Press release

Ipsen's 2010 results and 2011 sales objectives

- **Constant currency drug sales[1] growth of 5.1% and of 11.0% for Specialty Care**
- **Non-recurring and non cash impairments and depreciations of €80.3 million after tax**
- **Non-recurring after tax profit of €41.2 million relating to the return of taspoglutide's rights**
- **Reported operating profit of €128.8 million, down 25.3% - Recurring adjusted[2] operating profit of €183.2 million, up 26.8%**
- **Fully diluted EPS of €1.13, down 39.2% - Recurring adjusted[2] diluted EPS of €1.64, up 2.5%**
- **Net cash flow of €253.9 million generated by operating activities in 2010**
- **Proposed dividend of €0.80 per share, up 6.7%**

Paris (France), 2 March 2011 – The Board of Directors of Ipsen (Euronext : IPN ; ADR : IPSEY), chaired by Marc de Garidel, met on 1 March 2011 to review the Group's results for 2010, published today. The annual financial report, with regards to the regulated information, will be available on the Group's website, www.ipsen.com, Investor Relations section.

Extract from audited consolidated results for 2009 and 2010 (in million euros)

	2010	***2009***	***% change***
Drug sales	1 068.3	1 002.6	+6.5%
Sales	1 100.2	1 032.8	+6.5%
Total revenues	1 170.3	1 112.4	+5.2%
Operating profit	128.8	172.5	(25.3%)
Operating margin[3]	*11.7%*	*16.7%*	-
Recurring adjusted[2] operating profit	**183.2**	**144.4**	**+26.8%**
Recurring adjusted[2] operating margin[3]	*16.6%*	*14.0%*	-
Consolidated profit[4]	**95.3**	**156.6**	**(39.1%)**
Earnings per share – fully diluted (€)	1.13	1.86	(39.2%)
Recurring adjusted[2] EPS – fully diluted (€)	**1.64**	**1.60**	**+2.5%**
Weighted average number of shares:			
Outstanding	*84 379 443*	*84 303 607*	+0.1%
Fully diluted	*84 379 443*	*84 329 880*	+0.1%

[1] 2009 sales figures have been restated with 2010 average exchange rate.
[2] « Recurring adjusted »: Reconciliations between results and recurring adjusted results for 2010 and 2009 are detailed in appendix 4.
[3] In percentage of sales
[4] Attributable to Ipsen SA shareholders

Commenting on the 2010 performance, **Marc de Garidel, Chairman and Chief Executive Officer of Ipsen**, said: « *Results for the year 2010 highlight Ipsen's strategy: strong growth of Specialty Care products, a historical presence in the very dynamic emerging countries, an important contribution from partnerships to the Group's growth and profitability, as well as sustained investment in Research and Development. These results also underline the challenges that the Group is confronted to: further price pressure, notably in Primary Care, attrition of some of our R&D projects, break-even still to be reached in North America. Furthermore, several one-off events weighted on Ipsen's profitability in 2010. Nevertheless, on a recurring and adjusted basis, all 2010 financial objectives have been met.*»

Comparison between the Group's 2010 performance and its financial objectives

	Financial objectives	***2010 actuals***
Drug sales growth at constant currency[5]	3.0 to 5.0%	5.1%
Other revenues	Close to €50 million[6]	€55.1million[6]
Recurring adjusted Operating Income	15.0% growth[7]	+26.8%
Recurring adjusted Earnings per share	Stable[8] year-on-year	€1.64 up 2.5% year on year

Review of full year 2010 results

In 2010, Group drug sales grew 5.1% year-on-year – at constant currency – exceeding the objective set a year ago of 3.0% to 5.0%, fuelled notably by the sales of Specialty Care products throughout all the geographical regions where the Group operates.

Consolidated Group sales reached €1,100.2 million for the full year 2010, up 5.0% year-on-year excluding foreign exchange impact.

Other revenues reached €70.1 million in 2010, down 11.9% year-on-year. In 2009, the Group recorded a non-recurring amount of €39.2 million relating to the favourable settlement of a dispute. In 2010, other revenues included industrial development expenses on OBI-1 of €15.0 million that the Group invoiced to Inspiration Biopharmaceuticals Inc.. Excluding these non-recurring items in both 2009 and 2010, other revenues increased by 36.3% year-on-year.

Total revenues amounted to €1,170.3 million, up 5.2% compared with 2009.

Cost of goods sold amounted to €236.2 million, or 21.5% of sales, compared to 23.0% a year ago. The strong improvement of the COGS to sale ratio reflected both the Group's productivity efforts and the favourable mix associated with the growth in specialist care products.

Research and Development expenses reached €221.1 million in 2010, or 20.1% of sales, compared to 19.1% the previous year. Excluding the OBI-1 industrial development expenses which were entirely billed to Inspiration Biopharmaceuticals Inc., R&D expenses represented 18.8% of sales, up 1.8% year-on-year excluding foreign exchange impacts. In 2010, the main R&D projects included the clinical development of Somatuline® in neuroendocrine tumours (NET), the *Post Marketing Approval* studies requested by the FDA on Dysport®, the phase II clinical study for the sulfatase inhibitor, Irosustat® (BN-83495), and the analysis of the GuidAge® clinical trial results for Tanakan®. Furthermore, during this period, the Group recorded costs relating to the discontinuation of the BIM23A760 phase II clinical trial program in acromegaly.

[5] 2009 sales figures have been restated with 2010 average exchange rates

[6] Excluding Group's rebilled expenses for the industrial development of OBI-1 as anticipated in the agreements signed with Inspiration Biopharmaceuticals Inc.

[7] Versus a recurring adjusted operating income of €144.4 million in 2009

[8] Recurring adjusted earnings per share of €1.60 in 2009

Selling, general and administrative expenses represented €521.1 million in 2010, or 47.4% of sales, up 7.5% year-on-year. The Group rigorously implemented its marketing strategy, with the launches of its botulinum toxin type A in therapeutic use in the United States and aesthetic use both in the United States and in Europe, as well as the launch of the Decapeptyl® 6-month formulation in Europe and Adenuric® in France. The selling expenses increased by 4.5% year on year excluding foreign exchange impacts, reflecting the Group's selective allocation policy to growth geographies such as China and Russia, in the context of declining French Primary care sales. Moreover, the Group wrote-down some receivables, mainly from public hospitals, particularly in Southern Europe (Greece, Spain, Portugal and Italy).

Reported operating income in 2010 amounted to €128.8 million, or 11.7% of sales, compared to €172.5 million, or 16.7% of sales, for the same period in 2009.

The 2010 reported operating income was notably affected by:

- A non recurring profit of €48.7 million relating to the accelerated recognition of the deferred revenues following the return of the rights for taspoglutide announced by Roche on 2 February 2011.
- A set of impairment charges, partially offset by a provision write-back, for a non-recurring net amount of €88.8 million. These impairments stemmed from: reduced forecast assumptions on the development and commercial prospects of IGF-1, depreciation of milestones relating to the agreement between the Group and GTx in oncology and to recent uncertainties in some neurology partnership development timelines.

Excluding purchase price allocation impacts and non-recurring elements relating to the return of taspoglutide's rights and to the impairment charges, the Group's **recurring adjusted operating income**[9] amounted to €183.2 million in 2010, or 16.6% of sales, up 26.8% year on year, above the 15% growth target set a year ago.

The **effective tax rate** amounted to 13.5% of result of continued activities before tax excluding the share of loss from associates, compared to an effective tax rate of 6.3% in 2009 when the Group had benefited from a tax relief relating to the favourable settlement of a previous tax dispute. Excluding non-recurring operational, financial and fiscal items, the Group's effective tax rate amounted to 17.2% in 2010, compared to 11.1% in 2009.

In 2010, the Group recorded a **share of loss from associated companies** of €(12.8) million representing its share in Inspiration Biopharmaceuticals Inc.'s net loss consolidated since January 2010, and a non-recurring net loss of €5.9 million further to the depreciation of an underlying asset, resulting from an increase in the discount rate of its future cash flows. In 2009, the Group did not record any share of loss from associated companies.

Consolidated net profit amounted to €95.7 million in 2010 (attributable to the shareholders of Ipsen S.A.: €95.3 million), down 39.1% compared to €157.2 million (attributable to the shareholders of Ipsen S.A.: €156.6 million) in 2009. The fully diluted earnings per share amounted to €1.13, down 39.2% from €1.86 in 2009.

The 2010 consolidated net income was strongly and notably impacted by:

- The net impacts of the non-recurring items that affected the Group's operating income, as described above;
- The non-recurring depreciation of €15.2 million related mainly to the reduction of the book value of

[9] « Recurring adjusted »: Reconciliations between operating results and recurring adjusted operating results as of 31 December 2010 and 2009 are detailed in appendix 4.

some deferred tax assets considering their local statute of limitations and further to new development and commercialisation sales prospects of IGF-I;

- a €5.9 million non recurring net loss from associates related to an increase in the discount rate of Inspiration Biopharmaceuticals Inc. future cash flows.

Excluding the impacts of the purchase price allocation on the Group's acquisitions and the non-recurring elements mentioned above, **the recurring adjusted[10] fully diluted EPS** amounted to €1.64 as of 31 December 2010, up 2.5% compared to €1.60 a year ago.

Net cash generated by operating activities amounted to €253.9 million in 2010, nearly stable year-on-year. At 31 December 2010, the **net cash position[11]** stood at €156.0 million after its subscription of newly issued shares and bonds of Inspiration Biopharmaceuticals Inc. during the year, compared to €185.6 million a year ago.

Total milestones received in cash by the Group but not yet recognized as revenues in its consolidated income statement amounted to €215.9 million at 31 December 2010, compared to €230.3 million a year earlier.

Dividend for the 2010 financial year proposed for the approval of Ipsen's shareholders assembly

Ipsen's Board of Directors, which gathered on 1 March 2011, has decided to propose at Ipsen's annual shareholders' meeting to be held on May 27, 2011, the payment of a dividend of €0.80 per share, up 6.7% year-on-year and representing a pay-out ratio of around 71% (attributable to the Group's shareholders) of consolidated net profit and of around 49%(attributable to the Group's shareholders) of recurring adjusted consolidated net profit..

Financial objectives for 2011

Ipsen confirms its global biopharmaceutical profile, driven by dynamic Specialty care sales.

Commenting on the Group's perspectives, **Marc de Garidel** added: *« Ipsen's development and growth rely on particularly solid fundamentals. Ipsen will thus continue to leverage its talented and motivated teams, its international commercial presence, its innovative and differentiated R&D platforms, and its drug portfolio combining products with high sales potential, products which are well established on their markets and innovative therapeutic solutions in late stage clinical trials. Looking forward, Ipsen is currently conducting a thorough strategic review of its assets to identify the growth drivers that will enable the Group to maximize its full potential."*

As a result and on the basis of currently available information, the Group has set for itself the following objectives for 2011:

- **Specialty Care** drug sales growth close to 8.0% year-on-year
- **Primary Care** drug sales decrease of 8.0% to 10.0% year-on-year, notably pending the evolution in France.

The above objectives are set excluding any foreign exchange impacts.

[10] « Recurring adjusted »: Reconciliations between operating results and recurring adjusted operating results as of 31 December 2010 and 2009 are detailed in appendix 4

[11] Net cash and cash equivalents : 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.

Press conference (in French)

Ipsen will host a press conference on Wednesday 2 March 2011 at 9:00 a.m. (Paris time, GMT + 1) at its headquarters in Boulogne-Billancourt (France).

Meeting, webcast and Conference Call (in English) for the financial community

Ipsen will host an analyst meeting on Wednesday 2 March 2011 at 2:00 p.m. (Paris time, GMT+1) at its headquarters in Boulogne-Billancourt (France). A web conference (audio and video webcast) and conference call will take place simultaneously. The first one will be available at www.ipsen.com for 3 months. Participants in the conference call should dial in approximately 5 to 10 minutes prior to its start. No reservation is required to participate. The conference ID is 888418. Phone numbers to call in order to connect to the conference are: from France and continental Europe +33 (0)1 70 99 32 08, from UK +44 (0) 207 162 0077 and from the United States +1 334 323 6201. No access code is required. A recording will be available shortly after the call. Phone numbers to access the replay of the conference are: from France and continental Europe +33 (0)1 70 99 35 29, from UK +44 (0) 207 031 4064 and from the United States +1 954 334 0342 and access code is 888418. This replay will be available for one week following the meeting.

About Ipsen

Ipsen is a global biopharmaceutical group, with sales exceeding 1.1 billion euros in 2010. The Group has total worldwide staff of more than 4,400 employees, of which more than 900 contribute to the discovery and development of innovative drugs for patient care. Ipsen's development strategy is based on fast growing specialty care drugs in oncology, endocrinology, neurology and hematology and on primary care drugs. This strategy is supported by an active policy of partnerships. Ipsen's research & development (R&D) centers and its peptide & protein engineering platform give the Group a strong competitive edge. In 2010, R&D expenditure totaled more than €220 million, above 20% of Group sales. Ipsen's shares are traded on segment A of Euronext Paris (stock code: IPN, ISIN code: FR0010259150) and eligible to the "Service de Règlement Différé" ("SRD"). The Group is part of the SBF 120 index. Ipsen has implemented a Sponsored Level I American Depositary Receipt (ADR) program, which trade on the over-the-counter market in the United States under the symbol IPSEY. For more information on Ipsen, visit our website at www.ipsen.com.

Forward Looking Statement

The forward-looking statements, objectives and targets contained herein are based on the Group's management strategy, current views and assumptions. Such statements involve known and unknown risks and uncertainties that may cause actual results, performance or events to differ materially from those anticipated herein. Moreover, the targets described in this document were prepared without taking into account external growth assumptions and potential future acquisitions, which may alter these parameters. These objectives are based on data and assumptions regarded as reasonable by the Group. These targets depend on conditions or facts likely to happen in the future, and not exclusively on historical data. Notably, future currency fluctuations may negatively impact the profitability of the Group and its ability to reach its objectives. Actual results may depart significantly from these targets given the occurrence of certain risks and uncertainties. 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 also depends on third parties to develop and market some of its products which could potentially generate substantial royalties; these partners could behave in such ways which could cause damage to the Group's activities and financial results. 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 operates 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 2009 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 reduction of prices of certain of its products by public or private payers or to their possible withdrawal from the list of reimbursable products by the relevant regulatory authorities in the countries where it does business. In general terms, the Group is faced with uncertainty in relation to the prices set for all its products, in so far as medication prices have come under severe pressure over the last few years as a result of various factors, including the tendency for governments and private payers to reduce prices or reimbursement rates for certain drugs marketed by the Group in the countries in which it operates, or even to remove those drugs from lists of reimbursable drugs. For example, the reimbursement rate of Ginkor Fort® in France was lowered from 35% to 15%. The product was finally withdrawn from the list of reimbursable drugs on 1 January 2008. At the same time, Ipsen sold its Ginkor Fort® marketing licences for France, Monaco and Andorra to the GTF Group with effect from 1 January 2008. Ginkor Fort® generated sales of €9.6 million in France in 2010, while in France in 2007, Ginko Fort® generated €34.1 million. The reimbursement rate for drugs with a low or insufficient therapeutic value *(Service Médical Rendu Faible ou Insuffisant)*, including Tanakan® was lowered to 15% on 1 April 2010. Additionally, on January 15th 2011, the French Health Minister announced a set of new rules on drugs with an insufficient therapeutic value *(Service Médical Rendu Insuffisant)* that include Tanakan®: "In the absence of specific notice from the Health Minister, the social security will no longer reimburse this class of drugs".
- The Group depends on third parties to develop and market some of its products which generates or may generate 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 fulfill their obligations. It might be unable to obtain any benefit from those agreements. A default by any of the Group's partners could generate lower revenues than expected. Such situations could have a negative impact on the Group's business, financial position or performance.
- 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 Research and Development process typically lasts between eight and twelve years from the date of a discovery to a product being brought to market. This process involves several stages; at each stage, there is a substantial risk that the Group could fail to achieve its objectives and be forced to abandon its efforts in respect of products in which it has invested significant amounts. Thus, in order to develop viable products from a commercial point of view, the Group must demonstrate, by means of pre-clinical and clinical trials, that the molecules in question are effective and are not harmful to humans. The Group cannot be certain that favourable results obtained during pre-clinical trials will subsequently be confirmed during clinical trials, or that the results of clinical trials will be sufficient to demonstrate the safety and efficacy of the product in question such that the required marketing approvals can be obtained.
- The Group must deal with or may have to deal with competition (i) from generic products, particularly in relation to Group products which are not protected by patents, for example, Forlax® or Smecta® (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. Such a situation could result to 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 provides the third parties with which it collaborates (including universities and other public or private entities) with information and data in various forms relating to the research, development,

manufacturing and marketing of its products. Despite the precautions taken by the Group with regard to these entities, in particular of a contractual nature, they (or certain of their members or affiliates) could claim ownership of intellectual property rights arising from the trials carried out by their employees or any other intellectual property right relating to the Group's products or molecules in development.

- The Group's strategy includes acquiring companies or assets which may enable or facilitate access to new markets, research projects or geographical regions or enable it to realise synergies with its existing businesses. Should the growth prospects or earnings potential of such assets as well as valuation assumptions change materially from initial assumptions, the Group might be under the obligation to adjust the values of these assets in its balance sheet, thereby negatively impacting its results and financial situation.
- The marketing of certain products by the Group has been and could be affected by supply shortages and other disruptions. Such difficulties may be of both a regulatory nature (the need to correct certain technical problems in order to bring production sites into compliance with applicable regulations) and a technical nature (difficulties in obtaining supplies of satisfactory quality or difficulties in manufacturing active ingredients or drugs complying with their technical specifications on a sufficiently reliable and uniform basis). This situation may result in inventory shortages and/or in a significant reduction in the sales of one or more products.
- In certain countries exposed to significant public deficits, and where it sells its drugs directly to public hospitals, the Group could experience discount or lengthened payment terms or difficulties in recovering its receivables in full. In Greece notably, which represented in 2010 approximately 1.5% of its consolidated sales, and where payment terms from public hospitals are particularly long, the Group is closely monitoring the current situation. More generally, the Group may also be unable to purchase sufficient credit insurance to protect itself adequately against the risk of payment default from certain customers worldwide. Such situations could negatively impact the Group's activities, financial situation and results.
- In the normal course of business, the Group is or may be involved in legal or administrative proceedings. Financial claims are or may be brought against the Group in connection with some of these proceedings.

MAJOR DEVELOPMENTS

During the fourth quarter of 2010, major developments included:

- On October 11, 2010 – Ipsen announced that it had sold its shares in PregLem Holding SA to Gedeon Richter Plc, as had all PregLem's other shareholders. In June 2007, the Group spun off to PregLem, then a newly-formed, privately held Swiss biopharmaceutical company, a sulfatase inhibitor and a somatostatin analogue (PGL1001and PGL2001, respectively), patents and know-how for use in the field of human reproductive medicine. In parallel, Ipsen subscribed to newly issued shares of Preglem, representing a c.15 % minority interest in its share capital. PregLem's lead product, PGL4001 (Esmya™), successfully completed Phase III clinical trials in June 2010 for the treatment of uterine myoma. Ipsen has received initial proceeds of CHF 6 million from the sale of its PregLem shares. Additionally, subject to PGL1001 and PGL2001 being granted marketing approvals, Ipsen will notably receive mid single digit royalties on PregLem's future net sales of these products. On December 14, 2010 Ipsen was informed that it would receive a further payment of CHF 5.5 million as PGL4001 (Esmya™) US marketing rights were successfully licenced out to a partner;
- On October 11, 2010 – Ipsen's board of directors announced the departure of Jean-Luc Bélingard and the appointment of Marc de Garidel as Chairman and Chief Executive Officer. Marc de Garidel took over from Jean-Luc Bélingard on November 22, 2010;
- On October 19, 2010 – Ipsen announced that the European Commission had granted orphan drug status for OBI-1 for the treatment of hemophilia. OBI-1 is designed to treat individuals with hemophilia who have developed inhibitory antibodies (inhibitors) against human Factor VIII (hFVIII). The orphan drug status would trigger a 10-year market exclusivity for OBI-1 in the European Union after its marketing approval. The U.S. Food & Drug Administration (FDA) issued an Orphan Drug Designation for OBI-1 in March 2004;
- On November 19, 2010 – Ipsen announced that its partner Inspiration Biopharmaceuticals, Inc. (Inspiration) had initiated treatment of patients in the first of two phase III pivotal clinical studies of OBI-1, an intravenous recombinant porcine factor VIII (FVIII) product, for the treatment of acquired hemophilia A, a rare, though potentially life-threatening bleeding disorder. Under the terms of their partnership agreement signed in January 2010, Inspiration in-licensed OBI-1 from Ipsen, and is responsible for the clinical development, regulatory process and commercialization of the product. In the context of this first phase III clinical study initiation, Ipsen has subscribed to a US$50 million (€36.7 million) newly issued convertible note by Inspiration, bringing its fully diluted share ownership position in Inspiration to about 34.0%;
- On December 10, 2010 – the Afssaps announced that it had taken note of the preliminary results of the SAGHE study ("Santé Adulte GH Enfant" or "Adult health GH child") started in October 2007 that showed an increased risk of higher death rate in adults that have been exposed to high doses (above indication) of GH as children. Since then both the FDA and EMEA have said that no direct correlation between the pediatric use of GH and higher adult death rate could be proved;
- On December 15, 2010 – Ipsen announced that the preliminary data from the ongoing phase IIb study in patients with acromegaly for its chimeric compound BIM 23A760 did not meet the expected inhibition of growth hormone(GH) and IGF-1 levels after repeat dosing. Preliminary phase IIb data showed a strong dopaminergic activity but only weak evidence of somatostatinergic activity. No safety concerns have been observed throughout the trial. Consequently, Ipsen decided to discontinue the development of BIM 23A760.

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

- On February 2, 2011 - Ipsen announced that Roche informed it on its decision to return taspoglutide to Ipsen. Roche's decision is based on the analysed data stemming from the root cause analysis carried-out on both nausea and hypersensitivity. According to the agreements signed with Roche in 2003 and 2006, Ipsen is entitled to the full body of data generated by Roche. Ipsen will thouroughly assess the available data to determine potential further partnership opportunities. Given the level of required investment, Ipsen does not intend to clinically develop taspoglutide on its own.
- On February 3, 2011 – Ipsen announced that its partner Inspiration Biopharmaceuticals Inc. (Inspiration) presented pharmacokinetic (PK) data on its lead product, IB1001, a recombinant factor IX

(FIX) for the treatment and the prevention of bleeding in individuals with hemophilia B. According to Inspiration, results of the Phase I portion of an ongoing IB1001 clinical study demonstrated non-inferiority of IB1001 in achieving overall levels of replacement facto compared to BeneFIX®, the only approved recombinant FIX product for the treatment of hemophilia B. Currently, IB1001 is in Phase III and safety and efficacy results are expected later this year.

- On February 25, 2011 - Ipsen and bioMérieux announced that they have entered into a partnership to create a global collaboration in theranostics, with a focus on hormone-dependent cancers. The two companies have signed a framework agreement to leverage their expertise and resources to develop a personalized approach to medicine based on Ipsen's broad portfolio of innovative compounds and bioMérieux's diagnostic tests. Both companies will jointly identify programs that would benefit from the co-development of a therapeutic and a companion diagnostic test, notably in the prevention and treatment of prostate and breast cancers, neuro-endocrine tumors (NETs) and pituitary tumors.
- On March 2, 2011 – GTx announced that a decision has been taken with its European partner Ipsen to terminate their agreement on the development of toremifene citrate for the reduction of fractures in men with advanced prostate cancer on androgen deprivation therapy.

ADMINISTRATIVE MEASURES

European governments continued introducing various measures targeting the reduction of public health expenses.

In a context of financial and economic crisis 2010 has seen an acceleration in new, and proactive measures, affecting the Group sales and profitability in 2010 and the 6 year-long impact of this will be felt in 2011.

The countries most affected by the crisis such as Romania, the Czech Republic and Greece announced price reductions on the basis of international price references by harmonizing with the lowest European prices.

At the same time, Romania introduced an 8% tax on drug sales. This measure has been enforced since the fourth quarter of 2009. The Czech Republic announced its intention to limit the reimbursement level of various therapeutic classes to the lowest levels of the same therapeutic classes in Europe, which could lead to price reductions in the order of 20% (voted measure, implementation pending).
In Greece, a price reduction by 27% was implemented from May to September and a new (incomplete) price list was published at the beginning of September (with a return to initial prices except for NutropinAq® whose price lowered by 5%). The other prices are still to be published (Decapeptyl® et Dysport® are concerned).

Other Western European countries, although less affected by the crisis, also announced a series of restrictive measures:

- The Netherlands reviewed their reference prices, leading to declines of 20% to 45% on certain products (October 2009).
- Ireland introduced a 4% tax on drug sales (February 2010), and has just announced a belt-tightening measure aiming to save €140 million.
- In addition to the 7.5% tax on drug sales since June 2010, Spain introduced a price reduction by 30% for products which have a generic or a biosimilar product marketed in at least on of the European countries.
- As of 1 August 2010, Germany increased its tax on sales of drugs reimbursed by social security from 6% to 16% (August 2010).
- Italy announced a series of measures aiming to save €600 million (mainly via price reductions on products with generics (the impact on Ipsen is minor).

- Belgium has increased the price reduction percentage applied to old commercialised products from 12 to 15% for products on the market for more than 12 years, and from 15% to 19% for products on the market for more than 15 years.

- On 16 April 2010 in France certain drugs, whose Medical Benefit (SMR) has been evaluated as "weak" or "insufficient to justify reimbursement" by the French National Authority for Health (HAS) (including in particular Tanakan®) have had their reimbursement rates reduced from 35% to 15%.
  Price reductions have also been implemented in particular on Adrovance® whose price was reduced by 25% in May 2010, and on the Sartans theraupeutic class to which Nisis® and Nisisco® belong with a price reduction of 11% from 1 September 2010.

  Additionally, on January 15th 2011, the French Health Minister announced a set of new rules on drugs with an insufficient therapeutic value *(Service Médical Rendu Insuffisant)* that include Tanakan®: "In the absence of specific notice from the Health Minister, the social security will no longer reimburse this class of drugs".

Comparison of consolidated income statement for 2010 and 2009

(in million euros)	December 31, 2010	*% of sales*	December 31, 2009	*% of sales*	*% change*
Sales	**1,100.2**	**100.0%**	**1,032.8**	**100.0%**	**6.5%**
Other revenues	70.1	*6.4%*	79.6	*7.7%*	*-11.9%*
Revenues	**1,170.3**	**106.4%**	**1,112.4**	**107.7%**	**5.2%**
Cost of goods sold	(236.2)	*-21.5%*	(237.8)	*-23.0%*	*-0.7%*
Research and development expenses	(221.1)	*-20.1%*	(197.3)	*-19.1%*	*12.1%*
Selling expenses	(422.8)	*-38.4%*	(396.1)	*-38.4%*	*6.7%*
General and administrative expenses	(98.3)	*-8.9%*	(88.5)	*-8.6%*	*11.1%*
Other operating income and expenses	48.2	*4.4%*	(9.7)	*-0.9%*	-
Amortization of intangible assets	(11.1)	*-1.0%*	(10.5)	*-1.0%*	*5.7%*
Restructuring costs	-	-	-	-	-
Impairment losses	(100.2)	*-9.1%*	-	-	-
Operating income	**128.8**	***11.7%***	**172.5**	***16.7%***	***-25.3%***
Recurring Adjusted operating income [(1)]	***183.2***	***16.6%***	***144.4***	***14.0%***	***26.8%***
– Investment income	2.2	*0.2%*	2.7	*0.3%*	*-17.1%*
– Costs of financing	(1.6)	*-0.1%*	(4.4)	*-0.4%*	*-64.0%*
Net financing Cost	**0.7**	***0.1%***	**(1.7)**	***-0.2%***	-
Other financial income and expense	(4.1)	*-0.4%*	(3.5)	*-0.3%*	*17.0%*
Income taxes	(17.0)	*-1.5%*	(10.6)	*-1.0%*	*60.1%*
Share of profit/loss from associated companies	(12.8)	*-1.2%*	-	-	
Net profit / loss from continuing operations	**95.7**	***8.7%***	**156.7**	***15.2%***	***-38.9%***
Net profit / loss from discontinued operations	-	-	0.5	-	-
Consolidated net profit	**95.7**	***8.7%***	**157.2**	***15.2%***	***-39.1%***
– Attributable to shareholders of Ipsen	95.3	-	156.6	-	-
– Minority interests	0.4	-	0.6	-	-

[1] The reconciliations between results and recurring adjusted results as of 31 December 2010 and 2009 are detailed in appendix 4.

■ Sales

Consolidated Group sales reached €1,100.2 million in 2010, up 6.5% year-on-year or up 5.0% excluding foreign exchange impact.

■ Other revenues

Other revenues amounted to €70.1 million in 2010, down 11.9% compared with €79.6 million in 2009.

Other revenues breakdown is as follows:

(in million euros)	December 31, 2010	December 31, 2009	Change *In value*	Change *in %*
Breakdown by type of revenue				
– Royalties received	6.2	41.2	(35.0)	*-85.0%*
– Milestone payments – licensing agreements[12]	33.6	27.9	5.7	*20.4%*
– Other (co-promotion revenues, re-billings)	30.3	10.5	19.8	*190.3%*
Total	**70.1**	**79.6**	**(9.5)**	***-11.9%***

- **Royalties received** amounted to €6.2 million in 2010, a decrease of €35.0 million over the previous year. The 2009 accounts included a non recurring amount of €39.2 million, following the resolution of a dispute. Adjusting for this non-recurring item in 2009, royalties have increased by €4.1 million year-on-year.

  Milestone payments relating to licensing agreements amounted at December 31, 2010 to €33.6 million, an increase of €5.7 million, primarily composed of income from the agreements with Medicis, Galderma and Recordati. In addition, the Group recognized milestones from Menarini on Adenuric® and from Inspiration Biopharmaceuticals Inc. on OBI-1.

- **Other revenues** amounted to €30.3 million in 2010 compared with €10.5 million a year earlier, mainly impacted by OBI-1 industrial development expenses of €15 million, that the Group invoiced to Inspiration Biopharmaceuticals Inc. .Moreover, the Group, as it did last year, still recorded revenues from its French co-promotion contracts.

Cost of goods sold

In 2010, cost of goods sold amounted to €236.2 million, representing 21.5% of sales compared to 23.0% the previous year.

The marked improvement in the COGS to sales ratio both reflected an enhanced productivity and a favourable mix associated with the growth in specialty care products sales.

Research and development expenses

At 31 December 2010, research and development expenses increased by €23.8 million year-on-year, reaching €221.1 million, i.e. 20.1% of sales, as compared to 19.1% for the same period in 2009. Excluding the OBI-1 industrial development expenses which were entirely billed to Inspiration Biopharmaceuticals Inc., research and development expenses represented 18.8% of sales, up 1.8% year-on-year at constant exchange rate.

[12] Milestone payments relating to licensing agreements represents primarily recognition of payments received over the life of partnership agreements.

The table below provides a comparison of research and development expenses booked during 2010 and 2009.

(in million euros)	December 31, 2010	December 31, 2009	*Change* In value	*Change* in %
Breakdown by expense type				
– Drug-related research and development [1]	(192.1)	(166.8)	(25.2)	*15.1%*
– Industrial development [2]	(23.7)	(25.9)	2.2	*-8.6%*
– Strategic development [3]	(5.4)	(4.5)	(0.8)	*18.0%*
Total	**(221.1)**	**(197.3)**	**(23.8)**	***12.1%***

(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. The expenses relating to patents are also 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.

- **Drug-related research and development expenses** increased by 15.1% year on year. The major research and development projects conducted during the period are the clinical development of Somatuline® in neuroendocrine tumours (NET), the *Post Marketing Approval* studies requested by the FDA on Dysport®, the phase II clinical study for the sulfatase inhibitor Irosustat (BN-83495), and the analysis of the clinical trials results for Tanakan®. Furthermore, during this period, the Group recorded costs relating to the discontinuation of the BIM23A760 research program in acromegaly and those relating to the end of a collaboration agreement with a university.
- **Industrial development expenses** decreased by 8.6% year-on-year, mainly due to the progressive transfer of some costs related to the botulinum toxin production site into the cost of goods sold. A large amount of the expenses recorded in 2010 were related to the preparation and the production of OBI-1 clinical batches, that was billed to Inspiration Biopharmaceuticals Inc. and recognised in "other revenues".

Selling, general and administrative expenses

Selling, general and administrative expenses amounted to €521.1 million in 2010, representing 47.4% of sales, an increase of 7.5% year-on-year.

The table below provides a comparison of selling, general and administrative expenses during 2010 and 2009:

(in million euros)	December 31, 2010	December 31, 2009	*Change* In value	*Change* in %
Breakdown by expense type				
Royalties paid	*(43.7)*	*(41.7)*	*(2.0)*	*4.7%*
Other sales and marketing expenses	*(379.1)*	*(354.4)*	*(24.7)*	*7.0%*
Selling expenses	(422.8)	(396.1)	(26.7)	*6.7%*
General and administrative expenses	(98.3)	(88.5)	(9.8)	*11.1%*
Total	**(521.1)**	**(484.6)**	**(36.5)**	***7.5%***

- **Selling expenses** amounted to €422.8 million in 2010 or 38.4% of sales, up 6.7% year-on-year, compared with €396.1 million, or 38.4% of sales in 2009.
  - Royalties paid to third parties on sales of products marketed by the Group during 2010 amounted to €43.7 million or 4.0% of sales, up 4.7% year-on-year.
  - Other selling expenses in 2010 increased by 7.0% year-on-year, amounting to €379.1 million or 34.5% of sales, as compared with €354.4 million, or 34.3% of sales for the same period in 2009. This increase is mainly the result of the sales efforts to support the growth of Somatuline® and Dysport® in North America and the launches of Decapeptyl® 6 month and Adenuric® in France. Furthermore, this increase reflects the Group's selective allocation policy to growth geographies such as China and Russia, in the context of declining French Primary care sales. Other selling expenses also included some set-up costs related to the establishment of direct commercial platforms in Brazil and Tunisia. Moreover, the Group wrote-down some receivables, mainly from public hospitals, particularly in Southern Europe (Greece, Spain, Portugal and Italy).
- **General and administrative expenses** in 2010 amounted to €98.3 million or 8.9% of sales, up €9.8 million compared with €88.5 million or 8.6% of sales in 2009. This increase is mainly due to costs relating to the reorganization of some Group support services that occurred at year-end.

Other operating income and expenses

Other operating income and expenses recorded by the Group in 2010 represented a net income of €48.2 million. Total other operating income amounted to €61.6 million consisting on the one hand of €48.7 million for the accelerated recognition of the deferred revenues following Roche's decision - announced on 2 February 2011 - to return taspoglutide's development rights to the Group, and on the other hand of the write-back of a €11.3 million potential liability in connection with Tercica Inc.' buyout because the Group judged the event unlikely to arise.
Other operating expenses amounted to €13.5 million, mainly including expenses relating to the Group's headquarters, change of Chairman and CEO and some non-recurring fees.
In 2009, the other operating income and expenses amounted to €(9.7) million, comprising some expenses relating to the integration of the Group's North American subsidiaries.

Amortization of intangible assets

In 2010, *the amortization of intangible assets* amounted to €11.1 million, a slight increase compared with the €10.5 million recorded in the previous year. This item consists mainly of the amortization of the IGF-I licence recognized within the framework of the purchase price allocation related to the Group's transaction in North America in 2008 and of the beginning of the amortization of Decapeptyl® 6 month licence marketed since February 2010.

Restructuring costs

The Group recorded no restructuring costs in 2010 nor in 2009.

Impairment losses

As at 31 December 2010, the Group recorded non-recurrent impairment losses of €100.2 million.
In October 2006, the Group had acquired from Tercica Inc. the development and commercialization rights for Increlex® worldwide, except the United States, Japan, Canada, the Middle East and Taiwan. Consequently to the acquisition of Tercica in October 2008, the Group gained full access to this molecule (IGF-I). In the last 12 months, major changes have affected the pharmaceutical environment, in particular in the United States. These changes accelerated during the last few months of 2010, with the occurrence of difficulties, for some patients, to obtain reimbursement by payers of some of the drugs they had been prescribed. In the view of an increasing rate of reimbursement denials and increasing difficulties in supporting patients securing reimbursement, the Group decided to reduce the development and commercial prospects of IGF-I. The Group thus recorded in its 2010 accounts a non-recurring impairment loss of €71.7 million relating to IGF-I.

Moreover, the Group recorded impairment losses of €28.4 million in connection with its agreement in oncology with GTx Inc., and to recent uncertainties that arose in development timelines in neurology.

The Group did not report any impairment loss in 2009.

- **Operating income**

Based on above items, the operating profit reported for the 2010 period amounted to €128.8 million or 11.0% of total revenues and 11.7% of sales, down 25.3% compared with 2009, when it represented 15.5% of total revenues and 16.7% of sales.

Excluding non recurring items and impairment losses, **the Group's recurring adjusted operating income**[13] as at 31 December 2010 amounted to €183.2 million, or 16.6% of sales, up 26.8% year-on-year, compared to €144.4 million in 2009 or 14.0% of consolidated sales.

- **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 operating segments existing as of December 31, 2010 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.

[13] "Recurring adjusted": The reconciliations between results and recurring adjusted results as of 31 December 2010 and 2009 are detailed in appendix 4.

The table below provides an analysis of sales, revenues and operating profit by operating segment for the 2010 and 2009 periods:

(in million euros)	December 31, 2010	*% of sales*	December 31, 2009	*% of sales*	Change *In value*	*in %*
Major Western European countries						
Sales	550.4	*100.0%*	554.7	*100.0%*	(4.2)	*-0.8%*
Revenues	571.7	*103.9%*	573.3	*103.4%*	(1.6)	*-0.3%*
Operating profit	208.4	*37.9%*	221.7	*40.0%*	(13.3)	*-6.0%*
Other European countries						
Sales	255.1	*100.0%*	234.3	*100.0%*	20.8	*8.9%*
Revenues	259.6	*101.8%*	236.3	*100.8%*	23.3	*9.9%*
Operating profit	110.7	*43.4%*	92.4	*39.4%*	18.3	*19.8%*
North America						
Sales	59.5	*100.0%*	45.7	*100.0%*	13.8	*30.2%*
Revenues	75.7	*127.4%*	57.0	*124.7%*	18.8	*32.9%*
Operating profit	(59.5)	*-100.1%*	(19.0)	*-41.5%*	(40.6)	*214.1%*
Rest of the world						
Sales	235.2	*100.0%*	198.2	*100.0%*	37.0	*18.7%*
Revenues	236.6	*100.6%*	198.7	*100.3%*	37.8	*19.0%*
Operating profit	96.7	*41.1%*	72.6	*36.6%*	24.0	*33.1%*
Total allocated						
Sales	1,100.2	*100.0%*	1,032.8	*100.0%*	67.4	*6.5%*
Revenues	1,143.5	*103.9%*	1,065.2	*103.1%*	78.3	*7.4%*
Operating profit	356.3	*32.4%*	367.8	*35.6%*	(11.5)	*-3.1%*
Total unallocated						
Revenues	26.8	-	47.2		(20.4)	*-43.3%*
Operating profit	(227.5)	-	(195.4)		(32.1)	*16.4%*
Total Ipsen						
Sales	1.100.2	*100.0%*	1,032.8	*100.0%*	67.4	*6.5%*
Revenues	1,170.3	*106.4%*	1.112.4	*107.7%*	57.9	*5.2%*
Operating profit	128.8	*11.7%*	172.5	*16.7%*	(43.7)	*-25.3%*

- **In the major Western European countries,** sales in 2010 amounted to €550.4 million, a slight decrease of 0.8% year-on-year. The significant sales growth of specialist care products in Italy, Germany, the United Kingdom and, to a lesser extent, in Spain, was off-set by the reduction in sales of Dysport® following the launch in certain countries of Azzalure® by the Group's partner, Galderma. Furthermore, performance in major western European countries was offset by slower sales in France, where the competitive environment toughened, particularly for primary care products. Revenues only decreased by 0.3% versus 2009, mainly resulting from a €1.8 million increase in co-promotion revenues. Operating profit in 2010 reached €208.4 million, down 6.0% year-on-year, representing 37.9% of sales compared with 40.0% a year earlier. Excluding non-recurring impairment losses, operating profit in 2010 reached €220.9 million, a slight 0.4% decrease year on year.

- **In the other European countries** (other countries within Western Europe as well as Eastern Europe), sales reached €255.1 million, up 8.9%, or 7.5% excluding foreign exchange impact. Sales were driven by sustained growth in Turkey, Scandinavia and Switzerland. Eastern Europe and Russia experienced a clear recovery in 2010 after having been penalized by a significant economic crisis in 2009. Operating profit in the region amounted to €110.7 million in 2010, compared with €92.4 million a year earlier, representing 43.4% and 39.4% of sales, respectively, reflecting significant efforts to improve productivity in this region.

- **In North America,** sales for 2010 reached 59.5 million, up 30.2% year-on-year, or 24.2% at constant exchange rate, reflecting a positive growth trend supported by significant marketing efforts in the region. Sales of Somatuline® Depot increased by 45.7% excluding foreign exchange impact throughout the period, showing the tendency of the medical community to prescribe the product to naive patients and to patients treated with a competing product. In addition, the Group achieved the first sales of the therapeutic indication of Dysport® thanks to a successful sampling campaign. In parallel, royalties received from Medicis on the sales of the aesthetic indication of Dysport® continued to grow. Nonetheless, in the last 12 months, major changes have affected the pharmaceutical environment, in particular in the United States. These changes accelerated during the last few months of 2010, with the occurrence of difficulties, for some patients, to obtain reimbursement by payers of some of the drugs they had been prescribed. In the view of an increasing rate of reimbursement denials in the growth hormone indication and increasing difficulties in supporting patients securing reimbursement, the Group decided to significantly reduce the development and commercial prospects of IGF-I. The Group thus recorded in its 2010 accounts a non-recurring impairment loss of €54.7 million in North America, partially offset by the write-back of a €11.3 million potential liability in connection with Tercica Inc.'s buyout, because the Group judged the event unlikely to arise. The operating profit for 2010 stood at (€59.5) million. Excluding the non-recurring impairments described above, the operating profit in 2010 amounted to (€16.2) million compared to (€19.0) million for the same period in 2009.
- **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 in 2010 reached €235.2 million, up 18.7% year-on-year, or an increase of 13.8% at constant exchange rate. Sales in the rest of the world represented 21.4% of the Group's total consolidated sales, compared with 19.2% a year earlier. This performance was mainly driven by strong growth in volumes in China, with significant sales of Decapeptyl®. The progressive establishment of an Essential Drug List in China has locally affected the volume and the seasonality of the sales of Smecta®. Sales in Australia and in Latin America have remained high. Operating profit in 2010 increased at a faster pace, up 33.1% year-on-year, reaching €96.7 million, representing 41.1% of sales in 2010 and 36.6% of sales in 2009, and reflecting efforts to improve productivity.

- **Non-allocated operating loss** amounted to (€227.5) million in 2010, compared to (€195.4) million in 2009. This loss comprised, for €195.7 million in 2010 and €183.7 million in 2009, the Group's central research and development expenses as well as, to a lesser extent, the unallocated general and administrative expenses. Other revenues from non-allocated activities amounted to €26.8 million in 2010 versus €47.2 million in 2009, which included the favourable settlement of a dispute. The 2010 non-allocated operating result comprised €48.7 million for the accelerated recognition of the deferred revenues following Roche's decision to return taspoglutide's development rights to the Group, as well as non recurring €28.4 million impairment losses following uncertainties that recently appeared in the future development timelines of some of its partnerships and some non-recurring fees relating to the change of Chairman and CEO.

Costs of net financial debt and other financial income and expenses

In 2010, the Group's financial result amounted to (€3.4) million compared with (€5.2) million the prior year.

- **The cost of net financial debt** amounted to €0.7 million in 2010 versus (€1.7) million in 2009, resulting from the interest paid on the syndicated credit lines the Group put in place in June 2008 and reimbursed in April 2009.

- **The other financial income and expenses** amounted to (€4.1) million in 2010 versus (€3.5) million in 2009. In 2010, the financial income mainly included a non-recurrent income which the Group recorded on the divestment of its shares in PregLem Holding S.A..

  Moreover, as of 31 December 2010, the Group recognised fair value adjustments on some of its financial assets available for sale as well as a loss registered on the liquidation of one of its subsidiaries.

- **Income taxes**

At 31 December 2010, the effective tax rate amounted to 13.5% of profit from continuing activities before tax excluding the share of loss from associates compared to an effective tax rate of 6.3% at 31 December 2009.

In 2009, the effective tax rate benefited from a tax relief relating to the favourable settlement of a previous tax dispute and from the favourable outcome of discussions with the tax authorities in France following a tax audit ended in 2009 that permitted the reversal of provisions recorded in 2008. As of 2010, the Group did elect for the option left to French companies to recognize as income tax the business tax *(Cotisation sur la Valeur Ajoutée des entreprises* or CVAE) that was previously recorded as a tax deductible from the operating profit. This presentation change triggered an increase of the Group's effective tax rate by 3 points in 2010 without affecting the consolidated net profit. Moreover, the recognition of a non-recurring amount of impairment loss at 31 December 2010, relating mainly to the reduction in development and commercialisation sales prospects for IGF-I, led to the reduction of the book value of some deferred tax assets considering their local statute of limitations. These detrimental effects on the effective tax rate were however offset by the taxation at a reduced rate of the income recorded further to Roche decision to return the Taspoglutide development rights to ipsen and by a greater relative impact of the Group's R&D tax credits due to the decrease of the taxable income of the Group. Excluding these operational, financial and fiscal non-recurring items, the Group's effective tax rate amounted to 17.2% in 2010, compared to 11.1% in 2009.

- **Share of profit/loss from associated companies**

In 2010, the Group recorded an expense of €12.8 million representing its 22.1% stake of Inspiration Biopharmaceuticals Inc.'s net loss or €8.3 million equity accounted into the Group's accounts since January 2010, a non-recurring net loss of €5.9 million further to the depreciation of an underlying asset, resulting from an increase in discount rate of its future cash flows, as well as a €1.4 million income consequent to the purchase price allocation.

In 2009, the Group did not record any share of profit from associated companies.

- **Profit / Loss from continuing operations**

Due to the above items, net profit from continuing operations for 2010 amounted to €95.7 million, down by 38.9% from €156.7 million in 2009. This profit represented 8.5% of revenues in 2010 period versus 14.1% the previous year.

Recurring adjusted[14] profit from continuing operations amounted to €138.6 million at 31 December 2010, up 2.8% year-on-year.

- **Profit / Loss from discontinued operations**

The Group did not record any profit from discontinued operations in 2010 whereas it had recorded a €0.5 million profit in 2009.

- **Consolidated net profit**

Due to the above items, the consolidated net profit reached €95.7 million (or 8.2% of revenues) as of 31 December 2010, down by 39.1% compared with the prior year where it stood at €157.2 million (or 14.1 % of revenues). The Group's consolidated net profit in 2010 was strongly impacted by the impairment losses recorded in the period, which have only been partially offset by the income recorded following Roche's decision to return taspoglutide's development rights to the Group .

The Group's fully diluted consolidated net profit per share[15] amounted to €1.64 at 31 December 2010, up by 2.5% compared with €1.60 in the previous year, illustrating the good performance of the Group's recurring activities in 2010.

[14]"Recurring adjusted": The reconciliations between results and recurring adjusted results as of 31 December 2010 and 2009 are detailed in appendix 4.
[15] "Restated and diluted per share": The restated income at 31 December 2010 and 2009 net of tax are attached in appendix 4.

- **Milestones received in cash but not yet recognised as revenues**

At 31 December 2010, the total of milestones received in cash by the Group and not yet recognised as revenues in its consolidated income statement amounted to €215.9 million, down 6.2% compared with €230.3 million recorded the previous year.

In 2010, the Group recognised the totality of the remaining deferred income relating to its partnership with Roche, i.e. €48.7 million, following the announcement by the latter to stop the development of the product for which it was granted a licence. In 2010, the Group also recorded €59.6 million of deferred income associated with its partnerships with Menarini (€24.1 million) and Inspiration Biopharmaceuticals Inc. (US$50.0 million), corresponding to the initial payment for the OBI-1 licence and offset by the Group's subscription to a convertible note issued by Inspiration Biopharmaceuticals Inc.. During the same period in 2009, the Group had received €95.4 million of deferred revenues mainly associated with its partnerships with Medicis, Galderma and Menarini.

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

(in million euros)	**December 31, 2010 (*)**	**December 31, 2009 (*)**
Total	**215.9**	**230.3**
These will be recognised as revenues over time as follows:		
In the year N+1	25.3	26.4
In the years N+2 and beyond	190.6	203.9

(*) Amounts converted at average annual exchange rates as of 31 December 2010 and 2009 respectively.

CASH FLOW AND CAPITAL

The consolidated cash flow statement shows that the Group's operating activities generated a net cash flow of €253.9 million, compared to €257.6 million generated over the same period in 2009.

Analysis of the cash flow statement

(in million euros)	December 31, 2010	December 31, 2009
– Cash generated from operating activities before changes in working capital requirements	248.5	192.7
– (Increase) / Decrease in working capital requirements for operations	5.4	64.9
Net cash flow from operating activities	253.9	257.6
– Net investments in tangible and intangible assets	*(86.6)*	*(63.3)*
– Impact of changes in consolidation scope	*(130.9)*	-
– Other cash flow from investments	*(7.8)*	*(8.0)*
Net cash flow from investing activities	(225.3)	(71.3)
Net cash flow from financing activities	(61.6)	(214.8)
Net cash flow from discontinued operations	(1.5)	(1.0)
CHANGES IN CASH AND CASH EQUIVALENTS	**(34.5)**	**(29.5)**
Opening cash and cash equivalents	**205.4**	**237.3**
Impact of foreign exchange variations	7.0	(2.4)
Closing cash and cash equivalents	**177.9**	**205.4**

- **Net cash flow from operating activities**

During 2010, net cash flow from operating activities before changes in working capital requirements amounted to €248.5 million, compared to €192.7 million for the prior period, an increase which mainly reflected the recognition of the totality of the remaining deferred income relating to the partnership with Roche on Taspoglutide.

Working capital requirements for operating activities decreased by €5.4 million in 2010 after having decreased by €64.9 million over the same period in 2009. That trend is associated with the following:

- Inventories increased during 2010 by €4.7 million, compared to a €12.2 million decrease over 2009, reflecting the reduction of some consignment stocks put in place in 2008.
- Accounts receivable increased by €14.8 million in 2010 due to business expansion and to an increase in payment delays by public hospitals particularly in Southern Europe. This is to be compared with an increase of €3.5 million at year end 2009.
- Accounts payable increased by €16.8 million in 2010 due to business expansion versus a €18.4 million increase in 2009.
- The balance of other assets and liabilities resulted in a net use of €6.1 million in 2010, compared to a debt increase of €76.3 million in the previous year. In 2010, the Group notably:
    - recognised the totality of the remaining deferred income relating to its partnership with Roche, i.e. €48.7 million, following the announcement by the latter to stop the development of the product;
    - recorded €59.6 million of deferred income notably within the framework of its partnerships with Menarini and Inspiration Biopharmaceuticals Inc., to be compared with €95.4 million recorded in 2009 in association with partners such as Medicis, Galderma and Menarini,

- recognised €30.9 million of deferred income in the income statement in connection with its partnerships, compared with €21.4 million the previous year;
- recorded in France complementary social liabilities due notably to some reorganization costs and to the set up of profit sharing agreements for a total amount of €5.2 million.

- The increase of the net tax liability in 2010 represented a resource of €14.2 million corresponding, on the one hand, to the reimbursement by the tax authorities of an excess amount of tax that had been paid in France during a tax audit in 2009, and, on the other hand, to the change in tax owed over the period net of advance payments.

Net cash flow from investing activities

During 2010, the net cash flow from investing activities represented a net use of €225.3 million compared to a net use of €71.3 million in 2009. It included:

- Investments in tangible and intangible assets net of disposals amounted to €86.6 million in 2010, compared with €63.3 million in 2009, which consisted mainly in:
  - Investments in tangible assets for €53.7 million, mainly consisting of investments necessary for the maintenance of the Group's production equipment and investments in capacity especially for the new secondary production unit of Dysport® at the Wrexham site as well as investments in equipment for the Group's research and development sites.
  - Investments in intangible assets amounted to €33.3 million, mainly related to the Group's partnership policy as well as investments in the renewal of some Information Technology systems.
- A net cash flow relating to the changes in consolidation scope for €130.9 million, including €57.7 million for the acquisition of shares newly issued by Inspiration Biopharmaceuticals Inc. and €73.2 million related to the subscriptions by the Group of two convertible bonds issued by Inspiration Biopharmaceuticals Inc. in compensation of progress payments due by Inspiration Biopharmaceuticals Inc. under the terms of the OBI-1 license and the start of OBI-1's phase III clinical trial.
- A net inflow of €3.1 million related to the Group's sale of the PregLem Holding SA shares partially off-set by the subscription to a share capital increase in Syntaxin Ltd.
- An increase in working capital requirements relating to investment transactions representing €10.4 million compared with a reduction of €4.4 million at the end of December 2009. In 2010, the general level of the investment liabilities was lower than that in the prior year, during which the Group had recorded a net receivable related to an asset divestment.

Net cash flow from financing activities

As of 31 December 2010, the net cash flow from financing activities represented an outflow of €61.6 million versus an outflow of €214.8 million as of December 2009. In 2010, the Group paid €62.3 million in dividends to its shareholders compared to €58.0 million in the previous year, which represented a 7.4% increase year-on-year. The Group also spent €0.8 million for the repurchase of its own shares in 2010, compared with €5.1 million in the previous year. Finally, in 2009, the Group had repaid €150.0 million drawn on its syndicated loan.

Analysis of the Group's net cash

(in million euros)	December 31, 2010	December 31, 2009
Cash in hand	50.4	40.3
Short-term investments	127.3	177.7
Interest-bearing deposits	0.4	0.6
Cash and cash equivalents	**178.1**	**218.6**
Bank overdrafts liabilities	**(0.2)**	**(13.2)**
Closing net cash and cash equivalents	**177.9**	**205.4**
Long term debt	0	0
Other financial liabilities	15.3	12.2
Non-current liabilities		
Short term debt	4.0	4.0
Financial liabilities	3.5	4.2
Current liabilities		
Debt	**22.8**	**20.4**
Derivative instruments	**(0.9)**	**(0.6)**
NET CASH[16]	**156.0**	**185.6**

As of 31 December 2010, the Group's net cash[16] amounted to €156.0 million, compared to net cash of €185.6 million as of 31 December 2009.

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 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, at any given time, be less that the credit facility maximum, which diminishes over time as follows:

04/06/2010	€225.0 million
04/06/2011	€187.5 million
04/06/2012	€150.0 million
04/06/2013	-

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 31 December 2010, the Group had a positive net cash position; the net debt to equity and net debt to EBITDA ratios were not relevant. At 31 December 2010 the syndicated loan had not been utilized.

[16] Net cash and cash equivalents : 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.

Appendix 1 - Consolidated income statement

(in million of euros)	31 December 2010	31 December 2009	31 December 2008
Sales of goods	1 100,2	1 032,8	971,0
Other revenues	70,1	79,6	67,1
Revenue	**1 170,3**	**1 112,4**	**1 038,1**
Cost of goods sold	(236,2)	(237,8)	(220,1)
Research and development expenses	(221,1)	(197,3)	(182,8)
Selling expenses	(422,8)	(396,1)	(355,0)
General and administrative expenses	(98,3)	(88,5)	(85,8)
Other operating income and expenses	48,2	(9,7)	(8,3)
Amortization of intangible assets	(11,1)	(10,5)	(4,3)
Restructuring costs	0,0		(2,6)
Impairment losses	(100,2)		
Operating income	**128,8**	**172,5**	**179,2**
Investment income	2,2	2,7	21,4
Financing costs	(1,6)	(4,4)	(4,3)
Net financing costs	**0,7**	**(1,7)**	**17,1**
Other financial income and expense	(4,1)	(3,5)	(5,3)
Income taxes	(17,0)	(10,6)	(32,8)
Share of profit/loss from associated companies	(12,8)		(10,8)
Net profit from continuing operations	**95,7**	**156,7**	**147,2**
Net profit from discontinued operations	-	0,5	(0,2)
Consolidated net profit	**95,7**	**157,2**	**147,1**
– Attributable to shareholders of Ipsen	95,3	156,6	146,6
– Minority interests	0,4	0,6	0,5
Basic earnings per share, continuing operations *(in € per share)*	1.13	1.85	1.75
Diluted earnings per share, continuing operations (in € per share)	1.13	1.85	1.75
Basic earnings per share, discontinued operations *(in € per share)*	0.00	0.01	0.00
Diluted earnings per share, discontinued operations (in € per share)	0.00	0.01	0.00
Basic earnings per share *(in € per share)*	1.13	1.86	1.75
Diluted earnings per share (in € per share)	1.13	1.86	1.74

Appendix 2 - Consolidated balance sheets – Before allocation of net profit

(in million euros)	31 December 2010	31 December 2009	31 December 2008
ASSETS			
Goodwill	299,1	290,2	290,8
Other intangible assets	166,5	237,0	232,9
Property, plant & equipment	282,3	251,8	237,9
Equity investments	7,2	3,4	2,7
Investments in associated companies	57,9	0,0	0,0
Non-current financial assets	2,2	3,4	3,8
Other non-current assets	81,6	17,8	8,0
Deferred tax assets	141,6	121,0	98,3
Total non-current assets	**1 038,4**	**924,5**	**874,5**
Inventories	112,1	103,0	115,8
Trade receivables	241,9	223,1	217,8
Current tax assets	44,7	56,0	49,5
Other current assets	62,9	50,6	63,4
Current financial assets	0,0	1,2	2,5
Cash and cash equivalents	178,1	218,6	239,6
Total current assets	**639,8**	**652,4**	**688,6**
Assets of discontinued operations	-	-	1,3
TOTAL ASSETS	**1 678,2**	**1 576,9**	**1 564,4**

EQUITY & LIABILITIES			
Share capital	84,2	84,1	84,1
Additional paid-in capital and consolidated reserves	894,4	784,4	699,0
Net profit for the period	95,3	156,6	146,6
Foreign exchange differences	3,3	(42,5)	(44,6)
Equity - attributable to shareholders of Ipsen	**1 077,2**	**982,6**	**885,0**
Attributable to minority interests	2,0	1,7	1,6
Total shareholders' equity	**1 079,2**	**984,3**	**886,6**
Retirement benefit obligation	16,1	14,0	11,5
Long-term provisions	23,5	37,4	34,7
Bank loans	-	-	148,9
Other financial liabilities	15,3	12,2	13,8
Deferred tax liabilities	12,0	7,1	5,3
Other non-current liabilities	199,0	211,8	142,6
Total non-current liabilities	**265,9**	**282,5**	**356,9**
Short-term provisions	3,7	2,6	9,0
Bank loans	4,0	4,0	4,0
Financial liabilities	3,5	4,2	4,3
Trade payables	140,7	122,6	103,8
Current tax liabilities	6,6	4,0	36,3
Other current liabilities	173,8	157,3	156,3
Bank overdrafts	0,2	13,2	2,3
Total current liabilities	**332,4**	**308,0**	**316,1**
Liabilities of discontinued operations	0,7	2,0	4,9
TOTAL EQUITY & LIABILITIES	**1 678,2**	**1 576,9**	**1 564,4**

Appendix 3 - Consolidated statement of cash flows

(in million euros)	31 December 2010	31 December 2009	31 December 2008
Consolidated net profit	**95,7**	**157,2**	**147,1**
Net profit from discontinued operations	0,0	(0,5)	0,2
Share of profit/loss from associated companies	12,8	0,0	10,8
Net profit from continuing operations before share from associated companies	**108,4**	**156,7**	**158,1**
Non-cash and non-operating items			
– Depreciation, amortization, provisions	39,4	44,9	51,5
– Impairment losses	100,2		
– Change in fair value of financial derivatives	1,4	(1,4)	5,8
– Net gains or losses on disposals of non-current assets	(8,7)	3,7	(24,7)
– Share of government grants released to profit and loss	(0,1)	(0,1)	(0,1)
– Foreign exchange differences	1,1	0,4	(0,0)
– Change in deferred taxes	(8,8)	(20,7)	0,5
– Share-based payment expense	10,1	8,0	6,6
– Gain or loss on sales of treasury shares	(0,5)	0,5	(0,7)
– Other non-cash items	6,0	0,7	(0,6)
Cash flow from operating activities before changes in working capital	**248,5**	**192,7**	**196,3**
– (Increase)/decrease in inventories	(4,7)	12,2	(12,4)
– (Increase)/decrease in trade receivables	(14,8)	(3,5)	(4,3)
– Increase/(decrease) in trade payables	16,8	18,4	1,2
– Net change in income tax liability	14,2	(38,5)	(1,3)
– Net change in other operating assets and liabilities	(6,1)	76,3	24,1
Change in working capital related to operating activities	**5,4**	**64,9**	**7,4**
NET CASH PROVIDED BY OPERATING ACTIVITIES	**253,9**	**257,6**	**203,7**
Acquisition of property, plant & equipment	(53,7)	(40,3)	(61,4)
Acquisition of intangible assets	(33,3)	(24,7)	(33,8)
Proceeds from disposal of intangible assets and property, plant & equipment	0,5	1,7	27,3
Acquisition of shares in non-consolidated companies	(5,7)	(0,4)	(3,2)
Acquisitions of shares in associated companies	(57,7)	0,0	
Convertible note subscriptions	(73,2)	(2,0)	
Proceeds from sales of investment securities	8,8	0,0	1,4
Payments to post-employment benefit plans	(2,3)	(2,2)	(1,9)
Impact of changes in the consolidation scope	0,0	0,0	(214,9)
Change in cash securities held for sale	0,0	0,0	6,0
Advances on other investment securities	0,0	(6,8)	
Other cash flow related to investment activities	1,7	(2,5)	1,3
Deposits paid	0,1	1,5	(1,0)
Change in working capital related to investing activities	(10,4)	4,4	(5,1)
NET CASH USED BY INVESTMENT ACTIVITIES	**(225,3)**	**(71,3)**	**(285,5)**
Additional long-term borrowings	0,0	0,0	148,9
Repayment of long-term borrowings	(0,3)	(151,3)	(6,5)
Net change in short-term borrowings	0,0	0,0	(1,4)
Capital increase by Ipsen	1,1	1,1	
Treasury shares	(0,8)	(5,1)	(9,3)
Dividends paid by Ipsen	(62,3)	(58,0)	(55,0)
Dividends paid by subsidiaries to minority interests	(0,2)	(0,4)	(0,2)
Deposits received	0,4	0,0	0,2
Change in working capital related to financing activities	0,5	(0,9)	2,3
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES	**(61,6)**	**(214,8)**	**79,0**
Impact of businesses to be sold or discontinued	(1,5)	(1,0)	0,7
CHANGE IN CASH AND CASH EQUIVALENTS	**(34,4)**	**(29,5)**	**(2,1)**
Opening cash and cash equivalents	**205,4**	**237,3**	**240,9**
Impact of exchange rate fluctuations	7,0	(2,4)	(1,5)
Closing cash and cash equivalents	**177,9**	**205,4**	**237,3**

Appendix 4 - Reconciliation between the income statement at 31 December 2010 and 2009 and the restated income statement at 31 December 2010 and 2009

(in million euros)	**31 December 2010 restated**	*(as a % of sales)*	Accelerated recognition of revenue[1]	Impairment losses[2]	Other non-recurrent items[3]	**31 December 2010**	*(as a % of sales)*
Revenues	**1,170.3**	**106.4%**	**-**	**-**	**-**	**1,170.3**	**106.4%**
Cost of goods sold	(238.9)	*-21.7%*	-	-	2.7	(236.2)	*-21.5%*
Research and development expenses	(221.1)	*-20.1%*	-	-	-	(221.1)	*-20.1%*
Selling expenses	(422.8)	*-38.4%*	-	-	-	(422.8)	*-38.4%*
General and administrative expenses	(98.3)	*-8.9%*	-	-	-	(98.3)	*-8.9%*
Other operating income and expenses	(2.9)	*-0.3%*	48.7	11.3	(9.0)	48.2	*4.4%*
Amortization of intangible assets	(3.1)	*-0.3%*	-	-	(8.0)	(11.1)	*-1.0%*
Restructuring costs	-	-	-	-	-	-	-
Impairment losses	-	-	-	(100.2)	-	(100.2)	-
Operating profit	**183.2**	***16.6%***	**48.7**	**(88.8)**	**(14.3)**	**128.8**	***11.7%***
Financial income/(expense)	**(6.1)**	***-0.6%***	**-**	**(1.6)**	**4.3**	**(3.4)**	***-0.3%***
Income taxes	(30.2)	*-2.7%*	(7.6)	16.0	4.8	(17.0)	*-1.5%*
Share of profit/loss from associated companies	(8.3)	*-0.8%*	-	(5.9)	1.4	(12.8)	-
Net profit from continuing operations	**138.6**	***12.6%***	**41.2**	**(80.3)**	**(3.8)**	**95.7**	***8.7%***
Profit/loss from discontinued operations	-	-	-	-	-	-	
Consolidated net profit	**138.6**	***12.6%***	**41.2**	**(80.3)**	**(3.8)**	**95.7**	***8.7%***
– Attributable to shareholders of Ipsen S.A.	138.2					95.3	
– Minority interests	0.4					0.4	
EPS – fully diluted (in euro)	**1.64**					**1.13**	

[1] Accelerated recognition of deferred income corresponding to milestone payments relating to the development of taspoglutide whose licence had been granted to Roche, which announced on 2 February 2011 that it would discontinue development.

[2] Impairment losses recognised over the period, the detail of which is to be found in the paragraph Impairment losses" and the write-back of a potential liability in connection with Tercica Inc.'s buyout, because the Group judged the event unlikely to arise.

[3] The other non-recurrent items include:

- the effects of the purchase price allocation related to the Group's transactions in North America (€-1.8 million after tax),
- some non-recurrent fees and expenses such as the impact of the change of Chairman and CEO,
- the income from the divestment of PregLem shares and the effect of the liquidation of a Group's subsidiary.

(in million euros)	31 December 2009 restated	*(as a % of sales)*	Settlement of the Bayer dispute [1]	Effects of acquisitions in North America[2]	31 December 2009	*(as a % of sales)*
Sales	**1,032.8**	**100.0%**	-	-	**1,032.8**	**100.0%**
Other operating income	40.4	*3.9%*	39.2	-	79.6	*7.7%*
Revenues	**1,073.2**	***103.9%***	**39.2**	**-**	**1,112.4**	***107.7%***
Cost of goods sold	(235.5)	*-22.8%*	-	(2.3)	(237.8)	*-23.0%*
Research and development expenses	(197.3)	*-19.1%*	-	-	(197.3)	*-19.1%*
Selling expenses	(396.1)	*-38.4%*	-	-	(396.1)	*-38.4%*
General and administrative expenses	(88.5)	*-8.6%*	-	-	(88.5)	*-8.6%*
Other operating income and expenses	(9.7)	*-0.9%*	-	-	(9.7)	*-0.9%*
Amortization of intangible assets	(1.8)	*-0.2%*	-	(8.8)	(10.5)	*-1.0%*
Restructuring costs	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Operating profit	**144.4**	***14.0%***	**39.2**	**(11.1)**	**172.5**	***16.7%***
Financial income/(expense)	**(5.2)**	***-0.5%***	-	-	**(5.2)**	***-0.5%***
Income taxes	(4.5)	*-0.4%*	(10.6)	4.4	(10.6)	*-1.0%*
Share of profit/loss from associated companies	-	-	-	-	-	-
Net profit from continuing operations	**134.8**	***13.1%***	**28.6**	**(6.7)**	**156.7**	***15.2%***
Profit/loss from discontinued operations	0.5	*0.0%*	-	-	0.5	*0.0%*
Consolidated net profit	**135.2**	***13.1%***	**28.6**	**(6.7)**	**157.2**	***15.2%***
– Attributable to shareholders of Ipsen S.A.	134.6		-	-	156.6	-
– Minority interests	0.6		-	-	0.6	-
EPS – fully diluted (in euro)	**1.60**				**1.86**	

[1] Impact of the recording of €39.2 million of Kogenate® royalties at the successful settlement of the dispute against Bayer for the period of 26 May 2008 to 30 June 2009.

[2] Effects of the purchase price allocation related to the Group's transactions in North America.