	2 479	2 409
Minority interest		-	-
Total equity		**2 479**	**2 409**
Non-current liabilities			
Interest-bearing loans and borrowings	16	1 016	1 024
Deferred income tax liabilities		262	291
Employee benefits		105	112
Other liabilities		32	53
Provisions	17	135	121
Total non-current liabilities		**1 550**	**1 601**
Current liabilities			
Interest-bearing loans and borrowings	16	100	31
Trade and other liabilities		565	525
Income tax payables		129	99
Provisions	17	50	52
Total current liabilities		**844**	**707**
Total liabilities		**2 394**	**2 308**
Total equity and liabilities		**4 873**	**4 717**

5 CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended million EUR	2006 unaudited	2005 unaudited
Cash flow from operating activities	**167**	**138**
(Purchase) / disposals of intangible assets	78	(5)
(Purchase) / disposals of property, plant and equipment	(19)	(39)
(Acquisition) / sale of other investments	121	-
Dividends received	1	-
Cash flow from investing activities	**181**	**(44)**
Proceeds from issuance of share capital	1	-
Proceeds / (repayment) of borrowings	11	(1 161)
Payment of finance lease liabilities	(1)	(1)
Purchase of treasury shares	(39)	(14)
Dividend paid to UCB shareholders net of dividend paid on own shares	(80)	(50)
Cash flow from financing activities	**(108)**	**(1 226)**
Cash flow from discontinued operations	**(2)**	**1 077**
Net increase / (decrease) in cash and cash equivalents	**238**	**(55)**
Cash and cash equivalents less bank overdrafts at 1 January	**396**	**534**
Effect of exchange rate fluctuations	(4)	12
Cash and cash equivalents less bank overdrafts at 30 June	**630**	**491**

6 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

million EUR	Share capital & share premium	Treasury shares	Retained earnings	Other reserves	Cumulative translation adjustments	Minority interest	Total stockholders' equity
Balance at 1 January 2005	438	(85)	1 506	5	(224)	5	1 645
Available-for-sale financial assets – net of tax				(29)			(29)
Cash flow hedges – net of tax				(43)			(43)
Currency translation adjustments					187		187
Net income/(expense) recognised directly in equity				(72)	187		115
Profit			644				644
Total recognised income/(expense)			644	(72)	187		759
Dividends			(125)				(125)
Share-based payments			2				2
Treasury shares		(15)					(15)
Change in scope						(5)	(5)
Balance at 30 June 2005 (unaudited)	438	(100)	2 027	(67)	(37)	-	2 261
Balance at 1 January 2006	438	(95)	2 140	1	(75)	-	2 409
Available-for-sale financial assets – net of tax				11			11
Cash flow hedges – net of tax				33			33
Currency translation adjustments					(49)		(49)
Net income/(expense) recognised directly in equity				44	(49)		(5)
Profit			237				237
Total recognised income/(expense)			237	44	(49)		232
Dividends			(125)				(125)
Share-based payments			2				2
Treasury shares		(39)					(39)
Change in scope							
Balance at 30 June 2006 (unaudited)	438	(134)	2 254	45	(124)	-	2 479

7 NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Reporting entity

UCB S.A., the parent company, (hereafter "UCB" or "the Company") is a limited liability company incorporated and domiciled in Belgium. These condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2006 (hereafter "the interim period") comprise the Company and its subsidiaries (together referred to as "the Group").

UCB S.A. is listed on Euronext Brussels.

The consolidated financial statements of the Group as at and for the year ended 31 December 2005 are available upon request from the Company's registered office at 60, Allée de la Recherche, B-1070 Brussels, Belgium, or at www.ucb-group.com/investor_relations.

2. Significant accounting policies

a. Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 (*Interim Financial Reporting*) as adopted for use by the European Union. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2005.

These condensed consolidated interim financial statements were approved by the Board of Directors on 26 July 2006. These condensed consolidated interim financial statements are unaudited.

b. Basis of preparation

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2005.

The preparation of the condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of revenue and expenses during the reporting period. If in the future such estimates and assumptions, which are based on management's best estimates and judgement, deviate from the actual circumstances, the original estimates and assumptions will be modified and the effects of the revisions will be reflected in the period in which the circumstances change.

c. Exchange rates

The following most important exchange rates used in preparing these condensed consolidated interim financial statements are mentioned below. The closing rates are as at 30 June 2006 and as at 31 December 2005, whereas the average rates are these for the related first six months period.

Equivalent for 1 euro	Closing rate		Average rate	
	2006	2005	**2006**	2005
USD	1.271	1.183	1.228	1.284
JPY	145.665	138.979	142.130	136.150
GBP	0.693	0.686	0.687	0.686
CHF	1.568	1.555	1.561	1.546

3. Segment reporting

The Group's primary reporting format is the business segment. The analysis of the revenue and of the results for the period is detailed below.

million EUR	**Biopharmaceuticals**		**Surface Specialties[4]**		**Group**	
For the six months ended 30 June	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
Segment revenue	1 322	1 184	-	191	1 322	1 374
Operating profit	360	246	-	16	360	263
Less results from operating activities (discontinued operations)					-	(16)
Operating profit from continuing operations					**360**	**246**

4. Seasonality of operations

The Group's revenue in the Biopharmaceutical segment is somewhat seasonal. The revenue derived from the Allergy franchise fluctuates as a result of the severity of the different pollenic seasons in the different geographic areas where it operates.

However, on a consolidated basis, the different effects show no systematic or easily predictable seasonal pattern.

[4] The Surface Specialities business has been completely disposed of in February 2005. The profit realised by this segment during the first two months of 2005 is included in the profit from discontinued operations.

5. Group organisation and significant transactions

a. Divestiture of Bioproducts Manufacturing Division

On 17 January 2006 UCB announced the sale of its Bioproducts Manufacturing Division, located in Belgium, to Lonza Group A.G. The sale was substantially completed on 28 February 2006. This division, active in chemical peptide manufacturing, employs approximately 300 people. The total consideration received for the sale of the division amounts to 120 million euro.

The transaction and its financial consequences can be detailed as follows:

million EUR	28 February 2006
Total consideration	120
Satisfied by cash payment	120
Property, plant and equipment	30
Inventories	25
Current assets	7
Total assets	62
Trade payables	3
Other current liabilities	10
Total liabilities	13
Gain on disposal	71
Provisions, accruals including impairment of non-transferred assets and curtailment gain remaining at UCB	29
Net gain on disposal, before income tax	42
Net cash inflow arising from disposal	120

The net gain on disposal is presented under the heading “Other income and expenses”, whereas the impairment of the non-transferred assets is presented under the heading “Impairment of non-financial assets” for an amount of 7 million euro.

b. Sale of U.S. rights of Gastrocrom® to Azur Pharma

On 18 January 2006 UCB announced the sale of the U.S. rights of its mastocytosis treatment Gastrocrom® to the closely held company Azur Pharma. Mastocytosis is caused by an excess of so-called mast cells, which normally help the body’s immune system defend tissue from disease. UCB recorded a capital gain before income taxes of approximately 9 million euro. This amount is presented under the heading “Other income and expenses”.

c. License of U.S. patents for antihistamine levocetirizine to Sepracor

On 23 February 2006 UCB and Sepracor Inc. announced a licensing agreement relating to the antihistamine levocetirizine. Under this agreement, Sepracor has exclusively licensed to UCB all of Sepracor's patents and patent applications in the United States regarding levocetirizine and royalties will be payable to Sepracor on U.S. sales of levocetirizine products.

Under a separate agreement, Sepracor currently earns royalties from UCB on sales of levocetirizine in European countries where the product is sold. Levocetirizine is marketed by UCB under the brand names XYZAL® and XUSAL™ in the European Union for treatment of symptoms of seasonal and perennial allergic rhinitis, persistent allergic rhinitis, and chronic idiopathic urticaria (CIU, also known as hives of unknown cause) in adults and children aged 6 years and older.

d. Transfer of the rights for the sale of Corifeo® (Lercanidipine) in Germany to Recordati

On 24 April 2006 UCB announced that it had reached an agreement with Recordati to transfer back the sales and marketing rights in Germany of Corifeo®, an antihypertensive calcium channel blocker, for a payment to UCB of 10 million euro. UCB recorded a capital gain before income taxes of 10 million euro. This amount is presented under the heading "Other income and expenses".

e. Development, collaboration and license agreement with Immunomedics for Epratuzumab

On 10 May 2006 UCB and Immunomedics Inc. announced a worldwide development, collaboration and license agreement for Epratuzumab. The agreement grants UCB the exclusive worldwide rights to develop, market and sell Epratuzumab for all auto-immune disease indications.

UCB made an initial cash payment of 38 million US dollar upon signature of the agreement, which in accordance with IAS 38 has been capitalised, and Immunomedics could receive potential regulatory milestone payments of up to 145 million US dollar in cash and 20 million US dollar in equity investments, depending on geography approval and approval in different indications over several years. In addition to receiving royalties on sales, Immunomedics could also receive sales bonuses upon reaching certain sales target levels.

f. Sale of Delsym® to Adams Respiratory Therapeutics

On 25 May 2006 UCB announced that it had reached an agreement with Adams Respiratory Therapeutics Inc. to sell Delsym®, an over-the-counter 12-hour liquid cough suppressant. In addition, the two companies have entered into a separate agreement for the licensing of the 12-hour liquid technology. The financial terms of the agreement consist of a one-time, upfront payment of 122 million US dollar, royalties for a period of 5 years on sales and a standard manufacturing supply agreement with a cost-plus structure. UCB recorded a capital gain before income taxes of 65 million US dollar (approximately 53 million euro), following the disposal of the related net intangible assets and sale of the stock on hand. This amount is presented under the heading "Other income and expenses".

There were no acquisitions for the six months period ended 30 June 2006. The Group has not identified any significant disposal group as at the date of publication of this report.

6. Impairment of non-financial assets

In the first half of 2006, the Group reviewed for impairment the non-financial assets (including intangible assets and goodwill) on the basis of external and internal indicators, and concluded that no impairment charge had to be accounted for, except for the property, plant and equipment that was part of the Bioproducts Manufacturing Division – US operations. This property, plant and equipment has not been transferred and an impairment charge of 7 million euro has been accounted for in order to reflect its fair value.

7. Restructuring expenses

The restructuring expenses amounting to 14 million euro as at 30 June 2006 are mainly due to the decision to downscale certain production activities, the ongoing streamlining of the manufacturing operations as well as continuous talent upgrading.

8. Other income and expenses

UCB continued its streamlining of the product portfolio, resulting in the divestiture of the Bioproducts Manufacturing Division, the sale of U.S. rights of Gastrocrom®, the transfer of the sales and marketing rights of Corifeo® and the sale of Delsym®. These divestitures are the main drivers behind the net one-off income of 110 million euro presented under this heading.

9. Income tax expense

The income tax expense for the six months ended 30 June is accrued using the tax rate that would be applicable to expected total annual earnings, being an estimated average annual effective income tax rate of 27% applied to the pre-tax income at 30 June.

Million EUR	**2006**	2005
Current income taxes	(127)	(81)
Deferred income taxes	28	17
Total income tax expense	**(98)**	**(64)**

The Group's consolidated effective tax rate in respect of continuing operations for the six months increased to 29.3% compared to 28% as at 30 June 2005. The change in the effective tax rate is mainly caused by the tax impact on the capital gains realised on the sale of assets which occurred in the first half of 2006.

The Group's effective tax rate excluding the tax impact on the one-off income realised approximates 27%.

10. Intangible assets

During the period, the Group spent approximately 40 million euro in acquisition of intangible assets, whereof the main transactions can be described as follows:

- The in-licensing deal concluded with Immunomedics resulting in the capitalisation of the upfront payment made for an amount of 30 million euro;
- The in-licensing deal concluded with Asche Chiesi with respect to a new license and distribution agreement for a new to be developed asthma product resulting in the capitalisation of the upfront payment made for an amount of 3 million euro; and,
- Other acquisitions for a total amount of 7 million euro.

The disposals of intangible assets had no material carrying amounts, except for the Delsym® trademark and know-how that had a carrying amount of 37 million euro at the moment of the sale. The total proceeds of the disposed intangible assets amounted to 118 million euro.

The amortisation charge and the negative impact of the cumulative translation differences for the period amount to 27 million euro.

The Group has currently no internally generated intangible assets from development as the criteria for recognition under IFRS are not met.

11. Property, plant and equipment

During the period, the Group spent approximately 21 million euro in acquiring new property, plant and equipment. It also disposed of certain of its property, plant and equipment with a carrying amount of a little more than 1 million euro for proceeds of the same amount.

Assets with a carrying amount of 30 million euro were disposed of as part of the sale of the Bioproducts Manufacturing Division for proceeds of 120 million euro.

The review of the property, plant and equipment resulted in the recording of an impairment charge of 7 million euro related to property, plant and equipment that was part of the Bioproducts Manufacturing Division and that was not transferred.

The depreciation charge and the negative impact of the cumulative translation differences for the period amount to 38 million euro.

12. Financial and other assets

The carrying amount of the non-current financial assets, which are mainly the Cytec shares acquired by UCB at the moment of the sale of the Surface Specialties business segment, increased by 11 million euro to 244 million euro due to the appreciation of the Cytec share price during the first half of the year.

The remaining increase is largely attributable to the advance payments UCB made towards Lonza with respect to the building of the biological manufacturing plant.

13. Write-down of inventories

Included in cost of sales for the six months ended 30 June 2006 is an amount of 6 million euro in respect of allowances recognised to reduce the carrying amount of inventories to their net realisable value.

14. Capital and reserves

Share capital and share premium
The issued capital of the Company amounts to 438 million euro at 30 June 2006, represented by 145 947 500 shares. The movements in the number of shares during the first half of 2006 can be summarised as follows:

	Number of shares
At 1 January 2006	145 933 000
New shares issued following the exercise of warrants	14 500
At 30 June 2006	**145 947 500**

The Company's shares are without par value. At 30 June 2006, 53 905 598 shares were registered and 92 041 902 were bearer shares. The holders of UCB shares are entitled to receive dividends as declared and to one vote per share at the Shareholders' meeting of the Company. There is no authorised, unissued capital.

In 1999 and 2000 respectively, UCB issued 145 200 and 236 700 subscription rights (warrants) to subscribe for one ordinary share. These warrants will expire progressively between 2009 and 2013.

Treasury shares
The Group acquired during the first half of the year 935 600 shares of UCB SA on the Euronext Stock Exchange. The total amount paid to acquire these shares amounted to 39 million euro. The Group retained 3 413 499 shares in auto-control at 30 June 2006. These treasury shares have been acquired in order to honour the exercise of stock options granted to the Board of Directors and certain categories of employees.

Other reserves
Other reserves contain the fair value reserve and the hedging reserve.

The fair value reserve represents the cumulative net change in fair value of available-for-sale financial assets until the asset is sold, impaired or otherwise disposed of.

The hedging reserve represents the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

The other reserves can be detailed as follows:

Million EUR	**2006**	2005
Fair value reserve	23	12
Hedging reserve	33	(17)
Deferred tax	(11)	6
Other reserves, net of tax	**45**	**1**

During the first half of 2006, a net amount of 11 million euro has been recognised in equity for the change in fair value of the available-for-sale investments (shares Cytec Industries Inc.).

With respect to the hedging reserve, during the first six months of the year, an amount of 50 million euro has been recognised in equity for the change in fair value on derivative financial instruments composed of 17 million euro on the expected US dollar cash inflows once the Cytec shares are disposed of, and of 33 million euro on the interest rate swap hedging the floating rate debt. The related tax charge amounts to 17 million euro.

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

15. Dividends

The Board of Directors' proposal of a gross dividend of 0.88 euro per share or 128 million euro for the business year 2005 was approved by the UCB shareholders at their annual meeting on 13 June 2006, and was thus reflected in the first half of 2006.

16. Interest-bearing loans and borrowings

The evolution in net indebtedness of the Group (non-current and current, including finance lease liabilities) can be described as follows:

million EUR	**2006**
Balance at 1 January	**1 055**
Bank overdrafts	29
Bank loans and private placements	994
Finance lease	32
New issues	**11**
Repayments	**(1)**
Loans	-
Finance lease	(1)
Net change in bank overdrafts	57
Cumulative translation adjustment	(6)
Balance at 30 June	**1 116**
Bank overdraft	86
Bank loans and private placements	999
Finance lease	31

During the first six months of the year UCB did not conclude any significant new loan arrangements or renegotiate any of the existing loan arrangements.

17. Provisions

Environmental provisions
During the six months ended 30 June 2006, the environmental provisions have been decreased by an amount of 3 million euro, mainly due to the settlement agreed upon between UCB and Proviron.

Restructuring provisions
The restructuring provisions have been decreased with an amount of 9 million euro, mainly to the further execution of the restructuring programs that have been announced in 2005 and following the further integration of the legacy Celltech operations. This was partly offset due to the decision to downscale certain production activities for which provisions have been accounted for an amount of 8 million euro.

Other provisions
The other provisions increased with 24 million euro, mainly as a consequence of the sale of various assets during the first half of 2006 (mainly the sale of the Bioproducts Manufacturing Division and Delsym®).

18. Related parties

Except for the elements mentioned below, there are no changes with respect to the related parties compared to the ones disclosed in the 2005 Consolidated Financial Statements.

Key management
At the General Shareholders' meeting of 13 June 2006, the appointment of Gaëtan van de Werve d'Immerseel as a new director as well as the re-appointment of Karel Boone and Alan Blinken as independent directors has been approved.

19. Commitments and contingencies

Contingent assets and liabilities
In connection with the development, collaboration and license agreement signed on 10 May 2006 between Immunomedics and UCB with respect to the compound Epratuzumab, UCB agreed to make certain development milestone payments once regulatory approval will be obtained as well as commercialisation milestone payments. The development milestone payments will depend on geography approval and approval in different indications to occur over several years and can amount up to 145 million US dollar in cash and for an amount of 20 million US dollar in equity investments. These potential milestone payments may be capitalised in the following years based on the achievement of the development and sales related milestones.

Other commitments
The Group has entered into various purchase commitments for services and materials as well as for equipment as part of the ordinary business. These commitments are not in excess of current market prices in all material respects and reflect normal business operations.

20. Events after the interim balance sheet date

There were no significant events after the interim balance sheet date.