

# Operating and Financial Review

## 1. Business performance review<sup>1</sup>

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 2009 decreased by 13%. Net sales went down by 11% as a consequence of the generic competition to Keppra® in the U.S., partially compensated by the good performance of Keppra® in Europe and by the new product launches of Cimzia® and Vimpat®. Royalty income and fees was down by 43% as a result of a 2008 settlement agreement. Other revenue increased by 15% due to higher contract manufacturing sales and the good performance of Xyzal® in the U.S.
- **Recurring EBITDA** reached € 698 million compared to € 733 million in 2008, well in line with company guidance of more than € 680 million, reflecting the revenue decrease mostly offset by lower operating expenses following the implementation of the SHAPE programme.
- **Net profit** increased from € 42 million in 2008 to € 513 million in 2009, reflecting higher non-recurring income stemming from capital gains partly used up for restructuring and one time cost related to UCB's refinancing. Adjusted for these, net profit would have been above company guidance (€ 580 million). **Net profit adjusted** for non-recurring items reached € 226 million, 16% lower than last year as a result of lower recurring EBITDA.

€ million	Actual		Variance	
	2009	2008	Actual rates	Cst rates
<b>Revenue</b>	<b>3 116</b>	<b>3 601</b>	<b>-13%</b>	<b>-14%</b>
Net sales	2 683	3 027	-11%	-12%
Royalty income & fees	227	396	-43%	-39%
Other revenue	206	178	15%	13%
<b>Gross profit</b>	<b>2 091</b>	<b>2 455</b>	<b>-15%</b>	<b>-16%</b>
Marketing & selling expenses	-781	-928	-16%	-18%
Research & Development expenses	-674	-767	-12%	-11%
General & administrative expenses	-189	-228	-17%	-15%
Other operating income/expenses (-)	6	-1		
<b>Recurring EBIT (REBIT)</b>	<b>453</b>	<b>531</b>	<b>-15%</b>	<b>-15%</b>
Non recurring income/expenses (-)	384	-418	n.s.	n.S.
<b>EBIT (operating profit)</b>	<b>837</b>	<b>113</b>	<b>n.s.</b>	<b>n.s.</b>
Net financial expenses	-162	-156	4%	4%
<b>Profit before income taxes</b>	<b>675</b>	<b>-43</b>	<b>n.s.</b>	<b>n.s.</b>
Income tax expenses	-168	30	n.s.	n.s.
<b>Profit from continuing operations</b>	<b>507</b>	<b>-13</b>	<b>n.s.</b>	<b>n.s.</b>
Profit from discontinuing operations	7	55	n.s.	n.s.
Minority interest	-1	-1		
<b>Net profit (after minority interests)</b>	<b>513</b>	<b>42</b>	<b>n.s.</b>	<b>n.s.</b>
<b>Recurring EBITDA</b>	<b>698</b>	<b>733</b>	<b>-5%</b>	<b>-6%</b>
<b>Adjusted net profit</b>	<b>226</b>	<b>270</b>	<b>-16%</b>	<b>-18%</b>
Capital expenditures (including intangible assets)	87	179		
Net financial debt	1 752	2 443		
Cash flow from operating activities	295	366		
<b>Number of shares - non-diluted</b>	<b>180</b>	<b>180</b>		
<b>EPS (€ per non-diluted share)</b>	<b>2.85</b>	<b>0.24</b>	<b>n.s.</b>	<b>n.s.</b>
<b>Adjusted EPS (€ per non-diluted share)</b>	<b>1.25</b>	<b>1.50</b>	<b>-16%</b>	<b>-18%</b>

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

## 1.2. 2009 key events

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

### Important agreements / initiatives

- **Strategic alliance with Wilex:** In January 2009, UCB and Wilex AG announced a strategic alliance to develop the UCB pre-clinical oncology portfolio, comprising two small-molecule programmes and three antibody programmes.
- **Divestment of UCB business in selected emerging markets:** In the first quarter of 2009, UCB concluded a transaction with GlaxoSmithKline (GSK) for the divestiture of selected smaller emerging markets.
- **Divestment of gastro-intestinal drug to Eumedica:** UCB announced in February 2009 the sale of the world-wide rights to its gastro-intestinal product, Somatostatine-UCB™, to Eumedica.
- **Divestment of Equasym™ to Shire:** UCB announced in February 2009 the sale of the world-wide rights, except for the U.S., Canada and Barbados, and relevant staff, for Equasym™ IR/XL to Shire plc.
- **UCB and Novartis to expand cooperation in Germany:** UCB and Novartis announced in August 2009 that they entered into a licensing agreement for cardiovascular and diabetes products in Germany.
- **Alliance with AstraZeneca in Brazil:** In September 2009, UCB and AstraZeneca have entered into a partnership to register and commercialise UCB's Cimzia® (*certolizumab pegol*) in Brazil. Under the agreement, AstraZeneca will register Cimzia® and upon approval will be the exclusive distributor of Cimzia® in Brazil.

### Regulatory update and pipeline progress

#### CNS

- At the end of April 2009, UCB announced first results from its Phase III studies of **brivaracetam in epilepsy**. One study met its primary efficacy endpoint while the second study did not meet its primary efficacy endpoint. A third safety and tolerability study confirmed **brivaracetam** was well tolerated. Based on further analysis as well as discussions with the European and U.S. health authorities, the decision has been made to conduct one additional Phase III trial. UCB remains committed to bring **brivaracetam** to epilepsy patients.
- At the end of May 2009, UCB received a CHMP positive opinion recommending that the European Commission lifts the treatment restrictions for **Neupro®** (*rotigotine*) in Europe and allows Neupro® to be available to all patients with **Parkinson's disease** and to be launched for the treatment of moderate to severe **restless legs syndrome (RLS)**. The Commission's decision confirming this recommendation was received on 29 June 2009. In the U.S., a dialogue is ongoing with the FDA to bring Neupro® back to U.S. patients. At the end of June, UCB has submitted extensive information on Neupro® and the proposed cold-chain storage and distribution system to the FDA. UCB is in continuous dialogue with the FDA and subject to FDA approval, Neupro® is expected to be made available to U.S. patients during 2010.
- UCB launched **Vimpat®** (*lacosamide*) in the U.S. for add-on treatment in adults with partial-onset **epilepsy** in the first week of June 2009. This new antiepileptic drug with a novel mechanism of action helps address a critical unmet medical need for the people living with uncontrolled epilepsy.
- In June 2009, Jazz Pharmaceuticals, Inc. and UCB announced positive preliminary top-line results from the second of two Phase III clinical trials of **Xyrem®** (*sodium oxybate* - JZP-6) for the treatment of **fibromyalgia**. With no prescription medicines approved yet for fibromyalgia in Europe, UCB feels particularly motivated to move forward in that indication in Europe, given the strong Phase III data now available. Consequently, UCB is in positive discussions with the EMA on this topic and shall communicate the next steps once discussions with EMA are finalised.
- The Phase II clinical trial for **CDP323**, an oral small molecule VLA4 inhibitor, for the treatment of relapsing **multiple sclerosis** (MS) was discontinued on June 30. Preliminary interim efficacy analysis showed that patients enrolled in this clinical trial did not benefit as expected from CDP323 compared to placebo after a six month treatment period.
- In February 2009 UCB announced, one has no immediate plans for the further development of **lacosamide** in **fibromyalgia** or in **migraine prophylaxis** nor for **rotigotine** in **fibromyalgia** (all in clinical Phase IIa) since the respective proof of concept studies did not achieve statistical significance for the primary endpoints.
- In September 2009, the European Commission granted marketing authorisation for **Keppra®** (*levetiracetam*) as adjunctive treatment of **partial-onset seizures** in infants and young children aged one month to under four years.
- In the area of central nervous system, a new compound was introduced to the Phase I program: UCB2892, a H<sub>3</sub> antagonist with potential for cognitive disorders.

#### Immunology

- **Cimzia®** (*certolizumab pegol*) for adult patients suffering from moderate to severe **rheumatoid arthritis (RA)** was approved by the FDA in May 2009. Cimzia® was made available for patients in an exclusively designed, patient-friendly prefilled syringe resulting from the UCB partnership with OXO®. In October 2009, the European Commission approved Cimzia® for the treatment of moderate to severe active rheumatoid arthritis adults inadequately responsive to disease-modifying anti-rheumatic drugs. In the same month, Cimzia® was launched in Germany and the UK.
- In August 2009, UCB and Immunomedics announced positive top-line results from UCB's Phase IIb clinical study comparing **eprotuzumab** to placebo in patients with **systemic lupus erythematosus (SLE)**. After completion of a detailed analysis of the full Phase IIb study data, the decision has been made to move forward with this project. A Phase III clinical trial programme is planned to start in 2010. The study design is expected to be in line with the Phase IIb trial design and will be finalised after

consultation with regulatory authorities in the U.S. and EU. Full Phase IIb data abstracts have been accepted for presentation at the World Lupus Congress in June 2010.

- UCB's collaboration with Amgen to develop **CDP7851** ("sclerostin antibody" also known as AMG 785), a novel anabolic therapy for **bone loss disorders** is progressing. Following encouraging first-in-human data, UCB and Amgen initiated a Phase II study in post-menopausal osteoporosis (PMO) investigating the effect of the drug compared to placebo in the treatment of post-menopausal women with low bone mineral density. UCB and Amgen also initiated a Phase II study to investigate the effect of the drug compared to placebo in fracture healing. These studies are expected to complete in 2012.
- The initial clinical trial results involving patients taking **certolizumab pegol** for the induction of remission in patients with moderate to severe **Crohn's disease (CD)** were numerically superior at all time points, but were not statistically significant in the overall population meaning the primary end point was not achieved. Given the regulatory requirements, an approval for CD in Europe is not achievable with the current database. However, UCB intends to move ahead in ulcerative colitis, a major unmet medical need in inflammatory bowel diseases (IBD).

#### Other

- **Toviaz®** (*fesoterodine fumarate*) was launched by Pfizer in the U.S. in the first week of April for the treatment of **overactive bladder**, following FDA approval in October 2008. In Europe, **Toviaz®** was launched by Pfizer mid-2008. UCB is entitled to receive royalties on the combined sales of **Toviaz®** and Pfizer's *tolterodine* product franchise.
- **MEK inhibitor**: Our partner Wilex announced in October 2009 that the German Federal Institute for Drugs and Medical Devices (BfArM) approved a Phase I trial of the MEK inhibitor **WX-554** acquired from UCB as part of its strategic alliance with UCB.

## 2. Management report<sup>1</sup>

**Scope change:** UCB pursued its transformation towards becoming the 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 operating profit:** 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.

### 2.1. Net sales by product

€ million	Actual		Variance	
	2009	2008	Actual rates	Cst rates
<b>Core products</b>				
Cimzia®	75	10	n.s.	n.s.
Vimpat®	46	2	n.s.	n.s.
Neupro®	61	58	5%	7%
<b>Other products</b>				
Keppra® (includ. Keppra® XR)	913	1 266	-28%	-28%
Zyrtec® (includ. Zyrtec-D®/Cirus®)	268	249	8%	1%
Tussionex™	147	147	0%	-5%
Xyzal®	132	173	-23%	-22%
venlafaxine XR	109	10	n.s.	n.s.
Metadate™ CD/Equasym™ XL	72	77	-6%	-10%
Nootropil®	70	93	-25%	-20%
omeprazole	64	75	-14%	-18%
Other	726	867	-16%	-16%
<b>Total net sales</b>	<b>2 683</b>	<b>3 027</b>	<b>-11%</b>	<b>-12%</b>

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

Net sales amount to €2 683 million or 11% lower than the period before.

### Core Products

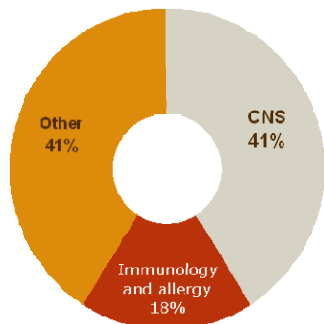
- **Cimzia<sup>®</sup>** (*certolizumab pegol*), approved in the U.S. in April 2008 to reduce signs and symptoms of Crohn's disease (CD) and approved in the U.S. (May 2009) and in Europe (October 2009) for patients suffering from moderately to severely active rheumatoid arthritis (RA), reached net sales of €75 million.
- **Vimpat<sup>®</sup>** (*lacosamide*), for epilepsy, available in Europe since September 2008 and launched in the U.S. in June 2009 as an add-on therapy for the treatment of partial-onset seizures reached net sales of €46 million.
- **Neupro<sup>®</sup>** (*rotigotine*), for Parkinson's disease, showed net sales increasing from €58 million in 2008 to €61 million in 2009 following a U.S. recall announced in March of 2008 and, since June 2008, the Neupro<sup>®</sup> supply in Europe limited to patients already established on the drug. To address this issue, UCB has implemented a cold-chain storage and distribution system in Europe. Since end of June 2009, Neupro<sup>®</sup> is available again to all patients in Europe with idiopathic Parkinson's disease and also newly available as a treatment option for the symptomatic treatment of adult patients with idiopathic moderate to severe restless legs syndrome (RLS).

### Other products

- **Keppra<sup>®</sup>** (*levetiracetam*), for epilepsy, reached net sales of €913 million (of which €55 million for Keppra<sup>®</sup> XR) which is 28% lower than last year in euro, due to post-patent expiry erosion in North America (-58%), extending market leadership in Europe (+25%), and a decrease of 21% in the Rest of World driven by the divestiture to GSK in selected markets.
- **Zyrtec<sup>®</sup>** (*cetirizine*, including Zyrtec<sup>®</sup>-D/Cirrus<sup>®</sup>), for allergy, increased net sales by €19 million or 8% from €249 million to €268 million, reflecting a decrease of 16% in European sales due to a less severe pollen season compared to last year, an increase of 37% in Japanese sales from a severe pollen-season and the successful launch of the pediatric indications and new formulations. Emerging Markets sales were negatively impacted due to the divestment in non-core emerging markets to GSK.
- **Tussionex<sup>™</sup>** (*hydrocodone polistirex and chlorpheniramine polistirex*), the anti-tussive, achieved net sales of €147 million, at the same level as last year. The market shift to codeine-based products was compensated by a strong flu-season.
- **Xyzal<sup>®</sup>** (*levocetirizine*), for allergy, made net sales of €132 million, a decrease of 23% compared to 2008, with a less severe pollen season compared to last year in most European countries. Xyzal<sup>®</sup> 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" for an amount of €47 million in 2009, an increase of 19% compared to last year.
- **Venlafaxine XR**, a product to treat major depressive and social anxiety disorders, reached net sales of €109 million in the U.S. UCB holds exclusive rights from Osmotica to market and sell *venlafaxine hydrochloride XR* in the U.S.
- **Metadate<sup>™</sup> CD** (*methylphenidate HCl*), for attention deficit and hyperactivity disorder, made net sales of €72 million, a decrease of 6%. This product is sold under the trademark Metadate<sup>™</sup> CD in the U.S. (€69 million) and was sold under the trademark Equasym<sup>™</sup> XL in Europe and Rest of World (€3 million in total, a decrease of 78% due to the sale of Equasym<sup>®</sup> IR and Equasym<sup>®</sup> XL to Shire early 2009).
- **Nootropil<sup>®</sup>** (*piracetam*), for cognitive disorders, saw a decline in net sales of 25% from €93 million to €70 million, in both Europe and the Rest of World.
- **Omeprazole**, a generic product for hyperacidity disease, made net sales of €64 million, 14% lower than last year, mainly as a result of further generic entries into the U.S. market.
- **Other products:** Net sales for other products decreased 16% from €867 million to €726 million, with the main negative factors being U.S. products facing generic competition, the maturity of the portfolio and product divestments early in the year.

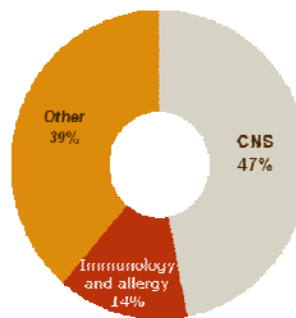
Net sales – 2009

€2 683 million



Net sales – 2008

€3 027 million

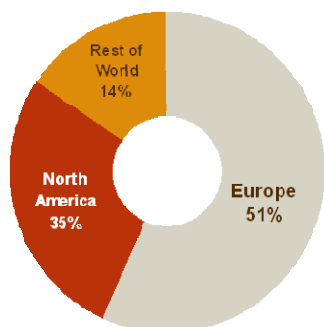


## 2.2. Net sales by geographical area

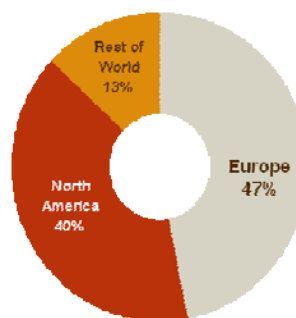
- North America** net sales reported by UCB amounted to € 948 million as per end December of 2009, down by 20% from the year before. Cimzia<sup>®</sup>, approved since April 2008 to reduce the signs and symptoms of Crohn's disease (CD) and approved since May 2009 for patients suffering from moderately to severely active rheumatoid arthritis (RA), reached net sales of € 70 million. The antiepileptic drug Vimpat<sup>®</sup>, available as an add-on therapy for the treatment of partial-onset seizures, was launched in May 2009 and reached net sales of € 30 million. No Neupro<sup>®</sup> net sales were recorded in the U.S. since the product recall announced in March of 2008. The Keppra<sup>®</sup> franchise, after loss of exclusivity late 2008 of Keppra<sup>®</sup> IR and partially offset by the launch of Keppra<sup>®</sup> XR, declined to € 320 million in 2009, down by 58% year-over-year. Tussionex<sup>™</sup> net sales represented € 147 million, at the same level as last year. The market shift to codeine-based products was compensated by a strong flu-season. Venlafaxine XR accounted for € 109 million. Net sales of the attention deficit and hyperactive disorder drug, Metadate<sup>™</sup> CD, increased by 14%. The net sales of other products amounted to € 141 million, an increase of € 19 million in comparison with 2008.
- Europe** net sales totalled € 1 370 million in 2009, down by 3% compared to 2008. Cimzia<sup>®</sup> net sales reached € 5 million. Net sales of € 16 million were contributed by the new anti-epileptic drug Vimpat<sup>®</sup> which was launched in the first two European countries during the fourth quarter 2008 with further national launches during 2009. Neupro<sup>®</sup> net sales of € 60 million, an increase of 14% year-over-year. Keppra<sup>®</sup> net sales represented € 545 million, an increase of 25% compared to the same period of last year. The decrease in the allergy drugs Xyzal<sup>®</sup> and Zyrtec<sup>®</sup> was due to a less severe pollen season compared to last year in most European countries. Nootropil<sup>®</sup> still accounted for € 57 million of Europe net sales. All other products contributed € 500 million to European net sales, a reduction of 19% versus the previous year.
- Rest of World** net sales amounted to € 375 million in 2009, a decrease of 7%. In Japan, Zyrtec<sup>®</sup> net sales amounted to € 152 million or an increase of 37% compared to last year. Zyrtec<sup>®</sup> net sales in the other Rest of World countries decreased and amounted to € 29 million. Keppra<sup>®</sup> net sales declined 21% year-over-year and the net sales of other products decreased by 18% due to the sale of certain distribution activities and affiliates in selected emerging markets to GSK on 31 March 2009.

€ million			2009 / 2008 variance			
	Actual		At actual rates		At constant rates	
	2009	2008	€ million	%	€ million	%
<b>Net sales North America</b>	<b>948</b>	<b>1 193</b>	<b>-244</b>	<b>-20%</b>	<b>-289</b>	<b>-24%</b>
<b>Core Products</b>						
Cimzia <sup>®</sup>	70	8	63	n.s.	59	n.s.
Vimpat <sup>®</sup>	30	0	30	n.s.	28	n.s.
Neupro <sup>®</sup>	0	5	-5	n.s.	-5	n.s.
<b>Other products</b>						
Keppra <sup>®</sup> (including Keppra <sup>®</sup> XR)	320	768	-448	-58%	-462	-60%
Tussionex <sup>™</sup>	147	147	-1	0%	-8	-5%
venlafaxine XR	109	10	99	n.s.	94	n.s.
Metadate <sup>™</sup> CD	69	60	8	14%	5	8%
omeprazole	63	73	-10	-14%	-13	-18%
Other	141	122	19	16%	13	11%
<b>Net sales Europe</b>	<b>1 370</b>	<b>1 414</b>	<b>-44</b>	<b>-3%</b>	<b>-4</b>	<b>0%</b>
<b>Core Products</b>						
Cimzia <sup>®</sup>	5	2	3	n.s.	3	n.s.
Vimpat <sup>®</sup>	16	2	14	n.s.	14	n.s.
Neupro <sup>®</sup>	60	53	7	13%	8	16%
<b>Other products</b>						
Keppra <sup>®</sup>	545	437	107	25%	122	28%
Xyzal <sup>®</sup>	114	143	-29	-20%	-27	-19%
Zyrtec <sup>®</sup> (including Cirrus <sup>®</sup> )	73	87	-14	-16%	-10	-12%
Nootropil <sup>®</sup>	57	69	-12	-18%	-8	-12%
Other	500	621	-121	-19%	-107	-17%
<b>Net sales Rest of World</b>	<b>375</b>	<b>404</b>	<b>-29</b>	<b>-7%</b>	<b>-51</b>	<b>-13%</b>
Zyrtec <sup>®</sup> (including Cirrus <sup>®</sup> )	183	153	30	19%	9	6%
Keppra <sup>®</sup>	48	60	-12	-21%	-10	-17%
Xyzal <sup>®</sup>	17	26	-9	-36%	-9	-34%
Nootropil <sup>®</sup>	13	24	-11	-47%	-11	-45%
Other products	114	140	-25	-18%	-30	-21%
<b>Unallocated</b>	<b>-11</b>	<b>17</b>				
<b>Total net sales</b>	<b>2 683</b>	<b>3 027</b>	<b>-344</b>	<b>-11%</b>	<b>-371</b>	<b>-12%</b>

Net sales – 2009  
€ 2 683 million



Net sales – 2008  
€ 3 027 million



### 2.3. Royalty income & fees

€ million	Actual		Variance	
	2009	2008	Actual rates	Cst rates
Biotechnology IP	116	318	-63%	-60%
Toviaz <sup>®</sup>	41	5	n.s.	n.s.
Zyrtec <sup>®</sup> U.S.	23	30	-22%	-26%
Other	48	43	9%	4%
<b>Royalty income &amp; fees</b>	<b>227</b>	<b>396</b>	<b>-43%</b>	<b>-40%</b>

Royalty income & fees for 2009 amounted to €227 million, down by €169 million or 43% compared to the same period last year, as a result of a 2008 settlement agreement amounting €205 million. Excluding the settlement related income, royalty income & fees would have amounted €191 million in 2008, resulting in an increase of 19% in 2009, mainly due to higher royalties paid by Pfizer for the overactive bladder treatment Toviaz<sup>®</sup>. Royalties for UCB's biotechnology intellectual property increased with 3% not taking into account the 2008 settlement agreement. Zyrtec<sup>®</sup> U.S. royalty income received on the over-the-counter sales amounted to €23 million in 2009 compared to €26 million in the same period last year. Royalty expenses are reported as part of cost of sales.

### 2.4. Other revenue

€ million	Actual		Variance	
	2009	2008	Actual rates	Cst rates
Contract manufacturing sales	94	42	125%	119%
Xyzal <sup>®</sup> U.S. milestones / profit sharing	47	39	19%	13%
Provas <sup>™</sup> profit sharing	26	23	11%	11%
Otsuka	26	20	29%	36%
fesoterodine milestones	0	24	n.s.	n.s.
Other	14	30	-40%	-40%
<b>Other revenue</b>	<b>206</b>	<b>178</b>	<b>15%</b>	<b>13%</b>

Other revenue for 2009 amounted to €206 million, up by 15% or €28 million. The increase of contract manufacturing sales to €94 million, 125% higher compared to the same period last year, was essentially the result of the agreements with GSK and Shire announced in 2009.

Profit sharing with sanofi-aventis on Xyzal<sup>®</sup> in the U.S. generated €47 million which represents UCB's 40% share of the gross profit from the U.S.\$ 186 million Xyzal<sup>®</sup> sales in the U.S. compared to U.S.\$ 149 million in 2008.

The profit-sharing agreement with Novartis on the cardiovascular drug Provas<sup>®</sup> in Germany represents €26 million, up by 11%.

The Otsuka-related other revenue pertains to milestones recognised as part of the agreements entered into by Otsuka and UCB in June 2008 for Keppra<sup>®</sup> and Cimzia<sup>®</sup> in Japan whereby UCB and Otsuka will co-promote Keppra<sup>®</sup> for the adjunctive treatment of partial-onset seizures and Cimzia<sup>®</sup> for the treatment of Crohn's disease.

## 2.5. Gross profit

€ million	Actual		Variance	
	2009	2008	Actual rates	Cst rates
<b>Revenue</b>	<b>3 116</b>	<b>3 601</b>	<b>-13%</b>	<b>-14%</b>
Net sales	2 683	3 027	-11%	-12%
Royalty income & fees	227	396	-43%	-39%
Other revenue	206	178	15%	13%
<b>Cost of sales</b>	<b>-1 025</b>	<b>- 1 146</b>	<b>-11%</b>	<b>-11%</b>
Cost of sales products & services	-769	-847	-9%	-9%
Royalty expenses	-128	-205	-37%	-37%
Amortisation of intangible assets linked to sales	-128	-95	35%	36%
<b>Gross profit</b>	<b>2 091</b>	<b>2 455</b>	<b>-15%</b>	<b>-16%</b>
of which				
Products & services	2 119	2 358	-10%	-11%
Net royalty income	100	191	-48%	-42%
Amortisation of intangible assets linked to sales	-128	-95	35%	36%

Gross profit of €2 091 million is 15% lower than 2008 following the decrease of net sales and increased royalty expenses of 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 & services:** The cost of sales for products and services decreased by €78 million from €847 million in 2008 to €769 million in 2009. This reduction is the combined result of industrial efficiencies on yield and discards, consolidation of external partners, reduction of workforce and large improvements in biotech production.
- **Royalty expenses:** Royalties decreased from €205 million in 2008 to €128 million in 2009, due to the €134 million settlement agreement in 2008. Without this settlement, the royalty expenses would have increased by 81% as a result of royalties relating to the newly launched products (Cimzia<sup>®</sup>, Vimpat<sup>®</sup> and venlafaxine XR).

€ million	Actual		Variance	
	2009	2008	Actual rates	Cst rates
Biotechnology IP	-33	-161	-80%	-77%
Other	-95	-43	121%	115%
<b>Royalty expenses</b>	<b>-128</b>	<b>-205</b>	<b>-37%</b>	<b>-37%</b>

- **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 & Development, manufacturing know-how, royalty streams, trade-names, etc.), which gave rise to amortisation expenses of €128 million in 2009, compared to €95 million in 2008, reflecting the amortisation of the intangible assets relating to newly-launched products.

## 2.6. Recurring EBIT and recurring EBITDA

€ million	Actual		Variance	
	2009	2008	Actual rates	Cst rates
<b>Revenue</b>	<b>3 116</b>	<b>3 601</b>	<b>-13%</b>	<b>-14%</b>
Net sales	2 683	3 027	-11%	-12%
Royalty income & fees	227	396	-43%	-39%
Other revenue	206	178	15%	13%
<b>Gross profit</b>	<b>2 091</b>	<b>2 455</b>	<b>-15%</b>	<b>-16%</b>
Marketing & selling expenses	-781	-928	-16%	-18%
Research & Development expenses	-674	-767	-12%	-11%
General & administrative expenses	-189	-228	-17%	-15%
Other operating income/expenses(-)	6	-1		
<b>Total operating expenses</b>	<b>-1 638</b>	<b>-1 924</b>	<b>-15%</b>	<b>-15%</b>
<b>Recurring EBIT (REBIT)</b>	<b>453</b>	<b>531</b>	<b>-15%</b>	<b>-17%</b>
Add: Amortisation of intangible assets	142	105		
Add: Depreciation charges	102	97		
<b>Recurring EBITDA (REBITDA)</b>	<b>698</b>	<b>733</b>	<b>-5%</b>	<b>-6%</b>

**Operating expenses**, encompassing marketing & selling expenses, Research & Development expenses, general & administrative expenses and other operating income/expenses, reached €1 638 million in 2009, 15% lower than last year, reflecting:

- €147 million lower **marketing & selling expenses**, or a reduction of 16%, driven substantially by the SHAPE programme.
- €93 million lower **research & development expenses**, or a 12% reduction, reflecting the pipeline progress leading to approvals and launches of new products like Vimpat® and Cimzia®.
- €38 million lower **general & administrative expenses**, or a reduction of 17%, reflecting the impact of the SHAPE programme.

**Recurring EBIT** is down by 15% due to the increase of amortisation of intangible assets.

**Recurring EBITDA** is down by 5% to €698 million compared to 2008, reflecting the decrease in revenue and gross profit off-set by a corresponding reduction in operating expenses.

## 2.7. Net profit and adjusted net profit

€ million	Actual		Variance	
	2009	2008	Actual rates	Cst rates
<b>Recurring EBIT</b>	<b>453</b>	<b>531</b>	<b>-15%</b>	<b>-17%</b>
Impairment charges	-126	-160	n.s.	n.s.
Restructuring expenses	-73	-272	n.s.	n.s.
Gain on disposals	594	0	n.s.	n.s.
Other non recurring income/expenses(-)	-11	14	n.s.	n.s.
Total non recurring income/expenses(-)	384	-418	n.s.	n.s.
<b>EBIT (operating profit)</b>	<b>837</b>	<b>113</b>	<b>639%</b>	<b>614%</b>
Net financial expenses	-162	-156	4%	4%
<b>Profit before income taxes</b>	<b>675</b>	<b>-43</b>	<b>n.s.</b>	<b>n.s.</b>
Income tax expenses	-168	30	n.s.	n.s.
<b>Profit from continuing operations</b>	<b>507</b>	<b>-13</b>	<b>n.s.</b>	<b>n.s.</b>
Add: Profit from discontinued operations	7	55	n.s.	n.s.
Less: Minority interests	-1	-1	n.s.	n.s.
<b>Net profit</b>	<b>513</b>	<b>42</b>	<b>n.s.</b>	<b>n.s.</b>
After-tax non-recurring items & financial one-offs	-298	339		
Profit from discontinued operations	-7	-55		
Tax one-offs	17	-56		
<b>Adjusted net profit (after minority interests)</b>	<b>226</b>	<b>270</b>	<b>-16%</b>	<b>-18%</b>

- **Total non-recurring income/expenses (-)** amounted to €384 million pre-tax income, compared to €418 pre-tax expense in 2008. The 2008 non-recurring items predominantly include restructuring and integration charges of €272 million pre-tax as a consequence of the SHAPE programme, including the closure of the Cambridge research site in the U.K. and impairment charges related to the reduction in value in use of some of the tangible assets as a consequence of the SHAPE programme. The 2009 non-recurring items include restructuring charges amounting up to €73 million mainly for the organisational changes in Belgium and the U.K. announced in November 2009 and the exit of the primary care sector in the U.S. announced in January 2010. The impairment on intangible assets reflects mainly the already announced 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 amounts 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 GlaxoSmithKline, the divestiture of Equasym® to Shire, and the divestiture of Somatostatine-UCB™ to Eumedica, all announced in February this year.
- **Net financial expenses** increased from €156 million in 2008 to €162 million in 2009, or by €6 million. Last year the financial expenses included €16 million guaranteed dividend for the Schwarz minority shareholders, interest charges on increased net debt from the continued tendering of Schwarz Pharma shares and the impact of an adverse evolution of trading currencies versus the euro, while the financial expenses in 2009 include the debt re-financing and certain expenses related to re-financing, amongst others and accelerated amortisation of arrangement fees and termination of hedge-accounting on existing interest rate hedges.
- The **average tax rate** on recurring activities is 31% in 2009 compared to 28% in the same period of last year. When including non-recurring items, the average tax rate decreases to 25% as a result of the lower taxes which apply to the divestiture of certain distribution activities and affiliates.
- **Net profit after minority interest** for the year reached €513 million, i.e. €471 million above prior year, reflecting the higher non-recurring 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 €226 million, which is 16% below the €270 million of adjusted net profit for 2008.

## 3. Capital expenditure

The tangible capital expenditure resulting from UCB biopharmaceutical activities amounted to €38 million in 2009 compared to €104 million in 2008.

The 2009 investments reflect essentially maintenance, improvement and replacement capital expenditure, as well as investment behind new products and delivery mechanisms. Acquisition of intangible assets reached € 49 million in 2009 (versus € 75 million in 2008) for the payment of licence products, milestones and software.

In addition, as foreseen in the agreement between UCB and Lonza for the manufacturing by Lonza of PEGylated antibody fragment-based bulk actives, UCB has participated in the pre-financing of the related capital expenditure. An additional amount of € 3 million has been accounted for in 2009 (in addition to the € 5 million reported at the end of 2008) as a pre-payment and is recognised in expenses over the life of the contract from the time the assets will be in use. Depreciation charges on this investment are recognised in the cost of goods sold and are added back for recurring EBITDA calculation purposes.

## 4. Balance sheet

- **Intangible assets:** Further to the ongoing amortisation of the intangible assets related to the acquisition of Celltech and Schwarz Pharma (€ 122 million), the impairment (€110 million) mainly on the development project CDP323, the divestitures of product distribution rights for selected smaller markets to GSK and the impact of the declining U.S. dollar and increasing British pound, intangible assets decreased by €203 million from €2 169 million at 31 December 2008 to € 1 953 million at 31 December 2009.
- **Goodwill:** A €27 million decrease in goodwill between 31 December 2008 and 31 December 2009 reflects the impact of the declining U.S. dollar and increasing British pound.
- **Other non-current assets:** Other non-current assets reduced by € 120 million, mainly driven by further depreciation and impairment of tangible assets and lower other long term receivables.
- **Current assets:** The decrease from € 1 837 million as of 31 December 2008 to € 1 793 million as of 31 December 2009 mainly as a reduction of trade receivables due to lower sales and the execution of the refinancing as well as some divestitures.
- **Shareholders' equity:** UCB's shareholders' equity, at €4 417 million, increased by €400 million between 31 December 2008 and 31 December 2009. Whilst equity increased by the amount of net profit after minority (€513 million) and released cash flow hedges (€100 million), equity decreased by € 166 million as the result of dividends declared on the 2008 results, € 54 million caused by cumulative translation adjustments due to the declining U.S. dollar and increasing British pound, and positive fair value adjustments recognised in equity.
- **Non-current liabilities:** The decrease in non-current liabilities from €2 953 million to €2 641 million is mainly related to the new credit facility and the bond issues.
- **Current liabilities:** The decrease in current liabilities from €2 554 million to €2 062 million results from a decrease in the provisions related to the SHAPE programme, repayment of the debt and a decrease in trade and other liabilities.
- **Net debt:** The net debt of € 1 752 million represents a reduction of €691 million compared to €2 443 million as of end December 2008.

## 5. Cash flow statement

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

- **Cash flow from operating activities:** The decrease in cash flow from operating activities from €366 million to €295 million results from payments related to the SHAPE programme, inventory for new product launches and a reduction of trade receivables and payables.
- **Cash flow from investing activities:** The improvement of the cash flow from investing activities from €673 million outflow in 2008 to €472 million inflow in 2009 results mainly from the divestitures of commercial operations and product distribution rights for selected smaller markets to GSK, the divestiture of Equasym<sup>®</sup> to Shire, the divestiture of Somatostatine-UCB<sup>™</sup> to Eumedica. The cash outflows are related to the acquisition of remaining Schwarz Pharma shares of €94 million in 2009, partially offset by lower spending in tangible and intangible fixed assets.
- **Cash flow from financing activities** decreased with €735 million due to the refinancing and the dividend payment relating to the 2008 results.

## 6. Outlook 2010

2010 is expected to see an increased focus on UCB core assets, a re-deployment of its resources, a further advancement of R&D and a simplification of its organisation, while successfully delivering UCB new medicines to patients.

- **Revenue** is expected to reach approximately €3.0 billion in 2010 due to full annualised generic competition to Keppra<sup>®</sup> in the U.S., the impact of divested products and further erosion of our mature products, partially offset by the performance of newly launched products.
- As a result of SHAPE with its increased focus on ongoing and potentially upcoming product launches in key areas as well as the targeted focus of our research & development efforts, operating expenses will continue to decline in 2010. The **recurring EBITDA** is expected to end the year approximately €700 million.
- **Core EPS** expect to reach €1.76

# Consolidated Financial Statements

## 1. Consolidated income statement

For the year ended 31 December € million	2009	2008
<b>Continuing operations</b>		
Net sales	2 683	3 027
Royalties	227	396
Other revenue	206	178
<b>Revenue</b>	<b>3 116</b>	<b>3 601</b>
Cost of sales	-1 025	-1 146
<b>Gross profit</b>	<b>2 091</b>	<b>2 455</b>
Marketing & selling expenses	-781	-928
Research & development expenses	-674	-767
General & administrative expenses	-189	-228
Other operating income/expenses (-)	6	-1
<b>Operating profit before impairment, restructuring and other income and expenses</b>	<b>453</b>	<b>531</b>
Impairment of non-financial assets	-126	-160
Restructuring expenses	-73	-272
Other income and expenses	583	14
<b>Operating profit</b>	<b>837</b>	<b>113</b>
Financial income	59	28
Financing costs	-221	-184
<b>Profit/loss (-) before income taxes</b>	<b>675</b>	<b>-43</b>
Income tax expense (-)/ credit	-168	30
<b>Profit/loss (-) from continuing operations</b>	<b>507</b>	<b>-13</b>
<b>Discontinued operations</b>		
<b>Profit from discontinued operations</b>	<b>7</b>	<b>55</b>
<b>Profit</b>	<b>514</b>	<b>43</b>
<b>Attributable to:</b>		
<b>Equity holders of UCB SA</b>	<b>513</b>	<b>42</b>
<b>Minority interest</b>	<b>1</b>	<b>1</b>
<b>Basic earnings per share (€)</b>		
from continuing operations	2.81	-0.07
from discontinued operations	0.04	0.31
<b>Total basic earnings per share</b>	<b>2.85</b>	<b>0.24</b>
<b>Diluted earnings per share (€)</b>		
from continuing operations	2.71	-0.07
from discontinued operations	0.04	0.30
<b>Total diluted earnings per share</b>	<b>2.75</b>	<b>0.23</b>

## 2. Consolidated statement of comprehensive income

For the year ended 31 December € million	2009	2008
<b>Profit for the period</b>	<b>514</b>	<b>43</b>
<b>Other comprehensive income</b>		
Net gain/loss (-) on available for sale financial assets	0	0
Income tax	0	0
	0	0
Exchange differences on translation of foreign operations	-54	13
Effective portion of gains/losses (-) on cash flow hedges	102	-160
Income tax	-2	14
	100	-146
Net gain/loss (-) on hedge of net investment in foreign operation	0	0
Income tax	0	0
	0	0
<b>Other comprehensive income/loss (-) for the period, net of tax</b>	<b>46</b>	<b>-133</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>560</b>	<b>-90</b>
Attributable to:		
Equity holders of UCB S.A.	560	-90
Minority interests	0	0
<b>Total comprehensive income for the period, net of tax</b>	<b>560</b>	<b>-90</b>

### 3. Consolidated statement of financial position

For the year ended 31 December € million	2009	2008
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	1 953	2 169
Goodwill	4 552	4 579
Property, plant and equipment	534	623
Deferred income tax assets	158	161
Employee benefits	12	8
Financial and other assets (including derivative financial instruments)	117	147
<b>Total non-current assets</b>	<b>7 326</b>	<b>7 687</b>
<b>Current assets</b>		
Inventories	405	363
Trade and other receivables	819	859
Income tax receivables	14	11
Financial and other assets (including derivative financial instruments)	53	104
Cash and cash equivalents	486	463
	<b>1 777</b>	<b>1 800</b>
Assets of disposal group classified as held for sale	17	37
<b>Total current assets</b>	<b>1 794</b>	<b>1 837</b>
<b>Total assets</b>	<b>9 120</b>	<b>9 524</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Capital and reserves attributable to UCB shareholders	4 415	4 015
Minority interest	2	2
<b>Total equity</b>	<b>4 417</b>	<b>4 017</b>
<b>Non-current liabilities</b>		
Borrowings	23	1 996
Bonds	1 654	0
Other financial liabilities (including derivative financial instruments)	130	103
Deferred income tax liabilities	404	441
Employee benefits	104	106
Provisions	211	251
Trade and other liabilities	115	56
<b>Total non-current liabilities</b>	<b>2 641</b>	<b>2 953</b>
<b>Current liabilities</b>		
Borrowings	566	917
Other financial liabilities (including derivative financial instruments)	63	129
Provisions	169	257
Trade and other liabilities	1 036	1 159
Income tax payables	228	87
	<b>2 062</b>	<b>2 549</b>
Liabilities of disposal group classified as held for sale	0	5
<b>Total current liabilities</b>	<b>2 062</b>	<b>2 554</b>
<b>Total liabilities</b>	<b>4 703</b>	<b>5 507</b>
<b>Total equity and liabilities</b>	<b>9 120</b>	<b>9 524</b>

## 4. Consolidated statement of cash flows

For the year ended 31 December € million	2009	2008
<b>Profit for the year attributable to equity holders of UCB SA</b>	<b>513</b>	<b>42</b>
Minority interest	1	1
Depreciation of property, plant and equipment	78	75
Amortisation of intangible assets	142	105
Impairment of non-financial assets	126	160
Impairment of financial assets	3	0
Loss/gain (-) on disposals of property, plant and equipment	0	0
Loss/gain (-) on disposals other than property, plant and equipment	-102	0
Share-based payment expense	16	14
Profit from discontinued operations	-7	-55
Profit from disposed operations, other than discontinued operations	-501	0
Net interest income(-)/expense	131	110
Net non-cash financing costs	-31	131
Financial derivatives – changes in fair value & cash flow hedges transferred to equity	80	-22
Guaranteed dividend related to the Schwarz Pharma minority shareholders	0	16
Dividend income	-1	0
Income tax expense/credit (-)	168	-30
Cash flow from operating activities before changes in working capital, provisions and employee benefits	616	547
Decrease/increase (-) in inventories	-5	-57
Decrease/increase (-) in trade & other receivables and other assets	58	36
Increase/decrease (-) in trade & other payables	-21	-36
Increase/decrease (-) in provisions and employee benefits	-135	137
Net cash generated from operating activities	513	627
Interest received	64	84
Interest paid	-194	-199
Income taxes paid	-88	-146
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>295</b>	<b>366</b>
Acquisition of intangible assets	-49	-75
Acquisition of property, plant and equipment	-38	-104
Acquisition of minority interests in Schwarz Pharma AG, net of cash acquired	-94	-505
Acquisition of other investments	-12	0
Proceeds from sale of intangible assets	111	0
Proceeds from sale of property, plant and equipment	23	3
Proceeds from sale of subsidiaries, net of cash disposed	0	0
Proceeds from sale of businesses, net of cash disposed	515	6
Proceeds from sale of other investments	16	2
Dividends received	1	0
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>473</b>	<b>-673</b>
Proceeds from issuance of share capital	0	0
Proceeds from borrowings	528	530
Repayment of borrowings	-2 830	-86
Proceeds from bonds issuance	1 735	0
Repayment of finance lease liabilities	-2	-2
Purchase(-)/re-issuance of treasury shares	0	2
Dividend paid to UCB shareholders net of dividend paid on treasury shares	-167	-166
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-736</b>	<b>278</b>
<b>CASH FLOW FROM DISCONTINUED OPERATIONS</b>	<b>0</b>	<b>19</b>
<b>NET INCREASE/DECREASE (-) IN CASH AND CASH EQUIVALENTS</b>	<b>32</b>	<b>-10</b>
Cash and cash equivalents less bank overdrafts at the beginning of the year	434	444
Effect of exchange rate fluctuations	0	0
<b>CASH AND CASH EQUIVALENTS LESS BANK OVERDRAFTS AT THE END OF THE YEAR</b>	<b>466</b>	<b>434</b>

## 5. Consolidated statement of changes in equity

2009 € million	Attributed to equity holders of UCB S.A.										
	Share capital & share premium	Treasury shares	Retained earnings	Other reserves	Cumulative translation adjustments	Available for sale financial assets	Cash flow hedges	Net investment hedge	Total	Minority interests	Total stockholders' equity
<b>Balance at 1 January 2009</b>	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
<b>Total comprehensive income</b>			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											
<b>Balance at 31 December 2009</b>	2 151	-125	2 630	232	-523	0	-5	55	4 415	2	4 417

2008 € million	Attributed to equity holders of UCB S.A.										
	Share capital & share premium	Treasury shares	Retained earnings	Other reserves	Cumulative translation adjustments	Available for sale financial assets	Cash flow hedges	Net investment hedge	Total	Minority interests	Total stockholders' equity
<b>Balance at 1 January 2008</b>	2 151	-127	2 393	232	-482	0	41	55	4 263	1	4 264
Profit for the period			42						42	1	43
Other comprehensive income/loss (-)					13	0	-146		-133		-133
<b>Total comprehensive income</b>			42		13	0	-146		-91	1	-90
Dividends			-166						-166		-166
Share-based payments			14						14		14
Transfer between reserves		3	-3						0		0
Treasury shares		-1							-1		-1
Capital increase	0								0		0
Change in accounting policy – IFRIC 14, IAS 19			-4						-4		-4
<b>Balance at 31 December 2008</b>	2 151	-125	2 276	232	-469	0	-105	55	4 015	2	4 017