1. BUSINESS PERFORMANCE REVIEW[1]

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

2007 was the first year of integrating the activities of 89.2% owned German-based pharmaceutical company SCHWARZ PHARMA further to the approval of the Domination and Profit Transfer Agreement. Whilst not achieving all its goals, UCB showed its strong financial performance and advanced further towards becoming a next generation biopharma leader.

Key Highlights

- *Revenue remains unchanged on a pro forma basis (or +4% at constant exchange rates), it increases by 42% on a reported basis to €3 626 million (2006: €3 631 million). Solid Keppra® worldwide sales of €1 026 million growing 35% (or +43% at constant exchange rates), Xyzal® sales of €168 million up 18% (or +19% at constant exchange rates) as well as Neupro® sales (now also launched in the US) of €52 million (2006: €10 million) supported this evolution.*
- *Recurring EBITDA reaches €741 million compared to €747 million in 2006 on a pro forma basis, or growing 7% at constant exchange rates, reflecting revenue increase at constant exchange rates as well as strong achievement of synergies.*
- *Net profit decreases from €391 million in 2006 on a pro forma basis or from €367 million in 2006 on a reported basis to €160 million in 2007, reflecting acquisition related financial expenses as well as one-time non-cash inventory step-up (€93 million) and incremental acquisition driven amortisation expenses (€27 million), in addition to significantly lower capital gains and substantial restructuring expenses (€123 million) and impairment charges (€36 million). Net profit adjusted for one-time and non-recurring items reaches a solid €292 million.*

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

€ million	**Actual 2007**	**Pro Forma 2006**	**Pro Forma Variance** Actual rates	**Reported Actual 2006**	**Reported Variance** Actual rates
Revenue	**3 626**	**3 631**	**0%**	**2 551**	**42%**
Net sales	3 188	3 144	1%	2 177	46%
Royalty income & fees	294	340	-14%	335	-12%
Other revenue	144	146	-2%	39	
Gross profit (1)	**2 579**	**2 754**	**-6%**	**2 010**	**28%**
excluding inventory step-up	***2 672***	***2 754***	***-3%***	***2 010***	***33%***
Marketing & selling expenses	(1 054)	(1 049)	0%	(733)	44%
Research & development expenses	(788)	(815)	-3%	(615)	28%
General & administrative expenses	(267)	(315)	-15%	(196)	36%
Other operating income/(expenses)	10	33		9	
Recurring EBIT (REBIT) (1)	**480**	**608**	**-21%**	**475**	**1%**
excluding inventory step-up	***573***	***608***	***-6%***	***475***	***21%***
Non recurring income/(expenses)	(136)	61		97	
EBIT (Operating profit) (1)	**344**	**669**	**-48%**	**571**	**-40%**
Net financial expenses	(125)	(48)		(54)	
Profit before income taxes	**219**	**620**	**-65%**	**517**	**-58%**
Income tax expenses	(60)	(228)		(150)	
Profit from continuing operations	**159**	**392**	**-59%**	**367**	**-57%**
Profit from discontinuing operations	**2**	**0**		**0**	
Net profit (after minority interests)	**160**	**391**	**-59%**	**367**	**-56%**
Recurring EBITDA	**741**	**747**	**-1%**	**566**	**31%**
Adjusted net profit (2)	**292**	**343**	**-15%**	**318**	**-8%**
Number of shares - non-diluted	**180**	**180**		**144**	**25%**
EPS (EUR per non-diluted share)	**0.89**	**2.17**	**-59%**	**2.54**	**-65%**
Adjusted EPS (EUR per non-diluted share)	**1.62**	**1.90**	**-15%**	**2.20**	**-27%**

(1) after acquisition related inventory step-up

(2) adjusted for after- tax impact of one-off items, after-tax contribution from discontinued operations and inventory step-up

1.1 Changes in scope

UCB pursued its transformation towards building the next generation biopharma leader by launching on 10 November 2006 a public tender offering on all the outstanding shares of Schwarz Pharma AG. At the closing of the exchange offering period on 28 December 2006, UCB possessed 86.8% of all outstanding Schwarz Pharma shares on a fully diluted basis. UCB has therefore consolidated the balance sheet of the Schwarz Pharma Group as at 31 December 2006. The results of the Schwarz Pharma group of companies have been consolidated as from 1 January 2007 onwards. Over the last 12 months, UCB has acquired further shares of Schwarz Pharma AG and owned, as of 31 December 2007, 89.2% of outstanding shares or 88.6% on a fully diluted basis.

In parallel UCB continued the streamlining of its portfolio by divesting non-core activities or products such as the European Over-The-Counter (OTC) business of UCB in France, the Benelux, Switzerland and Greece, acquired by Pierre Fabre. As a result of the Schwarz Pharma acquisition, some of its products were the subject of change of control provisions such as Rifun® in Germany. To enable a better comparison, some of the numbers in this Operating & Financial Review will be presented excluding divested products and impact of change of control provisions.

As a result of the divestment of the remaining activities in Surface Specialties in February 2005, UCB reports their financial performance as part of the profit from discontinued operations for both financial years 2006 and 2007.

1.2 Other 2007 key events

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

Agreements

- **CDP 791 global rights**: In February 2007, UCB and ImClone Systems Inc. agreed to terminate their CDP 791 development agreement. UCB will enjoy freedom to operate rights globally to ImClone's intellectual property pertaining to vascular endothelial growth factor receptor-2 (VEGFR-2) for CDP 791, in exchange for royalty on future sales of this antibody.
- **US Keppra® agreement with Mylan, Dr Reddy's and Cobalt**: In October 2007, UCB announced that it had reached an agreement with each of Mylan Laboratories and Mylan Pharmaceuticals, Dr. Reddy's Laboratories and Cobalt Pharmaceuticals to settle pending patent infringement lawsuits in the US Under the terms of the agreement, Mylan will be allowed to sell its generic levetiracetam tablets effective 1 November 2008, in advance of the anticipated expiry of UCB's market exclusivity in January 2009, subject to grant of paediatric exclusivity.

Transactions

- **Sale of the Over-The-Counter Business of UCB in France, Benelux, Switzerland and Greece**: In January 2007, Pierre Fabre, a pharmaceutical leader in the European Over-The-Counter (OTC) market, acquired the OTC business of UCB in France, the Benelux, Switzerland and Greece, realising a pre-tax capital gain of €19 million.
- **Sale of Cytec shares**: In March 2007, UCB sold all the remaining shares it held in Cytec Industries Inc. for €248 million, realising a pre-tax capital gain of €29 million.
- **Registration of Domination and Profit Transfer agreement with Schwarz Pharma AG**: In July 2007, the Domination and Profit Transfer Agreement between UCB's wholly owned subsidiary, UCB SP GmbH, and Schwarz Pharma AG was registered in the commercial register in Germany. At that time 87.6% of the outstanding Schwarz Pharma shares were owned by UCB.

Regulatory Update

- **Keppra® European approval in idiopathic generalised epilepsy**: In January 2007, the European Commission approved Keppra® as adjunctive therapy for the treatment of primary generalised tonic-clonic seizures in adults and adolescents from 12 years of age with Idiopathic Generalised Epilepsy.
- **Xyrem® in Europe for treatment of narcolepsy with cataplexy in adult patients**: In March 2007, the European Commission approved Xyrem® (sodium oxybate - under license from Jazz Pharmaceuticals, Inc.) for the treatment of narcolepsy with cataplexy in adult patients.
- **Keppra® US approval in idiopathic generalised epilepsy**: In March 2007, the US Food and Drug Administration (FDA) approved Keppra® as adjunctive therapy in the treatment of primary generalised tonic-clonic seizures in adults and children 6 years of age and older with Idiopathic Generalised Epilepsy.
- **Xyzal® US approval and launch**: In May 2007, UCB and partner sanofi-aventis announced that the US Food and Drug Administration (FDA) had approved Xyzal®, a new once-daily prescription antihistamine that delivers a rapid and long-lasting effect for the relief of symptoms associated with seasonal and perennial allergic rhinitis and treatment of uncomplicated skin manifestations of chronic idiopathic urticaria in adults and children six years of age and older. In October 2007, UCB and sanofi-aventis launched Xyzal® in the USA.
- **Neupro® US approval and launch in early-stage Parkinson's disease**: In May 2007, the US Food and Drug Administration (FDA) approved Neupro® (rotigotine transdermal system) for the treatment of the signs and symptoms of early-stage idiopathic Parkinson's disease. In July 2007, UCB and Schwarz Pharma launched Neupro® in the USA.
- **Vimpat™ in diabetic neuropathic pain filed in Europe**: In August 2007, the European Medicines Agency (EMEA) accepted for review the application for marketing authorisation for Vimpat™ (lacosamide) as therapy for diabetic neuropathic pain.

- **Cimzia® Swiss approval and launch in Crohn's disease**: In September 2007, the Swiss health authorities Swissmedic approved Cimzia® for inducing clinical response and maintaining clinical response and remission in patients with active Crohn's disease who have not responded satisfactorily to conventional treatment. UCB launched Cimzia® for Crohn's disease in Switzerland in January 2008.
- **Appeal negative opinion on Cimzia® in Crohn's disease in Europe**: In November 2007, the Committee for Medicinal Products for Human Use (CHMP) adopted a negative opinion on the market authorisation application in the EU for Cimzia® in the treatment of patients with Crohn's disease. UCB is utilising the appeal process to request a CHMP re-examination of the submission, with a decision expected during the first half of 2008.
- **US filing for Vimpat™ in diabetic neuropathic pain**: In November 2007, the US Food and Drug Administration (FDA) accepted for filing the New Drug Application for the use of Vimpat™ (lacosamide) in the treatment of diabetic neuropathic pain.
- **US filing for Vimpat™ in epilepsy**: In November 2007, the US Food and Drug Administration (FDA) accepted for filing the New Drug Application for the use of Vimpat™ (lacosamide) as adjunctive therapy in the treatment of partial onset seizures in adults with epilepsy.
- **US filing for Neupro® in advanced-stage Parkinson's disease**: In December 2007, the supplemental New Drug Application for the use of Neupro® as adjunctive therapy with levodopa in adult patients with advanced-stage Parkinson's disease was accepted for filing by the US Food and Drug Administration (FDA).
- **European filing for Neupro® in restless legs syndrome**: In December 2007, the application for marketing authorisation for Neupro® (rotigotine transdermal patch) in the treatment of moderate-to-severe Restless Legs Syndrome (RLS) was accepted for filing by the European Medicines Agency (EMEA).
- **US filing for Neupro® in restless legs syndrome**: In December 2007, the supplemental New Drug Application for the use of Neupro® as a treatment for moderate-to-severe restless legs syndrome (RLS) was accepted for filing by the US Food and Drug Administration (FDA).
- **US filing for Cimzia® in rheumatoid arthritis**: In December 2007, the regulatory application of Cimzia® in rheumatoid arthritis in the US was submitted to the US Food and Drug Administration (FDA). It was accepted for filing by the FDA in February 2008.
- **US filing for Keppra® XR**: In January 2008, the US Food and Drug Administration (FDA) accepted for filing the New Drug Application for the use of Keppra® XR extended release tablets (levetiracetam) in adjunctive treatment of partial onset seizures with epilepsy.

Pipeline progress

- **Cimzia® significant phase III results in rheumatoid arthritis**: In February 2007, UCB announced key positive results of a pivotal phase III study (RAPID 1) involving nearly 1 000 patients on Cimzia® intended for the treatment of moderate-to-severe rheumatoid arthritis.
- **Positive phase III results for Keppra® in paediatric patients from one month to less than four years of age**: In April 2007, UCB announced positive top-line results from a phase III, double-blind, randomized, multi-centre, placebo-controlled study evaluating the efficacy and tolerability of Keppra® as adjunctive therapy in the treatment of partial onset seizures in children from one month to less than four years of age.
- **Long-term response data for Cimzia® in Crohn's disease**: In May 2007, UCB announced new data demonstrating long-term response and remission in Crohn's disease patients treated with Cimzia®.
- **Cimzia® effective in reducing signs and symptoms of rheumatoid arthritis**: In June 2007, UCB announced new pivotal data (RAPID 1 and RAPID 2) showing that Cimzia®, combined with methotrexate therapy, had a rapid and significant effect in reducing the signs and symptoms of active rheumatoid arthritis compared with methotrexate alone. Data from a third study (011 trial) showed that Cimzia® given every four weeks as monotherapy is significantly more efficacious than placebo in the treatment of patients with active rheumatoid arthritis who had previously failed disease-modifying anti-rheumatic drug therapy.
- **CDP 323 entering phase II for multiple sclerosis**: In June 2007, UCB and Biogen Idec announced the initiation of a phase II trial (proof of concept) for CDP 323 under development for relapsing-remitting multiple sclerosis.
- **First phase I results with anti-sclerostin:** UCB is collaborating with Amgen to develop a sclerostin antibody, a novel anabolic therapy for bone loss disorders. First results from a phase I rising single dose study were presented at the American Society for Bone and Mineral Research (ASBMR) congress in September 2007.
- **Initiation of phase III for Rikelta™ in epilepsy**: In October 2007, initiated phase III clinical trials of Rikelta™ (brivaracetam) as adjunctive therapy in patients with refractory partial-onset epilepsy.
- **Positive phase III trial results for Keppra XR™**: In December 2007, UCB communicated results of a phase III trial demonstrating that its antiepileptic drug in development Keppra XR™ (levetiracetam) extended-release tablets significantly reduced partial onset seizure frequency when administered as adjunctive therapy for adults with refractory epilepsy.
- **Positive phase III trial results for Vimpat™**: In December 2007, UCB announced positive results from a phase III trial evaluating Vimpat™ (lacosamide) in the treatment of diabetic neuropathic pain.
- **Phase III results of Rikelta™ in Unverricht Lundborg Disease**: In December 2007, UCB announced that Rikelta™ (brivaracetam)'s first phase III study in Unverricht Lundborg Disease (ULD) had been completed, that the trial did not meet the primary endpoint of symptom relief of action myoclonus but had shown beneficial effects in secondary analyses.
- **Vimpat™ in osteoarthritic pain**: In December 2007, UCB announced that the proof of concept trial (phase IIa) with Vimpat™ (lacosamide) in osteoarthritic pain had been terminated based on the outcome of a first interim analysis, which was performed as defined in the protocol in a subset of patients. No safety concerns were identified.

- **Phase II results for Cimzia® in psoriasis**: In December 2007, UCB announced the completion of a phase II re-treatment study for Cimzia® in psoriasis with patients who had relapsed during the off treatment period of the initial phase II study. Results show that the majority of the re-treated patients are able to re-capture response and that re-treatment with Cimzia® was well tolerated.
- **CMC 544 treatment Non-Hodgkin's Lymphoma now in phase III**: In December 2007, UCB announced that a phase I/II trial with CMC 544 in combination with rituximab to treat Non-Hodgkin's Lymphoma (NHL), a project partnered with Wyeth, is continuing and preliminary data are encouraging. A phase III study has started to evaluate CMC 544 in follicular NHL in combination with rituximab.

1.3 Foreign currency impact

Given the global reach of UCB's activities, its financial results are sensitive to fluctuations in foreign currencies. The main currencies affecting UCB's financial performance are the US dollar (USD), Japanese yen (JPY), GB pound (GBP) and Swiss franc (CHF). The following table summarises the average rates used in converting UCB's revenue and expenses to euro:

Equivalent for 1 euro	Average exchange rate **2007**	Average exchange rate **2006**	Increase/ (Decrease)	*Closing exchange rate **2007***
US dollar	1.369	1.255	-8.3%	*1.459*
GB pound	0.684	0.682	-0.3%	*0.735*
Swiss franc	1.642	1.573	-4.2%	*1.654*
Japanese yen	161.1	145.9	-9.4%	*163.0*

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

1.4 Segments

Following the re-assessment of its segment reporting, UCB's primary reporting segment as of 1 January 2006 is based on its three main geographical areas, namely North America, Europe and Rest of World (including Japan and Emerging Markets).

UCB's activities are composed of one business segment: biopharmaceuticals. There are no other significant classes of business, either singularly or in aggregate.

1.5 Reclassification

In view of the increasing materiality of license agreements or profit-sharing agreements for the group, which income used to be recognised as part of other operating income and expenses, it has been decided to report the corresponding income in a new category "other revenue". Also the net sales resulting from contract manufacturing activities will be recognised under "other revenue" and deducted from net sales. The 2006 income statement on a reported basis and on a pro forma basis is restated accordingly.

2. INCOME STATEMENT[2]

2.1. Foreword

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

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

Pro forma financial information: Further to the acquisition of a majority stake in Schwarz Pharma at the end of December 2006, the balance sheet of Schwarz Pharma had been included in UCB's consolidated balance sheet, whereas the Schwarz Pharma contribution to the income statement only has started to be reflected as of 1 January 2007. In order to provide the reader with a comparable basis, Pro forma financial information of the combined group for the full year 2006 has been incorporated in this Operating & Financial Review.

[2] Due to roundings, some financial data may not apparently add-up in the tables included in this Operating & Financial Review.

2.2 Net sales by product

€ million	Actual 2007	Pro Forma 2006	Pro Forma Variance % Actual rates	Pro Forma Variance % Cst rates	Reported Actual 2006	Reported Variance Actual rates
Keppra®	**1 026**	**761**	35%	43%	**761**	35%
Zyrtec® (includ. Zyrtec-D®/Cirrus®)	**487**	**561**	-13%	-7%	**561**	-13%
Xyzal®	**168**	**143**	18%	19%	**143**	18%
Omeprazole	**147**	**192**	-24%	-17%		
Tussionex™	**114**	**105**	9%	19%	**105**	9%
Nootropil®	**101**	**99**	2%	2%	**99**	2%
Metadate™ CD/Equasym® XL	**79**	**68**	15%	24%	**68**	15%
Neupro®	**52**	**10**				
Divested products / Change of control	**19**	**119**			**40**	
Other products	**995**	**1 087**	-8%	-8%	**400**	149%
Total Net Sales (1)	**3 188**	**3 144**	1%	6%	**2 177**	46%
North America	1 452	1 425	2%	10%	992	46%
Europe	1 351	1 311	3%	3%	826	64%
Rest of world	385	409	-6%	0%	359	7%
Net sales at constant perimeter (2)	**3 169**	**3 025**	5%	9%	**2 137**	48%
Average US$/EUR exchange rate	*1.369*	*1.255*	*-8.3%*		*1.255*	*-8.3%*
Average JPY/EUR exchange rate	*161.13*	*145.93*	*-9.4%*		*145.93*	*-9.4%*

(1) excluding contract manufacturing sales (incl. Delsym post-divestment)

(2) excluding Bioproducts, Corifeo rights, Gastrocrom, OTC Europe & Emerging and product losses due to change of control

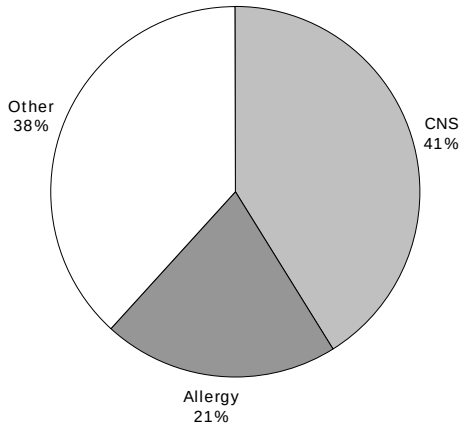
Net sales amount to €3 188 million or +1% higher than the year before on a pro forma basis (or +6% at constant exchange rates) and +46% on a reported basis. Currency impact is €131 million negative for the year, i.e. net sales would have amounted to €3 319 million, mainly as a result of the 8.3% deterioration in the US dollar and the 9.4% lower Japanese yen. Net sales at constant perimeter, i.e. excluding sales of the divested Bioproducts, Delsym™, OTC Europe and Corifeo® rights and product losses due to change of control (Rifun®), would have been 9% higher than last year at constant exchange rates.

The following products contributed to the 1% pro forma growth in sales (or +6% at constant exchange rates):

- **Blockbuster Keppra®** (levetiracetam) to treat epilepsy reaches net sales of €1 026 million which are 35% higher than last year in euro or +43% at constant exchange rates, thanks to substantial growth in North America (+46% at constant exchange rates), Europe (+35%) and Rest of World (+50%) supported by new indications and forms, extending market leadership in the USA and Europe.
- **The allergy product Zyrtec®** (cetirizine, including Zyrtec®-D/Cirrus®) net sales decrease 13% from €561 million to €487 million but are down 7% excluding the impact of currency, reflecting a slow-down in the USA prior to patent expiry on 25 December 2007, a decrease of 10% in European sales due to further genericisation and Xyzal® substitution, a substantial 16% drop in Japanese sales (or -7% at constant exchange rates) further to below average pollen season and generic competition, and lower Emerging markets sales (-8% at constant exchange rates).
- **The allergy product Xyzal®** net sales of €168 million are up by 18% compared to 2006 and +19% at constant exchange rates, supported by growth in Europe and the Rest of World. Xyzal® US sales are not consolidated but UCB's part of the profit-sharing agreement with sanofi-aventis is reported under the line "other revenue". The growth in Europe of 16% from €124 million to €143 million more than off-sets the decline in Zyrtec® net sales of €11 million. Net sales of Xyzal® in Emerging markets improve by 25% at constant exchange rates to €22 million.
- **The gastro-intestinal generic omeprazole** net sales reach €147 million, 24% lower than last year on a pro forma basis (or -17% at constant exchange rates), mainly as a result of further generic entries in the last quarter of the year.
- **Anti-tussive Tussionex™** net sales of €114 million increase by 9% compared to last year or +19% at constant exchange rates due to good in-market performance and the absence of a cough & cold season in the first quarter of 2006.
- **Cognitive disorders Nootropil®** net sales are growing 2% from €99 million to €101 million, essentially driven by solid sales in European emerging countries.
- **Attention deficit hyperactivity disorder Metadate™ CD/Equasym™ XL** net sales of €79 million are up by 15% or +24% at constant exchange rates thanks to sustained in-market performance in the USA and further launches in Europe and Rest of World. This product is sold under the trademark Metadate™ CD in the USA (€65 million or +12% growth at constant exchange rates) and Equasym™ XL in Europe and Rest of World (€12 million and €2 million respectively, further to multi-country launches).

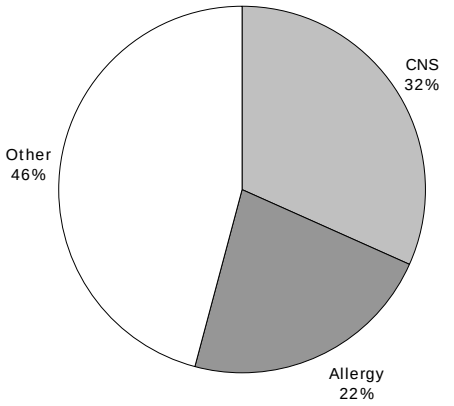
- **The Parkinson's patch Neupro®** shows net sales growing significantly from €10 million in 2006 to €52 million in 2007 as a result of successful uptakes in Europe, mainly in the UK, Spain, Germany, and the US launch since July 2007.
- **Other products**: sales of divested products (OTC Europe, Delsym™, etc.) and products subject to change of control provisions (e.g. Rifun® in Germany) are €100 million lower than last year on a pro forma basis. Excluding the sales of divested products and products subject to change of control, net sales for other products decrease 8% from €1 087 million to €995 million, with the main negative contributors being the US products facing generic competition (verelan, moexipril, etc.).

2007 Net sales



€3 188 million

Pro Forma
2006 Net sales



€3 144 million

a. Net sales by geographical area

All geographical areas, except Japan, contributed to the 1% growth in 2007 compared to 2006 pro forma (or +6% at constant exchange rates):

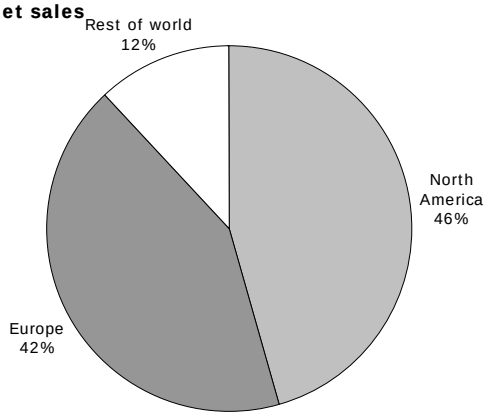
- **North America** net sales reported by UCB amount to €1 452 million in 2007 (or US$1 987 million) up by 2% from the year before on a pro forma basis (or +10% at constant exchange rates). Keppra® net sales have continued their steady growth and account for €645 million (or US$883 million) in 2007, up by 46% year-over-year at constant exchange rates. US net sales include the share of the gross profit generated on Zyrtec® and Zyrtec-D® by the Pfizer/UCB co-promotion as well as the sales of cetirizine active ingredient to Pfizer. Given the net sales (including the Caribbeans) realised by Pfizer and UCB amounted to US$1 541 million in 2007, UCB recorded its 25% share of the co-promotion gross profit or approximately 21% of net sales, i.e. €227 million, in addition to the €10 million sales of bulk cetirizine, totalling €237 million for 2007, down by 6% compared to 2006 at constant exchange rates. Omeprazole net sales represent €147 million, 24% lower than the €192 million of the previous year (or -17% at constant exchange rates), mainly as a result of further generic entry in the last quarter of the year. Due to good in-market performance and the absence of a cough & cold season in the first quarter of 2006, Tussionex™ net sales increase by 19% at constant exchange rates from €105 million in 2006 to €114 million in 2007. The attention deficit hyperactive deficit drug Metadate™ CD has benefited from new dosage forms and market share gains, resulting in net sales growing by 12% at constant exchange rates to €65 million. Neupro® uptake for 6 months after the July 2007 launch already represents €10 million. The net sales of other products amount to €234 million, a decrease of €75 million in comparison to 2006 pro forma, incorporating the negative impact of US genericised products such as verelan or moexipril.
- **Europe** net sales total €1 351 million in 2007 up by 3% compared to 2006 at both actual and constant exchange rates. Excluding divested products (Corifeo®, OTC Europe) and impact of change of control provisions (e.g. Rifun®), Europe net sales would have increased by 10%. Keppra® net sales represent €340 million, an increase of 35% compared to the same period the year before at both actual and constant exchange rates. The 16% growth in Xyzal® from €124 million to €143 million has more than compensated for the decrease in Zyrtec® and Cirrus® net sales from €100 million to €89 million. Nootropil® still accounts for €75 million of Europe net sales, reflecting a 3% increase, mainly driven by sales in European emerging countries. Neupro® net sales of €42 million in 2007 reflect a fast uptake in main launched markets (UK, Spain, Germany). All other products contribute €662 million to the Europe net sales, a reduction of €92 million versus the previous year on a pro forma basis, of which €84 million further to divestments and change of control provisions.

€ million	Actual 2007	Pro Forma 2006	2007 / 2006 variance				Reported Actual 2006	Reported Variance
			At actual rates		At constant rates			
			million EUR	%	million EUR	%		Actual rates
North America								
Keppra®	645	482	162	34%	221	46%	482	34%
Zyrtec® (including Zyrtec-D®)	237	273	(37)	-13%	(15)	-6%	273	-13%
Tussionex™	114	105	9	9%	20	19%	105	9%
Metadate™ CD	65	63	2	3%	8	12%	63	3%
Omeprazole	147	192	(45)	-24%	(32)	-17%		
Neupro®	10	0	10		11			
Other products	234	310	(75)	-24%	(75)	-24%	68	
Net sales North America (1)	**1 452**	**1 425**	**27**	**2%**	**138**	**10%**	**992**	**46%**
@ constant perimeter (2)	***1 452***	***1 411***	***41***	***3%***	***151***	***11%***	***978***	***48%***
Europe								
Keppra®	340	251	88	35%	88	35%	251	35%
Zyrtec® (including Cirrus®)	89	100	(10)	-10%	(10)	-10%	100	-10%
Xyzal®	143	124	20	16%	20	16%	124	16%
Neupro®	42	10	32		32			
Nootropil®	75	73	2	3%	1	2%	73	3%
Other products	662	754	(92)	-12%	(93)	-12%	279	137%
Net sales Europe (1)	**1 351**	**1 311**	**40**	**3%**	**40**	**3%**	**826**	**64%**
@ constant perimeter (2)	***1 332***	***1 208***	***124***	***10%***	***119***	***10%***	***803***	***66%***
Rest of world								
Keppra®	41	27	14	50%	15	54%	27	50%
Zyrtec® (including Cirrus®)	161	188	(27)	-14%	(13)	-7%	188	-14%
Xyzal®	22	19	3	18%	5	25%	19	18%
Nootropil®	26	26	0	0%	0	2%	26	0%
Other products	135	149	(14)	-9%	(6)	-4%	99	36%
Net sales Rest of world	**385**	**409**	**(24)**	**-6%**	**1**	**0%**	**359**	**7%**
@ constant perimeter (2)	***385***	***406***	***(21)***	***-5%***	***4***	***1%***	***356***	***8%***
Total net sales (1)	**3 188**	**3 144**	**44**	**1%**	**175**	**6%**	**2 177**	**46%**
@ constant perimeter (2)	**3 169**	**3 025**	***144***	***5%***	***275***	***9%***	**2 137**	***48%***

(1) excluding contract manufacturing sales (incl. Delsym post-divestment)
(2) excluding Bioproducts, Corifeo rights, Gastrocrom, OTC Europe & Emerging and product losses due to change of control

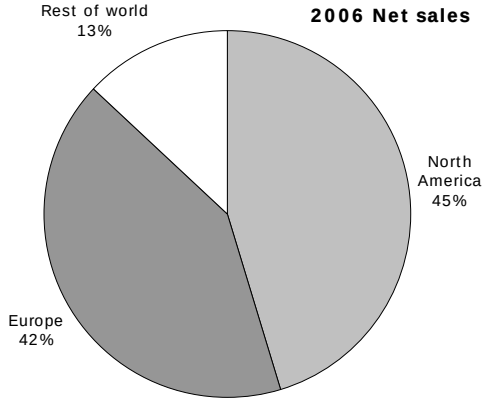
- **Rest of World** net sales amount to €385 million in 2007, a decrease of 6% (or +0% at constant exchange rates). In Japan, below average pollen season and generic competition for the first time in 2007 have caused Zyrtec®'s net sales to decrease from €138 million to €116 million or -7% at constant exchange rates. Furthermore in other Rest of World countries, Zyrtec® net sales have come down by 8% at constant exchange rates from €50 million to €45 million, whilst Xyzal® net sales have improved 25% at constant exchange rates from €19 million to €22 million. At constant exchange rates, Keppra® net sales grow 54% year-over-year, Nootropil® net sales go-up slightly and other products net sales decrease by 4%.

2007 Net sales



€ 3 188 million

Pro Forma 2006 Net sales



€3 144 million

2.4 Royalty income and expenses

€ million	Actual 2007	Pro Forma 2006	Pro Forma Variance % Actual rates	Pro Forma Variance % Cst rates	Reported Actual 2006	Reported Variance Actual rates
Royalty income & fees	**294**	**340**	-14%	-11%	**335**	**-12%**
Zyrtec® US	149	152	-2%		152	-2%
Biotechnology IP	121	172	-30%		172	-30%
Other	25	17	49%		11	122%
Royalty expenses	**(55)**	**(61)**	-9%	-9%	**(61)**	**-9%**
Biotechnology IP	(40)	(54)	-26%		(54)	-26%
Other	(15)	(6)	128%		(6)	128%
Net Royalty income & fees	**239**	**280**	**-14%**	**-11%**	**274**	**-13%**

Net royalty income & fees for 2007 amount to €239 million, down by 14% compared to the same period last year on a pro forma basis or -11% at constant exchange rates:

- The royalty income & fees amount to €294 million in 2007, decreasing by 11% at constant exchange rates compared to last year. Whilst in-market Zyrtec® US net sales have decreased from US$1 568 million in 2006 to US$1 541 million in 2007, Pfizer royalties are calculated as approximately twelve percent of net sales before recognition of significant returns reserve related to patent expiry. Biotechnology intellectual property has generated €121 million of royalty income in 2007 with strong underlying sales for third-party products (e.g. Herceptin®, Avastin®, Lucentis®), but compares unfavourably to 2006 with €172 million of royalty income & fees which included a one-time income related to retro-active payments for toll-manufacturing fees (€15 million) and Boss-related receipts on Remicade® (€40 million) which are discontinued since the 2006 expiry of the Boss agreement.
- The royalty expenses of €55 million, which are recognised in the cost of goods sold, are reduced by 9% compared to the year before due to the expiry of the Boss agreement, partially off-set by increased royalty expenses on higher net sales of Xyzal® and nifedipine (a treatment for vasospastic angina, chronic stable angina and treatment of high blood pressure).

2.5 Other revenue

€ million	Actual 2007	Pro Forma 2006	Pro Forma Variance % Actual rates	Pro Forma Variance % Cst rates	Reported Actual 2006
Fesoterodine milestones	48	80			
Biogen milestones		24			24
Xyzal US milestones/profit sharing	32	4			4
Contract manufacturing sales	50	38			11
Provas profit sharing	12				
Other	2				
Other revenue	**144**	**146**	**-2%**	**4%**	**39**

In view of the increasing materiality of license agreements or profit-sharing agreements for the group, which income used to be recognised as part of other operating income and expenses, it has been decided to report the corresponding income in a separate line "other revenue". Also the net sales resulting from contract manufacturing activities will be recognised under "other revenue" and not presented as net sales. The 2006 income statement on a reported basis and on a pro forma basis is restated accordingly.

Other revenue for 2007 amounts to €144 million, down by 3% on a pro forma basis compared to the same period last year but up by 3% at constant exchange rates. Pro forma 2006 other revenue included €80 million of income recognised as part of the agreement with Pfizer on fesoterodine, for the treatment of overactive bladder, whilst there is €48 million recognised in the 2007 accounts. Recognition of approval and launch related milestones for Xyzal® US as well as profit-sharing with sanofi-aventis on Xyzal® US has generated €32 million in 2007, compared to only €4 million the previous year. Contract manufacturing sales have increased from €38 million on a pro forma basis in 2006 to €50 million in 2007, mainly as a result of full year impact of toll manufacturing agreement on Delsym™, which started only in June 2006 following the product divestment.

2.6 Gross profit

€ million	Actual 2007	Pro Forma 2006	Pro Forma Variance % Actual rates	Pro Forma Variance % Cst rates	Reported Actual 2006	Reported Variance Actual rates
Revenue	**3 626**	**3 631**	**0%**	**4%**	**2 551**	**42%**
Net sales	3 188	3 144	1%	6%	2 177	46%
Royalty income	294	340	-14%	-11%	335	-12%
Other revenue	144	146	-3%	3%	39	
Cost of sales	**(1 047)**	**(877)**	**19%**	**21%**	**(541)**	**94%**
Cost of sales products & services	(822)	(789)	4%	6%	(452)	82%
Royalty expenses	(55)	(61)	-9%	-9%	(61)	-9%
Inventory step-up	(93)					
Amortisation of intangible assets linked to sales	(77)	(28)	178%		(28)	178%
Gross profit	**2 579**	**2 754**	**-6%**	**-2%**	**2 010**	**28%**
Less: acquisition related inventory step-up	93					
Gross profit before inventory step-up	**2 672**	**2 754**	**-3%**	**2%**	**2 010**	**33%**
of which						
Products & Services	*2 509*	*2 502*	0%	5%	*1 764*	42%
Net royalty income	*239*	*280*	-14%	-11%	*274*	-13%
Amortisation of intangible assets linked to sales	*(77)*	*(28)*	178%		*(28)*	178%

Gross profit:

- On a pro forma basis, gross profit of €2 579 million is 6% lower than 2006. Adjusted for the €93 million non-cash one-time impact of inventory step-up as required by IFRS, gross profit would have decreased by 3% (or increased by 2% at constant exchange rates), thanks to improved revenue at constant exchange rates.
- On a reported basis, gross profit amounts to €2 579 million in 2007, which is 28% more than in the same period of last year thanks to the consolidation of Schwarz Pharma. Adjusted for the €93 million non-cash one-time impact of inventory step-up as required by IFRS, gross profit would have increased by 33%.

As a percentage of revenue, gross profit before inventory step-up represents 73.7% in 2007, down from 75.8% in 2006 pro forma further to a significant increase in acquisition related amortisation expenses and a deterioration of the major currencies which impact predominantly the revenue, despite the currency hedging in place.

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

- **Cost of sales products & services**: The cost of sales for products and services increases by €33 million from €789 million in 2006 to €822 million in 2007 on higher underlying sales. The ratio of cost of sales/net sales (25.8% in 2007) increases slightly compared to 2006 pro forma (25.1%), reflecting adverse impact of currencies on net sales whilst main manufacturing sites are in the Eurozone.
- **Royalty expenses**: Royalties paid-out decrease from €61 million in 2006 to €55 million in 2007 as a result of lower patent related royalty expenses, mainly caused by expiry of the Boss agreement.
- **Inventory step-up**: As part of the Schwarz Pharma acquisition, UCB was required under IFRS to recognise acquired inventories at their fair value. The ensuing increase in inventory value of €93 million as of 31 December 2006 had to be recognised in the cost of sales over 2007 and represents a one-time charge of an equivalent amount but with no cash impact.
- **Intangible assets amortisation expenses linked to sales**: Under IFRS 3 (*Business Combinations*), UCB has reflected on its balance sheet a significant amount of intangible assets related to the Celltech and the Schwarz Pharma acquisitions (in-process Research & Development, manufacturing know-how, royalty streams, trade-names, etc.), which have given rise to amortisation expenses of €77 million in 2007, compared to €28 million in 2006, as a result of the Schwarz Pharma acquisition's recognition in the income statement starting in 2007.

2.7 Recurring EBIT and Recurring EBITDA

€ million	Actual 2007	Pro Forma 2006	Pro Forma Variance % Actual rates	Pro Forma Variance % Cst rates	Reported Actual 2006	Reported Variance Actual rates
Revenue	**3 626**	**3 631**	**0%**	**4%**	**2 551**	**42%**
Net sales	3 188	3 144	1%	6%	2 177	46%
Royalty income & fees	294	340	-14%	-11%	335	-12%
Other revenue	144	146	-3%	3%	39	
Gross profit	**2 579**	**2 754**	**-6%**	**-2%**	**2 010**	**28%**
Marketing & selling expenses	(1 054)	(1 049)	0%	5%	(733)	44%
as a % of net sales	-33.1%	-33.4%			-33.7%	
Research & development expenses	(788)	(815)	-3%	-2%	(615)	28%
as a % of net sales	-24.7%	-25.9%			-28.3%	
General & administrative expenses	(267)	(315)	-15%	-12%	(196)	36%
as a % of net sales	-8.4%	-10.0%			-9.0%	
Other operating income/(expenses)	10	33			9	
Total operating expenses	**(2 098)**	**(2 147)**	**-2%**	**1%**	**(1 535)**	**37%**
Recurring EBIT (REBIT)	**480**	**608**	**-21%**	**-11%**	**475**	**1%**
excluding inventory step-up	**573**	**608**	**-6%**	**4%**	**475**	**21%**
+ Amortisation of intangible assets	93	62			36	
+ Depreciation charges	75	77			54	
+ Inventory step-up (non-cash IFRS one-off)	93					
Recurring EBITDA (REBITDA)	**741**	**747**	**-1%**	**7%**	**566**	**31%**

Operating expenses encompassing Marketing & selling expenses, Research & development expenses, General & administrative expenses and other operating income/expenses reach €2 098 million in 2007, 37% higher than last year as a result of the consolidation of Schwarz Pharma. On a pro forma basis, operating expenses are 2% lower than the year before, reflecting:

- €5 million higher Marketing & selling expenses or flat evolution of expenses, with continued investments behind sales growth and product launches (Neupro® and Xyzal® US mainly) as well as preparation of expected launches but also with cost reductions following the initial integration and restructuring efforts.
- €27 million lower Research & development expenses or a 3% reduction, with decreasing expenses linked to several phase III studies successfully completed and cost reduction measures taken in the context of the integration whilst continuing to invest in our pipeline.
- €48 million lower General & administrative or 15% lower expenses, reflecting substantial savings due to functional redundancies between legacy Schwarz Pharma and UCB and cost containment.
- Other operating income/(expenses) amount to €10 million in 2007, which is €23 million lower than 2006 on a pro forma basis, due to lower cost amounts reimbursed by third parties and a reversal of provisions in 2006. In view of the increasing materiality of license agreements or profit-sharing agreements for the group, which income used to be recognised as part of the line "other operating income and expenses", it has been decided to report the corresponding income in a new category "other revenue".

Recurring EBIT is up by 1% on a reported basis, as a result of the consolidation of Schwarz Pharma. Excluding the €93 million non-cash one-time impact of inventory step-up as required by IFRS, recurring EBIT would have increased by 21%. On a pro forma basis, recurring EBIT, after inventory step-up, is down by 21%. Excluding the €93 million non-cash one-time impact of inventory step-up, pro forma recurring EBIT would have decreased by 6%. At constant exchange rates and disregarding impact of inventory step-up, recurring EBIT would be up by 4%.

Recurring EBITDA, which excludes the non-cash inventory step-up, is up by 31% on a reported basis to €741 million compared to 2006. On a pro forma basis, recurring EBITDA would have been 1% lower but higher by 7% at constant exchange rates, reflecting the increase in revenue and gross profit as well as the stable operating expenses.

2.8 Net Profit & Adjusted Net Profit

€ million	Actual 2007	Pro Forma 2006	Pro Forma Variance % Actual rates	Pro Forma Variance % Cst rates	Reported Actual 2006	Reported Variance Actual rates
Recurring EBIT	**480**	**608**	**-21%**	**-11%**	**475**	**1%**
Impairment charges	(36)	(26)			(4)	
Restructuring expenses	(123)	(35)			(22)	
Other non recurring income/(expenses)	23	122			122	
Restructuring & non recurring income/(expenses)	(136)	61			97	
EBIT (Operating Profit)	**344**	**669**	**-48%**	**-40%**	**571**	**-40%**
Net financial expenses	(125)	(48)			(54)	
Profit before income taxes	**219**	**620**	**-65%**	**-56%**	**517**	**-58%**
Income tax expenses	(60)	(228)			(150)	
Profit from continuing operations	**159**	**392**	**-59%**	**-50%**	**367**	**-57%**
Add: profit from discontinued operations	2	0			0	
Less : minority interests	(1)	(1)			0	
Net profit	**160**	**391**	**-59%**	**-49%**	**367**	**-56%**
Less : after-tax non-recurring items & financial one-offs	98	(49)			(49)	
Less : profit from discontinued operations	(2)				(0)	
Addback : after-tax inventory step-up	57					
Less : tax one-offs	(21)					
Adjusted net profit (after minority interests)	**292**	**343**	**-15%**	**-5%**	**318**	**-8%**

- **Restructuring & non-recurring income/(expenses)** amount to €(136) million pre-tax and €(98) million after-tax, and are significantly lower than last year, which incorporated substantial capital gains on the sale of products/activities and much lower restructuring expenses. The 2007 non-recurring items predominantly include:
  - Capital gain on sale of Cytec shares €29 million pre-tax
  - Capital gain on sale of OTC Europe €19 million pre-tax
  - Impairment charges (tangible and intangible assets) - €36 million pre-tax
  - Cimzia® start-up & other related expenses - €23 million pre-tax
  - Restructuring & integration expenses - €123 million pre-tax
- **Net financial expenses** in 2007 are €71 million higher than last year, as a result of the interest charges linked to the incremental debt secured for the acquisition of Schwarz Pharma. On a pro forma basis, the financial expenses have increased by €77 million.
- The average **tax** rate on recurring activities is 33% in 2007 compared to 27% in the prior year when Schwarz Pharma's financials were not consolidated. When including non-recurring items, the average tax rate increases to 37% as a result of the low taxes applying to restructuring expenses. This compares with 37% on a pro forma basis, reflecting the relatively higher tax rates of Schwarz Pharma entities. As a result of the impact on the deferred tax liabilities recognised on the balance sheet for the change in corporate taxation in Germany and in the UK and of the merge of the corporate structure of Schwarz Pharma's non-German entities into UCB's corporate structure, approximately €21 million of tax credits have been recognised in the 2007 results.

	Actual 2007	Pro Forma 2006	Reported Actual 2006
Average tax rate (excluding tax one-offs)	37%	37%	29%
on **recurring** profit before taxes	33%	37%	27%
on **non-recurring** profit before taxes	28%	36%	37%
Average tax rate (including tax one-offs)	27%	37%	29%

- **Net profit** for the year reaches €160 million, i.e. €231 million or 59% below prior year on a pro forma basis, reflecting increased financial expenses in connection with the acquisition, one-time non-cash impact of IFRS related inventory step-up (€93 million pre-tax, €57 million after-tax), and reduced after-tax contribution of non-recurring items and financial one-offs (€98 million negative after-tax contribution versus €49 million positive in 2006 pro forma). **Net Profit** for the year 2007 of €160 million is €207 million or 56% below prior year on a reported basis, reflecting the addition of Schwarz Pharma, increased financial expenses in connection with the acquisition, one-time non-cash impact of IFRS related inventory step-up (€93 million pre-tax, €57 million after-tax), and reduced after-tax contribution of non-recurring items and financial one-offs €98 million negative after-tax contribution versus €49 million positive in 2006).
- Adjusting for the after-tax impact of non-recurring items and financial one-offs, for the after-tax contribution from discontinued operations, for the one-time non-cash after-tax impact of the inventory step-up and for tax one-offs,

Adjusted net profit reaches €292 million, which is 15% below the €343 million of pro forma adjusted net profit for 2006 (or -5% at constant exchange rates), with operating performance not compensating the incremental acquisition related financial expenses and intangible amortisation expenses.

3. SCHWARZ PHARMA'S PURCHASE PRICE ALLOCATION UPDATE

The closing of the extended tender offer on Schwarz Pharma's shares took place on 28 December 2006 and consequently, the consolidated balance sheet of Schwarz Pharma had been consolidated as at 31 December 2006 applying the purchase method of accounting. The consolidated income statement of Schwarz Pharma started to be fully consolidated as from 1 January 2007. As indicated in the 2006 Management Report, the purchase price allocation presented then was provisional and might, in conformity with IFRS 3, change in the course of 2007.

The main changes in the Purchase Price Allocation as of 31 December 31 2006 between the 2006 closing and the 2007 closing are as follows:

in € million	Schwarz Pharma Dec. 31, 2006	Purchase Price Allocation as at 31 December 2006		
		Provisional	Final	Incl. Purchase new shares/ guaranteed div.
Intangible fixed assets	106	1 817	1 767	1 767
Goodwill	42			
Tangible fixed assets	179	212	211	211
Other assets	111	26	105	105
Inventory	97	193	190	190
Other current assets	262	262	256	256
Net cash	263	263	265	265
Total Assets	1 060	2 773	2 794	2 794
Long-term liabilities	81	122	78	443
Deferred tax liabilities		691	671	671
Current liabilities	414	414	546	564
Total Liabilities	495	1 227	1 295	1 679
Fair Value 100% of Net Assets	565	1 546	1 499	1 116
Minority interests		(204)	(197)	0
Fair Value Acquired Net Assets (UCB %)	491	1 342	1 302	1 116
Goodwill for UCB %		2 775	2 819	3 088
Acquisition cost for UCB %		4 117	4 120	4 203
UCB percentage ownership		86.8%	86.8%	100.0%

- ***Acquired shares***: Since 31 December 2006 UCB has acquired an additional 1.8% of Schwarz Pharma shares and owns as of 31 December 2007 89.2% of the shares and 88.6% on a fully diluted basis.
- ***Fair value of acquired net assets***: The fair value of acquired Schwarz Pharma net assets at 100% as at 31 December 2006 has not materially changed between the provisional situation as at 31 December 2006 (€1 546 million) and the final situation as at 31 December 2007 (€1 499 million), mainly driven by the recognition of reduced valuation of intangible assets, increased deferred tax assets and increased current liabilities.
- ***Balance sheet recognition of guaranteed dividend***: As part of the Domination and Profit Transfer Agreement with Schwarz Pharma AG, UCB guarantees a gross dividend of €3.43 per Schwarz Pharma share for its remaining shareholders. The recognition of the guaranteed dividend as another financial liability for approximately 5.2 million shares represents €384 million on a discounted basis. Whilst this incremental other financial liability reduces the fair value of net assets by €384 million, minority interests reflecting the remaining share ownership outside of UCB are reduced to nil and goodwill, including further purchases of Schwarz Pharma shares in 2007, increases by €269 million to €3 088 million.

4. CAPITAL EXPENDITURE

The tangible capital expenditure resulting from UCB's biopharmaceutical activities amounts to €220 million in 2007 compared to €65 million in 2006.

The 2007 investments reflect essentially the upgrade and extension of the Shannon (Ireland) facility, the acquisition of new equipment for R&D, the investments for the Cimzia® manufacturing, supply and delivery mechanism, the investments for products yet to be commercialised as well as continued manufacturing maintenance and improvements.

In addition, as foreseen in the agreement between UCB and Lonza for the manufacturing by Lonza of PEGylated antibody fragment based bulk actives, UCB has participated in the pre-financing of the related capital expenditure. An additional amount of €23 million has been accounted for in 2007 (compared to €95 million at the end of 2006) as a pre-payment and is recognised in expenses over the life of the contract from the time the assets will be in use.

5. BALANCE SHEET

€ million	**2007** Dec. 31	**2006** Dec. 31 Restated	**Variance %**	**2006** Dec. 31 Reported
Non-current assets	**7 900**	**8 210**	**-4%**	**8 143**
Intangible assets	2 293	2 487	-8%	2 537
Goodwill	4 403	4 391	0%	4 346
Other non-current assets	1 204	1 333	-10%	1 260
Current assets	**1 655**	**2 350**	**-30%**	**2 355**
Total Assets	**9 555**	**10 560**	**-10%**	**10 498**
Shareholders' equity	**4 264**	**4 771**	**-11%**	**4 778**
Capital and reserves	4 103	4 207		4 207
Profit for the period	160	367		367
Minority interests	1	198		204
Non-current liabilities	**3 404**	**4 276**	**-20%**	**4 199**
Current liabilities	**1 887**	**1 513**	**25%**	**1 521**
Total liabilities and shareholders' equity	**9 555**	**10 560**	**-10%**	**10 498**
Net debt	**(1 915)**	**(2 108)**	**-9%**	**(2 108)**
Liquid assets	505	1 006		1 006
Financial debt	(2 420)	(3 114)		(3 114)

(1) before profit distribution for the current year

The balance sheet as presented at 31 December 2007 incorporates the balance sheet of Schwarz Pharma, including the revised purchase price allocation. See section above on Schwarz Pharma's purchase price allocation update for differences between the restated 31 December 2006 figures and the published ones. As Schwarz Pharma's balance sheet was already included in the consolidated balance sheet of UCB as at 31 December 2006, the figures in the table above should be comparable:

- ***Intangible assets***: Further to ongoing amortisation of the intangible assets related to the acquisition of Celltech and Schwarz Pharma (€77 million) and to significant currency impact (-10% depreciation of the closing US dollar rate between end 2006 and end 2007), intangible assets decrease by €194 million from €2 487 million as at 31 December 2006 to €2 293 million as at 31 December 2007.
- ***Goodwill***: Limited variance of + €12 million in goodwill between 31 December 2006 and 31 December 2007 reflects an increase in goodwill resulting from the recognition of the guaranteed dividend owed to minority shareholders of Schwarz Pharma (see section above on Schwarz Pharma's purchase price allocation update), almost off-set by impact of the declining US dollar.
- ***Other non-current* assets**: The level of other non-current assets decreases by €128 million, driven by the sale of the Cytec shares with a carrying value of €248 million as of end 2006, off-set by an increase in deferred tax assets recognition, tangible fixed assets and further advance payments for the Lonza bio-manufacturing facility.
- ***Current assets***: The steep decrease in current assets from €2 350 million to €1 655 million stems from the reduction in cash & cash equivalents by €495 million. Furthermore, trade and other receivables reduce from €795 million to €746 million through better receivable management and currency impact, whilst the level of inventories decreases from €429 million as of end 2006 to €307 million as of end 2007, which stems from recognition in cost of goods sold of the inventory step-up of €93 million, better inventory management and currency fluctuations.

- ***Shareholders' equity***: UCB's shareholders' equity, at €4 264 million, decreases by €507 million between 31 December 2006 and 31 December 2007. Whilst equity increases by the amount of net profit (€160 million), equity decreased by €165 million for the dividends declared on the 2006 results, by €197 million corresponding to the de-recognition of minority interests following the recognition of the guaranteed dividend and by €304 million caused mainly by cumulative translation adjustments due to the declining US dollar and Japanese yen as well as fair value adjustments recognised in equity.
- ***Non-current liabilities***: The decrease in non-current liabilities from €3 427 million to €3 404 million is mainly a consequence of the €291 million decrease in long-term financial debt following decrease of cash levels, as well as of a decrease of deferred tax liabilities due to tax allowance on amortisation expenses and currency fluctuations, off-set by the recognition of the €366 million long-term portion of the €384 million related to the guaranteed dividend (see section above on Schwarz Pharma's purchase price allocation update).
- ***Current liabilities***: The decrease in the current liabilities from €2 362 million to €1 887 million is predominantly caused by a €397 million decrease in short-term financial debt to reduce cash levels, combined with a decrease of €90 million in current income tax liabilities.
- ***Net debt***: The net debt of €(1 915) million represents a reduction of €193 million (see cash flow section hereafter reflecting €289 million free cash flow from continuing operations combined with dividend payment of €164 million and reduction of the debt further to the currency fluctuation on the portion of the debt denominated in US dollar).

6. CASH FLOW STATEMENT

€ million	**2007 Actual**	**2006 Actual**
Profit from continuing operations	**160**	**367**
Non cash items	223	(60)
Change in working capital	107	14
Cash flow from operating activities	**490**	**321**
Cash flow from investing activities	**(201)**	**(1 649)**
of which tangible fixed assets purchase	(220)	(65)
of which intangible assets purchase	(31)	(65)
of which settlement Schwarz Pharma shares	(217)	(1 767)
of which divestments	271	243
Free cash flow from continuing operations	**289**	**(1 328)**
Cash flow from financing activities	**(766)**	**1 884**
Proceeds / (outflows) from discontinued operations	**(1)**	**(12)**
Change in cash	**(478)**	**544**

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

- ***Cash flow from operating activities***: The €160 million net profit, adjusted positively for the one-time non-cash inventory step-up charge and corrected negatively for non-recurring capital gains, combined with a much improved working capital, supports an increase in the cash flow from operating activities from €321 million in 2006 to €490 million in the comparable period of 2007.
- ***Cash flow from investing activities***: Tangible fixed assets additions amount to €220 million, reflecting mainly the progress in the construction of a manufacturing extension in Shannon (Ireland). There are also €217 million of cash outflows related to the acquisition of Schwarz Pharma (including the second cash settlement that took place in January and further purchases after registration of the Domination and Profit Transfer Agreement). Tangible fixed assets additions and Schwarz Pharma acquisition related cash outflows are partially offset by the proceeds from the sale of the Cytec shares (€248 million as announced in March) and other divestments. Cash flow from investing activities of €(201) million in 2007 shows a significant improvement compared to the 2006 level of €(1 649) million, which included the first cash settlement for the acquisition of Schwarz Pharma shares for €(1 767) million.
- ***Cash flow from financing activities***: The payment of the dividend related to the 2006 results amounts to €164 million. Furthermore €600 million of cash was used to repay debt. Cash flow from financing activities, including purchase of own shares for €2 million, subsequently amounts to €(766) million.

7. OUTLOOK 2008

It is expected that 2008 will again be a year of progress in the execution of UCB's strategy and of substantial investment in the company's future growth.

- **Revenue** is expected to decrease from 2007 level of €3.6 billion to approximately €3.4 billion due, in substantial part, to the patent expiry of Zyrtec® in the US, and the expected start of generic competition to Keppra® in November 2008 as well as further deterioration of major currencies versus the euro, despite further anticipated growth in Keppra® until the start of US generic competition and positive impact of newly launched products Xyzal® (US) and Neupro®.
- Notwithstanding incremental marketing & selling expenses in connection with product launches and preparatory activities in view of expected launches, operating expenses should be declining somewhat as a result of the continued restructuring and cost containment efforts. **Recurring EBITDA** is expected to end the year at approximately €650 million, as continued investments in both marketing & selling and R&D as well as the anticipated gross profit loss due to the revenue decline cannot be fully compensated by the higher synergies.
- In view of the registration of the Domination and Profit Transfer Agreement in July 2007, UCB had to offer €104.60 per Schwarz Pharma share for the remaining shares of Schwarz Pharma it does not own or a guaranteed gross dividend of €3.43 per share. If all remaining Schwarz Pharma shares (5.2 million shares) were tendered, the net debt of UCB would increase after settlement by approximately €550 million, which would result in a significant increase of **financial expenses** compared to 2007.
- **Net profit**, after non-recurring and one-time items, is expected to exceed €100 million in 2008.

CONSOLIDATED ACCOUNTS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December € million	2007	2006
Continuing operations		
Net sales	3 188	2 177
Royalties	294	335
Other revenue	144	39
Revenue	**3 626**	**2 551**
Cost of sales	(1 047)	(541)
Gross profit	**2 579**	**2 010**
Marketing & selling expenses	(1 054)	(733)
Research & development expenses	(788)	(615)
General & administrative expenses	(267)	(196)
Other operating income and expenses	10	9
Operating profit before impairment, restructuring and other income and expenses	**480**	**475**
Impairment of non-financial assets	(36)	(4)
Restructuring expenses	(123)	(22)
Other income and expenses	23	122
Operating profit	**344**	**571**
Financial income	41	17
Financing costs	(166)	(71)
Profit before income taxes	**219**	**517**
Income tax expense	(60)	(150)
Profit from continuing operations	**159**	**367**
Discontinued operations		
Profit from discontinued operations	2	-
Profit	**161**	**367**
Attributable to:		
Equity holders of UCB SA	160	367
Minority interest	1	-
Basic earnings per share (€)		
from continuing operations	0.88	2.54
from discontinued operations	0.01	0.00
Total basic earnings per share	**0.89**	**2.54**
Diluted earnings per share (€)		
from continuing operations	0.86	2.48
from discontinued operations	0.01	0.00
Total diluted earnings per share	**0.87**	**2.48**

CONSOLIDATED BALANCE SHEET

At 31 December € million	2007	2006
ASSETS		
Non-current assets		
Intangible assets	2 293	2 487
Goodwill	4 403	4 391
Property, plant and equipment	758	665
Deferred income tax assets	210	186
Employee benefits	10	14
Financial and other assets (including derivative financial instruments)	226	467
Total non-current assets	**7 900**	**8 210**
Current assets		
Inventories	307	429
Trade and other receivables	746	795
Income tax receivables	27	92
Financial and other assets (including derivative financial instruments)	96	60
Cash and cash equivalents	479	974
Total current assets	**1 655**	**2 350**
Total assets	**9 555**	**10 560**
EQUITY AND LIABILITIES		
Equity		
Capital and reserves attributable to UCB shareholders	4 263	4 573
Minority interest	1	198
Total equity	**4 264**	**4 771**
Non-current liabilities		
Borrowings	1 906	2 200
Other financial liabilities (including derivative financial instruments)	376	-
Deferred income tax liabilities	700	822
Employee benefits	126	136
Provisions	268	234
Other liabilities	29	35
Total non-current liabilities	**3 405**	**3 427**
Current liabilities		
Borrowings	514	914
Other financial liabilities (including derivative financial instruments)	35	9
Provisions	75	40
Trade and other liabilities	1 108	1 155
Income tax payables	154	244
Total current liabilities	**1 886**	**2 362**
Total liabilities	**5 291**	**5 789**
Total equity and liabilities	**9 555**	**10 560**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December € million	2007	2006
Profit for the year attributable to equity holders of UCB SA	**160**	**367**
Minority interest	1	0
Depreciation of property, plant and equipment	75	54
Amortisation of intangible assets	85	36
Impairment of non-financial assets	36	4
Loss/(gain) on disposals of property, plant and equipment	(5)	0
Loss/(gain) on disposals other than property, plant and equipment	0	(77)
Equity settled share-based payment expense	10	5
Profit from discontinued operations	(2)	0
Profit from disposed operations, other than discontinued operations	(48)	(59)
Net interest (income)/expense	133	51
Net non-cash financing costs	38	60
Financial instruments – change in fair value	(14)	(7)
Dividend income	(1)	(2)
Income tax expense	60	150
Cash flow from operating activities before changes in working capital, provisions and employee benefits	**528**	**582**
Decrease/(increase) in inventories	108	(14)
Decrease/(increase) in trade & other receivables and other assets	47	(125)
Increase/(decrease) in trade & other payables	45	153
Net movement in provisions and employee benefits	19	(37)
Net cash generated from operating activities	**747**	**559**
Interest received	78	78
Interest paid	(160)	(140)
Income taxes paid	(175)	(176)
CASH FLOW FROM OPERATING ACTIVITIES	**490**	**321**
Acquisition of intangible assets	(31)	(65)
Acquisition of property, plant and equipment	(220)	(65)
Acquisition of subsidiaries, net of cash acquired	(217)	(1 767)
Acquisition of other investments	(4)	(4)
Proceeds from sale of intangible assets	0	116
Proceeds from sale of property, plant and equipment	13	5
Proceeds from sale of subsidiaries, net of cash disposed	0	-
Proceeds from sale of businesses, net of cash disposed	6	122
Proceeds from sale of other investments	251	7
Dividends received	1	2
CASH FLOW FROM INVESTING ACTIVITIES	**(201)**	**(1 649)**
Proceeds from issuance of share capital	3	0
Proceeds from borrowings	169	3 029
Repayment of borrowings	(769)	(990)
Payment of finance lease liabilities	(3)	(1)
Purchase of treasury shares	(2)	(29)
Dividend paid to UCB shareholders net of dividend paid on own shares	(164)	(125)
CASH FLOW FROM FINANCING ACTIVITIES	**(766)**	**1 884**
CASH FLOW FROM DISCONTINUED OPERATIONS	**(1)**	**(12)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(478)**	**544**
Cash and cash equivalents less bank overdrafts at the beginning of the year	934	395
Effect of exchange rate fluctuations	(12)	(5)
CASH AND CASH EQUIVALENTS LESS BANK OVERDRAFTS AT THE END OF THE YEAR	**444**	**934**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ million	Share capital & share premium	Treasury shares	Retained earnings	Other reserves	Cumulative translation adjustments	Minority interest	Total stockholders' equity
Balance at 1 January 2006	438	(95)	2 140	1	(75)	-	2 409
Available-for-sale financial assets – net of tax	-	-	-	16	-	-	16
Cash flow hedges – net of tax	-	-	-	39	-	-	39
Currency translation adjustments	-	-	-	-	(49)	-	(49)
Net income/(expense) recognised directly in equity	-	-	-	55	(49)	-	6
Profit	-	-	367	-	-	-	367
Total recognised income/(expense)	-	-	367	55	(49)	-	373
Dividend relating to 2005	-	-	(125)	-	-	-	(125)
Share-based payments	-	-	5	-	-	-	5
Treasury shares	-	(30)	-	-	-	-	(30)
Issue of share capital – business combination	1 710	-	-	-	-	-	1 710
IFRS acquisition value surplus arising on business combination	-	-	-	231	-	-	231
Minority interest arising on business combination	-	-	-	-	-	198	198
Balance at 31 December 2006	2 148	(125)	2 387	287	(124)	198	4 771
Balance at 1 January 2007	2 148	(125)	2 387	287	(124)	198	4 771
Available-for-sale financial assets – net of tax	-	-	-	(29)	-	-	(29)
Cash flow hedges – net of tax	-	-	-	15	-	-	15
Net investment hedge	-	-	-	55	-	-	55
Currency translation adjustments	-	-	-	-	(358)	-	(358)
Net income/(expense) recognised directly in equity	-	-	-	41	(358)	-	(317)
Profit	-	-	160	-	-	-	160
Total recognised income/(expense)	-	-	160	41	(358)	-	(157)
Dividend relating to 2006	-	-	(164)	-	-	-	(164)
Share-based payments	-	-	10	-	-	-	10
Treasury shares	-	(2)	-	-	-	-	(2)
Issue of share capital – business combination	3	-	-	-	-	-	3
IFRS acquisition value surplus arising on business combination	-	-	-	-	-	-	-
Minority interest arising on business combination – domination and profit transfer agreement	-	-	-	-	-	(197)	(197)
Balance at 31 December 2007	2 151	(127)	2 393	328	(482)	1	4 264