FINANCIAL REPORT

OPERATING AND FINANCIAL REVIEW

1. Business performance review[1]

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

1.1. Key highlights

- **Revenue** in 2010 increased by 3% to € 3 218 million. Net sales went up by 4% due to the solid performance of the three core products Cimzia®, Vimpat® and Neupro®, strong Keppra® sales in Europe as well as *venlafaxine XR* in North America, partially offset by the generic competition to the mature product portfolio. Royalty income and fees was down by 3% as a result of biotechnology intellectual property expiry. Other revenue increased by 3% due to higher contract manufacturing sales.
- **Recurring EBITDA** reached € 731 million in 2010 compared to € 698 million in 2009, reflecting the revenue increase offset by launch expenses for Cimzia®, Vimpat®, Neupro® and start of new clinical development programmes.
- **Net profit** decreased from € 513 million in 2009 to € 103 million in 2010, reflecting a strong 2010 operational result, higher non-recurring expenses mainly stemming from impairment charges linked to Toviaz® and one-time write-offs relating to the disposal of three manufacturing facilities to Aesica, partially offset by one-off income taxes. Net profit adjusted for non-recurring and one-off items reached € 239 million, which is 6% above the € 226 million of adjusted net profit for 2009.
- **Core EPS** increased from € 1.74 in 2009 to € 1.99 per share in 2010.

	ACTUAL		VARIANCE	
€ million	2010	2009	ACTUAL RATES	CST RATES
Revenue	**3 218**	**3 116**	**3%**	**0%**
Net sales	2 786	2 683	4%	0%
Royalty income and fees	220	227	-3%	-7%
Other revenue	212	206	3%	0%
Gross profit	**2 165**	**2 091**	**4%**	**-1%**
Marketing and selling expenses	-797	-781	2%	-3%
Research and Development expenses	-705	-674	5%	2%
General and administrative expenses	-194	-189	3%	1%
Other operating income/expenses (-)	-2	6	n.s.	n.s.
Recurring EBIT (REBIT)	**467**	**453**	**3%**	**-7%**
Non recurring income/expenses (-)	-263	384	n.s.	n.S.
EBIT (operating profit)	**204**	**837**	**-76%**	**-80%**
Net financial expenses	-185	-162	14%	13%
Income from associates	0	0	n.s.	n.s.
Profit before income taxes	**19**	**675**	**-97%**	**-102%**
Income tax expenses(-)/credit	86	-168	n.s.	n.s.
Profit from continuing operations	**105**	**507**	**-79%**	**-85%**
Profit/loss (-) from discontinuing operations	-1	7	n.s.	n.s.
Non-Controlling interest	-1	-1		
Net profit of the Group	**103**	**513**	**-80%**	**-85%**
Recurring EBITDA	**731**	**698**	**5%**	**-3%**
Adjusted net profit	**239**	**226**	**6%**	**-8%**
Capital expenditures (including intangible assets)	78	87	-10%	n.s.
Net financial debt	1 525	1 752	-13%	n.s.
Cash flow from operating activities	506	295	72%	n.s.
Number of shares - non-diluted	**180**	**180**		
EPS (€ per non-diluted share)	**0.57**	**2.85**	**n.s.**	**n.s.**
Core EPS (€ per non-diluted share)	**1.99**	**1.74**	**15%**	**4%**

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

1.2. 2010 key events

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

Important agreements / initiatives

- **Expanding manufacturing capacity for Cimzia®**: In December 2010, UCB has initiated a project to build in-house biotech microbial manufacturing capacity in Bulle, Switzerland to secure demand for its core product Cimzia® (*certoluzimab pegol*). The new manufacturing unit should be operational in 2015 and requires an investment of € 250 million in two steps.
- **UCB optimises its manufacturing network**: In December 2010, UCB agreed with Aesica, a leading pharmaceutical manufacturer, that Aesica acquires current UCB manufacturing facilities in Germany and Italy. The agreement is part of UCB's strategy to optimise its manufacturing network.
- **Strategic alliance in neurology with Synosia**: In October 2010, UCB and Synosia Therapeutics announced a new strategic partnership in neurology. Synosia has granted UCB a license for exclusive, worldwide rights to the development compound SYN-115 and rights to a second compound, SYN-118, for non-orphan indications. Both are in Phase 2 clinical development for the treatment of Parkinson's disease. Synosia is responsible for the development up to the end of Phase 2. UCB will be responsible for subsequent development and commercialisation. UCB also became a key shareholder of Synosia Therapeutics. In January 2011, Biotie Therapies acquired Synosia, thereby creating a leading central nervous system development company. UCB now holds 8.94% of the shares of Biotie Therapies.
- **Strategic alliance with WILEX strengthened**: In June 2010, UCB acquired an additional 6.65% of shares in WILEX, partner to develop UCB's oncology portfolio, thereby increasing UCB's total holding in WILEX to 18.05%.
- **Agreement with Chiesi for Innovair® marketing in EU**: In July 2010, UCB and Chiesi agreed, that the marketing of the asthma product Innovair® (*beclomethasone/formoterol*) in Europe will be taken over by Chiesi itself.
- **Divestment of primary care mature products in Japan**: In May 2010, UCB decided to exit the primary care market in Japan through a transfer of its primary care products to Taiho Pharmaceuticals, an affiliate of Otsuka Holdings.
- **Decision to exit the primary care market in the U.S**: Effective 1 March 2010, UCB exited the primary care market in the U.S. During July 2010, UCB also out-licensed the U.S. marketing rights for a bundle of six established products to Actient Pharmaceutical.

Regulatory update and pipeline progress

Central Nervous System (CNS)

- In September 2010, UCB Japan and Otsuka Pharmaceutical launched *levetiracetam* in Japan under the brand name **E Keppra®** following regulatory approval in adjunctive therapy for partial onset seizures in adults with **epilepsy**.
- A new Phase 3 study evaluating ***brivaracetam*** as adjunctive therapy in the treatment of partial onset seizures in adults with **epilepsy** has commenced in December 2010. The headline results are expected in the first half of 2013.
- For the epilepsy medicine **Vimpat®** (*lacosamide*), the U.S.-monotherapy (Phase 3) development programme in **partial-onset seizures** is ongoing, with first results expected in the second quarter 2013. At the end of 2010, UCB started a Phase 3 clinical study across Europe to evaluate the efficacy and safety of Vimpat® as monotherapy in adult patients. Headline results are expected at the end of 2014. First positive results were reported from the **paediatric** Phase 2 programme investigating Vimpat® as adjunctive therapy in children.
  The Vimpat® (*lacosamide*) Phase 2 clinical trial programme for adjunctive therapy in **primary generalised tonic-clonic seizures (PGTCS)** started in the second quarter of 2010 with first headline results expected in the second half of 2011. Since the end of 2010, UCB holds worldwide development and marketing rights for Vimpat®: UCB acquired the rights for Japan.
- In April 2010, UCB received a Complete Response Letter from the U.S. regulatory authority, the FDA, recommending the reformulation of **Neupro®** (*rotigotine*) before making it available in the U.S. market for the treatment of **Parkinson's disease (PD)** and **restless legs syndrome (RLS).** UCB aims to make the patch available to U.S. patients during 2012, subject to regulatory approval.
- UCB has filed **Xyrem®** (*sodium oxybate*) in **fibromyalgia** with the European Medicines Agency (EMA). UCB expects feedback from the European authorities during the first half of 2011.
- The Phase 1 program, for **UCB2892**, a H3 antagonist with potential for **cognitive disorders** has been terminated by UCB as tests showed an unfavorable risk/benefit profile of this drug candidate.
- **UCB0942**, a new drug candidate with an innovative mechanism of action, "pre-and-post synaptic inhibitor" (PPSI), has been designed for the treatment of drug refractory **epilepsy**. Phase 1 studies started in December 2010.

Immunology

- Two clinical studies on **Cimzia®** (*certolizumab pegol*) for the treatment of **rheumatoid arthritis (RA)** in Japan completed positively ahead of plan, both trials met their primary endpoints. Submission of an application for regulatory approval to the Japanese authorities is under preparation in collaboration with Otsuka Pharmaceutical.
- In December 2010, enrolment started to the Phase 3 programme (EMBODY™ 1 and EMBODY™ 2) for ***epratuzumab*** in patients with moderate to severe **systemic lupus erythematosus (SLE).** Approximately 780 patients randomised in each study are to be recruited. First results are expected in the first half of 2014.
- **CDP7851** ("*sclerostin* antibody" also known as AMG 785), a novel anabolic therapy for **bone loss disorders**, is currently ongoing with its Phase 2 development in **post-menopausal osteoporosis** and in **fracture healing**. These studies are expected to report headline results by the end of the second quarter 2011 and in 2012, respectively.
- A Phase 2b programme for ***olokizumab*** (*anti-IL 6*) being developed for the treatment of moderate to severe **rheumatoid arthritis (RA)** started ahead of plan at the end of 2010. Headline results are expected in the third quarter of 2012.
- In April 2010, a new molecule entered clinical Phase I: **CDP7657**, a humanised anti-CD40L antibody fragment, which has potential for **systemic lupus erythematosus (SLE)**.

Other

- **MEK inhibitor:** UCB's partner, WILEX AG, Munich/Germany, announced in June 2010 the successful completion of a Phase 1 dose escalation study with the **oncology** MEK inhibitor WX-554 demonstrating WX-554 activity in humans for the first time.

2. Management report[1]

Scope change: UCB pursued its transformation towards becoming a global biopharma leader by acquiring Schwarz Pharma in 2006. UCB has consolidated the balance sheet of the Schwarz Pharma Group since 31 December 2006. The results of the Schwarz Pharma group of companies have been consolidated as from 1 January 2007 onwards. UCB announced on 8 May 2009 that it intended to acquire the outstanding Schwarz Pharma shares held by the minority shareholders by way of a "squeeze-out" procedure. UCB owns 100% of the outstanding shares as of 8 July 2009.

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

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

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

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

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

2.1. Net sales by product – total net sales amount to € 2 786 million or 4% higher than the period before

€ million	ACTUAL 2010	2009	VARIANCE ACTUAL RATES	VARIANCE CST RATES
Core products				
Cimzia®	198	75	163%	151%
Vimpat®	133	46	190%	179%
Neupro®	82	61	34%	33%
Other products				
Keppra® (includ. Keppra® XR)	942	913	3%	0%
Zyrtec® (includ. Zyrtec-D®/Cirrus®)	229	268	-15%	-22%
venlafaxine XR	162	109	49%	42%
Xyzal®	115	132	-13%	-16%
Tussionex™	80	147	-46%	-48%
Nootropil®	66	70	-5%	-9%
omeprazole	65	64	1%	-4%
Metadate™ CD	54	72	-26%	-30%
Other	660	727	-9%	-12%
Total net sales	**2 786**	**2 683**	**4%**	**0%**

Core products

Cimzia® (*certolizumab pegol*), available in the U.S. (since May 2009) and in Europe (October 2009) for patients suffering from moderately to severely active rheumatoid arthritis (RA) and available in the U.S. (April 2008) and Switzerland for Crohn's disease (CD) reached net sales of € 198 million, an increase of 163%.

Vimpat® (*lacosamide*), for epilepsy, available in Europe (since September 2008) and in the U.S. (June 2009) as add-on therapy for the treatment of partial-onset seizures reached net sales of € 133 million, a plus of 190%.

Neupro® (*rotigotine*), available to patients in Europe with Parkinson's disease and for restless legs syndrome (RLS) showed net sales increasing to € 82 million (+34%).

Other products

Keppra® *(levetiracetam)*, for epilepsy, reported net sales of € 942 million (of which € 83 million for Keppra® XR in the U.S.) which is 3% higher than last year. Further post-patent expiry erosion in North America (-13%), market leadership in Europe (+11%) and in the Rest of World (+21%) are the factors of this performance.

Zyrtec® (*cetirizine*, including Zyrtec®-D/Cirrus®), for allergy, decreased net sales by 15% to € 229 million due to the divestment of non-strategic small markets to GlaxoSmithKline (GSK) in the first quarter of 2009. European sales remained stable, whilst Japanese sales decreased by 12%.

Venlafaxine XR, to treat major depressive and social anxiety disorders, achieved 49% higher net sales of € 162 million in the U.S., despite generic competition since August 2010. UCB holds exclusive rights from Osmotica to market and sell *venlafaxine hydrochloride XR* in the U.S.

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

Xyzal® (*levocetirizine*), for allergy, reported net sales of € 115 million, going down by 13% following entry of generic competitors in Europe. Xyzal® U.S. sales are not consolidated. UCB's part of the profit-sharing agreement with sanofi-aventis in the U.S. is reported under the line "other revenue".

Tussionex™ (*hydrocodone polistirex and chlorpheniramine polistirex*), an anti-tussive in the U.S., was impacted by a weak cold and cough season, the market shift to codeine-based products and generic competition since October 2010. Net sales reached € 80 million (-46%), including net sales of the generic drug launched by UCB's generic arm in the U.S.

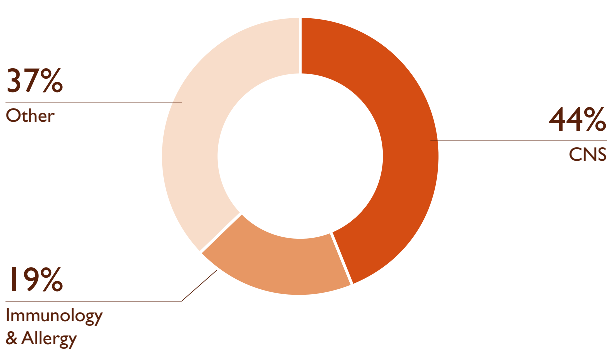
Nootropil® (*piracetam*), for cognitive disorders, reached net sales of € 66 million (-5%), with stable sales in Europe and a decrease in the Rest of World.

omeprazole, a generic product for hyperacidity disease, achieved net sales of € 65 million, 1% higher than last year.

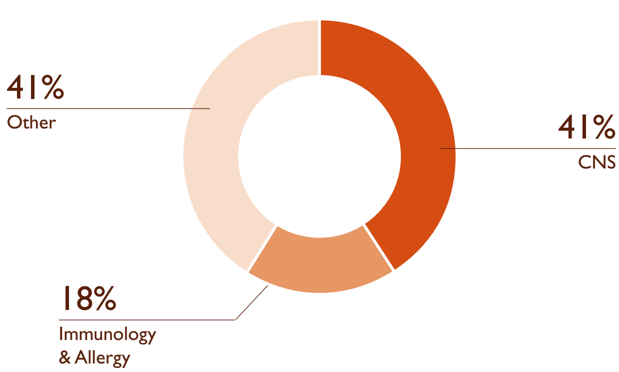
Metadate™ CD (*methylphenidate HCl*), for attention deficit and hyperactivity disorder marketed in the U.S., reported net sales of € 54 million, a decrease of 26%. The product was also sold under the trademark Equasym® XL in Europe and "Rest of World" and was divested to Shire early 2009.

Other products: Net sales for other mature products went down by 9% to € 660 million, due to product divestments, generic competition and the maturity of the portfolio.

Net sales – 2010
€ 2 786 million



Net sales – 2009
€ 2 683 million



2.2. Net sales by geographical area

North America net sales in 2010 went up by 8% to € 1 024 million. Cimzia®, for patients suffering from Crohn's disease (CD) and rheumatoid arthritis (RA), increased net sales by 137% to € 166 million. The anti-epileptic drug Vimpat® reached net sales of € 96 million, plus 220%. The Keppra® franchise declined to € 278 million, down by 13% year-over-year. While Keppra® (off-patent since late 2008) faces further post-patent expiry erosion (-27%), Keppra® XR net sales were up by 50% to € 83 million. Tussionex™ net sales were impacted by a weak cold and cough season, the market shift to codeine-based products and generic competition since October 2010. Net sales reached € 80 million (-46%), including net sales of the generic drug launched by UCB's generic arm in the U.S. *Venlafaxine XR* reached net sales of € 162 million (+49%) despite generic competition since August 2010.

Europe net sales reached € 1 421 million in 2010, up by 4%. Cimzia® net sales increased from € 5 million in 2009 to €31 million in 2010, driven by further national launches throughout Europe. The new anti-epileptic drug Vimpat® more than doubled net sales to € 36 million. Neupro® for the treatment of Parkinson's disease and restless legs syndrome reached net sales of € 81 million, an increase of 34% year-over-year. Market leading Keppra® net sales increased by 11% to € 606 million. The decrease in the allergy drugs Xyzal® (€88 million; -22%) and Zyrtec® (€71 million; -4%) was due to generic competition in most European countries.

'Rest of World' net sales in 2010 amounted to € 348 million, a decrease of 7%. Excluding the markets divested to GSK in 2009, "Rest of World" net sales went up by 2%. All three new core products, Cimzia®, Vimpat® and Neupro®,are now available to patients in this region, with first launches in Australia, Hong Kong, Mexico and other markets. Each core product achieved net sales of € 1 million. Market leading Keppra® net sales went up by 21% and reached net sales of € 58 million.

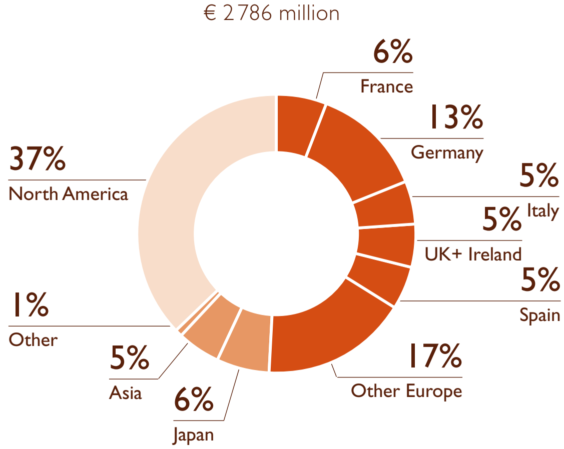
Net sales in Japan went down by 8% to € 178 million, due to lower Zyrtec® net sales amounting to € 133 million (-12%). Net sales of the newly launched UCB products in Japan, E Keppra® and Xyzal®, achieved € 16 million.

Zyrtec® net sales in the other "Rest of World" countries also decreased.

€ million	ACTUAL 2010	ACTUAL 2009	2010/2009 VARIANCE AT ACTUAL RATES € MILLION	AT ACTUAL RATES %	AT CONSTANT RATES € MILLION	AT CONSTANT RATES %
Net sales North America	**1 024**	**948**	**75**	**8%**	**25**	**3%**
Core products						
Cimzia®	166	70	96	137%	88	125%
Vimpat®	96	30	66	220%	61	205%
Other products						
Keppra® (including Keppra® XR)	278	320	-43	-13%	-57	-18%
Tussionex™	80	147	-67	-46%	-71	-48%
venlafaxine XR	162	109	53	49%	46	42%
Other	243	273	-30	-11%	-42	-15%
Net sales Europe	**1 421**	**1 370**	**51**	**4%**	**32**	**2%**
Core products						
Cimzia®	31	5	26	518%	26	509%
Vimpat®	36	16	20	129%	20	127%
Neupro®	81	60	20	34%	20	33%
Other products						
Keppra®	606	545	61	11%	54	10%
Xyzal®	88	114	-26	-22%	-27	-24%
Zyrtec® (including Cirrus®)	71	73	-3	-4%	-6	-8%
Nootropil®	57	57	0	0%	-2	-3%
Other	451	500	-49	-10%	-53	-11%
Net sales Rest of World	**348**	**375**	**-28**	**-7%**	**-64**	**-17%**
Core products						
Cimzia®	1	0	1	n.s.	0	n.s.
Vimpat®	1	0	1	n.s.	0	n.s.
Neupro®	1	0	1	n.s.	1	n.s.
Other products						
Zyrtec® (including Cirrus®)	150	183	-33	-18%	-49	-27%
Keppra®	58	48	10	21%	3	6%
Xyzal®	25	17	8	48%	5	31%
Nootropil®	9	13	-3	-27%	-4	-35%
Other	103	114	-11	-10%	-18	-16%
Unallocated	**-7**	**-11**				
Total net sales	**2 786**	**2 683**	**102**	**4%**	**-4**	**0%**

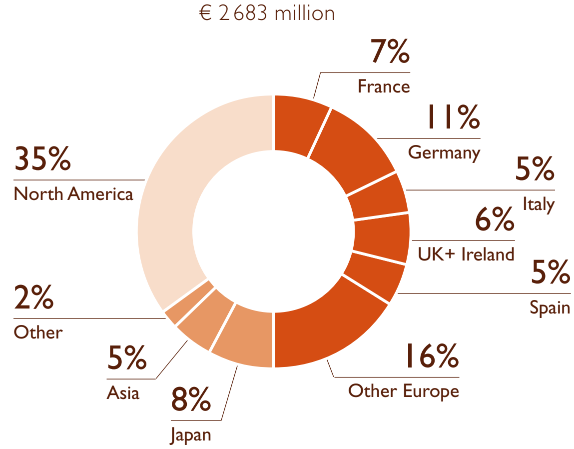
Net sales – 2010

€ 2 786 million



Net sales – 2009

€ 2 683 million



2.3. Royalty income and fees

€ million	ACTUAL 2010	2009	VARIANCE ACTUAL RATES	CST RATES
Biotechnology IP	98	116	-16%	-20%
Toviaz®	52	41	28%	28%
Zyrtec® U.S.	19	23	-18%	-22%
Other	51	48	8%	3%
Royalty income and fees	**220**	**227**	**-3%**	**-7%**

Royalty income and fees for 2010 amounted to € 220 million, down by € 7 million or 3% compared to the same period last year. Royalties for UCB's biotechnology intellectual property (IP) decreased with 16% due to expiration of the "Winter patents" mid 2010. Royalties for Toviaz® (*fesoterodine*) went up by 28% to € 52 million. Zyrtec® U.S. royalty income received on the over-the-counter sales amounted to € 19 million in 2010 compared to € 23 million in the same period last year. Royalty expenses are reported as part of cost of sales.

2.4. Other revenue

€ million	ACTUAL 2010	2009	VARIANCE ACTUAL RATES	CST RATES
Contract manufacturing sales	101	94	8%	5%
Provas™ and other profit sharing	33	25	29%	29%
Xyzal® U.S. milestones / profit sharing	28	47	-41%	-44%
Otsuka	20	26	-24%	-25%
Other	30	14	123%	127%
Other revenue	**212**	**206**	**3%**	**0%**

Other revenue for 2010 amounted to € 212 million, up by 3% or € 6 million.

The increase of contract manufacturing sales to € 101 million, 8% higher compared to the same period last year, was essentially the result of the agreements with GSK and Shire announced in 2009.

The profit sharing agreement with Novartis on the cardiovascular drug Provas™, Jalra® and Icandra® in Germany represents € 33 million, up by 29%. Profit sharing with sanofi-aventis on Xyzal® in the U.S. generated € 28 million down by 41%. Since 1 March 2010, sanofi-aventis U.S. assumes all of the commercialisation responsibility for Xyzal®. UCB continues to receive a percentage of Xyzal® profits, however at a lower rate than before and overall profits will be impacted by generic competition. The 2010 Otsuka-related other revenue pertains to the reimbursement of R&D expenses and milestones recognised as part of the agreements entered into by Otsuka and UCB in June 2008 for E Keppra® and Cimzia® in Japan.

2.5. Gross profit

€ million	ACTUAL 2010	2009	VARIANCE ACTUAL RATES	CST RATES
Revenue	**3 218**	**3 116**	**3%**	**0%**
Net sales	2 786	2 683	4%	0%
Royalty income and fees	220	227	-3%	-7%
Other revenue	212	206	3%	0%
Cost of sales	**-1 053**	**- 1 025**	**3%**	**1%**
Cost of sales products and services	-724	-769	-6%	-6%
Royalty expenses	-155	-128	22%	18%
Amortisation of intangible assets linked to sales	-173	-128	36%	33%
Gross profit	**2 165**	**2 091**	**4%**	**-1%**
of which				
Products and services	2 273	2 119	7%	2%
Net royalty income	64	100	-35%	-38%
Amortisation of intangible assets linked to sales	-173	-128	36%	33%

Gross profit of € 2 165 million is 4% higher than 2009 following the increase of net sales and more than compensated for the increased royalty expenses for the newly launched products and amortisation of these products.

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

Cost of sales for products and services: The cost of sales for products and services decreased by € 45 million from € 769 million in 2009 to € 724 million in 2010. This reduction is the combined result of industrial efficiencies on yield and discards, consolidation of external partners and improvements in the biotech production.

Royalty expenses: Royalties increased from € 128 million in 2009 to € 155 million in 2010 as a result of royalties relating to the newly launched products (Cimzia®, Vimpat®) and *venlafaxine XR*.

	ACTUAL		VARIANCE	
€ million	2010	2009	ACTUAL RATES	CST RATES
Biotechnology IP	-36	-33	10%	6%
Other	-119	-95	25%	37%
Royalty expenses	**-155**	**-128**	**22%**	**18%**

Amortisation of intangible assets linked to sales: Under IFRS 3 (Business Combinations), UCB has reflected on its balance sheet a significant amount of intangible assets relating to the Celltech and Schwarz Pharma acquisitions (in-process Research and Development, manufacturing know-how, royalty streams, trade names, etc.), which gave rise to amortisation expenses of € 173 million in 2010, compared to € 128 million in 2009, representing the amortisation of intangible assets for which products have already been launched.

2.6. Recurring EBIT and recurring EBITDA

	ACTUAL		VARIANCE	
€ million	2010	2009	ACTUAL RATES	CST RATES
Revenue	**3 218**	**3 116**	**3%**	**0%**
Net sales	2 786	2 683	4%	0%
Royalty income and fees	220	227	-3%	-7%
Other revenue	212	206	3%	0%
Gross profit	**2 165**	**2 091**	**4%**	**-1%**
Marketing and selling expenses	-797	-781	2%	-3%
Research and development expenses	-705	-674	5%	2%
General and administrative expenses	-194	-189	3%	1%
Other operating income/expenses (-)	-2	6	n.s.	n.s.
Total operating expenses	**-1 698**	**-1 638**	**4%**	**0%**
Recurring EBIT (REBIT)	**467**	**453**	**3%**	**-7%**
Add: Amortisation of intangible assets	190	142	33%	30%
Add: Depreciation charges	73	102	-28%	-31%
Recurring EBITDA (REBITDA)	**731**	**698**	**5%**	**-3%**

Operating expenses, encompassing marketing and selling expenses, research and development expenses, general and administrative expenses and other operating income/expenses, reached € 1 698 million in 2010, 4% higher than last year, reflecting:

- € 16 million higher **marketing and selling expenses**, or an increase of 2%, driven substantially by the increased launch expenses for Cimzia®, Vimpat® and Neupro®.
- € 31 million higher **research and development expenses**, or a 4% increase, reflecting the advanced late-stage pipeline and the start of clinical development programmes.
- € 5 million higher **general and administrative expenses** or an increase of 3%.

Recurring EBIT is up by 3% mainly due to the increase of net sales.

Recurring EBITDA is up by 5% to € 731 million compared to 2009, reflecting the increase in revenue and gross profit offset by launch expenses for the core products and the start of clinical development programmes.

2.7. Net profit and adjusted net profit

	ACTUAL		VARIANCE	
€ million	2010	2009	ACTUAL RATES	CST RATES
Recurring EBIT	**467**	**453**	**3%**	**-7%**
Impairment charges	-223	-126	78%	73%
Restructuring expenses	-40	-73	-46%	-48%
Gain on disposals	49	594	n.s.	n.s.
Other non recurring income/expenses (-)	-49	-11	n.s.	n.s.
Total non recurring income/expenses (-)	**-263**	**384**	**n.s.**	**n.s.**
EBIT (operating profit)	**204**	**837**	**-76%**	**-80%**
Net financial expenses	-185	-162	14%	13%
Income from associates	0		n.s.	n.s.
Profit before income taxes	**19**	**675**	**-97%**	**-102%**
Income tax expenses (-)/credit	86	-168	n.s.	n.s.
Profit from continuing operations	**105**	**507**	**-79%**	**-85%**
Profit/loss (-) from discontinued operations	-1	7	n.s.	n.s.
Non-Controlling interests	-1	-1	n.s.	n.s.
Net profit	**103**	**513**	**-80%**	**-85%**
After-tax non-recurring items and financial one-offs	216	-298	n.s.	n.s.
Profit/loss from discontinued operations	1	-7	n.s.	n.s.
Tax one-offs	-81	17	n.s.	n.s.
Adjusted net profit (after non-controlling interests)	**239**	**226**	**6%**	**-8%**

Total non-recurring income/expenses amounted to € 263 million pre-tax expense, compared to € 384 million pre-tax income in 2009. The 2009 non-recurring items included restructuring charges amounting up to € 73 million mainly for the organisational changes in Belgium and the U.K. and the exit of the primary care sector in the U.S. announced in January 2010. The impairment on intangible assets in 2009 reflected mainly the impairment on the development project CDP323 and reduction in value in use of other intangible and tangible assets for a total of € 126 million. The gain on disposal amounted in 2009 to € 594 million before tax or € 477 million net after tax gains mainly on the divestitures of commercial operations and product distribution rights for selected smaller markets to GSK, the divestiture of Equasym® to Shire, and the divestiture of Somatostatine-UCB™ to Eumedica.

The 2010 non-recurring items include € 223 million impairment charges mainly related to Toviaz®, Mylotarg® and the manufacturing facilities disposed to Aesica. The € 40 million restructuring expenses include the PCP business in Japan and Turkey, items related to the SHAPE programme and other severance costs. The divestment of small businesses gave rise to a gain on disposal of € 49 million, offset by other non-recurring expenses of € 49 million mainly related to write-offs of three manufacturing facilities disposed to Aesica of € 20 million and charges related to the U.S. Department of Justice. Since 2008, as previously reported, UCB has been cooperating with the United States Department of Justice in an investigation relating to the marketing of Keppra®. Recently, the Company reached an agreement in principle with the United States and participating states to settle this investigation. Under the agreement in principle, UCB Inc. will plead guilty to a misdemeanor violation and pay US$8.6 million and enter into a civil settlement of US$25.8 million plus modest interest. UCB is continuing to work with the authorities to conclude this investigation. The issues that were the subject of this investigation occurred more than six years ago. Since then, UCB has established and continues to enhance its compliance program. UCB's compliance program reflects the Company's commitment to the highest standards of corporate conduct.

Net financial expenses increased from € 162 million in 2009 to € 185 million in 2010, or by € 23 million. Last year the financial expenses included the debt re-financing and certain expenses related to re-financing, amongst others an accelerated amortisation of arrangement fees and termination of hedge-accounting on existing interest rate hedges. The increased net financial expenses in 2010 are due to higher interest rates, fees, € 7 million one-off revocation of the cash-settlement option related to the convertible bond in February 2010 and termination of hedge-accounting on interest rate derivatives.

The **average tax rate** on recurring activities is 23% in 2010 compared to 29% in the same period of last year. The difference is mainly due to income reduction realized in high tax jurisdictions. The non-recurring items include € 81 million of one-off tax income that mainly arise from positive outcome of tax claims, the reversal of certain tax provisions as a result of the expiration of statute of limitations, provision adjustments and the recognition of previously unrecognized deferred tax assets.

Net profit after non-controlling interest for the year reached € 103 million, i.e. € 410 million below prior year, reflecting the higher non-recurring expenses and on-off tax income.

Adjusting for the after-tax impact of non-recurring items and financial one-offs and for the after-tax contribution from discontinued operations, adjusted net profit reached € 239 million, which is 6% above the € 226 million of **adjusted net profit** for 2009.

2.8. Capital expenditure

The tangible capital expenditure resulting from UCB biopharmaceutical activities amounted to € 54 million in 2010 compared to € 38 million in 2009.The 2010 capital expenditures related mainly to improvement and replacement, as well as investments supporting new product, a new biotech pilot plant in Braine and delivery devices.

Acquisition of intangible assets reached € 24 million in 2010 (versus € 49 million in 2009) for the payment of license products, milestones and software.

In addition, as foreseen in the agreement between UCB and Lonza for the manufacturing by Lonza of PEGylated antibody fragment-based bulk actives, UCB has participated in the pre-financing of the related capital expenditure. Depreciation charges on this investment are recognised in the cost of goods sold and is added back for recurring EBITDA calculation purposes.

2.9. Balance sheet

Intangible assets: Further to the ongoing amortisation of the intangible assets related to the acquisition of Celltech and Schwarz Pharma (€ 173 million), the impairment (€193 million) mainly on the *fesoterodine* royalty stream and the impact of the increasing U.S. dollar and British pound, intangible assets decreased by € 312 million from € 1 953 million at 31 December 2009 to € 1 641 million at 31 December 2010.

Goodwill: Goodwill amounts € 4 718 million or a € 166 million increase between 31 December 2009 and 31 December 2010 reflecting the impact of the increasing U.S. dollar and British pound.

Other non-current assets: Other non-current assets increased by € 57 million, mainly driven by investments in WILEX AG and Synosia Therapeutics Holding AG, recognition of previously not recognised deferred tax assets, offset by further depreciation and impairment of tangible assets.

Current assets: The decrease from € 1 794 million as of 31 December 2009 to € 1 731 million as of 31 December 2010 mainly as a reduction of trade receivables due to credit collection in various markets and the execution of the refinancing.

Shareholders' equity: UCB's shareholders' equity, at € 4 592 million, increased by € 175 million between 31 December 2009 and 31 December 2010. Equity increased by the amount of net profit after non-controlling interest (€ 103 million), € 180 million cumulative translation adjustments due to the increasing U.S. dollar and British pound, the after tax derivative component linked to the convertible bond (€ 48 million) and the fair value adjustments related to the derivative financial instruments, the available for sale financial assets and the cash flow hedges (€ 14 million), offset by € 173 million as the result of dividends declared on the 2009 results.

Non-current liabilities: The decrease in non-current liabilities from € 2 641 million to € 2 524 million is mainly related to the deferred tax liabilities on the amortisation of the intangible assets, the recognition of the deferred tax liabilities on the revocation of the cash-settlement option related to the convertible bond in February 2010 and the decrease in the derivative financial instruments.

Current liabilities: The decrease in current liabilities from € 2 062 million to € 1 853 million results from a decrease in the provisions related to the SHAPE programme, repayment of the debt and an increase in trade and other liabilities.

Net debt: The net debt of € 1 525 million represents a reduction of € 227 million compared to € 1 752 million as of end December 2009.

2.10. Cash Flow Statement

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

Cash flow from operating activities: The increase in cash flow from operating activities from € 295 million to € 506 million results from a solid operational performance, a major reduction in the trade receivables due to credit collection, higher trade payables offset by payments related to restructuring programmes.

Cash flow from investing activities: The cash flow from investing activities amounted to € 473 million inflow in 2009 and was mainly driven by the divestitures of commercial operations and product distribution rights for selected smaller markets to GSK, the divestiture of Equasym® to Shire, the divestiture of Somatostatine-UCB™ to Eumedica. The 2010 € 63 million outflow results from € 78 million spending in tangible and intangible assets, an increase of the shareholding in WILEX AG to 18.05% and the 19.06% investment in Synosia Therapeutics Holding AG, offset by the proceeds of the divestiture of small businesses.

Cash flow from financing activities has an outflow € 440 million due to the repayment of the short term portion of the Group borrowings and the dividend payment relating to the 2009 results.

2.11. Outlook 2011

UCB's results in 2011 are expected to be driven by the continued intense growth of Cimzia®, Vimpat® and Neupro® which should compensate to a large extent – but not entirely - the effects of the remaining major patent expiries. From 2012 onwards, more than a decade without major patent expiration combined with momentum of new products is expected to provide a solid basis for driving UCB's growth.

Total **revenue** is expected between € 3.0 to 3.1 billion in 2011 due to generic competition to Keppra® in the EU and the full annualised generic competition to U.S. products as well as further erosion of mature products, partially offset by the performance of newly launched products.

In 2011, UCB's **recurring EBITDA** is expected to be in the range between € 650 and 680 million.

Core EPS 2011 is expected to reach approximately € 1.60 and 1.70.

CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated income statement

For the year ended 31 December	Note	2010	2009
€ million			
CONTINUING OPERATIONS			
Net sales	5	2 786	2 683
Royalties		220	227
Other revenue	8	212	206
Revenue		**3 218**	**3 116**
Cost of sales		-1 053	-1 025
Gross profit		**2 165**	**2 091**
Marketing and selling expenses		-797	-781
Research and development expenses		-705	-674
General and administrative expenses		-194	-189
Other operating income/expenses (-)	11	-2	6
Operating profit before impairment, restructuring and other income and expenses		**467**	**453**
Impairment of non-financial assets	12	-223	-126
Restructuring expenses	13	-40	-73
Other income and expenses	14	0	583
Operating profit		**204**	**837**
Financial income	15	9	59
Financing costs	15	-194	-221
Share of profit/loss (-) of associates	21	0	-
Profit/loss (-) before income taxes		**19**	**675**
Income tax expense (-)/ credit	16	86	-168
Profit/loss (-) from continuing operations		**105**	**507**
DISCONTINUED OPERATIONS			
Profit/loss (-) from discontinued operations	7	-1	7
PROFIT		**104**	**514**
Attributable to:			
Equity holders of UCB SA		103	513
Non-controlling interest		1	1
BASIC EARNINGS PER SHARE (€)			
from continuing operations	37	0.58	2.81
from discontinued operations	37	-0.01	0.04
Total basic earnings per share		**0.57**	**2.85**
DILUTED EARNINGS PER SHARE (€)			
from continuing operations	37	0.57	2.71
from discontinued operations	37	-0.01	0.04
Total diluted earnings per share		**0.56**	**2.75**

2. Consolidated statement of comprehensive income

For the year ended 31 December	Note	2010	2009
€ million			
PROFIT FOR THE PERIOD		104	514
Other comprehensive income			
Net gain/loss(-) on available for sale financial assets	17	1	0
Income tax		0	0
		1	0
Exchange differences on translation of foreign operations		179	-54
Effective portion of gains/losses(-) on cash flow hedges	17	7	102
Income tax		0	-2
		7	100
Net gain/loss(-) on hedge of net investment in foreign operation	17	0	0
Income tax		0	0
		0	0
Share of other comprehensive income of associates	21	1	0
Income tax		0	0
		1	0
Other comprehensive income/loss (-) for the period, net of tax		**188**	**46**
Total comprehensive income for the period, net of tax		**292**	**560**
Attributable to:			
Equity holders of UCB S.A.		293	560
Non-controlling interests		-1	0
Total comprehensive income for the period, net of tax		**292**	**560**

3. Consolidated statement of financial position

For the year ended 31 December	Note	2010	2009
€ million			
ASSETS			
Non-current assets			
Intangible assets	18	1 641	1 953
Goodwill	19	4 718	4 552
Property, plant and equipment	20	505	534
Deferred income tax assets	31	217	158
Employee benefits	32	18	12
Investments in associates	21	16	-
Financial and other assets (including derivative financial instruments)	22	123	117
Total non-current assets		**7 238**	**7 326**
Current assets			
Inventories	23	434	405
Trade and other receivables	24	705	819
Income tax receivables		9	14
Financial and other assets (including derivative financial instruments)	22	61	53
Cash and cash equivalents	25	494	486
		1 703	**1 777**
Assets of disposal group classified as held for sale	6	28	17
Total current assets		**1 731**	**1 794**
Total assets		**8 969**	**9 120**
EQUITY AND LIABILITIES			
Equity			
Capital and reserves attributable to UCB shareholders	26	4 590	4 415
Non-controlling interests		2	2
Total equity		**4 592**	**4 417**
Non-current liabilities			
Borrowings	28	32	23
Bonds	29	1 683	1 654
Other financial liabilities (including derivative financial instruments)	30	43	130
Deferred income tax liabilities	31	316	404
Employee benefits	32	105	104
Provisions	33	218	211
Trade and other liabilities	34	127	115
Total non-current liabilities		**2 524**	**2 641**
Current liabilities			
Borrowings	28	308	566
Other financial liabilities (including derivative financial instruments)	30	79	63
Provisions	33	92	169
Trade and other liabilities	34	1 172	1 036
Income tax payables		198	228
		1 849	**2 062**
Liabilities of disposal group classified as held for sale	6	4	0
Total current liabilities		**1 853**	**2 062**
Total liabilities		**4 377**	**4 703**
Total equity and liabilities		**8 969**	**9 120**

4. Consolidated statement of cash flows

For the year ended 31 December	Note	2010	2009
€ million			
Profit for the year attributable to equity holders of UCB SA		**103**	**513**
Non-controlling interests		1	1
Depreciation of property, plant and equipment	9,20	65	78
Amortisation of intangible assets	9,18	190	142
Impairment of non-financial assets	9,12	223	126
Impairment of financial assets	15,22	0	3
Loss/gain (-) on disposals of property, plant and equipment		0	0
Loss/gain (-) on disposals other than property, plant and equipment		-61	-102
Share-based payment expense	27	20	16
Profit from discontinued operations	7	1	-7
Profit from disposed operations, other than discontinued operations		-2	-501
Net interest income(-)/expense		168	131
Net non-cash financing costs		-51	-31
Financial derivatives – changes in fair value and cash flow hedges transferred to equity	15	9	80
Guaranteed dividend related to the Schwarz Pharma minority shareholders		0	0
Dividend income	15	0	-1
Income tax expense/credit (-)	16	-86	168
Cash flow from operating activities before changes in working capital, provisions and employee benefits		**580**	**616**
Decrease/increase (-) in inventories		-17	-5
Decrease/increase (-) in trade and other receivables and other assets		175	58
Increase/decrease (-) in trade and other payables		126	-21
Increase/decrease (-) in provisions and employee benefits		-91	-135
Net cash generated from operating activities		**773**	**513**
Interest received		53	64
Interest paid		-190	-194
Income taxes paid		-130	-88
CASH FLOW FROM OPERATING ACTIVITIES		**506**	**295**
Acquisition of intangible assets	18	-24	-49
Acquisition of property, plant and equipment	20	-54	-38
Acquisition of minority interests in Schwarz Pharma AG, net of cash acquired		0	-94
Acquisition of other investments		-21	-12
Proceeds from sale of intangible assets		26	111
Proceeds from sale of property, plant and equipment		2	23
Proceeds from sale of subsidiaries, net of cash disposed		0	0
Proceeds from sale of businesses, net of cash disposed		2	515
Proceeds from sale of other investments		6	16
Dividends received	15	0	1
CASH FLOW FROM INVESTING ACTIVITIES		**-63**	**473**
Proceeds from issuance of share capital		0	0
Proceeds from borrowings	28	3 336	528
Repayment of borrowings	28	-3 600	-2 830
Proceeds from bonds issuance	29	0	1 735
Repayment of finance lease liabilities		-2	-2
Purchase(-)/re-issuance of treasury shares	26	0	0
Dividend paid to UCB shareholders net of dividend paid on treasury shares		-174	-167
CASH FLOW FROM FINANCING ACTIVITIES		**-440**	**-736**
CASH FLOWS FROM DISCONTINUED OPERATIONS		**0**	**0**
NET INCREASE/DECREASE (-) IN CASH AND CASH EQUIVALENTS		**3**	**32**
Cash and cash equivalents less bank overdrafts at the beginning of the year	25	**466**	**434**
Effect of exchange rate fluctuations		8	0
CASH AND CASH EQUIVALENTS LESS BANK OVERDRAFTS AT THE END OF THE YEAR	25	**477**	**466**

5. Consolidated statement of changes in equity

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

2009 - € million	ATTRIBUTED TO EQUITY HOLDERS OF UCB S.A.										
	SHARE CAPITAL AND SHARE PREMIUM	TREASURY SHARES	RETAINED EARNINGS	OTHER RESERVES	CUMULATIVE TRANSLATION ADJUSTMENTS	AVAILABLE FOR SALE FINANCIAL ASSETS	CASH FLOW HEDGES	NET INVESTMENT HEDGE	TOTAL	NON-CONTROLLING INTERESTS	TOTAL STOCKHOLDERS' EQUITY
Balance at 1 January 2009	2 151	-125	2 276	232	-469	0	-105	55	4 015	2	4 017
Profit for the period			513						513	0	513
Other comprehensive income/loss (-)					-54	0	100		46		46
Total comprehensive income			513		-54	0	100		559	0	559
Dividends			-166						-166		-166
Share-based payments			10						10		10
Transfer between reserves		3	-3						0		0
Treasury shares		-3							-3		-3
Capital increase											
Balance at 31 December 2009	2 151	-125	2 630	232	-523	0	-5	55	4 415	2	4 417

6. Notes to the consolidated financial statements

1. General information

UCB S.A. (UCB or the company) and its subsidiaries (together the Group) is a global biopharmaceutical company focused on severe diseases in two therapeutic areas namely Central Nervous System disorders and Immunology.

The consolidated financial statements of the company as at and for the year ended 31 December 2010 comprise the Company and its subsidiaries. Within the Group, only UCB Pharma S.A., a wholly owned subsidiary, has a branch in the U.K. that is integrated into its accounts.

UCB S.A., the parent company, is a limited liability company incorporated and domiciled in Belgium.

The registered office is at 60, Allée de la Recherche, B-1070 Brussels, Belgium. UCB S.A. is listed on the Euronext Brussels Stock Exchange.

The Board of Directors approved these consolidated financial statements and the statutory financial statements of UCB S.A. for issue on 1 March 2011. The shareholders will be requested to approve the statutory financial statements of UCB S.A. at their annual meeting on 28 April 2011.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of preparation

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

The consolidated financial statements have been prepared using the historical cost convention, except that certain items including available for sale financial assets, derivative financial instruments and liabilities for cash-settled share based payment arrangements are measured at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

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

2.2. Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2010:

- IAS 27 (Revised), *Consolidated and Separate Financial Statements.* The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. This change in accounting policy was applied prospectively although there has been no impact for the year ended 31 December 2010 since there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non controlling interests. (Refer to note 2.4. Consolidation (b) Transactions and non-controlling interests).
- IFRS 3 (Revised), *Business Combinations.* The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, the definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
- All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The changes to IFRS 3 and IAS 27 above will affect future acquisitions or loss of control and transactions with non controlling interests. The revised standard was applied prospectively to all business combinations from 1 January 2010 and has had no impact on the financial position of the Group. (Refer to note 2.4. Consolidation (a) Subsidiaries)

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2010, but are not currently relevant for the Group:

- IAS 39 (Amendment), *Financial Instruments: Recognition and Measurement – Eligible Hedged Items.*
- 2009 Annual Improvements to IFRS's.
- IFRS 2 (Amendment), *Share-based payment – Group cash-settled share-based payments.*
- IFRS 1 (Amendment), *First time adoption of IFRS – Additional exemptions for first time adopters*
- IFRIC 17, *Distribution of non-cash assets to owners*

2.3. New standards and interpretations not yet adopted

The following standards, amendments to existing standards, and interpretations have been published and are mandatory for the Group accounting periods beginning on or after 1 January 2011 or later periods, but the Group has not early adopted them:

- **IAS 32** (Amendment), *Financial instruments; presentation – Classification of rights issues (effective from 1 February 2010)*. The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met. Application of the amendment is retrospective and will result in the reversal of profits or losses previously recognised. This amendment will be applied from 1 January 2011 but will have no impact on the Group because it has not carried out any rights issues.
- **IAS 24** (Revised), *Related party disclosures (effective from 1 January 2011)*. The revised Standard simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarifies the definition of a related party. The Group is still evaluating the impact of this amendment on the financial statements and will apply the revised standard from 1 January 2011.
- **IFRS 9** *Financial instruments (effective from 1 January 2013)*. IFRS 9 is part of wider project to replace IAS 39 Financial Instruments: Recognition and Measurement over the next year. The first phase of the IAS 39 replacement project deals with the classification and measurement of financial assets only. The standard simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of financial assets. The guidance in IAS 39 on impairment of financial assets, hedge accounting, financial liabilities and derecognition continues to apply. The aim is to replace IAS 39 in its entirety by the end of 2011. The Group will apply IFRS 9 retrospectively from 1 January 2013. The Group has yet to assess IFRS 9's full impact.
- **IFRIC 14** *(Amendment), Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)*. The amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. The Group is still evaluating the impact of this amendment on the financial statements.
- **IFRIC 19** *Extinguishing Financial liabilities with Equity Instruments (effective from 1 July 2010)* clarifies the requirements of IFRSs when an entity negotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The Group will apply this interpretation from 1 January 2011. It is not expected to have any impact on the Group's financial statements.
- **IFRS 1** (Amendment) *First-time adoption of IFRS's – Limited exemption from comparative IFRS 7 disclosures for first-time adopters (effective from 1 July 2010)*. This amendment provides the same relief to first-time adopters as was given to current users of IFRSs upon adoption of the amendments to IFRS 7. It also clarifies the transition provisions of the amendments to IFRS 7. This amendment will have no impact on the Group because it is not a first time adopter of IFRS.
- 2010 Annual Improvements to IFRS's *(effective from 1 July 2010)*. The IASB issued In May 2010 improvements to IFRS's, an omnibus of amendments to its standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The Group is still evaluating the impact of those amendments on the financial statements.
- **IFRS 1** (Amendment) First-time adoption of IFRSs (effective from 1 July 2011). The amendments result in the removal of fixed dates (for example 1 January 2004) and instead will make reference to the date of transition to IFRSs. These amendments will have no impact on the Group because it is not a first time adopter of IFRS.
- **IAS 12** (Amendment) Income Taxes (effective from 1 January 2012). The amendments introduce a presumption that an investment property is recovered entirely through sale.This amendment will have no impact since the Group has no investment property.

2.4. Consolidation

Subsidiaries

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

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

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

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

Transactions and non controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

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

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% - 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

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

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

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

2.5. Segment reporting

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

2.6. Foreign currency translation

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

	CLOSING RATE		AVERAGE RATE	
	2010	2009	2010	2009
USD	1.337	1.433	1.324	1.391
JPY	108.460	133.5	115.875	130.0
GBP	0.857	0.888	0.857	0.891
CHF	1.248	1.483	1.377	1.510

The closing rates represent spot rates as at 31 December 2010 and 31 December 2009.

Functional and presentation currency

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

Transactions and balances

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

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

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

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

Group companies

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- All resulting exchange differences are recognised in other comprehensive income (referred to as 'cumulative translation adjustments').

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

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

2.7. Revenue

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

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

Sale of goods

Revenue from the sale of goods is recognised when:

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

Estimates of expected sales returns, charge-backs granted to government agencies, wholesalers, managed care and other customers are deducted from revenue at the time the related revenue is recorded or when the incentives are offered.

Such estimates are calculated on the basis of historical experience and the specific terms in the individual agreements.

Royalty income

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

Interest income

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

Dividend income

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

2.8. Cost of sales

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

2.9. Other revenue

Other revenue comprises revenue generated through out-licensing and profit-sharing agreements as well as contract manufacturing agreements. Other revenue is recognised as it is earned or as the related service is performed.

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

2.10. Research and development

Internally-generated intangible assets - research and development expenditure

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

Acquired intangible assets

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

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

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

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

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

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

2.12. Income taxes

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

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

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

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

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

Deferred income tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Deferred income tax assets and liabilities are not discounted.

2.13. Intangible assets

Patents, licenses, trademarks and other intangible assets

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

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

Computer software

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

2.14. Goodwill

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

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

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

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

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

2.15. Property, plant and equipment

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

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

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

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

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

Land is not depreciated.

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

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

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

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

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

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

2.16. Leases

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

Finance leases

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

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

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the Group adopts for depreciable assets that are owned.

If there is reasonable certainty that the Group will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise the asset is depreciated over the shorter of the lease term and its useful life.

Operating leases

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

2.17. Impairment of non-financial assets

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

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

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

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

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

2.18. Financial assets

Classification

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

Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than

12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

Available for sale financial assets

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

Recognition and measurement

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

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

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

2.19. Impairment of financial assets

Assets carried at amortised cost

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

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

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- the group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(a) adverse changes in the payment status of borrowers in the portfolio; and

(b) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The group first assesses whether objective evidence of impairment exists.

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

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

Assets classified as available for sale

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the group uses the criteria refer to (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the separate consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the separate consolidated income statement.

2.20. Derivative financial instruments and hedging activities

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

Derivative financial instruments are initially recorded at fair value and attributable transaction costs are recognised in the income statement when incurred. Derivative financial instruments are subsequently re-measured at their fair value.

The method of recognising the resulting gains or losses depends on whether the derivative financial instrument is designated as a hedging instrument and if so, the nature of the item being hedged. The Group designates derivative financial instruments as either cash flow hedges, fair value hedges or net investment hedges.

The Group documents at inception of the transaction the relationship between the hedging instrument and the hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, as to whether the derivative financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

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

Embedded derivative financial instruments are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative financial instrument are not closely related, a separate instrument with the same terms as the embedded derivative financial instrument would meet the definition of a derivative financial instrument, and the combined instrument is not measured at fair value through profit or loss.

Cash flow hedges

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

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

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

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

Once the forecasted transaction is no longer expected to occur, any gain or loss is released immediately to the income statement.

Fair value hedges

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

Net investment hedges

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

Derivative financial instruments that do not qualify for hedge accounting

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

2.21. Inventories

Raw materials, consumables and goods purchased for resale are valued at the lower of cost and net realisable value.

Cost is determined using the weighted average cost method. The cost of work in progress and finished goods comprises all the costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The conversion costs include the cost of production and the related fixed and variable production overhead costs (including depreciation charges).

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

2.22. Trade receivables

Trade receivables are recognised initially at fair value, and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

2.23. Cash and cash equivalents

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

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

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

Non-current assets or a disposal group are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Non-current assets and disposal groups are measured at the lower of the carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Impairment losses upon initial classification as held for sale are recognised in the income statement. Non-current assets classified as held for sale are neither depreciated nor amortised.

2.25. Share capital

Ordinary shares

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

Treasury shares

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

2.26. Borrowings

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

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

2.27. Compound financial instruments

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

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

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

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

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

2.28. Trade payables

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

2.29. Employee benefits

Pension obligations

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

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

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

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

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

Other long-term employee benefits

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

Termination benefits

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

Profit-sharing and bonus plans

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

Share-based payments

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

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

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

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

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

Any changes in the fair value of the liability are recognised as personnel expenses in the income statement.

2.30. Provisions

Provisions are recognised in the balance sheet when:

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

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

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

3. Critical judgements and accounting estimates

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

3.1. Critical judgements in applying the Group accounting policies

Revenue recognition

The nature of the Group business is such that many sales transactions do not have a simple structure.

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

3.2. Critical accounting estimates and assumptions

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

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

Sales allowances

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

Intangible assets and goodwill

The Group has intangible assets with a carrying amount of € 1 641 million (Note 18) and goodwill with a carrying amount of € 4718 million (Note 19). Intangible assets are amortised over their useful lives on a straight-line basis as from the moment they are available for use (i.e. when regulatory approval has been obtained).

Management estimates that the useful life for acquired in-progress R&D compounds equates to the period these compounds benefit from patent protection or data exclusivity. For the intangible assets acquired through a business combination and which comprises compounds that are marketed but for which no patent protection or data exclusivity exists, management estimates that the useful life equates to the period in which these compounds will realise substantially all the cash contributions.

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

To assess if there is any impairment, estimates are made of the future cash flows expected to result from the use of these assets and their eventual disposal. These estimated cash flows are then adjusted to the present value using an appropriate discount rate that reflects the risks and uncertainties associated with the forecasted cash flows.

Actual outcomes could vary significantly from such estimates of discounted future cash flows. Factors such as the entrance or absence of competition, technical obsolescence or lower than expected rights could result in shortened useful lives and impairments.

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

- Growth rate: 3.0%
- Discount rate in respect of Goodwill and Intangibles related to existing products: 9.1%
- Discount rate in respect of Intangibles related to in-process R&D compounds: 12.2%

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

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

Environmental provisions

The Group has provisions for environmental remediation costs, which are disclosed in Note 33. The most significant elements of the environmental provisions consist of costs to fully clean and refurbish contaminated sites and to treat contamination at certain other sites, mainly related to the discontinued chemical and films activities of the Group.

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

Employee benefits

The Group currently has many defined benefit plans, which are disclosed in Note 33. The calculation of the assets or liabilities related to these plans is based upon statistical and actuarial assumptions. This is in particular the case for the present value of the defined benefit obligation which is impacted by assumptions on discount rates used to arrive at the present value of future pension liabilities, and assumptions on future increases in salaries and benefits.

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

4. Financial risk management

The Group is exposed to various financial risks arising from its underlying operations and corporate finance activities.

These financial risks are market risk (including currency risk, interest risk and price risk), credit risk and liquidity risk.

This note presents information about the Group exposure to the above-mentioned risks, the Group policies and processes for managing these risks and Group management of capital. Risk management is carried out by the Group treasury department under policies approved by the Financial Risk Management Committee (FRMC).

The FRMC has been established and includes the Chief Financial Officer and the heads of the Accounting, Reporting & Consolidation department, Financial Control department, Internal Audit department, Tax department and Treasury & Risk department.

The FRMC is responsible for:

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

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

4.1. Market risk

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

Foreign exchange risk

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

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

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

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

Effect of currency fluctuations

At 31 December 2010, if the euro had strengthened or weakened by 10% against the following currencies with all other variables being held constant, the impact on equity and post-tax profit for the year would have been as follows:

€ million	CHANGE IN RATE	IMPACT ON EQUITY: LOSS(-)/GAIN	IMPACT ON INCOME STATEMENT: LOSS(-)/GAIN
At 31 December 2010			
USD	+10%	-123	7
	-10%	147	-7
GBP	+10%	-7	-11
	-10%	9	13
CHF	+10%	-36	-2
	-10%	43	3
At 31 December 2009			
USD	+10%	-120	5
	-10%	151	-7
GBP	+10%	-28	-1
	-10%	34	1
CHF	+10%	-34	11
	-10%	41	-13

Interest rate risk

Changes in interest rates may cause variations in interest income and expenses resulting from interest-bearing assets and liabilities. In addition, they can affect the market value of certain financial assets, liabilities and instruments as described in the following section on market risk of financial assets. The interest rates on the Group's major debt instruments are both fixed and floating, as described in Note 28. The Group uses interest rate derivatives to manage its interest rate risk, as described in Note 36.

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

The Group also designates derivative financial instruments (interest rate swaps) as hedging instruments, under cash flow hedges, to floating rate financial assets and liabilities. Changes in fair value of such derivative financial instruments are accounted for through equity or through profit or loss only in cases where hedge accounting would no longer be applicable.

In 2010, all changes in fair value resulting from interest rate derivatives designated to the foreign currency denominated floating rate liabilities of the Group are accounted for through profit or loss. This is a consequence of the underlying future cash flows having been assessed to result with high probability from derivative instruments, which do not qualify for accounting of changes in fair value through equity under IAS39.

Effect of interest rate fluctuations

A 100 basis points increase in interest rates at balance sheet date would have increased equity by € 0 million (2009: € 8 million); a 100 basis points decrease in interest rates would have decreased equity by € 0 million (2009: € 8 million). Contrary to 2009, at the balance sheet date there were no more interest rate derivatives outstanding through equity.

A 100 basis points increase in interest rates at balance sheet date would have increased profit and loss by € 8 million (2009: € 8 million); a 100 basis points decrease in interest rates would have decreased profit and loss by € 12 million (2009: € 9 million). These changes to the profit and loss would result from the change in fair value of the cash flow interest rate derivatives designated to the foreign currency denominated floating rate liabilities of the Group, which do not qualify for hedge accounting, as well as the inefficient portion of the fair value hedges designated to a portion of the fixed rate borrowings of the Group (retail bond and institutional eurobond).

Other market price risk

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

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

Following the issuance by the Group of a € 500 million convertible bond maturing in 2015 (conversion rate at € 38.746), the fair value of the derivative linked to the convertible bond was recorded as a derivative financial liability (refer to Note 36). On February 26, 2010 the Group exercised its right to revoke and cancel its right to make a cash alternative election on the exercise of conversion rights by bondholders. Changes in the fair value of the derivative, due to remeasurement until February 26, 2010, were recorded through profit and loss (2010: € -7 million, 2009: € 5 million – refer to Note 15). On February 26, 2010 the derivative financial liability of € 74 million before taxes has been reclassified into equity without further remeasurement.

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

4.2. Credit risk

Credit risk arises from the possibility that the counterparty to a transaction may be unable or unwilling to meet its obligations causing a financial loss to the Group. Trade receivables are subject to a policy of active risk management, which focuses on the assessment of country risk, credit availability, ongoing credit evaluation and account monitoring procedures. There are certain concentrations within trade receivables of counterparty credit risk, particularly in the U.S., due to the sales via wholesalers (Note 24). For some credit exposures in critical countries, the Group has obtained or is seeking to obtain credit insurance.

The exposure of other financial assets to credit risk is controlled by setting a policy for limiting credit exposure to highquality counterparties, regular reviews of credit ratings, and setting defined limits for each individual counterparty.

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

4.3. Liquidity risk

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

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

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

- Cash and cash equivalents (Note 25) € 494 million (2009: € 486 million)
- Marketable non-equity securities (Note 22) € 2 million (2009: € 2 million)
- Unutilised committed facilities (Note 28) € 698 million (2009: € 1 056 million)

The existing committed revolving credit facility of the Group was successfully amended in December 2010 leading to a reduction to € 1 billion from € 1.5 billion and an extension of the maturity to 2015 from 2012.

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

€ million	Note	TOTAL	LESS THAN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS
At 31 December 2010						
Bank Borrowings	28	295	282	0	13	0
Debentures and other short term loans	28	7	7	0	0	0
Finance lease liabilities	28	21	2	4	12	3
Convertible Bond	29	432	0	0	432	0
Retail Bond	29	756	0	0	756	0
Institutional Eurobond	29	495	0	0	0	495
Trade and other liabilities	34	1 299	1 172	32	46	49
Bank overdrafts	28	17	17	0	0	0
Interest rate swaps			-13	-5	32	3
Forward exchange contracts used for hedging purposes						
Outflow		685	581	104	0	0
Inflow		673	565	109	0	0
Forward exchange contracts and other derivative financial instruments at fair value through profit or loss						
Outflow		2 964	2 528	212	224	0
Inflow		2 972	2 557	212	203	0

€ million	Note	TOTAL	LESS THAN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS
At 31 December 2009						
Bank Borrowings	29	530	529	0	1	0
Debentures and other short term loans	29	15	14	1	0	0
Finance lease liabilities	29	24	2	4	14	4
Convertible Bond	30	421	0	0	0	421
Retail Bond	30	739	0	0	739	0
Institutional Eurobond	30	494	0	0	0	494
Trade and other liabilities	35	1 151	1 036	24	56	35
Bank overdrafts	29	20	20	0	0	0
Interest rate swaps			-22	-11	22	3
Forward exchange contracts used for hedging purposes						
Outflow			906	188	0	0
Inflow			905	199	0	0
Forward exchange contracts and other derivative financial instruments at fair value through profit or loss						
Outflow			2 321	0	209	0
Inflow			2 317	0	203	0

[1]Net debt is explained in the Glossary enclosed at the end of the Annual Report.

4.4. Capital risk management

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

The Group is closely monitoring its net debt level and wants to obtain an optimal capital structure, similar to the one of a peer group, by lowering substantially its external financial debt by 2012.

€ million	2010	2008
Total borrowings (Note 28)	340	589
Bonds (Note 29)	1 683	1 654
Less: cash and cash equivalents (Note 25), available for sale debt securities (Note 22) and cash collateral related to the financial lease obligation	-498	-491
Net debt	1 525	1 752
Total equity	4 592	4 417
Total financial capital	6 117	6 169
Gearing ratio	**25%**	**28%**

4.5. Fair value estimation

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

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

Quoted market prices are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of the interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

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

Fair value hierarchy

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

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

Financial Assets measured at fair value

€ million	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
31 December 2010				
Financial assets				
Available for sale assets				
Quoted Equity securities	15	0	0	15
Quoted Debt securities (Note 22)	3	0	0	3
Derivative financial assets (Note 36)				
Forward foreign exchange contracts – cash flow hedges	0	9	0	9
Forward exchange contracts – fair value through profit and loss	0	54	0	54
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	13	0	13

€ million	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
31 December 2009				
Financial assets				
Available for sale assets				
Quoted Equity securities	7	0	0	7
Quoted Debt securities (Note 22)	5	0	0	5
Derivative financial assets (Note 36)				
Forward foreign exchange contracts - cash flow hedges	0	22	0	22
Forward exchange contracts - fair value through profit and loss	0	32	0	32

Financial Liabilities measured at fair value

€ million	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
31 December 2010				
Financial liabilities				
Derivative financial liabilities (Note 36)				
Forward foreign exchange contracts – cash flow hedges	0	9	0	9
Forward exchange contracts – fair value through profit and loss	0	60	0	60
Interest rate derivatives – cash flow hedges	0	0	0	0
Interest rate derivatives – fair value through profit and loss	0	44	0	44
Derivative linked to convertible bond	0	0	0	0

€ million	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
31 December 2009				
Financial liabilities				
Derivative financial liabilities (Note 36)				
Forward foreign exchange contracts – cash flow hedges	0	10	0	10
Forward exchange contracts – fair value through profit and loss	0	43	0	43
Interest rate derivatives – cash flow hedges	0	12	0	12
Interest rate derivatives – fair value through profit and loss	0	51	0	51
Derivative linked to convertible bond	0	67	0	67

During the reporting period ending 31 December 2010, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

5. Segment reporting

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

5.1. Product sales information

Net sales consist of the following:

€ million	2010	2009
Cimzia®	198	75
Vimpat®	133	46
Neupro®	82	61
Keppra® (includ. Keppra® XR)	942	913
Zyrtec® (includ. Zyrtec-D®/ Cirrus®)	229	268
Tussionex™	80	147
Xyzal®	115	132
venlafaxine XR	162	109
Metadate™ CD	54	72
Nootropil®	66	70
omeprazole	65	64
Other products	660	726
Total net sales	**2 786**	**2 683**

5.2. Geographic information

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

€ million	2010	2009
North America	1 024	948
Germany	353	295
France	185	194
Italy	141	141
Spain	141	145
U.K. and Ireland	132	153
Belgium	42	44
Rest of the world	768	763
Total net sales	**2 786**	**2 683**

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

Property, plant and equipment

€ million	2010	2009
North America	98	95
Germany	24	57
France	2	2
Italy	0	4
Spain	2	0
U.K. and Ireland	91	104
Belgium	198	189
Rest of the world	90	83
Total	**505**	**534**

5.3. Information about major customers

UCB has 1 customer which individually account for more than 10% of the total net sales at the end of 2010.

In the US, sales to 3 wholesalers accounted for approximately 82% of US sales (2009: 87%).

6. Non-current assets held for sale

6.1. Optimisation of manufacturing network

At 15 December 2010, UCB announced its decision to sell its manufacturing sites (plants) of Monheim and Zwickau (Germany) and Pianezza (Italy) to Aesica, a European leader in pharmaceutical manufacturing. This decision is part of UCB's strategy to optimise its manufacturing network in line with the evolution of its portfolio.

Over the years, UCB's product portfolio has been changing significantly, with the company increasingly focusing on severe diseases in the Central Nervous System and Immunology areas. This change in product mix has had an impact on production reducing the need for large manufacturing capacity.

As part of the deal, employees in the three affected plants will follow their activity and will be transferred to Aesica.

The deal is expected to close in the first Quarter of 2011.

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

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

6.2. Other non-current assets held for sale

Other non-current assets held for sale decreased to € 1 million (2009: € 17 million) and is mainly the result of the disposal of small businesses other than discontinued operations. The completion dates for the transactions outstanding at 31 December 2010 are expected during the course of 2011.

€ million	Note	2010	2009
Intangible assets	18	0	14
Property, plant and equipment	20	1	3
Total		**1**	**17**

7. Discontinued operations

The loss from discontinued operations of € 1 million (2009: profit of € 7 million) arose from the partial reversal of provisions related to the legacy chemical activities, including terminations of environmental claims for sites for which UCB retained liability and which were settled in the past 12 months as well as the unwinding of the discount rate.

8. Other revenue

€ million	2010	2009
Revenue generated by means of profit-sharing agreements	61	74
Upfront payments, milestone payments and reimbursements	50	38
Contract manufacturing revenues	101	94
Total other revenue	**212**	**206**

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

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

During 2010, UCB received milestone payments and reimbursements from different parties, mainly from:

- Keppra® and Cimzia® related milestones and reimbursements due to the agreement entered into between Otsuka and UCB to co-promote E Keppra® for the adjunctive treatment of partial-onset seizures and Cimzia® in Japan,
- Equasym® sales milestones related to the Shire agreement (2009),
- Milestone payments due to the agreement with Actient Pharmaceuticals (announced earlier this year), and
- Other milestones recognised as part of a licensing deal on non-core mature gastro-intestinal products signed early in 2008.

The increase in revenue from contract manufacturing activities is mainly linked to the toll manufacturing agreements entered into with GSK and Shire as well as contract manufacturing revenue earned on products related to the Actient Pharmaceuticals agreement (announced earlier this year) and Delsym™.

9. Operating expenses by nature

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

€ million	Note	2010	2009
Employee benefit expenses	10	798	809
Depreciation of property, plant and equipment	20	65	78
Amortisation of intangible assets	18	190	142
Impairment of non-financial assets	12	223	126
Total		**1 276**	**1 155**

10. Employee benefit expense

€ million	Note	2010	2009
Wages and salaries		562	569
Social security costs		88	98
Post-employment benefits – defined benefit plans	32	38	29
Post-employment benefits – defined contribution plans		17	18
Share-based payments to employees and directors	27	20	16
Insurance		45	37
Other employee benefits		28	42
Total employee benefit expense		**798**	**809**

The total employee benefit expense has been allocated along functional lines within the income statement, except in the case of discontinued operations where they have been included, if relevant, in the determination of the profit from discontinued operations. Other employee benefits consist mainly of termination benefits, severance payments, and other long-term/short-term disability benefits.

Headcount at 31 December	2010	2009
Hourly Paid	1 086	1 111
Monthly Paid	3 839	4 238
Management	3 973	3 975
Total	**8 898**	**9 324**

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

11. Other operating income/expenses (-)

Other operating income/expenses (-) amounted to € -2 million (2009: € 6 million) and consists mainly of the amortisation of non-production related intangible assets of € 5 million (2009: € 2 million); the reversal of provisions of € 5 million (2009: € 13 million); the impairment in respect of trade receivables of € 7 million (2009: € 7 million) and the reimbursement by third parties for development expenses incurred by the Group of € 4 million.

12. Impairment of non-financial assets

A review of the recoverable amounts of the Group assets resulted in the recognition of impairment charges amounting to € 223 million (2009: € 126 million).

As a result of the yearly impairment testing of the trademarks, patents and licences, an impairment charge of € 190 million (2009: € 7 million) was recognised, mainly related to the write down of the *fesoterodine* franchise royalty stream (amount: € 176 million) that no longer reflects the latest market estimates (as announced in January 2011) and a write down of Mylotarg® (amount: € 5 million) after Pfizer voluntarily withdrew the product from the market at the request of the U.S. FDA in June 2010. The impairment charge with respect to the other intangible assets amounts to € 3 million (2009: € 103 million).

The 2009 other intangible assets impairment charge includes the development project CDP323 and the know-how pertaining to certain manufacturing processes.

The impairment charge related to the Group property, plant and equipment amounted to € 29 million (2009: € 16 million) of which € 22 million related to the disposal of three manufacturing facilities to Aesica.

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

13. Restructuring expenses

The restructuring expenses as at 31 December 2010 amount to € 40 million (2009: € 73 million) and can be attributed to restructuring the PCP business in Japan and Turkey, items related to the SHAPE programme and other severance costs. In 2009 the restructuring expenses included the organisational changes in Belgium and the UK, the exit from the primary care sector in the US and other severance costs.

14. Other income and expenses

Other income amounted to € 0 million (2009: € 583 million) and comprised of the following items:

- Other income from the divestment of small business for € 49 million in 2010 compared to € 572 million in 2009 for the divestiture of certain products and affiliates in selected emerging markets to GSK, the divestiture of the anti-haemorrhagic product Somatostatine-UCBTM to Eumedica and the divestiture of Equasym® to Shire;
- other expenses amounted to € 49 million in 2010 and mainly relate to:
  - the write-off with respect to to three manufacturing facilities that will be disposed of to Aesica for € 20 million;
  - charges related to the U.S. Department of Justice. Since 2008, UCB has been cooperating with the United States Department of Justice in an investigation relating to the marketing of Keppra®. Recently, the Company reached an agreement in principle with the United States and participating States to settle this investigation. Under the agreement in principle, UCB Inc., will plead guilty to a misdemeanor violation, pay USD 8.6 million and enter into a civil settlement of USD 25.8 million plus modest interest. UCB is continuing to work with the authorities to conclude this investigation. The issues that were the subject of this investigation occurred more than six years ago. Since then, UCB has established and continues to enhance its compliance program.
  - the 2009 other expenses amounted to € 11 million and were related to contract manufacturing capacity for biologicals.

15. Financial income and financing costs

The net financing costs for the year amounted to € 185 million (2009: € 162 million). The breakdown of the financing costs and financial income is as follows:

Financing costs

€ million	2010	2009
Interest expenses on:		
Convertible Bond	-33	-6
Retail Bond	-43	-4
Institutional Eurobond	-29	-2
Other borrowings	-50	-93
Interest expenses related to interest rate derivatives	-15	-32
Loss on derivative component of convertible bond	-7	0
Impairment on equity securities	0	-3
Financial charges on finance leases	-1	-1
Net loss on interest rate derivatives	0	-40
Net foreign exchange losses	-	-
Fair value losses on foreign exchange derivatives	-5	-40
Net other financial income/expense(-)	-11	-4
Total financing costs	**-194**	**-225**

Financial income

€ million	2010	2009
Interest expenses on:		
On bank deposits	3	5
Provisions: unwinding of discount	0	-
Dividend income	0	1
Gain on derivative component of convertible bond	0	5
Net gain/losses(-) on sale of equity financial derivatives	0	10
Net gain/losses(-) on sale of debt securities	0	0
Ineffective portion of cash flow hedges	0	-
Net gain on interest rate derivatives	3	0
Net foreign exchange gains	3	42
Fair value gain on foreign exchange derivatives	-	-
Total financial income	**9**	**63**

16. Income tax expense (-)/credit

€ million	2010	2009
Current income taxes	-88	-213
Deferred income taxes	174	45
Total income tax expense(-)/ credit	**86**	**-168**

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

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

€ million	2010	2009
Profit/loss(-) before tax	19	675
Income tax expense(-)/credit calculated at domestic tax rates applicable in the respective countries	-4	-182
Tax effects of:		
Expenses not deductible for tax purposes	-118	-123
Non-taxable income	127	236
Tax credits	76	30
Variation in tax rates	5	1
Other tax rate effects	13	41
Current tax adjustments related to prior years	12	-44
Deferred tax adjustments related to prior years	16	-17
Reversal of write-downs/write-downs(-) of previously recognised deferred tax assets	-38	-108
Withholding tax impact on inter-company dividends	-2	-1
Other taxes	-1	-1
Total income tax expense(-)/credit	**86**	**-168**

	2010	2009
Effective tax rate	**-443%**	**24.9%**

The change in the effective tax rate is mainly attributable to the following: the positive outcome of tax claims, the reversal of certain tax provisions as a result of the expiration of the applicable statute of limitations, provision adjustments and the recognition of previously unrecognised deferred tax assets.

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

€ million	2010	2009
Current tax	0	0
Deferred tax:		
Arising upon the adoption of IFRIC 14 – Onerous minimum funding requirements	0	0
Deferred tax liability on equity component of convertible bond	-25	0
Effective portion of changes in fair value of cash flow hedges	0	-2
Income taxes recognised in equity	**-25**	**-2**

17. Components of other comprehensive income

€ million	2010	2009
Available for sale financial assets:		
Gains/losses(-) arising during the year	1	0
Less: Reclassification adjustment for gains/losses(-) included in the income statement	0	0
	1	**0**
Cash flow hedges:		
Gains/losses(-) arising during the year	-14	27
Less: Reclassification adjustment for gains/losses(-) included in the income statement	-21	-75
	7	**102**
Net investment hedge:		
Gains/losses(-) arising during the year	0	0
Less: Reclassification adjustment for gains/losses(-) included in the income statement	0	0
	0	**0**

18. Intangible assets

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

€ million	2009 TRADEMARKS, PATENTS AND LICENCES	OTHER	TOTAL
Gross carrying amount at 1 January	**1 541**	**978**	**2 519**
Additions	16	33	49
Disposals	-28	-3	-31
Transfer from one heading to another	0	7	7
Transfer to assets held for sale	-17	0	-17
Effect of movements in exchange rates	-11	16	5
Gross carrying amount at 31 December	**1 501**	**1 031**	**2 532**
Accumulated amortisation and impairment losses at 1 January	**-276**	**-74**	**-350**
Amortisation charge for the year	-132	-10	-142
Disposals	23	1	24
Impairment losses recognised in the income statement	-7	-103	-110
Transfer from one heading to another	-16	15	-1
Transfer to assets held for sale	3	0	3
Effect of movements in exchange rates	2	-5	-3
Accumulated amortisation and impairment losses at 31 December	**-403**	**-176**	**-579**
Net carrying amount at 31 December	**1 098**	**855**	**1 953**

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

The majority of the Group intangible assets arose from previous acquisitions. During 2010, the Group acquired intangible assets totalling € 24 million (2009: € 49 million). These additions related mainly to the acquisition of licensed products, and the payment of milestones with respect to certain in-licencing agreements. This includes milestone payments paid to Synosia (USD 5 million), a strategic partner who has granted UCB a license for exclusive, worldwide rights to the development compound SYN-115 and SYN-118 (as announced in October 2010). In addition to the above, the Group made additions to software and also capitalised eligible software development costs.

During the year, the Group recognised total impairment charges of € 193 million (2009: € 110 million) on its intangible assets, mainly related to Mylotarg®,€ 5 million, after Pfizer withdrew the product voluntarily from the market at the request of the U.S. FDA in June 2010 and € 176 million for the *fesoterodine* franchise royalty stream that no longer reflects the latest markt estimates (as announced in January 2011). The impairment charges are detailed in Note 13 and have been presented in the income statement under the caption 'impairment of non-financial assets'.

Other intangible assets includes software and in process development projects.

19. Goodwill

€ million	2010	2009
Cost at 1 January	4 552	4 579
Adjustment related to Schwarz acquisition	0	-1
Effect of movements in exchange rates	166	-26
Net book value at 31 December	**4 718**	**4 552**

The Group tests goodwill for impairment at each reporting date or more frequently if there are indications that goodwill might be impaired. The 'recoverable amount' of a CGU is determined based on 'value in use' calculations.

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

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

Key assumptions used for the value in use calculations:

	2010
Discount rate	9.1%
Growth rate	3.0%

20. Property, plant and equipment

€ million	2010				
	LAND AND BUILDINGS	PLANT AND MACHINERY	OFFICE, COMPUTER EQUIPMENT, VEHICLES & OTHER	ASSETS UNDER CONSTRUCTION	TOTAL
Gross carrying amount at 1 January	**536**	**526**	**152**	**25**	**1 239**
Additions	1	7	4	42	54
Disposals	0	-5	-14	-1	-20
Transfers from one heading to another	-13	-26	14	5	-20
Transfer to assets held for sale	-28	-61	-13	-1	-103
Effect of movements in exchange rates	21	19	7	1	48
Gross carrying amount at 31 December	**517**	**460**	**150**	**71**	**1 198**
Accumulated depreciation at 1 January	**-204**	**-385**	**-108**	**-8**	**-705**
Depreciation charge for the year	-20	-33	-12	0	-65
Impairment charge	-12	-9	-3	-5	-29
Disposals	-1	4	14	0	17
Transfers from one heading to another	14	11	4	-9	20
Transfer to assets held for sale	28	54	11	1	94
Effect of movements in exchange rates	-7	-12	-6	0	-25
Accumulated depreciation at 31 December	**-202**	**-370**	**-100**	**-21**	**-693**
Net carrying amount at 31 December	**315**	**90**	**50**	**50**	**505**

€ million	2009 LAND AND BUILDINGS	PLANT AND MACHINERY	OFFICE, COMPUTER EQUIPMENT, VEHICLES & OTHER	ASSETS UNDER CONSTRUCTION	TOTAL
Gross carrying amount at 1 January	**515**	**509**	**144**	**60**	**1 228**
Additions	8	15	7	8	38
Disposals	-5	-6	-5	-2	-18
Transfers from one heading to another	18	7	6	-42	-11
Transfer to assets held for sale	0	0	0	0	0
Effect of movements in exchange rates	0	1	0	1	2
Gross carrying amount at 31 December	**536**	**526**	**152**	**25**	**1 239**
Accumulated depreciation at 1 January	**-165**	**-345**	**-87**	**-8**	**-605**
Depreciation charge for the year	-23	-38	-17	0	-78
Impairment charge	0	-6	-10	0	-16
Disposals	-16	5	7	0	-4
Transfers from one heading to another	0	0	-1	0	-1
Transfer to assets held for sale	0	0	0	0	0
Effect of movements in exchange rates	0	-1	0	0	-1
Accumulated depreciation at 31 December	**-204**	**-385**	**-108**	**-8**	**-705**
Net carrying amount at 31 December	**332**	**141**	**44**	**17**	**534**

None of the Group property, plant and equipment is subject to restrictions on title. Nor has any property, plant and equipment been pledged as security for liabilities.

During 2010, the Group acquired property, plant and equipment totalling € 54 million (2009: € 38 million).

These additions related mainly to improvement and replacement capital expenditure as well as investments supporting new product and delivery devices.

During the year, the Group recognised total impairment charges of € 29 million (2009: € 16 million) on its property, plant and equipment. The impairment charges are detailed in Note 12 and have been presented in the income statement under the caption 'impairment of non-financial assets'.

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

Capitalised borrowing costs

During the 12 months of 2010, the capitalised borrowing costs amounted to € 0 million (2009 € 0 million).

Leased assets

UCB leases buildings and office equipment under a number of finance lease agreements. The carrying value of the leased buildings is € 21 million (2009: € 24 million).

21. Investment in associates

On 12 October 2010, UCB acquired a 19.6% interest in Synosia Therapeutics Holding AG. Synosia is involved in the research and development of drugs for unmet needs in the fields of neurology and psychiatry.

€ million	2010	2009
At 1 January	0	-
Investment in associate	15	-
Share of profit/loss (-)	0	-
Exchange differences	1	-
Other equity movements	0	-
At 31 December	**16**	-

The result of the Group's associate and its gross assets (excluding goodwill) and liabilities are as follows:

CHF million	COUNTRY OF INCORPORATION	ASSETS	LIABILITIES	REVENUE	PROFIT/LOSS (-)	% ON INTEREST HELD
2010						
Synosia Therapeutics Holding AG	Switzerland	34	14	2	-2	19.6 %
Total		**34**	**14**	**2**	**-2**	

22. Financial and other assets

22.1. Non-current financial and other assets

€ million	2010	2009
Available for sale financial assets (refer below)	16	11
Cash deposits	8	7
Derivative financial instruments (Note 36)	17	12
Loans granted to third parties	1	0
Reimbursement rights with respect to German Defined Benefit plans	24	23
Other financial assets	57	64
Total financial and other assets at year end	**123**	**117**

22.2. Current financial and other assets

€ million	2010	2009
Clinical trial material	0	9
Available for sale financial assets (refer below)	2	2
Derivative financial instruments (Note 36)	59	42
Total financial and other assets at year end	**61**	**53**

22.3. Available for sale financial assets

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

€ million	2010	2009
Equity securities	15	8
Debt securities	3	5
Total available for sale financial assets at year end	**18**	**13**

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

€ million	2010		2009	
	EQUITY SECURITIES	DEBT SECURITIES	EQUITY SECURITIES	DEBT SECURITIES
At 1 January	8	5	0	7
Additions *	6	0	11	1
Disposals	0	-2	0	-3
Revaluation through equity	1	0	0	0
Gain/loss(-) reclassified from equity to the income statement	0	0	0	0
Impairment charge (Note 16)	0	0	-3	0
At 31 December	**15**	**3**	**8**	**5**

The Group has investments in listed debt securities, mainly issued by European governments as well as by some financial institutions. These bonds have been classified as available for sale and are measured at fair value.

The fair value of the listed debt securities is determined by reference to published price quotations in an active market.

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

* On 10 June 2010, UCB increased its shareholding in WILEX AG to 18.05%. The total investment in WILEX amounts to € 14 million (2009: € 7 million).

23. Inventories

€ million	2010	2009
Raw materials and consumables	114	152
Work in progress	230	143
Finished goods	82	88
Goods purchased for resale	8	22
Inventories	**434**	**405**

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to € 613 million (2009: € 637 million). There are no inventories pledged for security, nor is there any inventory stated at net realisable value. The write-down on inventories amounted to € 26 million in 2010 (2009: € 17 million) and has been included in cost of sales.

24. Trade and other receivables

€ million	2010	2009
Trade receivables	540	645
Less: provision for impairment	-13	-7
Trade receivables – net	527	638
VAT receivable	34	22
Interest receivables	10	9
Prepaid expenses	24	27
Accrued income	12	8
Other receivables	49	48
Royalty receivables	49	67
Trade and other receivables	**705**	**819**

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

There is some concentration of credit risk with respect to trade receivables. The Group co-operates with dedicated wholesalers in certain countries. The largest outstanding trade receivable in 2010 from a single customer is 19% (2009: 23.0%) from McKesson Corp. U.S.

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

€ million	2010		2009	
	GROSS CARRYING AMOUNTS	IMPAIRMENT	GROSS CARRYING AMOUNTS	IMPAIRMENT
Not past due	478	0	409	0
Past due – less than one month	14	0	37	0
Past due more than one month and not more than three months	11	0	12	0
Past due more than three months and not more than six months	8	0	159	-1
Past due more than six months and not more than one year	10	-1	8	-3
Past due more than one year	19	-12	20	-3
Total	**540**	**-13**	**645**	**-7**

Based on historical default rates, the Group believes that no provision for impairment is necessary in respect of trade receivables not past due or past due up to one month. This concerns more than 91% (2009: 69%) of the outstanding balance at the balance sheet date.

The movement in the provision for impairment in respect of trade receivables is shown below:

€ million	2010	2009
Balance at 1 January	**-7**	**-10**
Impairment charge recognised in the income statement	-10	-7
Utilisation/reversal of provision for impairment	4	10
Effects of movements in exchange rates	0	0
Balance at 31 December	**-13**	**-7**

The other classes within trade and other receivables do not contain impaired assets.

The carrying amounts of the Group trade and other receivables are denominated in the following currencies:

€ million	2010	2009
EUR	242	248
USD	269	384
JPY	22	40
GBP	35	32
Other currencies	137	115
Trade and other receivables	**705**	**819**

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

The Group does not hold any collateral as security.

25. Cash and cash equivalents

€ million	2010	2009
Short-term bank deposits	427	297
Cash equivalents	0	135
Cash at bank and on hand	67	54
Cash and cash equivalents	**494**	**486**
Bank overdrafts (Note 29)	-17	-20
Cash and cash equivalents, less bank overdrafts as reported in the cash flow statement	**477**	**466**

26. Capital and reserves

26.1. Share capital and share premium

The issued share capital of the company amounted to € 550 million (2009: € 550 million), and is represented by 183 365 052 shares (2009: 183 365 052 shares). The company's shares are without par value. At 31 December 2010, 72 414 773 shares were registered and 110 950 279 were bearer/dematerialised shares. The holders of UCB shares are entitled to receive dividends as declared and are also entitled to one vote per share at the Shareholders' meeting of the company. There is no authorised, unissued capital.

At 31 December 2010, the share premium reserves amounted to € 1 601 million (2009: € 1 601 million).

26.2. Treasury shares

The Group acquired 239 739 treasury shares for a total amount of € 7 million (2009: 128 116 shares for a total amount of € 3 million) and issued 243 239 treasury shares to UCB employees for a total amount of € 7 million (2009: 146 329 shares for a total amount of € 3 million).

The Group retained 3 165 551 (2009: 3 169 051) treasury shares at 31 December 2010. These treasury shares have been acquired in order to honour the exercise of share options and share awards granted to the Board of Directors and certain categories of employees. UCB Fipar or UCB SCA have the right to resell these shares at a later date.

26.3. Other reserves

Other reserves amounted to € 280 million (2009: € 232 million) and consists of the following items:

- the IFRS acquisition value surplus that arose during the Schwarz Pharma business combination for € 232 million (2009: € 232 million); and
- the equity component linked to the convertible bond for € 48 million net of taxes as a result of UCB's decision to revoke the cash settlement option linked to the convertible bond. (refer to note 2.27.).

26.4. Cumulative translation adjustments

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

27. Share-based payments

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

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

27.1. Share option plan and share appreciation rights plan

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

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

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

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

The Share Appreciation Rights (SAR's) plan has similar characteristics to the share option plan, except that it is reserved for UCB employees in the U.S. This plan is cash-settled. All share options granted to U.S. option holders in 2005 and 2006 were transformed into SAR's, except for three employees. Since 2007 all eligible U.S. employees have been granted SAR's.

27.2. Share award plan

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

27.3. Performance share plan

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

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

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

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

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

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

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

- Between 1% and 10% of each participant's compensation;
- US$ 25 000 per year per participant;

- Maximum of US$ 5 million total ownership by U.S. employees in all forms of share plans over a rolling period of 12 months.

As of 31 December 2010, the plan had 731 participants (2009: 688). There are no specific vesting conditions and the share-based payment expense incurred for this plan is immaterial.

27.6. Share savings plan in the United Kingdom

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

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

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

As of 31 December 2010, the plan had 40 participants (2009: 52) and the share-based payment expense incurred for this plan is immaterial.

27.7. Share-based payment expense

The total share-based payment expense incurred for the Group equity-based compensation plans amounted to € 20 million (2009: € 16 million), and has been included in the relevant functional lines within the income statement as follows:

€ million	2010	2009
Cost of sales	2	2
Marketing and selling expenses	5	4
Research and development expenses	5	4
General and administrative expenses	8	6
Total operating expense	**20**	**16**
Of which, Equity-settled:		
Share option plans	10	7
Share award plans	2	3
Share option plans	4	1
Performance share plan	0	0
Of which, Cash-settled:		
Share appreciation rights plan	1	4
Phantom share option, share award and performance share plans	3	1

27.8. Share option plans

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

	2010			2009		
	WEIGHTED AVERAGE FAIR VALUE	WEIGHTED AVERAGE EXERCISE PRICE (€)	NUMBER OF SHARE OPTIONS	WEIGHTED AVERAGE FAIR VALUE	WEIGHTED AVERAGE EXERCISE PRICE (€)	NUMBER OF SHARE OPTIONS
Outstanding at 1 January	6.30	30.24	6 805 705	6.61	33.31	5 597 630
+ New options granted	7.90	31.62	1 613 100	5.37	21.41	1 914 800
(-) Options forfeited	6.46	30.05	754 700	5.75	28.38	700 511
(-) Options exercised	3.71	27.21	3 600	4.40	26.46	6 214
(-) Options expired	-	-	-	-	-	-
Outstanding at 31 December	**6.62**	**30.55**	**7 660 505**	**6.30**	**30.24**	**6 805 705**
Number of options fully vested:						
At 1 January			1 383 005			618 530
At 31 December			2 259 505			1 383 005

The share options outstanding as at 31 December 2010 with the following last exercise dates and exercise prices are:

LAST EXERCISE DATE	RANGE OF EXERCISE PRICES (€)	NUMBER OF SHARE OPTIONS
21 April 2013	19.94	1 967
31 May 2013	[26.58 – 27.94]	213 332
05 April 2014	31.28	3 106
31 August 2014	[40.10 – 40.20]	336 200
31 March 2015	[37.33 - 37.60]	412 700
31 March 2016	[40.14 - 40.57]	611 100
31 March 2017	[43.57 - 46.54]	1 245 500
31 March 2018	[22.01 – 25.73]	1 700 300
31 March 2019	[21.38 – 22.75]	1 609 600
31 March 2020	31.62	1 526 700
Total outstanding		**7 660 505**

The weighted average fair value of the share options granted during 2010 was € 7.90 (2009: € 5.37).

The fair value has been determined based on the Black-Scholes valuation model.

The volatility was determined primarily by reference to historically observed share prices of UCB over the last five years. The probability of early exercise is reflected in the expected life of the options. The expected forfeiture rate is based on actual turnover of employees for categories eligible for stock option compensation.

The significant assumptions used in the measurement of the fair value of the share options are:

		2010	2009
Share price at grant date	€	32.06	22.75
Weighted average exercise price	€	31.62	21.41
Expected volatility	%	32.92	31.73
Expected option life	Years	5	5
Expected dividend yield	%	2.99	4.04
Risk free interest rate	%	2.67	3.48
Expected annual forfeiture rate	%	7.00	7.00

27.9. Share appreciation rights (SAR's) plan

The movements of the SAR's and the model inputs as at 31 December 2010 can be found in the table below. The fair value of the SAR's at grant date is determined using the Black-Scholes model. The fair value of the liability is remeasured at each reporting date.

		2010	2009
Outstanding rights as of 1 January		**1 516 000**	**1 192 000**
+ New rights granted		576 100	565 000
(-) Rights forfeited		217 400	241 000
(-) Rights exercised		0	0
Outstanding rights as of 31 December		**1 874 700**	**1 516 000**
The significant assumptions used in the measurement of the fair value of the share appreciation rights are:			
Share price at year end	€	25.67	29.22
Exercise price	€	31.62	22.19
Expected volatility	%	33.35	32.82
Expected option life	Years	5	5
Expected dividend yield	%	3.82	3.15
Risk free interest rate	%	3.17	2.79
Expected annual forfeiture rate	%	7.00	7.00

27.10. Share award plans

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

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

	2010		2009	
	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR VALUE (€)	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR VALUE (€)
Outstanding at 1 January	**281 605**	**29.23**	**302 205**	**36.27**
+ New share awards granted	90 755	31.54	115 655	23.16
(-) Awards forfeited	35 775	27.69	19 480	33.93
(-) Awards vested and paid out	86 675	41.35	116 775	40.65
Outstanding at 31 December	**249 910**	**26.08**	**281 605**	**29.23**

27.11. Performance Share plans

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

	2010		2009	
	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR VALUE (€)	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR VALUE (€)
Outstanding at 1 January	**387 725**	**34.14**	**354 675**	**38.00**
+ New performance shares granted	54 525	32.08	98 925	22.75
(-) Performance shares forfeited	88 640	38.15	45 500	37.67
(-) Performance shares vested	146 785	43.52	20 375	38.08
Outstanding at 31 December	**206 825**	**25.23**	**387 725**	**34.14**

27.12. Options granted before 7 November 2002

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

In 1999 and 2000 respectively, UCB issued 145 200 and 236 700 subscription rights (warrants) to subscribe for one ordinary share. Out of these rights, 122 400 may still be exercised. These warrants expire progressively between 2010 and 2013.

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

	2010		2009	
	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR VALUE (€)	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR VALUE (€)
Outstanding at 1 January	**620 165**	**40.00**	**715 288**	**40.34**
(-) Options forfeited	19 038	41.44	63 623	42.23
(-) Options expired	50 600	39.19	31 500	43.19
Outstanding at 31 December	**550 527**	**40.03**	**620 165**	**40.00**

28. Borrowings

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

€ million	CARRYING AMOUNT 2010	CARRYING AMOUNT 2009	FAIR VALUE 2010	FAIR VALUE 2009
Non-current				
Bank borrowings	13	1	13	1
Finance leases	19	22	19	22
Total non-current borrowings	**32**	**23**	**32**	**23**
Current				
Bank overdrafts	17	20	17	20
Current portion of bank borrowings	282	529	282	529
Debentures and other short-term loans	7	15	7	15
Finance leases	2	2	2	2
Total current borrowings	**308**	**566**	**308**	**566**
Total borrowings	**340**	**589**	**340**	**589**

28.1. Borrowings

On 1 December 2010, UCB announced the amendment of its credit facility which has resulted in the credit facility being reduced from € 1.5 billion to € 1 billion. The credit maturity has been extended to 2015 vs 2012.

The amended facility expires on 14 December 2015. At year-end, the total amount drawn down under the facility was € 299 million (2009: € 444 million). The Borrowings linked to the amended Facilities agreement bear interest using a Euribor or Libor floating interest rate plus a margin depending on the UCB leverage ratio within the covenants of the agreement.

On 31 December 2010, the Groups weighted average interest rate was 4.71% (2009: 4.69%) prior to hedging. The floating interest rate payments are subject to designated cash flow hedges and fixed interest rate payments are subject to designated fair value hedges, thereby fixing the weighted average interest rate for the Group at 4.29% (2009: 6.04%) post hedging. The fees paid for the arrangement of the bonds, in note 29, and the amended facilities agreement are amortized over the life of the instruments.

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

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

Please refer to Note 4.3 for the maturity analysis of the Group borrowings (excluding other financial liabilities).

The carrying amounts of the Group borrowings are denominated in the following currencies:

€ million	2010	2009
EUR[1]	-4	206
USD	299	324
Total interest bearing loans by currency	**295**	**530**
Bank overdrafts - EUR	17	20
Debentures other than short term loans - EUR	7	15
Finance lease liabilities - EUR	21	24
Total borrowings	**340**	**589**

28.2. Finance lease liabilities – Minimum lease payments

€ million	2010	2009
Amounts payable under finance leases:		
1 year or less	2	2
1-2 years	4	4
2-5 years	12	14
More than 5 years	3	4
Present value of finance lease liabilities	**21**	**24**
Less: amount due for settlement within 12 months	2	2
Amount due for settlement after 12 months	**19**	**22**

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

[1] Negative amount due to arrangement fees

29. Bonds

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

€ million	COUPON RATE	MATURITY DATE	CARRYING AMOUNT 2010	CARRYING AMOUNT 2009	FAIR VALUE 2010	FAIR VALUE 2009
Non-current						
Convertible Bond	4.50%	2015	432	421	496	490
Retail Bond	5.75%	2014	756	739	797	777
Institutional Eurobond	5.75%	2016	495	494	536	503
Total non-current bonds			**1 683**	**1 654**	**1 829**	**1 770**

29.1. Convertible bond

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

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

The fair value of the debt component is based on the present value of the contractually determined stream of cash flows discounted at the rate of interest applied at the time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option. The residual amount, being the difference between the total gross proceeds on bond issuance and the fair value of the debt component, was attributed to the fair value of the Derivative component. As a result of the Boards decision to revoke UCBs rights related to the cash settlement option, the derivative component was reclassified to equity based on its fair value at the date of revocation. (refer to note 2.27.)

At 31 December 2010, the debt component is measured based on its amortised cost, using an effective interest rate of 7.670% per annum. In accordance with IAS39, the remaining transaction costs included in the calculation of the effective interest rate will be amortised over the expected life of the instrument (i.e. 6 years). The bonds have been listed on the Luxembourg Stock Exchange.

The fair value of the debt component of the convertible bond at 31 December 2010 amounted to € 496 million (2009: € 490 million). The fair value is determined by a third party financial institution.

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

€ million	2010	2009
Balance at 1 January[1]	**421**	**428**
Effective interest expense (Note 15)	33	6
Nominal interest accrued for/not yet due	-4	-4
Nominal interest accrual of previous period, paid in current period	4	-
Interest paid	-23	-
Unamortised transaction costs upon initial recognition	0	-9
Amortisation charge for the period	1	-
Balance at 31 December	**432**	**421**

29.2. Retail bond

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

The carrying amount of the retail bond at 31 December 2010 amounted to € 756 million (2009: € 739 million). The Group designates derivative financial instruments under fair value hedges to the Retail Bond. The increase in the carrying amount of the Retail Bond is fully attributable to the increase in the fair value of the hedged portion of the Retail Bond, and is almost fully offset by a change in fair value of the corresponding derivative financial instrument.

29.3. Institutional Eurobond

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

The carrying amount of the institutional eurobond at 31 December 2010 amounted to € 495 million (2009: € 494 million). The Group designates derivative financial instruments under fair value hedges to the institutional eurobond. The increase in the carrying amount of the institutional eurobond is fully attributable to the increase in the fair value of the hedged portion of the institutional eurobond, and is almost fully offset by a change in fair value of the corresponding derivative financial instrument.

[1] The balance for the comparative period is the balance upon initial recognition at 22 October 2009

30. Other financial liabilities

	CARRYING AMOUNT		FAIR VALUE	
€ million	2010	2009	2010	2009
Non-current				
Derivative financial instruments (Note 36)	43	130	43	130
Total non-current other financial liabilities	**43**	**130**	**43**	**130**
Current				
Derivative financial instruments (Note 36)	70	53	70	53
Other financial liabilities	10	10	10	10
Total current other financial liabilities	**80**	**63**	**80**	**63**
Total other financial liabilities	**123**	**193**	**123**	**193**

31. Deferred tax assets and liabilities

31.1. Recognised deferred tax assets and liabilities

€ million	2010	2009
Intangible assets	-316	-391
Property, plant and equipment	-5	-9
Inventories	69	58
Trade and other receivables	65	54
Employee benefits	12	14
Provisions	19	22
Other short-term liabilities	-9	-27
Tax losses	283	210
Unused tax credits	76	42
Write-down of previously recognised deferred income tax assets	-293	-219
Total deferred tax liabilities (net)	**-99**	**-246**

31.2. Unutilised tax losses

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

€ million	2010	2009
Expiry date:		
1 year or less	0	0
1-2 years	10	0
2-3 years	1	9
3-4 years	0	1
More than 4 years	14	14
Without expiration	1 379	980
Unutilised tax losses	**1 404**	**1 004**

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

No deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries.

The unrecognised deferred tax liabilities amount to approximately € 9 million (2009: € 9 million).

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

Deferred tax assets are recognised on tax losses carried-forward that represent income likely to be realised in the foreseeable future. Deferred tax assets amounting to € 547 million (2009: € 593 million) have not been recognised in view of the uncertain character of the recovery.

32. Employee benefits

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

32.1. Defined contribution plans

Post-employment benefit plans are classified as 'defined contribution' plans if the Group pays fixed contributions into a separate fund or to a third party financial institution and has no further legal or constructive obligation to pay further contributions. Therefore no assets or liabilities are recognised in the Group balance sheet in respect of such plans, apart from regular prepayments and accruals of contributions.

32.2. Defined benefit plans

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

These plans are either unfunded or funded via outside pension funds or insurance companies. For (partially) funded plans, the assets of the plans are held separately in funds under the control of the trustees. Where a plan is unfunded, notably for the major defined benefit plans in Germany, a liability for the obligation is recorded in the Group balance sheet. For funded plans, the Group is liable for the deficits between the fair value of the plan assets and the present value of the benefit obligations. Accordingly, a liability (or an asset when the plan is over-funded) is recorded in the Group balance sheet. Independent actuaries assess all main plans annually.

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

The assets held in the funds do not contain any direct investment in UCB Group shares, nor any property occupied by, or other assets used by the Group, though this does not exclude UCB shares being included in mutual investment fund type investments.

The amounts recognised in the balance sheet are determined as follows:

€ million	2010	2009
Present value of funded obligations	592	484
Fair value of plan assets	-443	-404
Deficit /surplus(-) for funded plans	149	80
Present value of unfunded obligations	25	81
Unrecognised actuarial gains/losses(-)	-94	-78
Adjustment in respect of minimum funding requirements	-	-
Effect of the Asset ceiling limit under IAS19, paragraph 58(b)	0	2
Net liability in respect of defined benefit plans	**80**	**85**
Add: Liability with respect to cash settled share based payments (Note 27)	11	7
Total employee benefit liabilities	**91**	**92**
Of which:		
Portion recognised in non-current liabilities	105	104
Portion recognised in non-current assets	-18	-12
Portion recognised in liabilities held for sale (note 6.1)	4	-

UCB total non-current employee benefit liabilities amount to € 105 million (2009: € 104 million) of which € 11 million (2009: € 7 million) is related to the Group liability for cash settled share-based payments (Note 27).

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

€ million	2010	2009
At 1 January	**565**	**471**
Current service cost	23	18
Interest cost	30	28
Contribution by plan participants	2	1
Amendments	-	-
Actuarial gains and losses	18	76
Exchange difference	18	14
Benefits paid	-31	-26
Premiums, taxes, expenses paid	-5	-3
Liabilities acquired in a business combination / divestitures / transfers	-	-
Curtailments and settlements	-4	-14
At 31 December	**616**	**565**

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

€ million	2010	2009
At 1 January	**404**	**351**
Expected return on plan assets	25	24
Actuarial gains/losses(-) on plan assets	-8	14
Exchange difference	15	14
Employer contribution	32	41
Employee contribution	2	1
Benefits paid	-22	-26
Premiums, taxes, expenses paid	-5	-3
Plan settlements	-4	-12
Assets acquired in a business combination / divestitures / transfers	4	-
At 31 December	**443**	**404**

The fair value of plan assets amounts to € 443 million (2009: € 404 million), representing 72% (2009: 71%) of the benefits accrued to members for both funded and unfunded plans. The total deficit of € 173 million (2009: € 161 million) is expected to be eliminated over the estimated remaining average service period of the current membership.

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

€ million	2010	2009
Current service cost	23	18
Interest cost	30	28
Expected return on plan assets and reimbursement assets	-26	-25
Actuarial gain(-)/loss recognised	-	-1
Amortisation of past service cost[1]	-	-
Amortisation of net gain(-)/loss1[1]	10	24
Adjustment in respect of minimum funding requirements	-	-
Effect of the asset ceiling limit under IAS19, paragraph 58(b)	0	-17
Curtailment gain(-)/loss recognised	0	-1
Settlement gain(-)/loss recognised	1	3
Total expense recognised in income statement	**38**	**29**

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

€ million	2010	2009
Cost of sales	-8	-8
Marketing and selling expenses	-4	-3
Research and development expenses	-12	-10
General and administrative expenses	-14	-8
Total	**-38**	**-29**

The actual return on plan assets is € 17 million (2009: € 38 million) and the actual return on reimbursement rights is € 1 million (2009: € 0 million).

The principal weighted average actuarial assumptions used were as follows:

	2010	2009
Discount rate	4.91%	5.26%
Expected rate of salary increases	3.97%	4.05%
Inflation rate	2.75%	2.91%
Expected long-term rate of return on plan assets	5.87%	6.57%
Assumed health-care trend rate		
- immediate trend rate	8.40%	8.60%
- ultimate trend rate	4.50%	4.50%
- year that the rate reaches ultimate trend rate	2028	2028

Plan assets comprise the following:

	2010		2009	
	PERCENTAGE OF PLAN ASSETS	EXPECTED RETURN ON PLAN ASSETS	PERCENTAGE OF PLAN ASSETS	EXPECTED RETURN ON PLAN ASSETS
Equity securities	24.05%	7.35%	29.72%	7.73%
Debt securities	27.03%	4.91%	24.64%	5.24%
Real estate	0.75%	5.16%	0.72%	5.25%
Other	48.17%	4.96%	44.91%	5.04%

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

€ million	1% INCREASE	1% DECREASE
Effect on the total service cost and interest cost	9	-8
Effect on the defined benefit obligation	19	-19

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

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

The pension expense for 2011 toward defined benefit plans is expected to be € 32 million (2010: € 38 million).

33. Provisions

The movements in provisions have been disclosed below:

€ million	ENVIRONMENT	RESTRUCTURING	OTHER	TOTAL
At 1 January 2010	**57**	**121**	**202**	**380**
Arising during the year	9	28	55	92
Unused amounts reversed	-1	-13	-40	-54
Unwinding of discount	3	0	0	3
Transfer from one heading to another	0	-1	4	3
Effect of movements in exchange rates	0	3	8	11
Utilised during the year	0	-91	-34	-125
At 31 December 2010	**68**	**47**	**195**	**310**
Non-current portion	60	21	137	218
Current portion	8	26	58	92
Total provisions	**68**	**47**	**195**	**310**

33.1. Environmental provisions

UCB has in the past retained certain environmental liabilities which were associated to the acquisition of Schwarz Pharma and the divestiture of Surface Specialties. The latter relates to the divested sites on which UCB has retained full responsibility in accordance with the contractual terms agreed upon with Cytec Industries Inc. In 2010 a part of the provisions related to the Surface Specialties business was reversed. The provisions have been discounted at a rate of 3.62% (2009: 3.78%).

33.2. Restructuring provisions

The main increase in the 2010 restructuring provision include the PCP business in Japan and Turkey , items related to the SHAPE programme and other severance costs. On the other hand the provision was utilised in view of the 2008 SHAPE programme (announced in August 2008).

33.3 Other provisions

Other provisions relate mainly to tax risks, product liability and litigations. Provisions for tax risks are recorded if UCB considers that the tax authorities might challenge a tax position taken by the Group or a subsidiary. Provisions for litigation comprise mainly provisions for litigations where UCB or a subsidiary is or might be a defendant against claims of previous employees. Product liability provisions relate to the risks related to the normal course of business and for which the Group might be liable by selling these kinds of drugs.

An assessment is performed with respect to the above-mentioned risks together with the Group legal advisers and experts in the different domains.

[1] Includes the effect of applying paragraph 58A of IAS 19

34. Trade and other liabilities

34.1. Non-current trade and other liabilities

€ million	2010	2009
GSK / Sumitomo (Japan)	14	14
GSK Japan (Switzerland)	19	14
Other payables	94	87
Total non-current trade and other liabilities	**127**	**115**

34.2. Current trade and other liabilities

€ million	2010	2009
Trade payables	354	287
Taxes payable, other than income tax	36	25
Payroll and social security liabilities	124	110
Other payables	71	75
Deferred income linked to Collaboration agreements	56	42
Other Deferred income	22	59
Royalties payable	43	45
Rebates/discount payable	271	234
Accrued interest	35	37
Other accrued expenses	160	122
Total current trade and other liabilities	**1 172**	**1 036**

The vast majority of the trade and other liabilities are classified as current and consequently the carrying amounts of the total trade and other liabilities is assumed to be a reasonable approximation of fair value.

35. Financial instruments by category

€ million 31 December 2010 Assets as per balance sheet	Note	LOANS AND RECEIVABLES	ASSETS AT FAIR VALUE THROUGH THE PROFIT AND LOSS	DERIVATIVES USED FOR HEDGING	AVAILABLE FOR SALE	TOTAL
Available for sale financial assets	22	0	0	0	18	18
Derivative financial assets	36	0	67	9	0	76
Trade and other receivables – including prepaid expenses	24	705	0	0	0	705
Cash and cash equivalents	25	494	0	0	0	494
Total		**1 199**	**67**	**9**	**18**	**1 293**

€ million 31 December 2010 Liabilities as per balance sheet	Note	LIABILITIES AT FAIR VALUE THROUGH THE PROFIT AND LOSS	DERIVATIVES USED FOR HEDGING	OTHER FINANCIAL LIABILITIES AT AMORTISED COST	TOTAL
Borrowings	28	0	0	340	340
Bonds	29	0	0	1 683	1 683
Derivative financial liabilities	36	104	9	0	113
Trade and other liabilities	34	0	0	1 172	1 172
Other financial liabilities	30	0	0	10	10
Total		**104**	**9**	**3 205**	**3 318**

€ million 31 December 2009 Assets as per balance sheet	Note	LOANS AND RECEIVABLES	ASSETS AT FAIR VALUE THROUGH THE PROFIT AND LOSS	DERIVATIVES USED FOR HEDGING	AVAILABLE FOR SALE	TOTAL
Available for sale financial assets	22	0	0	0	13	13
Derivative financial assets	36	0	32	22	0	54
Trade and other receivables – including prepaid expenses	24	819	0	0	0	819
Cash and cash equivalents	25	486	0	0	0	486
Total		**1 305**	**32**	**22**	**13**	**1 372**

€ million 31 December 2009 Liabilities as per balance sheet	Note	LIABILITIES AT FAIR VALUE THROUGH THE PROFIT AND LOSS	DERIVATIVES USED FOR HEDGING	OTHER FINANCIAL LIABILITIES AT AMORTISED COST	TOTAL
Borrowings	29	0	0	589	589
Bonds	30	0	0	1 654	1 654
Derivative financial liabilities	37	161	22	0	183
Trade and other liabilities	35	0	0	1 151	1 151
Other financial liabilities	31	0	0	10	10
Total		**161**	**22**	**3 404**	**3 587**

36. Derivative financial instruments

€ million	ASSETS		LIABILITIES	
	2010	2009	2010	2009
Forward foreign exchange contracts – cash flow hedges	9	22	9	10
Forward foreign exchange contracts – fair value through profit and loss	54	32	60	43
Interest rate derivatives – cash flow hedges	0	0	0	12
Interest rate derivatives – fair value through profit and loss	13	0	44	51
Derivative linked to convertible bond (Note 29)	0	0	0	67
Total	**76**	**54**	**113**	**183**
Of which:				
Non-current - (Notes 22 & 30)	17	12	43	130
Current - (Notes 22 & 30)	59	42	70	53

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

The cash flow hedges entered into by the Group were assessed to be highly effective and as at 31 December 2010, a net unrealised gain/loss of € 7 million (2009: net unrealised gain of € 100 million) after deferred taxes was included in equity in respect of these contracts. These gains/losses will be recycled to the profit or loss in the period during which the hedged forecast transactions affect the profit or loss.

The ineffective portion recognised in the profit or loss that arises from cash flow hedges amounts to € 0 million (2009: € 0 million).

36.1. Foreign currency derivatives

The Group policy with respect to the use of financial derivative contracts is described in Note 4 'financial risk management'.

The Group entered into several forward foreign exchange contracts in order to hedge a portion of highly probable future sales and royalty income, expected to occur in 2011.

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

€ million	ASSETS		LIABILITIES	
	2010	2009	2010	2009
USD	11	31	39	32
GBP	7	5	2	3
EUR	44	17	1	9
PLN	0	0	1	1
MXN	0	0	0	0
JPY	0	1	2	1
CHF	1	0	22	4
Other currencies	0	0	2	3
Total foreign currency derivatives	**63**	**54**	**69**	**53**

The foreign currency derivatives maturity analysis is noted below:

€ million	2010	2009
1 year or less	-10	-9
1-5 years	4	10
Beyond 5 years	0	0
Total foreign currency derivatives – net asset/(net liability)	**6**	**1**

The following table shows the split of foreign currency derivatives by currency of denomination (currencies sold view) as at 31 December 2010.

Notional amounts in € million	USD	GBP	EUR	JPY	CHF	OTHER CURRENCIES	TOTAL
Forward contracts	399	26	642	28	288	69	1 452
Currency swaps	882	465	508	18	65	65	2 003
Option / collar	140	0	182	0	0	0	322
Total	**1 421**	**491**	**1 332**	**46**	**353**	**134**	**3 777**

36.2. Interest rate derivatives

The Group uses various interest rate derivative contracts to manage its exposure to interest rate movements on its variable rate borrowings. The re-pricing dates and amortisation characteristics are aligned with those of the floating rate syndicated loan recorded in Borrowings. The outstanding interest rate derivative contracts are as follows:

CONTRACT TYPE	NOMINAL VALUES OF CONTRACTS (MILLION)	AVERAGE RATE (- IS PAYER / + IS RECEIVER)	PLUS MARGIN OF POINTS (- IS PAYER / + IS RECEIVER)	FOR PERIODS FROM/TO		FLOATING INTEREST RECEIPTS
IRS	EUR 900	-3.22%		31/1/2005	31/1/2012	EURIBOR 6 months
CAP	EUR 50	-4.50%		15/2/2007	15/2/2012	EURIBOR 6 months
IRS	USD 300	-3.40%		22/1/2010	24/1/2011	USD LIBOR 6 Months
IRS	USD 400	-3.91%		25/8/2008	25/8/2012	USD LIBOR 6 Months
IRS	USD 150	-4.04%		22/1/2010	22/1/2012	USD LIBOR 6 Months
IRS	USD 150	-3.69%		22/1/2010	22/1/2013	USD LIBOR 3 Months
IRS	USD 100	-3.92%		24/1/2011	22/1/2013	USD LIBOR 3 Months
IRS	USD 50	-3.21%		23/1/2012	22/1/2014	USD LIBOR 3 Months
IRS	EUR 150	-3.59%		23/1/2012	22/1/2014	EURIBOR 6 Months
IRS	EUR 600	1.70%		29/1/2010	31/1/2012	-EURIBOR 6 Months
IRS	EUR 680	2.47%		27/11/2009	27/11/2014	-EURIBOR 3 Months
IRS	EUR 150	3.09%		23/1/2012	22/1/2014	-EURIBOR 6 Months
IRS	USD 150	-3.30%		22/1/2013	22/1/2014	USD LIBOR 3 Months
CCIRS	EUR 680	-USD LIBOR 3 Months	-0.23%	27/11/2009	27/11/2014	EURIBOR 3 Months
IRS	EUR 80	2.92%		10/12/2009	10/12/2016	-EURIBOR 3 Months
IRS	EUR 85	2.63%		10/12/2010	10/12/2016	-EURIBOR 3 Months
CCIRS	USD 250	+USD LIBOR 3 Months	0.32%	29/11/2010	27/11/2014	-EURIBOR 3 Months
Swaption	USD 400	0.93%		25/2/2011	25/8/2012	-USD LIBOR 6 Month

36.3. Hedge of net investment in a foreign entity

In 2006, the company entered into a loan agreement which was partly designated as a hedge of the net investment in the Group U.S. operations. Following an internal corporate restructuring, this net investment hedge relationship was terminated in December 2007.

The unrealised cumulative foreign exchange gain of € 55 million has been reported in a separate component of equity, under 'Net Investment Hedge' in 2007. This unrealised gain will remain in equity and will only be recycled to profit or loss when the Group no longer holds the underlying USD assets.

36.4. Derivative linked to convertible bond

As a result of the decision of UCB to revoke the cash settlement option linked to the convertible bond, the fair value of the derivative component linked to the convertible bond (2009: € 67 million) has been reclassified to equity (refer to note 2.27).

37. Earnings per share

37.1. Basic earnings per share

€	2010	2009
From continuing operations	0.58	2.81
From discontinued operations	-0.01	0.04
Basic earnings per share	**0.57**	**2.85**

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the company and held as treasury shares.

37.2. Diluted earnings per share

€	2010	2009
From continuing operations	0.57	2.71
From discontinued operations	-0.01	0.04
Diluted earning per share	**0.56**	**2.75**

Diluted earnings per share are calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Potential dilutive effects arise from the convertible debt instruments and the employee stock option plans. If the outstanding instruments were to be converted than this would lead to a reduction in interest expense and the reversal of the mark to market adjustment of the related derivative financial liability.For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares).

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

37.3. Earnings

Basic

€ million	2010	2009
Profit/(loss) from continuing operations attributable to shareholders of UCB SA	104	506
Profit/(loss) from discontinued operations	-1	7
Profit attributable to shareholders of UCB SA	**103**	**513**

Diluted

€ million	2010	2009
Profit/(loss) from continuing operations attributable to shareholders of UCB SA	104	506
Adjusted for:		
- interest expense on convertible debt (net of tax)	0	3
- fair value gain (-)/loss on derivative linked to convertible bond (net of tax)	0	-3
Profit/(loss) from continuing operations used to determine diluted EPS	104	506
Profit from discontinued operations	-1	7
Adjusted profit attributable to shareholders of UCB SA	**103**	**513**

37.4. Number of shares

In thousands of shares	2010	2009
Weighted average number of ordinary shares for basic earnings per share	180 150	180 180
Adjusted for:		
- share options	4053	3742
- assumed conversion of convertible debt	0	2509
Weighted average number of ordinary shares for diluted earnings per share	**184 203**	**186431**

On 24 April 2008, the Group has issued a stock loan note represented by 30000 loan stock units with a nominal value of € 20 each, each having 1 000 defensive warrants attached to it. Each defensive warrant confers the right to its holders to subscribe to one share newly issued by UCB S.A. (Note 40). The UCB shares that might result from the exercise of these warrants will be issued with reference to the market price over a period prior to the issue. Therefore, those contingently issuable shares have no dilutive effect as at 31 December 2010 and 31 December 2009 and have not been taken into account in the calculation of diluted earnings per share.

The shares related to the convertible debt have no dilutive impact as at 31 December 2010.

38. Dividend per share

The gross dividends paid in 2010 and 2009 were € 176 million (€ 0.96 per share) and € 169 million (€ 0.92 per share) respectively.

A dividend in respect of the year ended 31 December 2010 of € 0.98 per share, amounting to a total dividend of € 180 million, is to be proposed at the annual general meeting of the shareholders on 28 April 2011.

In accordance with IAS 10, Events after the reporting period, the proposed dividend has not been recognised as a liability at year-end.

39. Commitments and contingencies

39.1. Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

€ million	2010	2009
Less than one year	38	28
Between one and five years	86	86
More than five years	42	34
Total	**166**	**148**

The Group has a number of non-cancellable operating leases primarily related to company cars and office spaces.

The leases cover an initial period of three to five years. Lease payments are increased annually to reflect market rentals. None of the leases include contingent rentals. In 2010, € 52 million (2009: € 54 million) was recognised as an expense in the income statement in respect of operating leases.

39.2. Capital commitments

At 31 December 2010, the Group has committed to spend € 107 million (2009: € 55 million) mainly with respect to capital expenditure on the construction of a biological pilot plant in Belgium and a biological plant in Bulle, Switzerland. Construction on the pilot plant in Belgium began in May 2009 and expected to be completed in mid-2013. This pilot plant is being financed partially by government assistance, as well as loans. In December 2010, UCB initiated a project to build an in-house biotech manufacturing capacity in Bulle, Switzerland in order to meet the rising future demand for Cimzia®. The new manufacturing plant should be operational in 2015 and requires an investment of € 250 million.

UCB has entered into long-term development agreements with various pharmaceutical and private equity companies which provide for potential milestone payments and other payments by UCB that may be capitalised. As of 31 December 2010, UCB's commitments to make payments under these agreements are as follows:

€ million	2010	2009
Less than one year	34	8
Between one and five years	423	0
More than five years	624	0
Total	**1 081**	**8**

The commitments for Cimzia®, Vimpat® and *brivaracetam* amount to € 538 million in total.

39.3. Guarantees

With respect to the syndicated loan facilities agreement, UCB and a certain number of its affiliates, have provided certain financial guarantees towards the consortium of banks. Furthermore, certain financial arrangements have been put in place with the Walloon Region amounting to € 41 million (2009: € 40 million).

Additionally, the company has provided guarantees to Zurich Insurance Company amounting to € 30 million (2009: € 30 million) in respect of reinsurance liabilities, guarantees to Fortis Lease amounting to € 7 million in respect of retail agreements and Sandoz GmbH for € 4 million (2009: € 8 million) in respect of manufacturing capacity arrangements. With respect to the former chemical activities of the Group, UCB has provided guarantees to the public waste agency of Flanders, OVAM, pertaining to environmental liabilities of € 13 million (2009: € 13 million). Other guarantees, for the Group, amount to a total of € 8 million.

39.4. Contingent liabilities

It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for in Note 34 (2009: no material liabilities).

The Group continues to be actively involved in litigations, claims and investigations. The ongoing matters could result in liabilities, civil and criminal penalties, loss of product exclusivity and other costs, fines and expenses associated with findings adverse to UCB's interests.

39.5. Contingent assets

On 26 April 2005 UCB and Lonza AG entered into a strategic bio-manufacturing alliance. UCB and Lonza signed a longterm supply agreement, whereby Lonza will manufacture PEGylated antibody fragment-based bulk actives for UCB.

Lonza has built a commercial scale biopharmaceutical manufacturing facility which is co-financed by UCB.

Based on the terms and conditions of the agreement related to the manufacturing facility, the agreement will be accounted for as an operating lease in the consolidated financial statements of UCB. Nevertheless, the agreement stipulates that 50% of the joint assets are owned by UCB, which means that:

- the facility excluding the land on which it is built;
- the technology used by Lonza;
- all the capital items acquired, created or developed by Lonza during the term of the agreement; and
- all other assets that are acquired, created or developed by or on behalf of Lonza and where it has been wholly or partially funded by UCB;

will belong to UCB at 50%, not taking into account any improvements made by Lonza.

40. Related party transactions

40.1. Intra-group sales and services

During the financial years ended 31 December 2010 and 2009, all intra-UCB Group transactions were carried out based on assessments of mutual economic benefit to the parties involved, and the applicable conditions were established in accordance with criteria of at arm's length negotiations and fair dealing, and with a view to creating value for the entire UCB Group. Conditions governing intra-UCB Group transactions were similar to conditions governing third-party transactions.

With regard to the sale of intermediary and finished products, these criteria were accompanied by the principle of increasing each party's respective production cost by an at arm's length profit margin. With regard to intra-UCB Group services rendered, these criteria are accompanied by the principle of charging fees sufficient to cover each party's respective incurred costs and an at arm's length mark-up. Intra-group transactions carried out within the UCB Group constitute standard transactions for a biopharmaceutical group. These transactions include the purchase and sale of intermediary and finished medical products, deposits and loans for UCB Group affiliates as well as centralised functions and activities carried out by the UCB Group in order to optimise operations through economies of scale and scope.

40.2. Financial transactions with related parties other than UCB S.A. affiliates

There are no financial transactions with other related parties other than affiliates of UCB S.A.

40.3. Defensive warrants

On 24 April 2008, the General Meeting of Shareholders resolved to issue a stock loan represented by 30 000 loan stock units with a nominal value of € 20 each, each having 1 000 defensive warrants attached to it (the 'defensive warrants').

Each defensive warrant confers the right to its holders to subscribe to one share newly issued by UCB S.A. The loan was subscribed for by Financière de Tubize. The holders of the defensive warrants have entered into an agreement with UCB S.A. to comply with the terms and conditions relating to the issue and exercise of the defensive warrants.

At the mentioned General Meeting of Shareholders it was also resolved to create an ad hoc committee to decide, in pre-defined circumstances, about the implementation of this defensive measure and the transfer of the défensive warrants. The defensive warrants may only be exercised in specific circumstances, the existence of which must be assessed by the ad-hoc committee:

- Launch of a takeover bid by a third party considered to be hostile by the Board of Directors;
- Modification of control over the UCB Group due to transactions relating to UCB Shares by one or more third parties, carried out either on or off the stock market, whether or not in a concerted fashion;
- The threat of a takeover bid or an operation involving modification of control over the UCB Group.

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

40.4. Key management compensation

Key management compensation as disclosed below comprises compensation recognised in the income statement for members of the Board of Directors and the Executive Committee, for the portion of the year where they exercised their mandate.

€ million	2010	2009
Short-term employee benefits	8	8
Termination benefits	0	2
Post-employment benefits	3	2
Share-based payments	4	4
Total key management compensation	**15**	**16**

Short-term employee benefits include salaries (including social security contributions), bonuses earned during the year, car leasing and other allowances where applicable. Share-based compensation includes the amortisation over the vesting period of the fair value of equity instruments granted, and comprises share options, share awards and performance shares as further explained in Note 27. The termination benefits contain all compensated amounts, including benefits in kind and deferred compensation.

There have been no loans granted by the company or a subsidiary of the Group to any Director or Officer of the Group, nor any guarantees given with respect hereto.

40. 5. Shareholders and shareholders structure

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

Financière de Tubize S.A. has made a transparency notification of its holding in UCB on 1st September 2008 and in subsequent notifications, in compliance with the Law of 2 May 2007 relating to the publication of significant shareholdings in listed companies. According to Article 3, §1, 13° of the Law of 2 May 2007, Financière de Tubize S.A. acts in concert with Schwarz Vermögensverwaltung GmbH, KBC Bank N.V., Degroof Corporate Finance S.A. and Imofig S.A., Levimmo S.A., Compar Finance S.A., Pharmahold S.A. and Cosylva S.A., with which Financière de Tubize S.A. has signed separate shareholders agreements.

Their holdings are listed under n° 4 to 10 in the tables here below. The shares that are covered by these agreements, including the shares held by Financière de Tubize S.A. represent 48.28% of the share capital of the company.

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

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

UCB controlling and major shareholdings on 8 February 2011

		CURRENT SHAREHOLDING	VOTING RIGHTS	DATE (ACCORDING TO THE NOTIFICATION IN COMPLIANCE WITH THE LAW OF 2 MAY 2007)
	Capital €	**550 095 156**		
	Shares	**183 365 052**		
1	Financière de Tubize S.A. (Tubize)	66 370 000	36.20%	15 December 2010
2	UCB Fipar S.A.	3 165 550	1.73%	15 December 2010
3	UCB SCA	1	0.00%	15 December 2010
4	Schwarz Vermögensverwaltung GmbH	9 102 658	4.96%	15 December 2010
5	KBC Bank NV	2 289 318	1.25%	1 September 2008
6	Banque Degroof S.A.	669 230	0.36%	1 September 2008
	Through Degroof Corporate Finance S.A.	450 000		1 September 2008
	Through Imofig S.A.	219 230		1 September 2008
7	Levimmo S.A.	1 230 770	0.67%	1 September 2008
8	Compar Finance S.A. Compar Finance S.A. additionally holds 165 830 UCB shares outside the concert	1 900 000	1.04%	1 September 2008
9	Pharmahold S.A. Pharmahold S.A. additionally holds 1 100 000 UCB shares outside the concert	1 900 000	1.04%	1 September 2008
10	Cosylva S.A. Cosylva S.A. additionally holds 1 100 000 UCB shares outside the concert	1 900 000	1.04%	1 September 2008
	Tubize + linked companies + concert 4, 5, 6, 7, 8, 9 et 10	**88 527 527**	**48.28%**	
11	Capital Research and Management Company (voting interests) including the UCB shares held by Euro Pacific Growth Fund which exceed 3% of UCB share capital	21 717 895	11.84%	30 October 2008
12	Wellington Management Cy LLP	5 550 950	3.00%	8 February 2011

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

Additional UCB shares held by persons acting in concert with Tubize, but who are not included in the concert agreements with Tubize

	CURRENT SHAREHOLDING	VOTING RIGHTS	DATE (ACCORDING TO THE NOTIFICATION IN COMPLIANCE WITH THE LAW OF 2 MAY 2007)
KBC Groep (through affiliates other than KBC Bank)	325 640	0.18%	1 September 2008
Compar Finance S.A.	165 830	0.09%	1 September 2008
Pharmahold S.A.	1 100 000	0.60%	1 September 2008
Cosylva S.A.	1 100 000	0.60%	1 September 2008
Total voting rights held by persons acting in concert with Tubize, including Tubize		49.75%	

The remainder of UCB shares are held by the public.

41. Events after the balance sheet date

Stronger partner for UCB: Synosia and biotech company Biotie to join forces

On 13 January 2011, Biotie Therapies, a Finnish public biotech company, announced its plan to acquire Synosia Therapeutics Inc., thereby creating a leading central nervous system development company. Once the transaction is completed, Synosia Therapeutics shareholders will own 50% of the combined entity. UCB will remain a key shareholder of the new combined organisation, with a shareholding of 9.8% in Biotie Therapies, compared to a previously held 20% held stake in Synosia Therapeutics. Holding AG.

U.S. shareholder, Wellington Management, increases its UCB shareholding to 3%

Wellington Management Company LPP, U.S., notified having bought on 7 February 2011 a number of UCB shares with voting rights, increasing their shareholding to make it cross the lowest statutory threshold of 3% for notification and is currently holding 5 505 950 shares representing 3.00% of UCB's share capital.

UCB establishes innovative collatobarion with Harvard University

UCB has concluded an innovative research collaboration agreement with Harvard University. UCB will bring its expertise on antibody generation and medicinal chemistry into the alliance and will provide up to USD 6 million over two years to fund specific innovative research projects led by Harvard scientists. The innovative collaboration focuses on CNS and immunology, two key research domains for UCB.

42. UCB companies

42.1. List of fully consolidated companies

Name and office	Holding	Parent
Australia		
UCB Australia Pty Ltd. – Level 1, 1155 Malvern Road – 3144 Malvern, Victoria	100%	Viking Trading Co. Ltd
Austria		
UCB Pharma GmbH – Geiselbergstrasse 17-19, 1110 Wien	100%	UCB Finance N.V.
Belgium		
UCB Fipar S.A. – Allée de la Recherche 60 – 1070 Brussels (BE0403.198.811)	100%	UCB Belgium S.A.
Fin UCB S.A. – Allée de la Recherche 60 – 1070 Brussels (BE0426.831.078)	100%	UCB Pharma S.A.
UCB Belgium S.A. – Allée de la Recherche 60 – 1070 Brussels (BE0402.040.254)	100%	UCB Pharma S.A.
UCB Pharma S.A. – Allée de la Recherche 60 – 1070 Brussels (BE0403.096.168)	100%	UCB S.A.
Sifar S.A. – Allée de la Recherche 60 – 1070 Brussels (BE0453.612.580)	100%	UCB Finance N.V.
Immo UCB Braine S.A. – Allée de la Recherche 60 – 1070 Brussels (BE0820.150.341)	100%	UCB Pharma S.A.
Brazil		
UCB Farma Brasil Ltda – Rue Sete de Setembro 67, Sala 301, 20050-005 Rio de Janerio	100%	UCB S.A.
Bulgaria		
UCB Bulgaria EOOD – 15, Lyubata Str., Fl. 4 apt. 10-11, Lozenetz, Sofia 1407	100%	UCB S.A.

Name and office	Holding	Parent
Canada		
UCB Pharma Canada Inc. – 2060 Winston Park Drive, Suite 401 – ON L6H5R7 Oakville	100%	UCB Holdings Inc.
China		
UCB Trading (Shanghai) Co Ltd – Room 317, No. 439 Fu Te Xi Yi Road, Shanghai (Waigaoqiao Free Trade Zone)	100%	UCB S.A.
UCB Pharma (Hong Kong) Ltd – Unit 514, 5/F South Tower, World Finance Center The Gateway, Harbour City – Hong Kong	100%	UCB Pharma GmbH
Zhuhai Schwarz Pharma Company Ltd – Block A. Changsa Industrial zone. Qianshan District – 519070 Zhuhai Guangdong Province	75%	UCB Pharma GmbH
Czech Republic		
UCB S.R.O. – Thámova 13 – 186 00 Praha	100%	UCB S.A.
Denmark		
UCB Nordic AS – Arne Jacobsen Alle 15 – 2300 Copenhagen	100%	Celltech Pharma Europe Ltd
Finland		
UCB Pharma Oy (Finland) – Itsehallintokuja 6 – 02600 Espoo	100%	UCB Finance N.V.
France		
UCB France S.A. – 420 rue d'Etienne d'Orves – 92700 Colombes	100%	UCB S.A.
UCB Pharma S.A. – 420 rue d'Etienne d'Orves – 92700 Colombes	100%	UCB France S.A.
Germany		
UCB Pharma GmbH – Alfred Nobel Strasse, 10 – 40789 Monheim am Rhein	100%	UCB GmbH
UCB GmbH – Alfred Nobel Strasse, 10 – 40789 Monheim am Rhein	100%	UCB Finance N.V.
Schwarz Biosciences GmbH – Alfred-Nobel-Strasse 10 – 40789 Monheim am Rhein	100%	UCB Pharma GmbH
Sanol GmbH – Alfred-Nobel-Strasse 10 – 40789 Monheim am Rhein	100%	UCB Pharma GmbH
Schwarz & Co Immobiliengesellschaft Zwickau – Galileistrasse 6 – 08056 Zwickau	100%	UCB Pharma GmbH
Schwarz & Co Industriegebäudegesellschaft Zwickau – Galileistrasse 6 – 08056 Zwickau	100%	UCB Pharma GmbH
Schwarz Pharma Produktions GmbH – Alfred-Nobel-Strasse 10 – 40789 Monheim am Rhein	100%	UCB Pharma GmbH
Greece		
UCB A.E. – 580 Vouliagmenis Avenue – 16452 Argyroupolis – Athens	100%	UCB S.A.
Hungary		
UCB Hungary Ltd – Obuda Gate Building Arpád Fejedelem ùtja 26-28, 1023 Budapest	100%	UCB S.A.
India		
UCB India Private Ltd – 504 Peninsula Towers, Peninsula Corporate Park, Ganpatrao Kadam Marg, Lower Parel – 400 013 Mumbai	100%	UCB S.A.
Uni-Mediflex Private Ltd – G-6 Venus Apartments RG Thandani Marg Worli – 400 018 Mumbai	100%	Vedim Ltd

Name and office	Holding	Parent
Ireland		
UCB (Pharma) Ireland Ltd – United Drug House Magna Drive, Magna Business Park, City West Road – Dublin 24	100%	UCB S.A.
Celltech Pharma Ireland – United Drug House Magna Drive, Magna Business Park, City West Road – Dublin 24	100%	Celltech Group Ltd
Celltech Insurance (Ireland) Ltd (in liquidation) – 4th fl St. James House 25-28 Adelaide Road – Dublin 2	100%	Medeva Ltd
Schwarz Pharma Ltd – Shannon Industrial Estate – Shannon County Clare	100%	UCB Pharma GmbH
Kudco Ireland Ltd – Shannon Industrial Estate – Shannon County Clare	100%	Kremers Urban Development Company
Italy		
UCB Pharma SpA – Via Gadames 57 – 20151 Milano	100%	Viking Trading Co. Ltd
Japan		
UCB Japan Co Ltd – Ochanomizu Kyoun Bldg 2-2, Kanda-Surugadai – 101-0062 Chiyoda-Ku, Tokyo	100%	UCB S.A.
Luxembourg		
Société Financière UCB S.A. – Rue Eugène Ruppert, 12 – 2453 Luxembourg	100%	UCB S.A.
UCB Lux S.A. – Rue Eugène Ruppert, 12 – 2453 Luxembourg	100%	UCB S.A.
UCB S.C.A – Rue Eugène Ruppert, 12 – 2453 Luxembourg	100%	UCB Lux S.A.
Mexico		
UCB de Mexico S.A. de C.V. – Homero#440, 7fl Col. Chapultepec Morales – 11570 Mexico D.F.	100%	UCB S.A.
Vedim S.A. de C.V. – Homero#440, 7fl Col. Chapultepec Morales – 11570 Mexico D.F.	100%	Sifar S.A.
Netherlands		
UCB Finance N.V. – Lage Mosten 33 – 4822 NK Breda	100%	UCB S.A.
UCB Pharma B.V. (Netherlands) – Lage Mosten 33 – 4822 NK Breda	100%	UCB Finance N.V.
Medeva Holdings B.V. – Lage Mosten 33 – 4822 NK Breda	100%	Celltech Pharma Europe Ltd
Medeva B.V. – Lage Mosten 33 – 4822 NK Breda	100%	Medeva Holdings B.V.
Norway		
UCB Pharma A.S. – Grini Naeringspark 8b – 1361 Osteras, Baerum	100%	UCB Finance N.V.
Poland		
Vedim Sp.z.o.o. – Ul. Kruczkowskiego, 8 – 00-380 Warszawa	100%	Sifar S.A.
UCB Pharma Sp.z.o.o. – Ul. Kruczkowskiego 8 – 00-380 Warszawa	100%	UCB S.A.
Portugal		
UCB Pharma (Produtos Farmaceuticos) Lda – Ed. D. Amelia, piso 0 sala A2, Quinta da Fonte, 2770-229 Paço de Arcos	100%	Vedim Pharma S.A.
Vedim Pharma (Prod. Quimicos e Farma) Lda – Ed. D. Amelia, piso 0 sala A2, Quinta da Fonte, 2770-229 Paço de Arcos	100%	UCB Pharma (Produtos Farmaceuticos) Lda.

Name and office	Holding	Parent
Romania		
UCB Pharma Romania S.R.L. – 37 Paris Street, Bucharest 011814	100%	UCB S.A.
Russia		
UCB Pharma LLC – Shturvaluaya 5 bldg 1 – 125364 Moscow	100%	UCB S.A.
Schwarz Pharma ooo (in liquidation) – Kantemirovskaja 58 – 115477 Moscow	100%	UCB Pharma GmbH
UCB Pharma Logistics LLC– Perevedenovky pereulok 13 bldg 21 – 105082 Moscow	100%	UCB S.A.
South Korea		
Korea UCB Co Ltd. – 1674-1, Seocho-dong, Seocho-gu, 137-881 Seoul	100%	UCB S.A.
Spain		
Vedim Pharma SA – Paseo de la Castellana 141, Planta 15 – 28046 Madrid	100%	UCB S.A.
UCB Pharma S.A. – Paseo de la Castellana 141, Planta 15 – 28046 Madrid	100%	Vedim Pharma S.A.
Sweden		
UCB Pharma AB (Sweden) – Stureplan 4C 4 van – 11435 Stockholm	100%	UCB Finance N.V.
Switzerland		
UCB Farchim S.A.(A.G. – Ltd.) – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Investissements S.A.
UCB Investissements S.A. – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Finance N.V.
Doutors Réassurance S.A. – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Investissements S.A.
UCB-Pharma AG – ZI de Planchy, Chemin de Croix Blanche 10 – 1630 Bulle	100%	UCB Investissements S.A.
Medeva Pharma Suisse S.A. – Chemin de Croix Blanche 10 – 1630 Bulle	100%	Medeva B.V.
Turkey		
UCB Pharma A.S. – Rüzgarlibahçe, Cumhuriyet Caddesi Gerçekler Sitesi, B-Blok Kat:6, Kavacik, Beykoz – 34805 Istanbul	100%	UCB Lux S.A.
Melusin Ilac ve Maddeleri Pazarlama TLS – Rüzgarlibahçe, Cumhuriyet Caddesi Gerçekler Sitesi, B-Blok Kat:6, Kavacik, Beykoz – Istanbul	100%	UCB Pharma GmbH
U.K.		
Fipar Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Medeva Ltd
UCB Fipar Ltd, subs. of UCB Inc. – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB Inc.
Fipar U.K. Ltd, subs of UCB Fipar Ltd. – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB Fipar Ltd
UCB (Investments) Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB S.A.
UCB T&R Graham Ltd – c/o Baker Thilly Breckenridge House 274 Sauchiehall Street – G2 3EH Glasgow	100%	UCB (Investments) Ltd
UCB Services Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB (Investments) Ltd
Viking Trading Co Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB (Investments) Ltd
Vedim Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB (Investments) Ltd
UCB Watford Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB (Investments) Ltd
Celltech Group Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB Lux S.A.
Celltech R&D Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Celltech Group Ltd

Name and office	Holding	Parent
UCB Ireland – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB Lux S.A.
Celltech Japan Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Celltech R&D Ltd
Celltech Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Medeva Ltd
Chiroscience Group Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Celltech Japan Ltd
Chiroscience R&D Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Celltech Group Ltd
Darwin Discovery Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Chiroscience Group Ltd
Medeva Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Celltech Group Ltd
UCB Pharma Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Evans Healthcare Ltd
Evans Healthcare Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Medeva Ltd
Medeva International Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Medeva Ltd
Celltech Pharma Europe Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Medeva Ltd
International Medication Systems (U.K.) Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	UCB Pharma GmbH
Oxford GlycoSciences – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Celltech Group Ltd
Oxford GlycoSciences (U.K.) Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Oxford GlycoSciences
Oxford GlycoTherapeutics Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Oxford GlycoSciences
Confirmant Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Oxford GlycoSciences (U.K.) Ltd
Schwarz Pharma Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Celltech Group Ltd
Schwarz Pharmaceuticals Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Schwarz Pharma Ltd
Medo Pharmaceuticals Ltd – 208 Bath Road – SL1 3WE Slough, Berkshire	100%	Schwarz Pharma Ltd

U.S.

UCB Holdings Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	UCB S.A.
Fipar U.S. Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	Fipar UK Ltd
UCB Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	UCB Holdings Inc.
UCB Biosciences Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	UCB Inc..
UCB Pharco Inc. – 300 Delaware Avenue – 19801 Wilmington Delaware	100%	UCB Inc.
Celltech U.S. LLC – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington Delaware	100%	Medeva Ltd
Celltech Manufacturing CA Inc. – C T Corporation System, 818 W. Seventh Street, Los Angeles California 90017	100%	UCB Inc.
UCB Manufacturing Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	UCB Inc.
UCB Technologies Inc. – C T Corporation System, 111 Eight Avenue, NY, 10011 New York	100%	UCB Manufacturing Inc.
Upstate Pharma LLC – C T Corporation System, 111 Eight Avenue, NY, 10011 New York	100%	UCB Inc.
Cistron Biotechnology Inc. – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington, Delaware	100%	UCB Inc..
Schwarz Biosciences Inc. – 1209 Orange Street – 19801 Wilmington Delaware	100%	UCB Inc.
Schwarz Pharma Inc – 2711 Centerville Road Suite 400 – 19808, Wilmington, Delaware	100%	UCB Inc.
Kremers Urban Pharmaceuticals Inc. – 251 E. Ohio Street Suite 1100 –46204 Indianapolis	100%	UCB Inc.
Kremers Urban Development Company – 2711 Centerville Road –– 19808 Wilmington Delaware	100%	Schwarz Pharma Inc.
SRZ Properties Inc. – 2711 Centerville Road Suite 400 –– 19808 Wilmington Delaware	100%	Schwarz Pharma Inc.
CPM Properties Inc. – Corporation Trust Center, 209 Orange Street – 19801 Wilmington Delaware	100%	Kremers Urban Pharmaceuticals Inc.
Kremers Urban LLC – 2711 Centerville Road Suite 400 – 19808 Wilmington Delaware	100%	Kremers Urban Pharmaceuticals Inc.
Schwarz Pharma LLC – Corporation Trust Center, 1209 Orange Street – 19801 Wilmington Delaware	100%	Kremers Urban Pharmaceuticals Inc.

42.2. List of associated companies

Name and office	Holding
Synosia Therapeutics Holding AG. – Aeschenvorstadt 36 – 4051 Basel, Switzerland	19.60%

43. Responsibility statement

We hereby confirm that, to the best of our knowledge, the consolidated financial statements as of 31 December 2010, prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and with the legal requirements applicable in Belgium, give a true and fair view of the assets, liabilities, Financial position and profit or loss of the company and the undertakings included in the consolidation as a whole, and that the management report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed by Roch Doliveux (CEO) and Detlef Thielgen (CFO) on behalf of the Board of Directors.

REPORT OF THE STATUTORY AUDITORS

Statutory Auditor's Report to the General Shareholders' meeting on the consolidated accounts of the company UCB S.A./N.V. as of and for the year ended 31 December 2010

As required by law and the company's articles of association, we report to you in the context of our appointment as the company's statutory auditor. This report includes our opinion on the consolidated accounts and the required additional disclosure.

Unqualified opinion on the consolidated accounts

We have audited the consolidated accounts of UCB S.A./N.V. and its subsidiaries (the "Group") as of and for the year ended 31 December 2010, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated accounts comprise the consolidated statement of financial position as of 31 December 2010 and the consolidated statement of income, changes in shareholders' equity, comprehensive income and cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The total of the consolidated statement of financial position amounts to EUR 8.969 million and the consolidated statement of income shows a profit for the year (group share) of EUR 103 million.

The company's board of directors is responsible for the preparation of the consolidated accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated accounts based on our audit. We conducted our audit in accordance with the legal requirements applicable in Belgium and with Belgian auditing standards, as issued by the "Institut des Réviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free of material misstatement.

In accordance with the auditing standards referred to above, we have carried out procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The selection of these procedures is a matter for our judgment, as is the assessment of the risk that the consolidated accounts contain material misstatements, whether due to fraud or error. In making those risk assessments, we have considered the Group's internal control relating to the preparation and fair presentation of the consolidated accounts, in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. We have also evaluated the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as the presentation of the consolidated accounts taken as a whole. Finally, we have obtained from the board of directors and Group officials the explanations and information necessary for our audit. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the consolidated accounts set forth on pages 82 to 139 give a true and fair view of the Group's net worth and financial position as of 31 December 2010 and of its results and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium..

Additional remark

The company's board of directors is responsible for the preparation and content of the management report on the consolidated accounts.

Our responsibility is to include in our report the following additional remark, which does not have any effect on our opinion on the consolidated accounts:

- The management report on the consolidated accounts set forth on pages 50 to 81 deals with the information required by the law and is consistent with the consolidated accounts. However, we are not in a position to express an opinion on the description of the principal risks and uncertainties facing the companies included in the consolidation, the state of their affairs, their forecast development or the significant influence of certain events on their future development. Nevertheless, we can confirm that the information provided is not in obvious contradiction with the information we have acquired in the context of our appointment.

Brussels, 1 March 2011

The statutory auditor
PricewaterhouseCoopers Reviseurs d'Entreprises / Bedrijfsrevisoren
Represented by

Bernard Gabriëls
Bedrijfsrevisor

ABBREVIATED STATUTORY FINANCIAL STATEMENTS OF UCB S.A.

1. Introduction

In accordance with the Belgian Company Code, it has been decided to present an abbreviated version of the statutory financial statements of UCB S.A.

The statutory financial statements of UCB S.A. are prepared in accordance with Belgian Generally Accepted Accounting Principles.

It should be noted that only the consolidated financial statements as presented above, present a true and fair view of the financial position and performance of the UCB Group.

The Board of Auditors have issued an unqualified audit opinion and certify that the non-consolidated Financial statements of UCB S.A. for the year ended 31 December 2010 give a true and fair view of the financial position and results of UCB S.A. in accordance with all legal and regulatory dispositions.

In accordance with the legislation, these separate financial statements, together with the management report of the Board of Directors to the general assembly of shareholders, as well as the auditors' report will be filed at the National Bank of Belgium within the statutory periods.

These documents are available on our website www.ucb.com or on simple request, addressed to:

UCB S.A.
Corporate Communication
Allée de la Recherche 60
B-1070 Brussels (Belgium)

2. Balance sheet

€ million	AT 31 DECEMBER 2010	AT 31 DECEMBER 2009
ASSETS		
Formation expenses	30	42
Intangible assets	0	1
Tangible assets	7	6
Financial assets	6 001	5 170
Fixed assets	**6 038**	**5 219**
Amounts receivable after more than one year	1 819	1 317
Amounts receivable within one year or less	93	1 391
Short-term investments	0	0
Cash at bank and on hand	2	2
Deferred charges and accrued income	28	14
Current assets	**1 942**	**2 724**
Total assets	**7 980**	**7 943**
LIABILITIES		
Capital	550	550
Share premium	1 601	1 601
Reserves	2 054	2 017
Profit brought forward	149	146
Equity	**4 354**	**4 314**
Provisions	2	2
Provisions and deferred taxes	**2**	**2**
Amounts payable after more than one year	2 830	1 819
Amounts payable within one year or less	769	1 778
Accrued charges and deferred income	25	30
Current liabilities	**3 624**	**3 627**
Total liabilities	**7 980**	**7 943**

3. Income statement

€ million	AT 31 DECEMBER 2010	AT 31 DECEMBER 2009
Operating income	47	47
Operating charges	-52	-55
Operating result	**-5**	**-8**
Financial income	450	253
Financial charges	-217	-101
Financial result	**233**	**152**
Operating result before income taxes	**228**	**144**
Exceptional income	2	49
Exceptional charges	-9	-7
Exceptional result	**-7**	**42**
Profit before income taxes	**221**	**186**
Income taxes	-2	0
Profit for the year available for appropriation	**219**	**186**

4. Appropriation account

€ million	AT 31 DECEMBER 2010	AT 31 DECEMBER 2009
Profit for the period available for appropriation	219	186
Profit brought forward from previous year	146	145
Profit to be appropriated	**365**	**331**
To legal reserve	0	0
To other reserves	-37	-9
Appropriation to capital and reserves	**-37**	**-9**
Profit to be carried forward	-148	-146
Result to be carried forward	-148	-146
Dividends	-180	-176
Profit to be distributed	**-180**	**-176**
If the proposed allocation of the profit is approved, the total gross dividend will be fixed at:	€ 0.98	€ 0.96
If the proposed allocation of profit is approved and taking into account the tax regulations, the total net dividend off withholding tax per share will be fixed at:	€ 0.735	€ 0.72

The activities of UCB S.A. generated in 2010 a net profit of € 219 220 326 after income taxes. After taking into account the profit brought forward of € 145 825 317, the amount available form distribution is € 365 045 643.

The Board of Directors proposes to pay a gross dividend of € 0.98 per share, or a total dividend distribution of € 179 697 751. If this dividend proposal is approved by the company's shareholders on their Meeting on 28 April 2011, the net dividend of € 0.735 per share will be payable as of 5 May 2011 against the delivery of coupon nr 13, attached to the company's bearer shares.

5. Summary of significant accounting principles

The Board of Directors made the following decisions in accordance with the Article 28 of the Royal Decree of 30 January 2001 on implementing the company code.

5.1. Intangible assets

Research and development costs have been capitalised as intangible assets at their purchase or at cost. These capitalised costs have been entirely depreciated in the year but the difference between the actual amount of depreciation taken in the year and the gross amount capitalised has been treated as a write-back of depreciation on the exceptional income.

A straight-line depreciation rate of 33 1/3% has been applied to these costs, based on a three-year life considering 'pro rata temporis'. The depreciation of the purchase price of patents, licenses and similar items is either in accordance with a prudent assessment of the economic life of such intangible assets or at a minimum rate equal to that of the assets required to handle the patent or process, or by a fixed period of the depreciation not lower than five years considering 'pro rata temporis'.

5.2. Tangible assets

Tangible assets purchased from third parties have been included in the balance sheet at purchase price; assets manufactured by the company itself have been valued at cost. The purchase price or cost is depreciated on a straight-line basis considering "pro rata temporis". The depreciation rates are as follows:

• Administrative buildings	3%
• Industrial buildings	5%
• Tools	15%
• Furniture and office machinery	15%
• Vehicles	20%
• Computer equipment & office machines	33.3%
• Prototype equipment	33.3%

5.3. Financial assets

Shareholdings have been valued in accordance with the proportion held in shareholders' funds of the company concerned. Shareholdings which are not included in the scope of the consolidation have been valued at cost. A specific write-down has been made whenever the valuation made each year shows a permanent loss in value.

Receivables and liabilities

They are shown at their book value. Receivables have been written down if their repayment, when due, is entirely or partly uncertain and doubtful.

5.4. Assets and commitments expressed in foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions.

Non-monetary assets and liabilities (intangible and tangible assets, shareholdings), denominated in foreign currencies, are translated at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at balance sheet date rate. Realised exchange differences on foreign currency transactions are recognised in the income statement, as are non-realised exchange losses, whilst non-realised exchange profits are included under accrued charges and deferred income in the balance sheet.

5.5. Provisions

All the risks born by the company have been the subject of provisions reviewed each year, in accordance with the rules of prudence, good faith and sincerity. Provisions are recorded at normal value.