Press Release

Ipsen's 2009 results and objectives

- **2009 financial objectives met, demonstrating resilience in a tough macroeconomic environment**
- **Total Drug sales and Specialty Care sales up 7.6% and 13.9% at constant currency respectively**
- **2009 Diluted EPS of €1.86, up 6,9% year-on-year**
- **Strong cash generation: €257 million generated by operating activities in 2009**
- **Dividend of €0.75 per share proposed, up 7.1%**
- **Confirmation of Ipsen's profile as a global biotechnology specialty care company**

Paris (France), 1 march 2010 – The Board of Directors of Ipsen (Euronext: IPN), chaired by Jean-Luc Bélingard, met on 26 February 2010 to review the Group's results for 2009, published today.

Comparison between the Group's 2009 performance and its financial objectives

(margins as a % of Group sales)	***Financial objectives***	***2009 actuals***
Drug sales growth at constant currency	**7.0 to 9.0%**	**7.6%**
Other revenues	approximately €80 million	€79.6 million
Adjusted operating margin[1]	**17.0 to 17.5%**	**17.8%**

Commenting on performance in 2009, Jean-Luc Bélingard, **Chairman and Chief Executive Officer of Ipsen** said: *"We believe the results published today confirm our profile as a profitable, global biotechnology specialty care company."* Jean-Luc Bélingard added: *"In 2009, we have delivered on our objectives. On the regulatory front, we have obtained four approvals: Azzalure® in Europe, Dysport® in two indications in the US and Decapeptyl® 6-month formulation in Europe. On the business development front, we have signed a rich partnership with Menarini for Adenuric® and in-licensed Exforge® for its co-promotion in France from Novartis. On the commercial front, we have launched Dysport® and continued to support the penetration of Somatuline®, Increlex® and Apokyn® in the US. Last but not least, on a clinical perspective, 2009 has been exceptionally rich, with 4 programs moving into phase II/ III and taspoglutide confirming its potential best-in-class profile. Going forward, we will continue to progress this rich R&D pipeline while executing on our strategy, in place for many years now: developing our specialty care activities, notably by improving the efficiency of our R&D organization while optimizing the contribution of our presence in primary care."* Jean-Luc Bélingard concluded: *"We have started 2010 by adding a growth pillar to Ipsen through our innovative partnership with Inspiration Biopharmaceuticals in hematology, that further paves the way for our successful transition into a leading global biotechnology specialty care company."*

[1] Before taking into account any Purchase Price Accounting impacts in connection with the Group's acquisitions in North America

Summary of audited consolidated results for the full years 2009 and 2008

(in million euros)	***2009***	***2008***	***% change 2009/2008***
Drug sales	**1,002.6**	**936.2**	*+7.1%* ***+7.6%*** *(at constant currency)*
Sales	**1,032.8**	**971.0**	*+6.4%* ***+6.8%*** *(at constant currency)*
Other revenues	**79.6**	**67.1**	***+18.6%***
Total revenues	**1,112.4**	**1,038.1**	***+7.2%***
Operating profit	**172.5**	**179.2**	***(3.7)%***
Operating margin (in % of sales)	*16.7*	*18.5*	-
Adjusted operating profit[1]	**183.6**	**181.4**	***+1.2%***
Adjusted operating margin (in % of sales)[1]	*17.8*	*18.7*	-
Consolidated net profit (attributable to the Group)	**156.6**	**146.6**	***+6.8%***
Earnings per share – fully diluted (€)	**1.86**	**1.74**	**+6.9%**
Average number of shares:			
Non diluted	*84,303,607*	*83,925,348*	*+0.5%*
Fully diluted	*84,329,880*	*84,015,122*	*+0.4%*

1 Before taking into account any Purchase Price Accounting impacts in connection with the Group's acquisitions in North America

Review of full year 2009 results

Group drug sales excluding foreign exchange impacts grew 7.6% year-on-year. – in line with the objective set a year ago to grow its sales by 7.0 to 9.0% year-on-year, fuelled notably by the performance of its North American platform. On June 5, 2008, the Group announced the creation of its fully fledged presence in North America, through the acquisitions of Tercica Inc. and the US operations of Vernalis Ltd, thereby significantly enhancing its international footprint and global specialty care drugs portfolio. Today, the Group markets 4 specialty care products in the US, and 3 of its flagship brands - Somatuline®, Increlex® and Dysport® - have become global. A year after taking full control of its US operations, Ipsen's fully integrated North American commercial platform generated Increlex®, Somatuline®, and Apokyn® sales of $48.5 million, up more than 60% year-on-year on a comparable basis.

Consolidated Group sales reached €1,032.8 million for the full year 2009, up 6.8% year-on-year excluding foreign exchange impact.

Other revenues reached €79.6 million, up 18,6% year-on-year, benefiting from a non recurring income of €39.3 million following the settlement of a dispute with Bayer on a royalty stream which ended in 2009.

Total revenues reached €1,112.4 million, up 7.2% year-on-year.

On the **commercial** front – directly or with its partners, the Group has rigorously executed its strategy, with the launches of its botulinum toxin type A in therapeutic use in the US and aesthetic use in Europe and the US, and prepared for the launches of Decapeptyl® 6-month formulation and Adenuric® in Europe.

R&D expenses amounted to €197.3 million in 2009, representing 19.1% of sales, marked by the preparation of batches required to start OBI-1's phase III, the integration of the industrial development functions of Tercica Inc. and costs related to the transfer of the production function of Increlex®, compared to €182.8 million in 2008, representing 18.8% of sales. Following the acquisitions made in 2008, Ipsen has significantly expanded its clinical development capabilities in the US, and is now developing key projects such as its BIM-23A760 and its GH + IGF-1 combination therapy on a worldwide basis. Furthermore, the Group has continued to progress its rich R&D pipeline while putting in place life cycle management initiatives to further feed its US franchise, notably with the phase III clinical trials in non-functioning and functioning NET for Somatuline® and adult and pediatric upper and lower limb spasticity for Dysport®.

The Group's **reported operating profit** in 2009 amounted to €172.5 million, representing 16.7% of sales, compared to €179.2 million or 18.5% of sales a year earlier. Excluding the purchase price accounting impacts related to its acquisitions in North America, the Group's **adjusted operating income** amounted to €183.6 million in 2009, representing 17.8% of sales, slightly above the objective of 17.0 to 17.5% set a year ago, compared with €181.4 million or 18.7% of sales in 2008.

The **effective tax rate** amounted to 6.3% of net profit from continuing activities before tax excluding the share of loss from associates compared to an effective tax rate of 17.4% a year earlier. Adjusting for non-recurring items recorded in 2009, the effective recurring tax rate for the Group amounted to 12.9%, compared with 18.9% in 2008.

The Group no longer records **share of profit / loss in associates** following its buyout of Tercica in October 2008, now fully consolidated in the Group's accounts. This item represented an expense of €10.8 million in 2008, which corresponded to the first nine months of results for the company, the last quarter being fully consolidated in the Group's accounts.

Consolidated net profit for 2009 amounted to €157.2 million (share attributable to shareholders of Ipsen S.A.: €156.6 million), up 6.9% compared to €147.1 million in 2008 (share attributable to shareholders of Ipsen S.A: €146.6 million). Ipsen's **Fully Diluted Earnings per share** (attributable to shareholders of Ipsen S.A.) amounted to €1.86, up 6.9% year-on-year.

Net cash generated by operating activities grew sharply to €257.6 million compared with €203.7 million a year earlier. At 31 December 2009, the Group's **net cash position** stood at €185.6 million, compared with €66.2 million as at December 31, 2008, therefore regaining its 2008 pre-North-American acquisition levels.

Total milestones received in cash by the Group but not yet recognized as revenues in its consolidated income statement amounted to €230.3 million at December 31, 2009, compared with €165.7 million a year earlier, mainly due to the recording of deferred revenues associated with the partnerships with Medicis (US$75.0 million), Galderma (€20.0 million) and Menarini (€20.0 million).

Dividend for the 2009 financial year proposed for the approval of Ipsen's shareholders

Ipsen's Board of Directors, confident in the Group's future prospects and cash flow generation perspectives, has decided to propose payment of a dividend of €0.75 per share, up 7.1% year-on-year and representing a pay-out ratio of 40%, at Ipsen's annual shareholders' meeting to be held on may 28, 2010.

Elements of context for the coming years

For a number of years, Ipsen has continued to transition into a leading global biotechnology specialty care company, fuelled by its double-digit growing Specialty Care franchise. In the years to come, this trend will continue, notably driven by the expansion of its US platform, posting significant double-digit growth, the launch of Decapeptyl®'s 6-month formulation in Europe and the strong growth of its international markets.

In the framework of its **strategy to develop Specialty Care**, the Group has engaged into several partnerships, notably in the botulinum toxin space. These partnerships allow the Group to benefit from significant fast growing markets. Nevertheless, in the short term, the transition of its activities in aesthetics to its partners could negatively affect the Group's reported sales growth.

Moreover, in the context of its strategy to **optimize its Primary care presence**, the Group now benefits from a fast growing international franchise, which should account for 50% of total primary Care sales in 2010, compared with 45% in 2009.

In the longer term, notably through its partnership with Inspiration Biopharmaceuticals, closed on January 22, 2010, the progresses of Oristusane (BN-83495), BIM-23A760 in phase II, GH + IGF-I combination therapy in phase III and of the preparation of the filing of taspoglutide, Ipsen will continue to manage dynamically its successful transition into a global biotechnology specialty care company.

Financial objectives for 2010 and beyond

On the basis of currently available information, the Group has set for itself the following objectives for 2010:

- **Specialty Care Drug Sales** growth close to 10%[2], and **Primary Care Drug Sales** decrease of (5) to (7)% year-on-year, leading to Group Drug Sales growth between 3.0 and 5.0% year-on-year.
- **Other Revenues** close to €50 million, depending on the commercial performances of the Group's partners.
- A recurring **Adjusted Operating Income**[3] growing around 15% year-on-year, compared with a 2009 recurring Adjusted Operating Income of €144.4 million in 2009[4].
- Overall, the Group expects its 2010 **Adjusted EPS**[5] to remain roughly stable compared with a 2009 Recurring Adjusted EPS[6] of €1.60, notably in the context of an R&D to sales ratio maintained between 19.0 to 21.0% - and of the integration of Inspiration Biopharmaceuticals' share of loss in the Group's accounts.

In the coming years, the Group's sales and operating margin performance in North America should continue to increase, however given the evolution of the macroeconomic environment as well as of the Primary Care competitive landscape, the Group today cannot confirm its 2011 and 2012 perspectives, as announced in July 2008[7], or at least their timeframe.

The above objectives are set excluding any foreign exchange impacts.

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[2] Excluding the transition impacts of the implementation of Group's partnerships in the aesthetic field, Specialty Care sales growth should remain in the double digit range in 2010.

[3] Defined as reported operating income before any impacts related to purchase price accounting in connection with the Group's acquisitions and before any potential non-recurring items.

[4] Following the settlement with Bayer on the Kogenate® licence, the Group recorded non-recurring revenues of €39.2 million.

[5] Reported Diluted Earnings Per Share excluding (i) any non recurring impacts and (ii) the net impacts of the purchase price accounting related to the Group's acquisitions

[6] Reported Diluted Earnings Per Share excluding (i) the non recurring positive net impact of the Kogenate® settlement and (ii) the net impacts of the purchase price accounting related to the Group's acquisitions in North America.

[7] The Group stated in July 2008 that it aimed to reach sales of $300 million in North America in 2012, while returning to its pre-acquisition (2007) operating margin level in 2011.

Press conference, webcast and conference call (in French) for journalists

Ipsen will hold a meeting at 9:30 a.m. (Paris time, GMT+1) on Monday 1 March 2010 at its headquarters in Boulogne-Billancourt (France). A web conference (audio webcast) and conference call will take place simultaneously. The former will be available at www.ipsen.com. The webcast will be archived on the Ipsen website for 3 months following the live call. Conference call participants should dial in approximately 5 to 10 minutes prior to the start of the call. No reservation is necessary to participate in the call. The telephone number to join the conference call is +33 (0) 1 70 99 42 82. No access code is necessary.

Meeting, webcast and conference call (in English) for the financial community

Ipsen will hold a meeting at 2.00 p.m. (Paris time, CET) on Monday 1 March 2010 at its head office in Boulogne Billancourt (France). A web conference (audio & video webcast) and conference call will take place simultaneously. The former will be available at www.ipsen.com. The webcast will be archived on the Ipsen website for 3 months following the live call. Conference call participants should dial in approximately 5 to 10 minutes prior to the start of the call. No reservation is necessary to participate in the call. The telephone numbers to join the conference call are, from France and Europe: +33 (0) 1 70 99 42 75 and from the United States: +1 212 444 04 81. No access code is necessary. A replay will be available soon after the live call. The telephone numbers to access the replay are, from France and Europe: +33 (0) 1 74 20 28 00 and from the United States: +1 347 366 95 65. The access code is 4043780#. The replay will be available for one week following the live call.

About Ipsen

Ipsen is a global biotechnology specialty care company with total sales in excess of 1 billion euros in 2009, and total worldwide staff of more than 4,400. Its strategy is based on fast growing specialty care drugs in oncology, endocrinology, neurology and hematology, and primary care drugs, significantly contributing to research financing. This strategy is also supported by an active policy of partnerships. Ipsen's specific Research & Development (R&D) centers and peptide & protein engineering platform give the Group a competitive edge. More than 800 people are dedicated to the discovery and development of innovative drugs for patient care. In 2009, R&D spend reached close to €200 million, representing more than 19% of total Group sales. Ipsen's shares are traded on *Segment A* of Euronext Paris (stock code: IPN, ISIN code: FR0010259150). Ipsen's shares are eligible to the "Service de Règlement Différé" ("SRD") and the Group is part of the SBF 120 index. For more information on Ipsen, visit our website at www.ipsen.com.

Forward-looking statements

The forward-looking statements, objectives, perspectives and targets contained herein are based on the Group's management strategy, current views, and assumptions regarded as reasonable by the Group. These forward-looking statements depend on conditions or facts likely to happen in the future, and not exclusively on historical data. Such statements involve known and unknown risks and uncertainties that the Group may not be able to control or mitigate and that may cause actual results, performance or events to differ materially from those anticipated herein. Moreover, the perspectives, objectives or targets described in this document were prepared without taking into account external growth assumptions which may alter these parameters. The Group does not commit nor gives any guarantee that it will meet the targets mentioned above. Furthermore, the Research and Development process involves several stages each of which involve the substantial risk that the Group may fail to achieve its objectives and be forced to abandon its efforts with regards to a product in which it has invested significant sums. Therefore, the Group cannot be certain that favorable results obtained during pre-clinical trials will be confirmed subsequently during clinical trials, or that the results of clinical trials will be sufficient to demonstrate the safe and effective nature of the product concerned. The Group expressly disclaims any obligation or undertaking to update or revise any forward looking statements, targets or estimates contained in this press release to reflect any change in events, conditions, assumptions or circumstances on which any such statements are based, unless so required by applicable law. The Group's business is subject to the risk factors outlined in its registration documents filed with the French Autorité des Marchés Financiers.

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APPENDICES

RISK FACTORS

The Group carries out business in an environment which is undergoing rapid change and exposes its operations to a number of risks, some of which are outside its control. The risks and uncertainties set out below are not exhaustive and the reader is advised to refer to the Group's 2008 Registration Document available on its website (www.ipsen.com).

- The Group is dependent on the setting of prices for medicines and is vulnerable to the possible lowering of the reimbursement rate of certain of its products or to their possible withdrawal from the list of reimbursable products by public or private payers in the countries where it does business.
- The Group depends on third parties to develop and market some of its products, which generates substantial royalties for the Group, but these third parties could behave in ways which cause damage to the Group's business. The Group cannot be certain that its partners will fulfil their obligations and it might be unable to obtain any benefit from those agreements. A default by any of the Group's partners could result in some of the Group's products generating lower revenues than expected. Such situations could have a negative impact on the business of the Group, its financial situation or its results.
- Actual results may depart significantly from the objectives set by the management given that a new product can appear to be promising at a development stage or after clinical trials but never be launched on the market or be launched on the market but fail to sell notably for regulatory or competitive reasons.
- The Group's competitors could infringe its patents or circumvent them through design innovations. In order to prevent infringements, the Group could engage in patent litigation which is costly and time-consuming. It is difficult to monitor the unauthorised use of the Group's intellectual property rights and it could find itself unable to prevent the unlawful appropriation of its intellectual property rights.
- The Group must deal with or may have to deal with competition (i) from generic products in particular for some of the Group's products that do not benefit from any patent protection, such as Forlax® or Smecta® for example (ii) products which, although they are not strictly identical to the Group's products or which have not demonstrated their bioequivalence, may obtain a marketing authorisation for indications similar to those of the Group's products pursuant to the bibliographic reference regulatory procedure (well established medicinal use) before the patents protecting its products expire, in particular Tanakan® and (iii) products sold for unauthorised uses when the protection afforded by patent law to the Group's products and those of its competitors expires. To try to avoid such situations or reduce their impact, the Group could, where possible, bring legal actions against the counterfeiters in order to protect its rights. However, such a situation could result in the Group losing market share which could affect its current level of growth in sales or profitability.
- Third parties might claim the benefit of intellectual property rights in respect to the Group's inventions. The Group collaborates with various third parties (including universities and other public or private entities), and exchanges in this context information and data in various forms relating to the research, development, manufacture and marketing of its products with these third parties. Despite the precautions taken by the Group with regard to these third parties, in particular of a contractual nature, they (or certain of their members or affiliates) could claim ownership of intellectual property rights arising from the work carried out by their employees or any other intellectual property right relating to the Group's products or to compounds in developments.

MAJOR DEVELOPMENTS

During the fourth quarter 2009, major developments included:

- On December 17, 2009 - Ipsen announced that its partner Roche had disclosed headline results of the fourth and fifth of eight T-emerge phase III studies in patients with diabetes for taspoglutide, the first once weekly glucagon-like peptide-1 (GLP-1) analogue based on a human sequence. Taspoglutide originating from Ipsen's research is developed by Roche. T-emerge 5 (subcutaneous weekly taspoglutide versus daily insulin glargine as add-on to metformin in patients failing on metformin and sulfonylurea) and T-emerge 7 (subcutaneous weekly taspoglutide versus placebo as add-on to metformin in patients with high BMI) both met their respective primary endpoints of change in HbA1c.
- On December 14, 2009 - Ipsen announced the preliminary results of a phase I trial in metastatic breast cancer with BN83495, Ipsen's lead and first-in-class orally available irreversible steroid sulfatase (STS) inhibitor. In the course of the study, the optimal biological dose was determined as 40 mg once daily oral administration for future phase II trials in this indication.
- On December 2, 2009 - Ipsen announced that its partner Roche had disclosed the results of the second and third of eight T-emerge phase III studies in patients with diabetes for taspoglutide, the first human once weekly glucagon-like peptide-1 (GLP-1) analogue originating from Ipsen's research and developed by Roche. T-emerge 1 (subcutaneous weekly taspoglutide versus placebo in treatment-naïve patients) and T-emerge 4 (subcutaneous weekly taspoglutide versus sitagliptin versus placebo) both met their respective primary endpoints of change in HbA1c.
- On November 25, 2009 - Ipsen announced the initiation of an international, multi-center, controlled, randomized Phase II clinical trial to evaluate the safety and efficacy of BN83495, its investigational first-in-class steroid sulfatase (STS) inhibitor, in advanced endometrial cancer.
- On November 13, 2009 - Ipsen announced that the French regulatory authorities (Agence Française de Sécurité Sanitaire des Produits de Santé, AFSSAPS) had granted the marketing authorization to the 6-month sustained-release formulation of Decapeptyl® (triptorelin embonate[8] 22.5 mg) for the treatment of locally advanced and metastatic prostate cancer.

After the close of the period under review, major developments included:

- On January 21, 2010 – Ipsen and Inspiration Biopharmaceuticals, Inc. (Inspiration) announced that they had entered into a partnership to create a world leading hemophilia franchise. The partnership is designed to leverage combined expertise and resources to advance a broad portfolio of recombinant proteins, which address all major hemophilia disorders in a unique way by focusing on two significant unmet needs: wider access to treatment with coagulation factors and treatment for inhibitor complications. The two lead product candidates are scheduled to begin Phase III clinical testing in 2010 including Ipsen's recombinant porcine factor VIII, OBI-1 (for the treatment of patients with acquired hemophilia and hemophilia A who have developed an inhibitory immune reaction to human forms of factor VIII), and Inspiration's recombinant factor IX product, IB1001 (for the acute and preventative treatment of bleeding in patients with hemophilia B).

  This transaction closed on January 22, 2010.
- On February 4, 2010 – The Group and Debiopharm announce the launch by Ipsen in France of Decapeptyl® LP 22.5 mg 6-month sustained-release formulation for the treatment of locally advanced or metastatic hormone-dependent prostate cancer.

[8] triptorelin pamoate is similar to triptorelin embonate

COMPARISON OF CONSOLIDATED INCOME STATEMENT FOR 2009 AND 2008

	December 31, 2009		December 31, 2008(*)		Change 2009/2008
	(in thousand euros)	(as a % of sales)	(in thousand euros)	(as a % of sales)	
Sales	**1,032,807**	**100.0 %**	**971,022**	**100.0 %**	**6.4%**
Other revenues	79,576	7.7 %	67,090	6.9 %	*18.6%*
Total revenues	**1,112,383**	**107.7 %**	**1,038,112**	**106.9 %**	**7.2%**
Cost of goods sold	(237,807)	(23.0) %	(220,113)	(22.7) %	*8.0%*
Research and development expenses	(197,293)	(19.1)%	(182,843)	(18.8)%	*7.9%*
Selling, general and administrative expenses	(484,605)	(46.9) %	(440,781)	(45.4) %	*9.9%*
Other operating income and expenses	(9,683)	(0.9) %	(8,257)	(0.9) %	*17.3%*
Amortization of intangible assets (*)	(10,525)	(1.0) %	(4,321)	(0.4) %	*143.6%*
Restructuring costs	–	–	(2,620)	(0.3)%	na
Impairment losses	–	–	–	–	na
Operating profit	**172,470**	**16.7 %**	**179,177**	**18.5 %**	**(3.7)%**
***Restated operating profit*(1)**	***183,578***	***17.8 %***	***181,409***	***18.7 %***	***1.2%***
- Income from cash and cash equivalents	2,703	0.3 %	21,425	2.2 %	na
- Interest expense on gross debt	(4,399)	(0.4) %	(4,348)	(0.4) %	na
- Interest expense on net debt	**(1,696)**	**-0.2 %**	**17,077**	**1.8 %**	**(109.9)%**
Other interest income and expense	(3,468)	(0.3) %	(5,335)	(0.5) %	na
Income tax	(10,593)	(1.0) %	(32,832)	(3.4) %	(67.7)%
Share of loss from associated companies		–	(10,847)	(1.1) %	na
Net profit / loss from continuing operations	**156,713**	**15.2 %**	**147,240**	**15.2 %**	**6.4%**
Net profit / loss from discontinued operations	453	0.0 %	(172)	0.0 %	na
Consolidated profit	**157,166**	**15.2 %**	**147,068**	**15.1 %**	***6.9%***
- Equity holders of Ipsen S.A.	156,584	–	146,563	–	na
- Minority interests	582	–	505	–	na

(*)The information presented above as of December 31, 2008 has been restated to account for the purchase price accounting impacts related to the Group's acquisitions in North America.
(1)Restated operating profit corresponds to profit restated to account for the purchase price accounting impact related to the Group's transaction in North America (See commentary on operating profit).

▪ Group sales

Consolidated Group sales reached €1,032.8 million in 2009, up 6.4% year-on-year or up 6.8% excluding foreign exchange impact.

▪ Other revenues

Other revenues amounted to €79.6 million in 2009, up 18.6% compared with €67.1 million in 2008.

Other revenues break down as follows:

(in thousand euros)	December 31, 2009	December 31, 2008(*)	Change 2009/2008	
			in amount	%
Breakdown by type of revenue				
- Royalties received	41,216	20,168	21,048	104.4 %
- Milestone payments - licensing agreements	27,906	38,911	(11,005)	(28.3)%
- Other (co-promotion revenues, re-billings)	10,454	8,011	2,443	30.5 %
Total	**79,576,**	**67,090**	**12,486**	**18.6 %**

(*) The information presented above as of December 31, 2008 has been restated to account for the purchase price accounting impacts related to the Group's acquisitions in North America.

- **Royalties received** amounted to €41.2 million, an increase of €21.0 million over the prior year, of which €39.2 million was received following the settlement of litigation against Bayer for the Kogenate® license for the period from May 26, 2008 to June 30, 2009.

- **Milestones payment relating to licensing agreement** represent primarily recognition of payments received over the life of partnership agreements. As of the end of December 2009, these amounted to €27.9 million, primarily composed of income from the agreement with Medicis on Dysport®, and with Roche on taspoglutide (GLP-1 analogue), as in 2008. In addition, 2008 included the recognition of a non-recurring income of €18.8 million in connection with the divestment of Ginkor Fort®.

- **Other revenues** amounted to €10.5 million in 2009, up 30.5% year-on-year, primarily due to revenues received within the framework of a new co-promotion contract.

▪ Cost of goods sold

Cost of goods sold in 2009 amounted to €237.8 million representing 23.0% of sales or 22.8% after excluding charges related to the write-down of inventory to their fair value within the framework of the purchase price accounting impacts related to the Group's acquisitions in North America. The cost of goods ratio remained stable when compared with 22.7% in 2008, which did not include such charges.

That stability reflects improved productivity achieved by the Group as well as a favorable mix associated with the growth in specialist care products, which offset the unfavorable price trends and foreign exchange impacts in 2009. In addition, the Group recorded a provision for the write-down of inventory above that recorded in 2008 due to the risks on the expiry of part of the stock of one of its products.

▪ Research and development expenses

The table below provides a comparison of research and development expenses during 2009 and 2008.

(in thousand euros)	December 31, 2009	December 31, 2008(*)	Change 2009/2008	
			in amount	%
Breakdown by expense type				
- Drug-related research and development (1)	(166,848)	(163,083)	(3,765)	2.3 %
- Industrial development (2)	(25,904)	(15,987)	(9,917)	62.0 %
- Strategic development (3)	(4,541)	(3,773)	(768)	20.4 %
Total	**(197,293)**	**(182,843)**	**(14,450)**	**7.9 %**

(*) The information presented above as of December 31, 2008 has been restated to account for the purchase price accounting impacts related to the Group's acquisitions in North America.

(1) Drug-related research & development is aimed at identifying new agents, determining their biological characteristics and developing small-scale manufacturing processes. Pharmaceutical development is the process through which active agents become drugs approved by regulatory authorities and is also used to improve existing drugs and to search new therapeutic indications for them. Patent-related costs are included in this type of expense.
(2) Industrial development includes chemical, biotechnical and development-process research costs to industrialise small-scale production of agents developed by the research laboratories.
(3) Strategic development includes costs incurred for research into new product licences and establishing partnership agreements.

Research and development expenses reached €197.3 million in 2009, representing 19.1% of sales, up 7.9% compared with €182.8 million in 2008, representing 18.8% of sales.

- **Drug-related research and development expenses** only increased by 2.3% year-on-year due to the transfer to industrial development of expenses associated with the production of OBI-1's active ingredient. The main R&D projects conducted over the period focused on the clinical development programs for Somatuline® in Neuro Endocrine Tumor indication (NET), its potential follow-up BIM 23A760, Dysport®, the Sulfatase inhibitor BN-83495 and the pursuit clinical trials for Tanakan®. 2009 was also marked by the integration of the Research and development of Tercica Inc. within the Group's portfolio and most notably the co-administration of the growth hormone and Increlex®.
- **In the field of industrial development**, 2009 was marked by the transfer of OBI-1's expenses, as mentioned above. The significant increase compared to the prior year is mainly due to the preparation of batches necessary for OBI-1's phase III trials as well as to the integration of the industrial development functions of Tercica Inc. and to costs related to the transfer of the production of Increlex®. Expenses for industrial development in 2008 included costs related to FDA inspections carried out in connection with the filings of Dysport® and Somatuline® Depot in the United States.

▪ Selling, general and administrative expenses

The table below provides a comparison of selling, general and administrative expenses during 2009 and 2008:

(in thousand euros)	December 31, 2009	December 31, 2008(*)	Change 2009/2008	
			in amount	%
Breakdown by expense type				
Royalties paid	(41,749)	(38,339)	(3,410)	8.9 %
Taxes and sales tax	(8,388)	(9,631)	1,243	(12.9) %
Other sales and marketing expenses	(346,007)	(306,999)	(39,008)	12.7 %
Selling expenses	**(396,144)**	**(354,969)**	**(41,175)**	**11.6 %**
General and administrative expenses	**(88,461)**	**(85,812)**	**(2,649)**	**3.1 %**
Total	**(484,605)**	**(440,781)**	**(43,824)**	**9.9 %**

(*) The information presented above as of December 31, 2008 has been restated to account for the purchase price accounting impacts related to the Group's acquisitions in North America.

Selling, general and administrative expenses amounted to €484.6 million in 2009, representing 46.9% of sales, compared with €440.8 million a year earlier, representing 45.4% of sales. This sharp increase was mainly the result of launch efforts for Increlex®, Somatuline®, Apokyn® and Dysport® in North America.

- **Selling expenses** amounted to €396.1 million or 38.4% of sales, up 11.6% year-on-year, compared with €355.0 million or 36.6% of sales a year earlier.
  - *Royalties paid to third parties* on sales of products marketed by the Group during 2009 amounted to €41.7 millions, up 8.9% year-on-year due to the continued growth of the related products.
  - *Taxes and sales tax* recorded in the 2009 period stood at €8.4 million, down 12.9% year-on-year, due to the partial reversal in 2009 of provisions built in 2008 for a regulatory tax in France.
  - *Other sales and marketing expenses* (Group marketing and sales force expenses) amounted to €346.0 million during 2009 or 33.5% of sales compared to €307.0 million or 31.6% of sales in 2008. The increase was mainly the result of expenses incurred for the launch of Increlex®, Somatuline®, Apokyn® and Dysport® in North America. *Other sales and marketing expenses* outside of the United States increased slightly by 1.6% year-on-year, reflecting the efforts to improve productivity and the selective allocation of resources applied by the Group.
- **General and administrative expenses** represented €88.5 million in 2009 or 8.6% of sales up 3.1% year-on-year, compared with €85.8 million or 8.8% of sales a year earlier. Outside the United States, these expenses decreased slightly (0.4%), reflecting the Group's efforts to contain their growth.

▪ Other operating income and expenses

The *Other operating income and expenses* recorded by the Group in 2009 represented an expense of €9.7 million versus €8.3 million in 2008. That expense was mainly related to certain non-recurring costs associated with the integration of the North American subsidiaries, as well as expenses associated with premises which remained vacant. The *other operating income and expenses* in 2008 also included a non-recurring income of €1.7 million associated with the sale of land which was not used for the business.

▪ Amortization of intangible assets

This item concerns the amortization of intangible assets with the exception of software.

In 2009, the *amortization of intangible assets* represented an expense of €10.5 million, compared to an expense of €4.3 million euros in the prior year. The trend of this item can be explained mainly by the depreciation of a license recognized within the framework of the purchase price accounting impact related

to the Group's transactions in North America, which represented an expense of €8.8 million.

Restructuring costs

The Group did not perform any restructuring in 2009, while at the end of 2008 it reorganized its newly purchased North American operations and, in that framework, recorded restructuring costs of €2.6 million.

Impairment losses

The Group did not report any impairment in 2009 nor 2008.

Operating income

Based on above items, the operating profit reported for the 2009 period amounted to €172.5 million, representing 15.5% of total revenues or 16.7% of sales, compared to €179.2 million, representing 17.3% of total revenues or 18.5% of sales a year earlier.

Excluding the purchase price accounting impacts related to the Group's transactions in North America (€2.3 million in 2009 and €0.2 million in 2008 from the adjustment of inventory to its fair value, €8.8 million in 2009 and €2.1 million in 2008 related to the amortization of a license already recognized in Tercica Inc.'s financial statements), the Group's **adjusted operating income** amounted to €183.6 million in 2009, representing 17.8% of sales compared with €181.4 million or 18.7% of sales a year earlier.

Segment reporting: Operating profit by geographical region

Management information reviewed by the Executive Committee is generated based upon the management organization of the regions in which the Group operates. Because of that, operating segments as defined by IFRS 8 correspond to the grouping of related countries.

The application of IFRS 8 has led the Group to create a separate new segment entitled "North America" following its North American acquisitions in 2008, and therefore has little effect on the information reported in the consolidated financial statements as of December 31, 2008 and 2009.

The operating segments existing as of December 31, 2009 are as follows:

- "Main Western European countries", which combines France, Italy, Spain, United Kingdom and Germany;
- "Other European countries", which combines all of the other countries in Western Europe and those of Eastern Europe;
- "North America", which includes essentially the United States and Canada;
- "Rest of the world", which includes the other countries not included in the three preceding segments.

The table below provides an analysis of sales, revenues and operating profit by operating segment:

	December 31, 2009		December 31, 2008		Change 2009/2008	
	(in thousand euros)	(as a % of sales)	(in thousand euros)	(as a % of sales)	(in thousand euros)	%
Major Western European counties						
Sales	554,653	100.0%	559,513	100.0%	(4,860)	(0.9)%
Revenues	573,266	103.4%	588,002	105.1%	(14,736)	(2.5)%
Operating profit	221,718	40.0%	229,449	41.0%	(7,731)	(3.4)%
Other European countries						
Sales	234,280	100.0%	236,238	100.0%	(1,957)	-0.8%
Revenues	236,261	100.8%	236,343	100.0%	(82)	0.0%
Operating profit	92,419	39.4%	94,453	40.0%	(2,035)	(2.2)%
North America						
Sales	45,678	100.0%	11,220	100.0%	34,458	307.1%
Revenues	56,974	124.7%	14,224	126.8%	42,750	300.5%
Operating profit	(18,953)	(41.5)%	(21,566)	(192.2)%	2,613	(12.1)%
Rest of the world						
Sales	198,196	100.0%	164,052	100.0%	34,144	20.8%
Revenues	198,718	100.3%	164,052	100.0%	34,667	21.1%
Operating profit	72,637	36.6%	56,672	34.5%	15,966	28.2%
Total allocated						
Sales	1,032,807	100.0%	971,022	100.0%	61,785	6.4%
Revenues	1,065,219	103.1%	1,002,620	103.3%	62,599	6.2%
Operating profit	367,821	35.6%	359,008	37.0%	8,813	2.5%
Total unallocated						
Revenues	47,164	4.2%	35,492	3.4%	11,672	32.9%
Operating profit	(195,351)	(113.3)%	(179,831)	(100.4)%	(15,520)	8.6%
Total Ipsen						
Sales	1,032,807	100.0%	971,022	100.0%	61,785	6.4%
Revenues	1,112,383	107.7%	1,038,112	106.9%	74,271	7.2%
Operating profit	172,470	16.7%	179,177	18.5%	(6,707)	(3.7)%

- **In the major Western European countries**, sales in 2009 amounted to €554.7 million, a slight decrease of 0.9% year-on-year. The significant sales growth of specialist care products in Italy, Germany and the United Kingdom was offset by a tougher competitive environment in France, especially for primary care products. Revenues decreased by 2.5% versus 2008, mainly resulting from the recognition in 2008 of a non-recurring item of €18.8 million stemming from the divestment of Ginkor Fort®. Therefore, operating profit for 2009 reached €221.7 million, down 3.4% year-on-year, representing 40.0% of sales compared with 41.0% a year earlier.
- **In the other European countries** (other countries within Western Europe as well as Eastern Europe),

sales for 2009 decreased slightly by 0.8% compared to the prior year, penalized by the difficult economic conditions affecting Eastern Europe, especially Ukraine and Romania. As a consequence, selling and administrative expenses in this region were adjusted, thereby limiting the year-on-year decrease in operating profit. Operating profit in the region amounted to €92.4 million in 2009 versus €94.5 million a year earlier, representing 39.4% and 40.0% of sales, respectively.

- **In North America**, sales reached €45.7 million in 2009 versus €11.2 million a year earlier, reflecting growth above and beyond that resulting from the full consolidation of Tercica Inc. and Vernalis Inc, acquired in 2008. Total revenues in 2009 also benefited from the partnership with Medicis for the commercialization of Dysport® in aesthetic indications. Given the marketing efforts associated with the launch of four products sold by the Group in this region, operating profit for the 2009 period amounted to €(19.0) million, versus €(21.6) million in 2008, respectively (41.5%) and (192.2%) of sales.
- **In the rest of the world**, where the Group markets most of its products through agents and distributors, with the exception of a few countries where it has a direct presence, sales were sustained and reached €198.2 million, up a strong 20.8% year-on-year. Operating profit in 2009 increased even more, up 28.2% year-on-year, to reach €72.6 million, representing 36.6% of sales compared with 34.5% a year earlier.
- **Non-allocated operating loss** amounted to €(195.4) million in 2009 versus €(179.8) million in 2008. Other revenues from non-allocated activities amounted to €47.2 million, compared to €35.5 million recorded in 2008. These revenues were mostly due to the settlement of a litigation against Bayer for the Kogenate® license for the period from May 2008 to June 2009. In addition, in 2008, revenues associated with the partnerships with Galderma and Medicis were not allocated to a geographic region while now, given the marketing authorizations for Azzalure® and Dysport®, these revenues are recorded in the "Other European countries" and "North America" regions respectively.

Costs of net financial debt and other financial income and expenses

The *cost of net financial debt* amounted to €(1.7) million in 2009 mainly resulting from the interest paid on the syndicated credit lines the Group put in place in June 2008 and reimbursed in April 2009, partly offset by the Group's financial income on its cash. In 2008, the Group received €10.9 million from investment products and recorded income of €9.6 million, stemming from the accelerated recognition of interest on Tercica Inc. convertible bonds since the bonds were converted into shares before maturity.

The *other financial income and expenses* represented an expense of €3.5 million for 2009 compared to an expense of €5.2 million a year earlier, of which €5.8 million were related to the fair value adjustments of the derivative instruments put in place in the framework of the Group's transactions in North America.

Income tax

At December 31, 2009, the *effective tax rate* amounted to 6.3% of profit from continuing activities before tax excluding the share of loss from associates compared to an effective tax rate of 17.2% at December 31, 2008. The Group recorded tax credits or other fiscal mechanisms in 2009 which favor research and development in France, the United Kingdom, Ireland, Spain and the United States, an increase compared to 2008. In addition, the favorable outcome of discussions with tax authorities in France following a tax audit permitted the reversal of provisions recorded in 2008. Finally, in 2009, the Group was relieved of a previous tax dispute, also in France. These items, together with a taxable income reflecting notably the operating losses made in the US, mostly explain the strong decrease in the Group's effective tax rate. Adjusting for non-recurring items recorded in 2009, the Group's *effective recurring tax rate* stood at 12.9% in 2009, compared to 18.9% in 2008.

Share of profit / loss from associated companies

The Group no longer records the share of profit / loss in associates following the takeover of Tercica Inc. in October 2008, now fully consolidated in the Group's accounts. This item represented a charge of €10.8 million in 2008, which corresponded to the first nine months of results for the company, the last quarter being fully consolidated in the Group's accounts.

▪ Profit / loss from continuing operations

Due to the above components, profit / loss from continuing operations in 2009 amounted to €156.7 million (or 15.2% of sales), compared to €147.2 million (or 15.2% of sales) in the prior year.

▪ Profit / loss from discontinued operations

Profit/ loss from discontinued operations represented income of €0.5 million in 2009, versus €(0.2) million a year earlier.

▪ Consolidated net profit

Due to the above items, consolidated net profit for 2009 amounted to €157.2 million (share attributable to shareholders of Ipsen S.A.: €156.6 million) up 6.9% year-on-year, compared with €147.1 million in 2008 (share attributable to shareholders of Ipsen S.A: €146.6 million). The consolidated results expressed as a percentage of total revenues represented 14.1% in 2009, compared to 14.2% in 2008.

▪ Net profit per share

At December 31, 2009, net profit per share (portion attributable to shareholders of Ipsen S. A.) amounted to €1.86, up 6.3% year-on-year, compared with €1.75 a year earlier.

On a diluted basis, net profit per share amounted to €1.86, up 6.9% year-on-year, compared with €1.74 a year earlier.

▪ Milestones received in cash but not yet recognized as revenues

At December 31, 2009, the total of milestones received in cash by the Group and not yet recognized as revenues in its consolidated income statement increased significantly and reached €230.3 million, versus 165.7 million euros at the end of 2008. That increase was mainly due to the recording of deferred revenues associated with partnerships with Medicis (US$75.0 million), Galderma (€20.0 million) and Menarini (€20.0 million).

Those revenues will be recognized in the Group's future income statements as follows:

(in million euros)	**Milestones received in cash but not yet recognized in the periods ending:**	
	December 31, 2009	**December 31, 2008**
Total	**230.3***	**165.7***
These will be recognized as revenues over time as follows:		
In the year N+1	26.4	19.5
In the years N+2 and beyond	203.9	146.2

* Amounts converted at average annual exchange rates as of December 31, 2009 and 2008 respectively.

CASH FLOW AND CAPITAL

The consolidated cash flow statement shows that the Group's operating activities generated a net cash flow of €257.6 million in 2009, a strong increase compared to €203.7 million in 2008. At 31 December 2009, the Group's net cash position stood at €185.6 million compared with €66.2 million as at December 31, 2008.

ANALYSIS OF THE CASH FLOW STATEMENT

(in thousand euros)	December 31, 2009	December 31, 2008(*)
– Cash generated from operating activities before changes in working capital requirements	192,741	196,291
– (Increases) / Decreases in working capital requirements for operations	64,882	7,388
Net cash flow from operating activities	**257,623**	**203,679**
– Net investments in tangible and intangible assets	(63,334)	(67,937)
– Impact of changes in consolidation scope	-	(214,939)
– Other cash flow from investments	(8,002)	(2,610)
Net cash flow from investing activities	**(71,336)**	**(285,486)**
Net cash flow from financing activities	**(214,768)**	**78,957**
Net cash flow from discontinued operations	**(1,010)**	**732**
Changes in cash and cash equivalents	**(29,491)**	**(2,118)**
Opening cash and cash equivalents	**237,325**	**240,907**
Impact of foreign exchange rates fluctuations	(2,433)	(1,464)
Closing cash and cash equivalents	**205,401**	**237,325**

(*)The information presented above as of December 31, 2008 has been restated to account for the purchase price accounting impacts related to the Group's acquisitions in North America.

▪ Net cash flow from operating activities

During 2009, net cash flow from operating activities before changes in working capital requirements amounted to €192.7 million, compared to €196.3 million for the prior period.

Working capital requirements for operating activities decreased in 2009 by €64.9 million after having decreased by €7.4 million over the same period in 2008. That trend is associated with the following:

- *Inventories* decreased during the 2009 period by €12.2 million as compared to an increase of €12.4 million in 2008, reflecting the reduction in 2009 of some consignment stocks put in place in 2008, as well as the use of a portion of inventory built in the United States prior to the Group's North American acquisitions within the framework of certain production transfers.
- *Accounts receivable* increased by only €3.5 million in 2009 due especially to a reduction in the delays of payments by public hospitals in certain Western European countries and thanks to the active management of the payment delays, especially in international markets.
- *Accounts payable* increased by €18.4 million in 2009 during a period of business expansion, compared to an increase of €1.2 million in 2008.
- The balance of *other assets and liabilities* amounted to a debt which increased by €76.3 million in 2009 as compared to a debt increasing by €24.1 million in 2008. In 2009, the Group recorded €95.4 million of deferred revenues, notably within the framework of its partnerships with Medicis, Galderma and Menarini. These movements were partially offset by the recognition in the income statement of €21.4

million of deferred revenues and, to a lesser degree, by the trend in *other receivables and liabilities*.

- *Tax liabilities* decreased by €38.5 million and consisted mainly in time differences between the recognition of tax liabilities and their payment.

Net cash flow from investing activities

As of December 31, 2009, cash flow from investment activities represented a net use of €71.3 million compared to a net use of €285.5 million in 2008. It included:

- *Investments in tangible and intangible assets net of disposals* amounting to €63.3 million in 2009 versus €67.9 million in 2008.
  - As of December 31, 2009, *investments in tangible assets* represented €40.3 million and consisted mainly of investments necessary for the maintenance of the Group's production equipment as well as investments in capacity especially within the new secondary production unit of Dysport® at the Wrexham site.
  - During the 2009 period, *investments in intangible assets* amounted to €24.7 million, mainly related to the partnership activities of the Group, as well as investments in the renewal of certain IT systems.
  - As of December 31, 2009, *gains on disposals of tangible and intangible assets* amounted to €1.7 million.
- An investment in *financial assets* of €9.2 million for the first payments made by the Group related to the transaction with Inspiration Biopharmaceuticals Inc., as well as for the Group's subscription of certain financial instruments within the framework of one of its partnerships.
- An increase in *working capital requirements* as of December 31, 2009 related to investment transactions representing €4.4 million as compared to a decrease of €5.1 million as the end of December 2008. In 2008, the Group recorded a net receivable related to the divestment of Ginkor Fort©. That receivable was paid in 2009.
- *Other investing activities* amounted to an outflow of €3.2 million and mainly included payments to pension plans.

Net cash flow from financing activities

As of December 31, 2009, the *net cash flow from financing activities* represented an outflow of €214.8 million compared to an inflow of €79.0 million in 2008, mainly reflecting the full repayment during 2009 of €150.0 million on the syndicated loan arranged in June 2008 made against a credit line drawn at the end of 2008, as well as the payment of €58.0 million of dividends to shareholders (compared with €55.0 million paid in 2008). In addition, the Group spent €5.1 million for the repurchase of its own shares after having spent €9.3 million to that effect in 2008.

Net cash flow from discontinued operations

As of December 31, 2009, *cash generated from discontinued operations* amounted to €(1.0) million.

ANALYSIS OF THE GROUP'S NET CASH [(1)]

(in thousand euros)	December 31, 2009	December 31, 2008
Cash in hand	40,256	26,839
Short-term investments	177,730	211,144
Interest-bearing deposits	598	1,601
Cash and cash equivalents	**218,584**	**239,584**
Bank overdrafts liabilities	(13,183)	(2,259)
Closing net cash and cash equivalents	**205,401**	**237,325**
Non-current liabilities		
Long-term debt	-	148,941
Other financial liabilities	12,190	13,803
Current liabilities		
Short-term debt	4,000	4,000
Financial liabilities	4,189	4,346
Debt	**20,379**	**171,090**
Derivative instruments	(566)	(11)
Net cash[(1)]	**185,588**	**66,246**

[(1)] Net cash: Cash and cash equivalents and securities held for sale after deduction of bank overdrafts, short-term bank borrowings, other financial liabilities plus or minus derivative financial instruments.

As of December 31, 2009, the Group's net cash amounted to €185.6 million, compared to net cash of €66.2 million as of December 31, 2008.

In June 2008, Ipsen S.A. a signed a loan agreement for a credit facility with a banking syndicate for a total of €300.0 million over a five year period.

In June 2008, Ipsen S.A. signed for a 5-year credit facility totaling €300.0 million with a banking syndicate. This multicurrency, multilender facility requires Ipsen S.A.'s guarantee for use by some of its subsidiaries. It was used to fund the Group's acquisitions in the United States and the business's general financial needs. At the borrower's initiative, this credit line is available for withdrawal on a short-term basis for periods of 1 to 12 months so it can be best adapted to cash flow needs. The total withdrawal must always be lower than the credit facility maximum which diminishes over time as follows:

- 4 June 2009 €262.5 million
- 4 June 2010 €225.0 million
- 4 June 2011 €187.5 million
- 4 June 2012 €150.0 million
- 4 June 2013 -

In addition to the customary contractual clauses, the loan agreement requires the Group to comply with various financial covenants on a consolidated basis on each reporting date. The covenants include a maximum ratio of net debt to equity and a maximum ratio of net debt to EBITDA. The maximum ratios are as follows:

- Net debt to equity: 1
- Net debt to EBITDA: 3

If the Group defaults, the banking syndicate may demand early repayment of the loan agreement.

As of December 31, 2009, the Group had a positive net cash position and as a result, the Net Debt to Equity and Net Debt to EBITDA ratios were non-relevant and the line of credit had not been utilized.