Press release

Ipsen's half-year 2011 Results

- **Dynamic drug sales, up 5.2%[1] year-on-year:**
  - Sustained growth in specialty care products: +7.9%[1]
  - Sales of primary care products stable year-on-year, supported by international sales
- **Operating income of €120.8 million, or 20.7% of sales, after non recurring charges of €38.7 million resulting from the implementation of the new strategy**
- **A recurring adjusted[2] operating income of €143.9 million, or 24.7% of sales, up 27.1% year-on-year**
- **Sales objectives for 2011 raised**
- **Operating result objective set for 2011**

Paris (France), 30 August 2011 - The Board of Directors of Ipsen (Euronext: IPN; ADR: IPSEY), chaired by Marc de Garidel, met on 26 August 2011 to approve the financial statements for the first half 2011, published today. The interim financial report, with regard to regulated information, is available on the Group's website, www.ipsen.com, under the Regulated Information tab in the Investor Relations section. The 2011 half year financial statements have been subject to a limited review by statutory auditors.

Commenting on the first half 2011 performance, **Marc de Garidel, Chairman and Chief Executive Officer of Ipsen**, said: *"With drug sales totalling €567 million, up by 5.2% year-on-year excluding foreign exchange impacts[3], Ipsen has once again seen dynamic growth in its specialty care products. This sales performance has resulted in the Group increasing its financial objectives for the full year 2011. Taking into account the strategic review and the gradual re-focusing of the Group spending, particularly on the 10 phase III clinical trials currently underway, 2011 must be viewed as a transitional year in terms of profitability."* Marc de Garidel added: *"Since the announcement of the new strategy on 9 June, Ipsen has been gearing up to fulfil its 2020 ambition. To this end, all the positions in the Group's Executive Committee have now been filled and the administrative and employee-related procedures required for authorisation to close the Barcelona R&D site have been completed. In Europe, we have just entered into an agreement in hemophilia with our partner Inspiration Biopharmaceuticals to build a strong commercial presence. Lastly, in North America, we began transferring our commercial activities to the East Coast. Now that we have laid down the foundations in our vision, we will introduce in the coming months the investments announced on 9 June."*

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1 *Growth in sales expressed excluding foreign exchange impacts*

2 *"Recurring adjusted": Profit adjusted by non-recurring expenses particularly linked with the preparation and the implementation of the strategy announced on 9 June 2011. A reconciliation between the operating income and the recurring adjusted operating income is attached in appendix 4.*

3 *Variations excluding foreign exchange impacts are computed by restating the first half 2010 with the first half 2011 average exchange rates.*

Extract of consolidated results

(in million of euros) *These results were subject to a limited review by the auditors*	***H1 2011***	***H1 2010***	***% change***
Specialty Care sales	381.0	352.1	*+8.2%*
Primary Care sales	185.6	185.6	*0.0%*
Total drug sales	**566.6**	**537.8**	***+5.4%***
Drug-related sales	16.5	16.2	*+2.1%*
Consolidated sales	**583.1**	**553.9**	***+5.3%***
Other revenues	**36.3**	**31.7**	**+14.4%**
Total revenues	**619.4**	**585.7**	**+5.8%**
Research and development expenses	(105.8)	(99.1)	*+6.7%*
Operating income	**120.8**	**104.9**	***+15.1%***
In % of sales	*20.7%*	*18.9%*	**-**
Recurring adjusted operating income[1]	**143.9**	**113.2**	***+27.1%***
In % of sales	*24.7%*	*20.4%*	**-**
Share of profit/loss from associated companies	(4.1)	(5.1)	*(19.6)%*
Consolidated net profit *(attributable to shareholders of Ipsen)*	**91.7**	**75.5**	***+21.4%***
Earnings per share – fully diluted (€) *(attributable to shareholders of Ipsen)*	**1.09**	**0.89**	***+22.5%***
Recurring adjusted consolidated net profit[1] *(attributable to shareholders of Ipsen)*	**107.3**	**80.7**	***+33.0%***
Recurring adjusted earnings per share – fully diluted[1] (€) *(attributable to shareholders of Ipsen)*	**1.27**	**0.96**	***+32.3%***
Net cash flow from operating activities	**97.3**	**134.7**	

[1] *See appendix 4.*

Review of the first half 2011 sales and results

The Group's consolidated sales amounted to €583.1 million, up 5.3% year-on-year (+4.9% excluding foreign exchange impacts[2]). Sales of **specialty care** products totalled €381.0 million, up 8.2% year-on-year (7.9% excluding foreign exchange impacts[2]). Specialty care products represented 65.3% of the Group's consolidated sales, compared with 63.6% a year earlier. Sales of **primary care** products totalled €185.6 million, stable year-on-year.

Drug sales grew 5.4% year-on-year (+5.2% excluding foreign exchange impacts[2]) mainly driven by:

- Sales of the Neurology franchise, up 18.1% (+16.9% excluding foreign exchange impacts[2]) thanks primarily to the increase in the sales of Dysport® in North America, the product's performance in Latin America and to increased supply of the product to the Group's partners, Medicis and Galderma;
- The performance of the Endocrinology franchise, up 11.5% mainly due to the Group's presence in North America;
- The resilience of primary care drugs, supported by international sales.

[2] *Variations excluding foreign exchange impacts are computed by restating the first half 2010 with the first half 2011 average exchange rates*

Sales in the major Western European countries in the first half 2011 totalled €273.7 million, down 3.5% year-on-year excluding foreign exchange impacts[1]. The dynamic growth in sales volumes of speciality care products was more than offset by the consequences of the tougher primary care environment in France and by administrative measures in Germany and Spain. In the **other European countries**, sales totalled €144.4 million, up 10.6% excluding foreign exchange impacts[1], driven by sustained growth in volumes, particularly in Switzerland where the Group sells Azzalure® to its partner Galderma, and in Russia, Austria and Ukraine. Sales in **North America** totalled €33.1 million, up 25.6% excluding foreign exchange impacts[1], sustained by the continuous penetration of Somatuline® in the treatment of acromegaly and the increase in the sales of Dysport® in the treatment of cervical dystonia. In the **rest of the World,** sales totalled €131.9 million, up 14.4% excluding foreign exchange impacts[1], fuelled in particular by strong growth in volumes in Algeria, Australia, Colombia and China despite a destocking effect on Decapeptyl® related to implementation of a new distribution model in the latter country.

Other revenues amounted to €36.3 million in the first half 2011, up 14.4% compared with €31.7 million the previous year. This growth is linked to the increased royalties paid by Medicis, Galderma and Menarini, and to the rebilling of OBI-1 industrial development expenses related to the agreements signed with Inspiration Biopharmaceuticals Inc..

Consequently, **total revenues** totalled €619.4 million in the first half 2011, up 5.8% year-on-year.

R&D expenses totalled €105.8 million in the first half 2011, up 6.7% year-on-year. Excluding industrial development expenses for OBI-1, billed to Inspiration Biopharmaceuticals Inc., research and development expenses accounted for 16.7% of sales, up 5.6% year-on-year, excluding foreign exchange impacts[1]***.***

Selling, general and administrative expenses amounted to €248.2 million in the first half 2011, almost stable year-on-year, reflecting the Group's selective commercial resources allocation policy to growth geographies.

In the first half 2011, the Group posted a non-recurring income of €17.2 million in **other operating income and expenses** following the enforceable ruling handed down in relation to the commercial dispute between the Group and Mylan. This income was partially offset by non-recurring expenses linked to implementation of the strategy announced on 9 June 2011.

With regard to implementation of the new strategy, the Group posted €28.1 million of **non-recurring costs for restructuring**, mainly corresponding to the closure of the Research and Development centre at the Barcelona (Spain) site and to the transfer of the Group's North-American commercial subsidiary to the East coast.

Consequently, **operating income** totalled €120.8 million in the first half 2011, up 15.1% compared with June 2010, and accounted for 20.7% of sales, compared with 18.9% in the previous year. Excluding certain non-recurring costs, linked this year to the implementation of the Group's new strategy and excluding the effects in the two periods of the allocation of goodwill from the Group's transactions in North America, **recurring adjusted operating income[2]** at 30 June 2011 amounted to €143.9 in the first half 2011, or 24.7% of sales compared to 20.4% the previous year, and up 27.1% year-on-year.

At 30 June 2011 the Group posted **a share in the loss of associated companies** of €(4.1) million, consisting of its share in the loss of the company Inspiration Biopharmaceuticals Inc., which has been accounted for using the equity method since January 2010.

[1] *Variations excluding foreign exchange impacts are computed by restating the first half 2010 with the first half 2011 average exchange rates*
[2] *See appendix 4.*

Consolidated net profit (attributable to shareholders of Ipsen) amounted to €91.7 million compared with €75.5 million the previous year. Excluding certain non-recurring costs, linked this year to the implementation of the Group's new strategy and excluding accounting consequences linked to the allocation of goodwill from the Group's transactions in North America, **recurring adjusted[1] profit diluted per share** (attributable to shareholders of Ipsen) amounted to €1.27, a **sharp rise of** 32.3% **year-on-year**.

At 30 June 2011, the total of milestones received in cash and not yet recognised in the consolidated income statement amounted to €206.1 million, down 26.6% compared with €280.6 million recorded the previous year. In the first half 2010, the Group notably posted €53.1 million of deferred revenue for its partnerships with Menarini and Inspiration Biopharmaceuticals Inc..

Net cash flow from operating activities represented €97.3 million, compared with €134.7 million in the previous year. In 2010, the Group received significant cash payments in relation to its partnerships. At 30 June 2011, the Group had a positive **closing net cash and cash equivalents** of €155.0 million, down by €9.1 million compared with 30 June 2010.

Update of 2011 financial targets

Based on information currently available and given its solid performance in the first half 2011, the Group is now targeting for the full year 2011**:**

- **Specialty Care** drug sales growth close to 8.0% year-on-year
- **Primary Care** drug sales decrease of 3.0% to 5.0% year-on-year
- **A recurring adjusted[1] operating income** ranging from 190 million euros to 200 million euros

The above objectives are set excluding any foreign exchange impacts.

[1] *"Recurring adjusted": before non-recurring expenses particularly linked with the preparation and the implementation of the strategy announced on 9 June 2011. A reconciliation between the operating income and the recurring adjusted operating income is attached in appendix 4.*

Ipsen - Media conference call (in French)

Ipsen will host a conference call on Tuesday 30 August 2011 at 9:30 am (Paris time - GMT+1).

Participants in the conference call may connect for the meeting 5-10 minutes prior to its start. No reservations are required to participate. The access code is 90862774. The telephone number to call in order to connect to the conference call from France is 0805 110 480, from other countries in Europe it is +44 (0) 1452 568 328 and from the United States +1 866 261 3627. The telephone number to call in order to access a recording of the conference call from France is 0805 111 337, from other countries in Europe it is +44 (0) 1452 55 00 00, from the United States +1 866 247 4222. The access code is 90862774#. The conference call is available for one week following the meeting.

Webcast and Conference Call (in English) for financial analysts and journalists

Ipsen will host a web conference (webcast & video) and conference call on Tuesday, August 30, 2011 at 2:00 pm (Paris time - GMT+1). The webcast will be available live at: www.ipsen.com

Participants in the conference call may connect for the meeting 5-10 minutes prior to its start. No reservations are required to participate. The conference ID is 899925. The telephone number to call in order to connect to the conference call from France is +33 (0) 1 70 99 32 08, from the UK is +44 (0) 207 162 0077 and from the United States +1 334 323 6201. The telephone number to call in order to access a recording of the conference call from France is +33 (0) 1 70 99 35 29, from the UK is +44 (0) 207 031 4064 and from the United States +1 954 334 03 42. The access code is 899925. The conference call and webcast will be available for one week following the meeting.

About Ipsen

Ipsen is a global specialty-driven pharmaceutical company with total sales exceeding €1.1 billion in 2010. Ipsen's ambition is to become a leader in specialty healthcare solutions for targeted debilitating diseases. Its development strategy is supported by four franchises: neurology / Dysport®, endocrinology / Somatuline®, uro-oncology / Decapeptyl® and hemophilia. Moreover, the Group has an active policy of partnerships. R&D is focused on innovative and differentiated technological patient-driven platforms, peptides and toxins. In 2010, R&D expenditure totaled more than €220 million, above 20% of Group sales. The Group has total worldwide staff of close to 4,500 employees. 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 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. All of the above risks could affect the Group's future ability to achieve its financial targets, which were set assuming reasonable macroeconomic conditions based on the information available today.
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. Actual results may depart significantly from these targets given the occurrence of certain risks and uncertainties, notably the fact that a promising product in early development phase or clinical trial may end up never being launched on the market or reaching its commercial targets, notably for regulatory or competition reasons. The Group must face or might face competition from Generics that might translate into loose of market shares.
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

favourable 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 2010 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, Ginkor 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 generate 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 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;
- The implementation of the strategy has to be submitted to the relevant staff representation authorities in each country concerned, in compliance with the specific procedures, terms and conditions set forth by each national legislation.
- In France, the government presented at the Council of Ministers on August 1 a bill on enhancing drug safety. This reform has three main parts: transparency and management of links of interest for experts, governance of health products and measures on the drug (including restrictions of company rep visits to hospitals and new regulation of Named Patient Basis "ATU"). Other measures announced by the Minister for Work, Employment and Health but not in this bill, should also be decided, such as a new tax for drug companies to fund continuing medical education for physicians.

Major developments in the first half 2011

- 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.
- 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.
- On 9 March 2011 – Ipsen announced that the Food and Drug Administration (FDA) has approved Ipsen's Prior Approval Supplement application for the Extended Dosing Interval of Somatuline® Depot for patients suffering from acromegaly.
- On 18 April 2011 – The Group and Active Biotech announced the signature of a partnership agreement to co-develop and commercialize Tasquinimod "TASQ". A phase III clinical trial in men with metastatic castrate-resistant prostate cancer has recently been initiated by Active Biotech and patient recruitment is ongoing. Under the terms of the contract, Active Biotech grants to Ipsen exclusive rights to commercialize TASQ worldwide, except for North America, South America and Japan, where Active Biotech retains all commercial and marketing rights. Both companies will co-develop TASQ for the treatment of castrate-resistant prostate cancer, with the possibility to develop TASQ in other cancer indications. Active Biotech is responsible for conducting and financing the Phase III pivotal clinical trial and will receive up to €200 million consisting of an upfront payment of €25 million and additional payments contingent upon achievement of clinical, regulatory and commercial milestones. In addition, Ipsen will pay Active Biotech double-digit progressive royalties on its net sales and will conduct and fund a European supportive study in prostate cancer patients out of its R&D budget. Eventual costs to develop TASQ in future other cancer indications will be shared.
- On 28 April 2011 – The Paris Court of Appeal invalidated the Paris Commercial Court decision of 24 January 2008 relating to the commercialisation of Vitalogink®, and in favour of the arguments put forward by the Group. The Court ordered Mylan to pay Ipsen €17.2 million in compensation for losses incurred. On 7 July 2011 - Mylan announced that it has submitted an appeal against this decision to the Supreme Court.
- On 2 May 2011 – Ipsen announced the departures of Frédéric Babin, Executive Vice-President Human Resources, and Stéphane Thiroloix, Executive Vice-President-Corporate Development.
- On 11 May 2011 – Ipsen announced the appointment of Etienne de Blois as Executive Vice-President Human Resources, member of the Group's Executive Committee.
- On 27 May 2011 – Ipsen announced the departure of Claire Giraut, Executive Vice-President, Chief Financial Officier, as of 1 September 2011.
- On 6 June 2011 – Ipsen announced its decision to stop the development of Irosustat (BN 83495) in monotherapy and to assess its alternative development in combination with other hormonal therapies. This decision is based on the futility analysis from the proof-of-concept trial phase II clinical study carried out in Europe in monotherapy in endometrial cancer, and on the phase I/II clinical study results obtained in metastatic prostate and breast cancers.

- On 9 June 2011 – Ipsen announced the appointment of Pierre Boulud as Executive Vice-President, Strategy, Business Development and Market Access, member of the Group's Executive Committee.
- On 9 June 2011 – Ipsen announced its new strategy based on three major pillars: Increase focus, Invest to grow and Leverage footprint

After 30 June 2011, major developments included:

- On 12 July 2011 - Ipsen and the Salk Institute for Biological Studies announced that they are renewing the Ipsen Life Sciences Program at the Salk Institute. The mission of the partnership is to advance knowledge in the field of proliferative and degenerative diseases through fundamental and applied biology research.
- On 12 July 2011 – Ipsen and Institut de cancérologie Gustave Roussy (IGR, Villejuif), announced the signature of a partnership in the area of medical oncology to leverage the combined expertises of their respective R&D teams. This 3 year agreement was signed on 27 June 2011.
- On 28 July 2011 - Ipsen announced that its partner Inspiration Biopharmaceuticals presented data from its clinical development program for OBI-1, a recombinant porcine factor VIII product (rpFVIII), intended for the treatment of bleeding in people with hemophilia A with inhibitors and in people with acquired hemophilia. A total of three patients with acquired hemophilia, who had experienced severe bleeds not controlled with by-passing agents, were treated with OBI-1; in all three patients, treatment with OBI-1 stopped the bleeding.

Administrative measures

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

In a context of financial and economic crisis, the governments of many countries in which the Group operates continue to introduce new measures to reduce public health expenses, some of which have affected Group sales and profitability in the first half 2011. In addition, certain measures introduced in 2010 have continued to affect the Group's accounts year-on-year.

- After introducing an 8% tax on drug sales, Romania has announced a reform wherein the new tax would be based on the growth in sales of the entire portfolio of reimbursed products (a portion paid by the State) since 2009.

- In 2010, the Czech Republic announced its intention to limit the reimbursement level of different 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); the setting-up of reverse electronic calls for bids and the reinforcement of reimbursement rules for innovative products are also on the agenda.

- In early 2011, Ireland announced an austerity plan, including measures relating to public health expenses.

- 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.

- In 2011 Portugal has introduced an electronic system encouraging the prescription of the cheapest product (including generics).

- In late 2010 Belgium increased the price reduction percentage applicable to certain products from 12% to 15% for products which have been on the market for more than 12 years, and from 15% to 19% for products which have been on the market for more than 15 years.

- The Baltic States have introduced price/volume agreements based on the growth of the State budget, in November 2010 for Lithuania and beginning of 2011 for Latvia.

Furthermore, and still in the financial and economic crisis context, governments of many countries in which the Group operates continue to introduce new measures to reduce public health expenses, some of which may affect the Group sales and profitability beyond the first half 2011.

- Hungary has doubled the health visitor tax, taking it to €40 thousand per year, and increased the tax on sales from 12% to 20%.

- As of November 1st, 2011, Spain will raise its tax on drug sales from 7.5% to 15.0% from products that have been on the market for more than 10 years.

- On August 4, 2011 China announced an average retail price decrease of 14% on 82 drugs primarily targeting steroid, endocrine and central nervous system therapeutics. This price cut will be effective on September 1st, 2011.

Governments of many countries in which the Group operates continue to consider or implement new or additional measures.

Comparison of consolidated sales for the second quarters and first halves 2011 and 2010:

Sales by geographical area

For the second quarters and first halves 2011 and 2010, the Group sales by geographical region were as follows:

(in million of euros)	2nd quarter 2011	2nd quarter 2010	2nd quarter % Change	1st half 2011	1st half 2010	1st half % Change	1st half % Change at constant currency[1]
France	80.3	85.7	-6.3%	149.5	161.4	-7.4%	-7.4%
United Kingdom	10.3	10.9	-5.4%	21.4	21.0	2.2%	1.6%
Spain	15.4	14.7	5.1%	31.0	30.5	1.7%	1.7%
Germany	14.8	14.0	5.9%	29.6	30.5	-2.9%	-2.9%
Italy	20.9	19.9	5.4%	42.2	40.1	5.3%	5.3%
Major Western European countries	**141.7**	**145.0**	**-2.3%**	**273.7**	**283.4**	**-3.4%**	**-3.5%**
Eastern Europe	32.9	34.6	-5.0%	77.0	71.6	7.5%	7.5%
Other European countries	34.4	28.6	20.0%	67.4	57.3	17.7%	14.3%
Other European countries	**67.3**	**63.2**	**6.4%**	**144.4**	**128.9**	**12.1%**	**10.6%**
North America	**16.4**	**17.6**	**-6.7%**	**33.1**	**27.5**	**20.3%**	**25.6%**
Asia	38.0	33.1	14.7%	65.6	60.8	7.9%	8.3%
Other rest of the world	33.9	28.7	18.0%	66.3	53.4	24.2%	21.2%
Rest of the world	**71.9**	**61.8**	**16.2%**	**131.9**	**114.2**	**15.5%**	**14.4%**
Group Sales	**297.3**	**287.7**	**3.3%**	**583.1**	**553.9**	**5.3%**	**4.9%**
of which: total drug sales	**289.3**	**279.8**	**3.4%**	**566.6**	**537.8**	**5.4%**	**5.2%**
Drug-related sales	**8.0**	**7.9**	**0.9%**	**16.5**	**16.2**	**2.1%**	**-3.4%**

In the second quarter 2011, sales in **Major Western European countries** amounted to €141.7 million, down 2.3% year-on-year. In the first half 2011, sales in Major Western European countries amounted to €273.7 million, down 3.5% year-on-year excluding foreign exchange impacts[1]. The dynamic growth in sales volumes of specialty care products has been more than offset by the consequences of a tougher competitive environment in the French primary care landscape and administrative measures in Spain and in Germany, which are described below. As a result, sales in major Western European countries represented 46.9% of total Group sales at the end of the first half 2011, compared with 51.2% the previous year.

France – In the second quarter 2011, sales reached €80.3 million, down 6.3% year-on-year. During the first half 2011, sales amounted to €149.5 million, down 7.4% year-on-year, penalised by the performance of primary care product sales. As a result the relative weight of France in the Group's consolidated sales has continued to decrease, now representing 25.6% of the Group's total sales compared with 29.1% a year earlier.

Spain – In the second quarter 2011, sales reached €15.4 million, up 5.1% year-on-year. During the first half 2011, sales reached €31.0 million, up 1.7% year-on-year, mainly driven by the strong volume growth of Somatuline® and the new 6-month Decapeptyl® formulation, partially offset by the consequences of the implementation of a new 7.5% tax on sales in force since 1st June 2010. Sales of Dysport® have continued to slow, following the launch of Azzalure® by the Group's partner, Galderma. At the end of the first half 2011, sales in Spain represented 5.3% of the Group's consolidated sales against 5.5% a year earlier.

[1] *Variations excluding foreign exchange impacts are computed by restating the first half 2010 with the first half 2011 average exchange rates*

Italy – In the second quarter 2011, sales reached €20.9 million, up 5.4% year-on-year. In the first half 2011, sales amounted to €42.2 million, up 5.3% year-on-year, driven by the strong performance of Somatuline® and NutropinAq®. At the end of the first half 2011, Italy represented 7.2% of the Group's consolidated sales, stable year-on-year.

Germany – In the second quarter 2011, sales reached €14.8 million, up 5.9% year-on-year. In the first half 2011, sales amounted to €29.6 million, down 2.9% year-on-year. The strong volume growth of Decapeptyl® and Somatuline® has been more than offset by the increase from 6% to 16% of a mandatory rebate on the Group's sales as of 1st August 2010, by the decrease in sales of Dysport® following the launch of Azzalure® by Galderma, and by the sharp decline in drug-related sales (active ingredients and raw materials). In the first half 2011, sales in Germany represented 5.1% of the Group's consolidated sales compared with 5.5% the previous year.

United Kingdom – In the second quarter 2011, sales amounted to €10.3 million, down 5.4% year-on-year, affected by retroactive adjustments in the calculation of the Pharmaceutical Price Regulation Scheme (PPRS). In the first half 2011, sales reached €21.4 million, up 1.6% excluding foreign exchange impacts[1], mainly due to the strong double-digit growth in volumes of Decapeptyl®, Somatuline® and NutropinAq®, partially offset by the decline in sales of Dysport® following the launch of Azzalure® by Galderma. In the first half 2011, the United Kingdom represented 3.7% of total Group sales compared with 3.8% in 2010.

In the second quarter 2011, sales generated in **Other European countries** reached €67.3 million, up 6.4% year-on-year despite the large destocking effect in Russia mainly affecting primary care product sales. In the first half 2011, sales reached €144.4 million, up 10.6% excluding foreign exchange impacts[1]. Performance was driven by growth in volumes, especially in Switzerland, where the Group sells Azzalure® to its partner Galderma, and in Russia, Austria and Ukraine. In the first half 2011, sales in the region represented 24.8% of the Group's consolidated sales compared with 23.3% the previous year.

In the second quarter 2011, sales generated in **North America** amounted to €16.4 million, down 6.7% year-on-year or up 1.7% excluding foreign exchange impacts[1], affected by changes in Medicis' stocks of Dysport®. In the first half 2011, sales in North America amounted to €33.1 million, up 25.6% excluding foreign exchange impacts[1] mainly due by the large supply of Dysport® to Medicis for aesthetic use and by the good market penetration of Somatuline® in acromegaly (strong growth of 33.5% excluding foreign exchange impacts[1] year-on-year) and by the increase in the sales of Dysport® in the treatment of cervical dystonia. Sales in North America represented 5.7% of the Group's total consolidated sales, compared with 5.0% a year earlier.

In the second quarter, sales generated in the **Rest of the world** reached €71.9 million, up 16.2% year-on-year. In the first half 2011, sales reached €131.9 million, up 15.5% year-on-year or up 14.4% excluding foreign exchange impacts[1]. This performance was mainly driven by strong volume growth in Algeria, Australia, Colombia and China. Sales of Decapeptyl® in this latter country were affected by destocking effects relating to the implementation of a new distribution model whereby the Group directly supplies its Chinese subsidiary rather than a third party distributor. In the first half 2011, sales in the rest of the world continued to increase, reaching 22.6% of the Group's consolidated sales compared with 20.6% a year earlier.

[1] *Variations excluding foreign exchange impacts are computed by restating the first half 2010 with the first half 2011 average exchange rates*

Sales by therapeutic areas and by products

The following table shows sales by therapeutic areas and by products for the second quarters and first halves 2011 and 2010:

	2nd quarter			1st half			
(in million of euros)	2011	2010	% Change	2011	2010	% Change	% Change at constant currency[1]
Oncology	**74.0**	**72.4**	**2.2%**	**139.2**	**140.8**	**-1.1%**	**-1.1%**
of which Decapeptyl®	74.0	72.4	2.2%	139.2	140.8	-1.1%	-1.2%
Endocrinology	**68.0**	**62.1**	**9.5%**	**133.9**	**120.1**	**11.5%**	**11.5%**
of which Somatuline®	48.9	42.8	14.3%	95.0	83.5	13.8%	13.3%
of which Nutropin®	13.1	12.5	4.3%	26.0	23.9	9.1%	8.4%
of which Increlex®	6.1	6.9	-11.1%	12.9	12.7	1.5%	5.6%
Neurology	**56.2**	**49.2**	**14.4%**	**107.9**	**91.3**	**18.1%**	**16.9%**
of which Dysport®	54.9	47.4	15.7%	105.0	88.2	19.0%	17.4%
of which Apokyn®	1.3	1.7	-22.3%	2.9	3.1	-5.5%	-0.5%
Specialty care	**198.2**	**183.6**	**7.9%**	**381.0**	**352.1**	**8.2%**	**7.9%**
Gastro-enterology	**46.9**	**45.2**	**3.8%**	**99.2**	**89.0**	**11.5%**	**11.6%**
of which Smecta®	23.8	25.3	-5.8%	52.0	50.4	3.1%	3.4%
of which Forlax®	10.4	10.7	-2.6%	21.6	20.0	8.4%	8.0%
Cognitive disorders	**22.1**	**25.2**	**-12.4%**	**45.2**	**48.7**	**-7.3%**	**-7.3%**
of which Tanakan®	22.1	25.2	-12.4%	45.2	48.7	-7.3%	-7.3%
Cardio-vascular	**18.3**	**21.9**	**-16.4%**	**33.9**	**40.0**	**-15.3%**	**-15.3%**
of which Nisis & Nisisco®	13.5	15.6	-13.9%	24.7	29.4	-16.0%	-16.0%
of which Ginkor®	3.7	5.3	-29.7%	7.1	8.5	-16.0%	-16.0%
Other primary care products	**3.8**	**3.9**	**-2.6%**	**7.4**	**7.9**	**-7.3%**	**-7.3%**
of which Adrovance®	3.3	3.1	5.9%	5.7	6.3	-8.8%	-8.8%
Primary care	**91.1**	**96.2**	**-5.3%**	**185.6**	**185.6**	**0.0%**	**0.1%**
Total Drug sales	**289.3**	**279.8**	**3.4%**	**566.6**	**537.8**	**5.4%**	**5.2%**
Drug-related sales	**8.0**	**7.9**	**0.9%**	**16.5**	**16.2**	**2.1%**	**-3.4%**
Group Sales	**297.3**	**287.7**	**3.3%**	**583.1**	**553.9**	**5.3%**	**4.9%**

In the second quarter 2011, sales of **specialty care products** reached €198.2 million, up 7.9% year-on-year. In the first half 2011, sales reached €381.0 million, up 8.2% year-on-year or up 7.9% excluding foreign exchange impacts[1]. Sales in Neurology and Endocrinology increased respectively by 16.9% and 11.5% year-on-year excluding foreign exchange impacts[1]. Sales in Oncology were down 1.1% with a constant exchange rate[1], illustrating destocking effects within certain wholesalers in France and the technical impacts related to the new distribution model in China. At the end of the first half 2011, the relative weight of specialty care products continued to increase, reaching 65.3% of the Group's total sales, compared with 63.6% a year earlier.

In oncology sales of **Decapeptyl®** reached €74.0 million in the second quarter 2011, up 2.2% year-on-year. In the first half 2011, sales reached €139.2 million, down 1.2% excluding foreign exchange impacts[1]. Solid sales in Germany and the United Kingdom were offset by lower sales in China and in France, mainly linked to destocking effects. In the first half 2011, sales in Oncology represented 23.9% of the Group's sales compared with 25.4% the previous year.

[1] *Variations excluding foreign exchange impacts are computed by restating the first half 2010 with the first half 2011 average exchange rates*

In endocrinology sales continued to increase, reaching €68.0 million in the second quarter 2011, up 9.5% year-on-year. In the first half 2011, sales amounted to €133.9 million, up 11.5% excluding foreign exchange impacts[1], representing 23.0% of the Group's total sales compared with 21.7% a year earlier.

Somatuline® – In the second quarter 2011, sales reached €48.9 million, up 14.3%. In the first half 2011, Somatuline® sales reached €95.0 million, up 13.3% year-on-year excluding foreign exchange impacts[1], fuelled by strong growth of 26.7% year-on-year in the United States (33.5% excluding foreign exchange impacts[1]) and by strong growth in France, Italy, Spain and Belgium.

NutropinAq® – In the second quarter 2011, sales reached €13.1 million, up 4.3% year-on-year. In the first half 2011, NutropinAq® sales reached €26.0 million, up 8.4% excluding foreign exchange impacts[1], due to the good performance of Italy and Eastern Europe.

Increlex® – In the second quarter 2011, sales amounted to €6.1 million, down 11.1% year-on-year, mainly due to the above-mentioned provision for price reduction (PPRS) in the United Kingdom. Increlex® sales in the first half 2011 amounted to 12.9 million, up 5.6% excluding foreign exchange impacts[1], mainly due to growth in the United States.

In neurology, sales reached €56.2 million in the second quarter 2011, up 14.4% year-on-year. In the first half 2011, sales reached €107.9 million, up 16.9% excluding foreign exchange impacts[1]. Neurology sales represented 18.5% of the Group's total sales, compared with 16.5% a year earlier.

Dysport® – In the second quarter 2011, sales reached €54.9 million, up 15.7% year-on-year. In the first half 2011, sales reached €105.0 million, up 17.4% excluding foreign exchange impacts[1] year-on-year, mainly due to the strong growth in supply to the Group's partners, Medicis and Galderma, slightly offset by the consequences of the launch of Azzalure® by Galderma in the Major Western European countries. Growth was also fuelled by the increase in sales in the United States and by the strong performances in Austria, in Russia, in Czech Republic and in South America.

Apokyn® – In the second quarter 2011, sales reached €1.3 million in the United States, down 22.3% year-on-year. In the first half 2011, sales reached €2.9 million, stable year-on-year excluding foreign exchange impacts[1].

In the second quarter 2011, **primary care** product sales reached €91.1 million, down 5.3% year-on-year, negatively impacted by a destocking effect in Russia and by the consequences of a tougher competitive environment in France. In the first half 2011, sales amounted to €185.6 million, unchanged year-on-year. Sales growth outside France was offset by the negative effects of the French market situation. In the first half 2011, primary care product sales represented 31.8% of the Group's consolidated sales, compared with 33.5% a year earlier. Primary care product sales in France represented 49.0% of the Group's total primary care product sales compared with 54.0% a year earlier.

[1] *Variations excluding foreign exchange impacts are computed by restating the first half 2010 with the first half 2011 average exchange rates*

In gastroenterology, sales reached €46.9 million in the second quarter 2011, up, 3.8% year-on-year, due to strong growth in China. In the first half 2011, sales amounted to €99.2 million, up 11.5% year-on-year.

Smecta® – In the second quarter 2011, sales reached €23.8 million, down 5.8% year-on-year, mainly affected by the destocking effects in Russia. Smecta® sales in the first half 2011 reached €52.0 million, up 3.4% year-on-year excluding foreign exchange impacts[1], mainly due to a high levels of seasonal pathology in France and a good performance in Ukraine, partially offset by lower sales in Romania. Smecta® sales represented 8.9% of total Group sales over the period compared with 9.1% a year earlier.

Forlax® – In the second quarter 2011, sales reached €10.4 million, down 2.6% year-on-year. In the first half 2011, sales reached €21.6 million, up 8.0% year-on-year excluding foreign exchange impacts[1]. In the first half 2011, France represented 58.0% of total product sales, down compared with 60.1% a year earlier.

In the treatment of cognitive disorders, sales of **Tanakan®** in the second quarter 2011 reached €22.1 million, down 12.4% year-on-year, mainly affected by the destocking effects in Russia described above and by a tougher competitive environment in France. In the first half 2011, sales reached €45.2 million, down 7.3% year-on-year excluding foreign exchange impacts[1]. The decline in sales in France was partially offset by growth of sales in China. In the first half 2011, 52.0% of Tanakan® sales occurred in France compared with 57.4% a year earlier.

In the cardiovascular field, in the second quarter 2011, sales reached €18.3 million, down 16.4% year-on-year. In the first half 2011, sales reached €33.9 million, down 15.3% year-on-year, mainly affected by the 11% price reduction of Nisis® and Nisisco® effective as of September 2010 and to the transfer of prescriptions to Exforge®, which is co-promoted by the Group.

Other Primary care drugs sales reached €3.8 million in the second quarter 2011, down 2.6%. In the first half 2011, sales reached €7.4 million, down 7.3% year-on-year, with Adrovance® sales contributing to €5.7 million, down 8.8% year-on-year due to a 25% price reduction effective since May 2010 in France.

In the second quarter 2011, **drug-related sales (active ingredients and raw materials)** reached €8.0 million, up 0.9%. In the first half 2011, sales reached €16.5 million, down 3.4% excluding foreign exchange impacts[1].

[1] *Variations excluding foreign exchange impacts are computed by restating the first half 2010 with the first half 2011 average exchange rates*

Comparison of consolidated income statement for the first halves 2011 and 2010

(in million of euros)	30 June 2011	% Sales	30 June 2010	% Sales	Change
Consolidated sales	**583.1**	**100.0%**	**553.9**	**100.0%**	**5.3%**
Other revenues	36.3	*6.2%*	31.7	*5.7%*	*14.4%*
Total revenues	**619.4**	**106.2%**	**585.7**	**105.7%**	**5.8%**
Cost of goods sold	(120.9)	*-20.7%*	(122.6)	*-22.1%*	*-1.4%*
Research and development expenses	(105.8)	*-18.1%*	(99.1)	*-17.9%*	*6.7%*
Selling expenses	(205.6)	*-35.3%*	(203.9)	*-36.8%*	*0.8%*
General and administrative expenses	(42.6)	*-7.3%*	(43.6)	*-7.9%*	*-2.1%*
Other operating income and expenses	7.5	*1.3%*	(4.7)	*-0.9%*	-
Amortisation of intangible assets	(3.1)	*-0.5%*	(6.0)	*-1.1%*	*-47.6%*
Restructuring costs	(28.1)	*-4.8%*	(0.9)	*-0.2%*	-
Operating income	**120.8**	***20.7%***	**104.9**	***18.9%***	***15.1%***
Recurring adjusted operating income [(1)]	***143.9***	***24.7%***	***113.2***	***20.4%***	***27.1%***
Investment income	1.9	*0.3%*	1.0	*0.2%*	*93.7%*
Financing costs	(0.9)	*-0.1%*	(1.0)	*-0.2%*	*-10.5%*
Net financing costs	**1.0**	***0.2%***	**0.0**	***0.0%***	-
Other financial income and expenses	0.2	*0.0%*	(3.8)	*-0.7%*	-
Income taxes	(26.2)	*-4.5%*	(20.7)	*-3.7%*	*26.6%*
Share of profit / loss from associated companies	(4.1)	*-0.7%*	(5.1)	*-0.9%*	-
Net profit from continuing operations	**91.7**	***15.7%***	**75.4**	***13.6%***	***21.6%***
Net Profit from discontinued operations	0.2	*0.0%*	0.2	*0.0%*	-
Consolidated net profit	**91.9**	***15.7%***	**75.6**	***13.6%***	***21.5%***
– attributable to shareholders of Ipsen S.A.	91.7		75.5		-
– attributable to minority interests	0.2		0.1		-

[1] *See appendix 4.*

Consolidated sales

The Group's consolidated sales amounted to €583.1 million in the first half 2011, up 5.3% compared with the same period the previous year, or an increase of 4.9% excluding foreign exchange impact[2].

Other revenues

Other revenues amounted to €36.3 million in the first half 2011, up 14.4% year-on-year (€31.7 million at June 2010).

[2] *Variations excluding foreign exchange impacts are computed by restating the first half 2010 with the first half 2011 average exchange rates.*

Other revenues breakdown as follows:

(in million of euros)	30 June 2011	30 June 2010	Change	
			in value	*in %*
Breakdown by type of revenue				
– Royalties received	4.2	2.1	2.1	*96.1%*
– Milestone payments – licensing agreements[1]	14.1	16.9	(2.9)	*-16.8%*
– Other (co-promotion revenues, re-billings)	18.0	12.7	5.3	*42.2%*
Total	**36.3**	**31.7**	**4.6**	***14.4%***

- **Royalties received** amounted to €4.2 million in the first half 2011, up €2.1 million compared with June 2010 due to the increase in royalties paid by Medicis, Galderma and Menarini.
- **Milestone payments relating to licensing agreements**[1] amounted to €14.1 million, mainly issued from the partnerships with Medicis, Galderma, Recordati, Menarini and Inspiration Biopharmaceuticals Inc, down €2.9 million compared with June 2010. This decrease was mainly related to the termination in 2011 of milestone payments relating to Taspoglutide, after the restitution of product rights to the Group in February 2011.
- **Other revenues** amounted to €18.0 million in the first half 2011 compared with €12.7 million a year earlier. This item includes rebilling expenses of industrial development for OBI-1 as part of the agreements signed with Inspiration Biopharmaceuticals Inc., together with revenues relating to the Group's co-promotion and co-marketing agreements in France.

Cost of goods sold

In the first half 2011, the cost of goods sold amounted to €120.9 million, representing 20.7% of sales, compared with €122.6 million, or 22.1% of sales, for the same period in 2010.

The favourable mix related to the growth in specialty care sales and the Group's productivity efforts offseted the negative impact of declining volumes in French primary care.

Research and development expenses

In the first half 2011, research and development expenses increased by €6.7 million compared with June 2010 and represented €105.8 million or 17.1% of revenues or 18.1% of sales, compared with 16.9% of revenues and 17.9% of sales the previous year. Excluding industrial development expenses relating to OBI-1, invoiced to Inspiration Biopharmaceuticals Inc., research and development expenses represented 16.7% of sales and increased by 5.6% year-on-year, excluding foreign exchange impacts[2].

[1] *Milestone payments relating to licensing agreements primarily represent recognition of payments received over the life of partnership agreements.*

[2] *Variations excluding foreign exchange impacts are computed by restating the first half 2010 with the first half 2011 average exchange rates*

The table below provides a comparison of research and development expenses during the first halves 2011 and 2010:

(in million of euros)	30 June 2011	30 June 2010	Change	
			in value	*in %*
Breakdown by expense type				
– Drug-related research and development [(1)]	(89.7)	(86.1)	(3.6)	*4.2%*
– Industrial development [(2)]	(13.4)	(10.5)	(2.9)	*28.0%*
– Strategic development [(3)]	(2.7)	(2.6)	(0.1)	*4.8%*
Total	**(105.8)**	**(99.1)**	**(6.7)**	***6.7%***

(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.

- **Research and development drug-related costs** have increased by 4.2% compared to the prior year (+ 5.1% excluding foreign exchange impacts[4]). The main research and development projects conducted during the first half 2011 focused on Dysport® and the phase II clinical study of Irosustat (BN-83495), for which the clinical development program in monotherapy was discontinued on 6 June, 2011.
- **Industrial development expenses** have increased by 28.0% in the first half 2011 year-on-year, mainly resulting from production ramp up of clinical batches of OBI-1 for phase III, which were reinvoiced to Inspiration Biopharmaceuticals Inc. and accounted for under “other revenues”.

Selling, general and administrative expenses

Selling, general and administrative expenses amounted to €248.2 million for the first half 2011, representing 42.6% of sales, near unchanged year-on-year.

The table below provides a comparison of selling, general and administrative expenses during the first halves 2011 and 2010:

(in million of euros)	30 June 2011	30 June 2010	Change	
			In value	*In %*
Breakdown by expense type				
Royalties paid	*(23.5)*	*(21.7)*	*(1.8)*	*8.5%*
Other sales and marketing expenses	*(182.0)*	*(182.2)*	*0.2*	*-0.1%*
Selling expenses	(205.6)	(203.9)	(1.7)	*0.8%*
General and administrative expenses	(42.6)	(43.6)	0.9	*-2.1%*
Total	**(248.2)**	**(247.4)**	**(0.8)**	***0.3%***

[4] *Variations excluding foreign exchange impacts are computed by restating the first half 2010 with the first half 2011 average exchange rates.*

- **Selling expenses** amounted to €205.6 million, or 35.3% of sales for the first half 2011, slightly up by 0.8% compared with €203.9 million, or 36.8% of sales, for the first half 2010.
  - Royalties paid to third parties on sales of products marketed by the Group amounted to €23.5 million for the first half 2011, up 8.5% year-on-year. This increase is mainly due to the Group reaching a certain contractual threshold with one of the Group's partners.
  - Other selling expenses amounted to €182.0 million, or 31.2% of sales, stable compared to €182.2 million in the first half 2010, or 32.9% of sales, despite impairment losses in the first half 2011 on certain public hospitals accounts receivables in Southern Europe. In the first half 2011, the Group continued to selectively allocate business resources to high growth areas, especially China, Russia and Brazil, in a context of declining primary care drug sales in France.

General and administrative expenses in the first half 2011 decreased by 2.1% year-on-year to €42.6 million. This is mainly due to changes in expenses corresponding to the Group's stock option and bonus share plans.

Other operating income and expenses

Other operating income and expenses balance recorded in the first half 2011 represented a €7.5 million income. The other operating income for a total amount of €20.0 million is mainly composed of a non-recurring income of €17.2 million following the enforceable court judgement relating to the trade dispute between the Group and Mylan. The other operating expenses for a total amount of €12.5 million are mainly comprising non-recurring costs linked with the implementation of the new strategy announced on 9 June 2011 and the changes within the Executive Committee. In the first half 2010, the other operating income and expenses balance represented a €4.7 million expense, mainly composed of a €5.2m expense particularly comprising costs related to the headquarters and non recurring fees.

Amortisation of intangible assets

In the first half 2011, amortisation charges of intangible assets represented an expense of €3.1 million, compared with an expense of €6.0 million the previous year. This decrease is a result of the change to the amortisation plan following to the impairment loss recorded at 31 December 2010 on the IGF-1 licence.

Restructuring costs

In the first half 2011, the Group recorded €28.1 million in non-recurring restructuring costs as part of the strategy announced on 9 June 2011, mainly corresponding to the closure of the Research and Development at the site in Barcelona for €18.4 million and the transfer of the Group's North American subsidiary to the East Coast for €8.7 million. In 2010, the Group recorded €0.9 million of non-recurring restructuring costs.

Impairment losses

The Group did not record any impairment losses during the first halves 2011 and 2010.

Operating income

Based on above items, the operating income reported in the first half 2011 amounted to €120.8 million, or 19.5% of revenues and 20.7% of sales, up 15.1% compared to 17.9% of revenues and 18.9% of the Group's sales for the same period in 2010.

The Group's recurring adjusted operating income[1] in the first half 2011 amounts to €143.9 million, or 24.7% of consolidated sales, up 27.1% year-on-year.

Operating segments: operating income by geographical region

Internal Reporting provided to the Executive Committee corresponds to the Group's managerial organisation based on the geographical regions within which the Group operates. Accordingly, operating segments as defined by IFRS 8, equate to long-term groupings of countries.

The operating segments existing as of June 30, 2011 are as follows:

- "Major Western European countries": France, Italy, Spain, the United Kingdom and Germany;
- "Other European countries": Other Western European countries and Eastern European countries;
- "North America": United States and Canada;
- "Rest of the world": all countries not included in the three preceding operating segments.

[1] *See appendix 4.*

The table below provides an analysis of sales, revenues and operating income by geographical region for 30 June 2011 and 2010:

(in million of euros)	June 2011	*% Sales*	June 2010	*% Sales*	Change	*%*
Major Western European countries (*)						
Sales	273.7	*100.0%*	283.4	*100.0%*	(9.7)	*-3.4%*
Revenues	286.1	*104.5%*	292.2	*103.1%*	(6.1)	*-2.1%*
Operating income	138.4	*50.6%*	112.1	*39.6%*	26.3	*23.5%*
Other European countries						
Sales	144.4	*100.0%*	128.9	*100.0%*	15.6	*12.1%*
Revenues	147.0	*101.8%*	130.9	*101.6%*	16.1	*12.3%*
Operating income	48.6	*33.6%*	58.0	*45.0%*	(9.5)	*-16.3%*
North America						
Sales	33.1	*100.0%*	27.5	*100.0%*	5.6	*20.3%*
Revenues	41.6	*125.7%*	34.8	*126.6%*	6.8	*19.5%*
Operating income	(7.1)	*-21.3%*	(10.3)	*-37.6%*	3.3	*-31.7%*
Rest of the world						
Sales	131.9	*100.0%*	114.2	*100.0%*	17.7	*15.5%*
Revenues	133.4	*101.1%*	114.6	*100.4%*	18.7	*16.3%*
Operating income	58.4	*44.3%*	53.7	*47.0%*	4.7	*8.8%*
Total allocated						
Sales	583.1	*100.0%*	553.9	*100.0%*	29.2	*5.3%*
Revenues	608.1	*104.3%*	572.5	*103.4%*	35.6	*6.2%*
Operating income	238.4	*40.9%*	213.5	*38.5%*	24.9	*11.6%*
Total unallocated						
Revenues	11.3	-	13.1	-	(1.8)	*-14.0%*
Operating income	(117.6)	-	(108.6)	-	(9.0)	*8.3%*
Group total						
Sales	583.1	*100.0%*	553.9	*100.0%*	29.2	*5.3%*
Revenues	619.4	*106.2%*	585.7	*105.7%*	33.7	*5.8%*
Operating income	120.8	*20.7%*	104.9	*18.9%*	15.8	*15.1%*

(*) France, Spain, Italy, Germany and United Kingdom

- **In the major Western European countries**, sales for the first half 2011 amounted to €273.7 million, a down 3.5% year-on-year excluding foreign exchange impact[1]. The strong growth of sales volumes of specialty care products has been more than offset by the consequences of the tougher competitive environment in primary care in France and by administrative measures in Spain and Germany. As a result, sales in the major Western European countries represented 46.9% of total Group sales at the end of the first half 2011, compared with 51.2% the previous year. The cost of goods sold is down 8.0% year-on-year, mainly explained by the favourable mix related to the growth in specialty care sales and the Group's productivity efforts which offset the negative impact of declining volumes in primary care in France. Other operating income and expenses comprise a non-recurring income of €17.2 million after the enforceable court judgement relating to the trade dispute between the Group and Mylan. The Group also recorded €18.4 million in non-recurring expenses linked with restructuring as part of the new strategy, corresponding to the closure of the Research and Development site in Barcelona (Spain). Operating income for the first half 2011 thus amounted to €138.4 million, up 23.5% year-on-year, and represents 50.6% of sales for the first half 2011, compared with 39.6% for the same period in 2010.

[1] *Variations excluding foreign exchange impacts are computed by restating the first half 2010 with the first half 2011 average exchange rates*

- **In Other European countries** (other Western European countries together with Eastern Europe), sales generated for the first half 2011 reached €144.4 million, up 10.6% excluding foreign exchange impact[1]. This performance resulted from growth in volumes, especially in Switzerland, where the Group sells Azzalure® to its partner Galderma, and in Russia, Austria and Ukraine. In the first half 2011, sales in the region represented 24.8% of the Group's consolidated sales compared with 23.3% the previous year. In the first halves 2011 and 2010, selling expenses represented respectively 32.0% and 31.3% of sales in Other European countries, up 14.7% year-on-year. This change mainly stems from the increase in sales and the impairment losses on public hospitals accounts receivables in the Southern Europe area in the first half 2011. As a result, operating income for the first half 2011 was down 16.3% at €48.6 million compared with €58.0 million for the same period in 2010. It represents 33.6% of sales in the first half 2011 compared with 45.0% in 2010.
- **In North America**, sales for the first half 2011 amounted to €33.1 million, up 25.6% excluding foreign exchange impact[1], mainly due to the large supply of Dysport® to Medicis for aesthetic use and to the continuous market penetration of Somatuline® for in the treatment of acromegaly (a sharp increase of 33.5% year-on-year excluding foreign exchange impact[1]) and of Dysport® for the treatment of cervical dystonia. Sales in the North America represented 5.7% of the Group's total consolidated sales, compared with 5.0% a year earlier. Selling expenses decreased by 14.2% year-on-year. In 2010 these expenses had increased dramatically (+12.4% year-on-year) due to the launch of Increlex®, Somatuline®, Apokyn® and Dysport®. The Group also recorded €8.7 million of non-recurring expenses linked with the new strategy announced on 9 June 2011, corresponding to the transfer of the North American commercial subsidiary to the East Coast. Operating income for the first half 2011 thus amounted to €(7.1) million compared with €(10.3) million for the same period in 2010, representing (21.3)% and (37.6)% of sales respectively.
- **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 reached €131.9 million, up 15.5% year-on-year, or an increase of 14.4% with a constant exchange rate[1]. This performance was mainly due to large growth in sales volumes in Algeria, Australia, Colombia and China. Sales of Decapeptyl® in this region were affected by destocking effects relating to the implementation of a new distribution model whereby the Group directly supplies its Chinese subsidiary rather than a third party distributor. In the first half 2011, sales in the rest of the world continued to increase reaching 22.6% of the Group's consolidated sales compared with 20.6% a year earlier. Selling expenses in the first half 2011 increased significantly by 30.0% mainly due to the selective allocation of the Group's business resources to high growth areas, especially China and Brazil. As a result, operating income increased by 8.8% year-on-year, reaching €58.4 million in the first half 2011, or 44.3% of sales in the area compared with 47.0% during the same period in 2010.
- **Non-allocated operating income** amounted to €(117.6) million in the first half 2011, to be compared with €(108.6) million recorded in the first half 2010. It mainly included the Group's central research and developments costs for €(118.2) million in 2011 and €(116.8) million in 2010 and, to a lesser extent, unallocated general and administrative expenses as well as the other operating income and expenses corresponding mainly to the non-recurring expenses linked with the preparation and the implementation of the strategy announced on 9 June 2011 and the changes within the Executive Committee.

Costs of net financial debt and other financial income and expenses

At 30 June 2011, the Group's financial income amounted to €1.2 million compared with (€3.8) million the previous year.

- **The cost of net financial debt** represented an income of €1.0 million mainly including the interests recorded on the two convertible bonds issued by Inspiration Biopharmaceuticals Inc. and subscribed by the Group.
- **Other financial income and expenses** amounted to €0.2 million at 30 June 2011 against an expense of €3.8 million in 2010. This change was mainly due to foreign exchange movements. Moreover, in 2010, the Group had recorded impairment losses on some of its assets for sale.

[1] *Variations excluding foreign exchange impacts are computed by restating the first half 2010 with the first half 2011 average exchange rates*

Income taxes

At 30 June 2011, the effective tax rate was 21.5% of profit from continuing operations before share of profit/loss from associated companies , compared to an effective tax rate of 20.4% at 30 June 2010. This increase in effective tax rate was mainly due to the dilution of the positive impact of the research tax credit, related to a higher taxable profit compared with 30 June 2010. Adjusted for non-recurring operating and tax items, the Group's effective tax rate amounted to 22.9% at 30 June 2011, compared to 20.1% at 30 June 2010.

Share of profit / loss from associated companies

In the first half 2011, the Group recorded an expense of €4.1 million, representing its share of 22.1% in the loss of Inspiration Biopharmaceuticals Inc., which continues its clinical development activity on its portfolio of haemophilia products. In the first half 2010, this share represented an expense of €5.1 million.

Net profit from continuing operations

Due to the items above, the profit from continuing operations at 30 June 2011 amounted to €91.7 million, up by 21.6% compared with €75.4 million recorded at 30 June 2010. It represented 14.8% of revenues for the period, compared with 12.9% the previous year.

Excluding the share in profit of associated companies, **recurring adjusted profit from continuing operations**[1] attributable to shareholders of Ipsen S.A. amounted to €111.2 million at 30 June 2011 compared with €85.6 million at 30 June 2010, representing a sharp increase of 29.9% year-on-year.

Profit from discontinued operations

Profit from discontinued operations amounted to €0.2 million over the first six months of 2011, unchanged year-on-year.

Consolidated net profit

Taking into account the items above, **consolidated net profit** increased by 21.5% to €91.9 million (attributable to shareholders of Ipsen S.A.: €91.7 million) compared with €75.6 million (attributable to shareholders of Ipsen S.A.: €75.5 million) recorded in June 2010. Consolidated net profits represented 14.8% of revenues for the first half 2011 and 12.9% for the first half 2010.

Recurring adjusted consolidated net profit[1] amounted to €107.5 million at 30 June 2011, up significantly by 33.0% compared with €80.8 million recorded for the first half 2010.

Earnings per share

The Group's diluted earnings per share at 30 June 2011 amounted to €1.09, up 22.5% compared with €0.89 a year earlier.

The recurring adjusted diluted earnings per share[1] attributable to the Group at 30 June 2011 amounted to €1.27, a sharp increase of 32.3% year-on-year.

[1] *See appendix 4.*

Milestone payments received in cash but not yet recognised in the Group income statement

At 30 June 2011, the total of milestone payments received in cash by the Group and not yet recognised as other revenues on the income statement amounted to €206.1 million, down 26.6% compared with €280.6 million recorded the previous year.

The Group only recorded €3.7 million of new deferred revenue for its partnerships, whereas in 2010, the Group recorded €59.6 million of deferred income for its partnerships (€53.1 million of which during the first half of the year), in particular with Menarini and Inspiration Biopharmaceuticals Inc..

These deferred revenues will be recognised in the Group's future income statements as follows:

(in million of euros)	**30 June 2011**	**30 June 2010**
Total *	**206.1**	**280.6**
These deferred revenues will be recognised over time as follows:		
In the year n	12.9	16.2
In the year n+1	25.6	31.0
In the years n+2 and beyond	167.6	233.4

** Amounts converted at average exchange rate at 30 June 2011 and 30 June 2010 respectively.*

CASH FLOW AND CAPITAL

The consolidated cash flow statement shows that the Group's operating activities in the first half 2011 generated a net cash flow of €97.3 million, a significant decrease compared with €134.7 million generated over the same period in 2010.

Analysis of the cash flow statement

(in million of euros)	30 June 2011	30 June 2010
– Cash generated from operating activities before changes in working capital requirements	123.8	98.6
– (Increases) / Decreases in working capital requirements for operations	(26.5)	36.1
o Net cash flow from operating activities	97.3	134.7
– Net investments in tangible and intangible assets	*(44.1)*	*(25.3)*
– Impact of changes in consolidation scope	*(0.0)*	*(93.2)*
– Other cash flow from investments	*(4.0)*	*(5.8)*
o Net cash flow from investing activities	(48.1)	(124.3)
o Net cash flow from financing activities	(67.1)	(63.4)
o Net cash flow from discontinued operations	(0.0)	(0.0)
CHANGES IN CASH AND CASH EQUIVALENTS	**(17.9)**	**(53.0)**
Opening cash and cash equivalents	**177.9**	**205.4**
Impact of foreign exchange variations	(5.0)	11.7
Closing cash and cash equivalents	**155.0**	**164.1**

■ Net cash flow from operating activities

Cash flow from operating activities in the first half 2011 amounted to €123.8 million, a sharp increase compared with €98.6 million generated over the same period the previous year.

Working capital requirements for operating activities increased by €26.5 million for the first six months of 2011 against a decrease of €36.1 million over the same period in 2010. This change during the first half 2011 was related to the following:

- Inventories increased by €5.0 million in the first half 2011 resulting from the reconstitution of buffer stocks whereas they had remained unchanged over the same period in 2010.
- Accounts receivables increased by €39.3 million in the first half 2011, compared with an increase of €37.8 million at the end of June 2010 mainly due to the growth in export sales activities.
- Trade payables decreased by €9.1 million in the first half 2011, compared with a decrease of €5.1 million in the first half 2010.
- The change in other assets and liabilities comprised the use of €31.3 million in the first half 2011, against a source of funds of €27.2 million in the first half 2010. During the first half 2011, the Group recorded €3.7 million of deferred incomes from partnerships, compared with €53.1 million of deferred incomes at the end of June 2010. Excluding deferred incomes, other operating assets and liabilities were down by €22.2 million in the first half 2011, given the payment early in 2011 of debts recorded in 2010.

- The change in net tax liability in the first half 2011 represented a source of funds of €58.2 million corresponding, on the one hand, to the reimbursement by the tax authorities of an excess amount of tax paid in France for the 2010 tax year, and, on the other hand, to tax owed over the period, net of prepayments.

Net cash flow from investing activities

During the first half 2011, the net cash flow from investing activities represented a net use of funds of €48.1 million compared to a net use of €124.3 million in 2010. It included:

- Investments in tangible and intangible assets net of disposals, amounting to €44.1 million, compared with €25.3 million the previous year. This cash flow mainly includes:
  - Acquisition of property, plant and equipment totalling €14.7 million, compared with €14.6 million in the first half 2010. These investments mainly consisted in items required for the maintenance of the Group's industrial facilities and in capacity investments in the Wrexham factory (UK), in the Milford (US) site and to equip the Group's research and development sites;
  - Investments in intangible assets for €29.4 million, compared with €10.9 million in the first half 2010, mainly linked with the partnership with Active Biotech for the rights of Tasquinimod.
- A €7.6 million net cash use for other investment activities, mainly corresponding to the Group's investment in certain "Biotech" venture capital funds.
- A decrease in working capital requirements linked with investment activity, mainly relating to the 2011 proceeds of the sale of Preglem shares, recorded in 2010.
- Net cash flow linked with changes in consolidation scope was nil at 30 June 2011, whereas it amounted to €93.2 million at 30 June 2010, following the Group's transaction with Inspiration Biopharmaceuticals Inc..

Net cash flow from financing activities

During the first half 2011, the net cash flow used in financing activities amounted to €(67.1) million, compared with a net use of €(63.4) million over the same period in 2010. In the first half 2011, the Group paid €66.5 million in dividends to its shareholders, up 6.8% compared with €62.3 million paid a year earlier.

Net cash flow from discontinued operations

At 30 June 2011, cash flow from discontinued operations was immaterial.

APPENDIX 1

■ Condensed consolidated income statement

(in million of euros)	**30 June 2011**	**30 June 2010**
Sales of goods	583.1	553.9
Other revenues	36.3	31.7
Revenues	**619.4**	**585.7**
Cost of goods sold	(120.9)	(122.6)
Research and development expenses	(105.8)	(99.1)
Selling expenses	(205.6)	(203.9)
General and administrative expenses	(42.6)	(43.6)
Other operating income and expenses	7.5	(4.7)
Amortisation of intangible assets	(3.1)	(6.0)
Restructuring costs	(28.1)	(0.9)
Impairment losses		
Operating income	**120.8**	**104.9**
Investment income	1.9	1.0
Financing costs	(0.9)	(1.0)
Net financing costs	**1.0**	**0.0**
Other financial income and expense	0.2	(3.8)
Income taxes	(26.2)	(20.7)
Share of profit / loss from associated companies	(4.1)	(5.1)
Net profit from continuing operations	**91.7**	**75.4**
Net profit from discontinued operations	0.2	0.2
Consolidated net profit	**91.9**	**75.6**
– Attributable to shareholders of Ipsen	91.7	75.5
– attributable to minority interests	0.2	0.1
Basic earnings per share, continuing operations **(in euros)**	1.09	0.89
Diluted earnings per share for continuing operations **(in euros)**	1.09	0.89
Basic earnings per share from discontinued operations **(in euros)**	-	0.01
Diluted earnings per share from discontinued operations **(in euros)**	-	0.01
Basic earnings per share **(in euros)**	1.09	0.90
Diluted earnings per share **(in euros)**	1.09	0.90

APPENDIX 2

■ Condensed consolidated balance sheet

(in million of euros)	30 June 2011	31 December 2010
ASSETS		
Goodwill	290.7	299.1
Other intangible assets	182.7	166.5
Property, plant & equipment	275.2	282.3
Equity investments	12.9	7.2
Investments in associated companies	49.4	57.9
Non-current financial assets	2.1	2.2
Other non-current assets	80.5	81.6
Deferred tax assets	157.5	141.6
Total non-current assets	**1,050.9**	**1,038.4**
Inventories	116.1	112.1
Trade receivables	280.0	241.9
Current tax assets	5.9	44.7
Other current assets	62.4	62.9
Current financial assets	0.6	0.0
Cash and cash equivalents	159.6	178.1
Total current assets	**624.5**	**639.8**
Assets from discontinued operations	-	-
TOTAL ASSETS	**1,675.5**	**1,678.2**

EQUITY AND LIABILITIES		
Share capital	84.2	84.2
Additional paid-in capital and consolidated reserves	926.8	894.4
Net profit for the period	91.7	95.3
Exchange differences	(29.9)	3.3
Equity - attributable to shareholders of Ipsen	**1,072.8**	**1,077.2**
Attributable to minority interests	2.2	2.0
Total shareholders' equity	**1,075.0**	**1,079.2**
Retirement benefit obligation	18.2	16.1
Provisions	22.1	23.5
Short term debt	-	-
Other financial liabilities	17.1	15.3
Deferred tax liabilities	11.1	12.0
Other non-current liabilities	183.6	199.0
Total non-current liabilities	**252.1**	**265.9**
Provisions	29.4	3.7
Short term debt	4.0	4.0
Other financial liabilities	1.9	3.5
Accounts payable	130.4	140.7
Current tax liabilities	25.8	6.6
Other current liabilities	151.7	173.8
Bank overdrafts	4.5	0.2
Total current liabilities	**347.9**	**332.4**
Liabilities from discontinued operations	0.5	0.7
TOTAL EQUITY AND LIABILITIES	**1,675.5**	**1,678.2**

APPENDIX 3

Condensed consolidated cash flow statement

(in million of euros)	30 June 2011	30 June 2010
Consolidated net profit	**91.9**	**75.6**
Net profit/loss from discontinued operations	(0.2)	(0.2)
Share of profit/loss from associated companies	4.1	5.1
Net profit/loss from continuing operations before share of profit/loss from associated companies	**95.8**	**80.5**
Non-cash and non-operating items		
– Amortisation, provisions and impairment losses	49.6	19.8
– Change in fair value of derivative financial instruments	(1.4)	1.0
– Net gains or losses on disposals of non-current assets	0.3	0.1
– Share of government grants released to profit and loss	(0.0)	(0.0)
– Exchange differences	2.1	0.2
– Change in deferred taxes	(24.8)	(7.3)
– Share-based payment expense	2.0	4.2
– Gain/loss on sales of treasury shares	0.0	(0.2)
– Other non-cash items	0.2	0.4
Cash flow from operating activities before changes in working capital requirement	***123.8***	***98.6***
– (Increase)/decrease in inventories	(5.0)	(0.8)
– (Increase)/decrease in trade receivables	(39.3)	(37.8)
– Increase/(decrease) in trade payables	(9.1)	(5.1)
– Change in income tax liability	58.2	52.7
– Net change in other operating assets and liabilities	(31.3)	27.2
Change in working capital related to operating activities	**(26.5)**	**36.1**
NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES	**97.3**	**134.7**
Investment in property, plant & equipment	(14.7)	(14.6)
Investment in intangible assets	(29.4)	(10.9)
Proceeds from disposal of intangible assets and property, plant & equipment	0.1	0.2
Acquisition of shares in non-consolidated companies	(5.7)	(0.4)
Acquisitions of shares in associated companies	-	(57.6)
Convertible bond subscriptions	(0.8)	(35.5)
Payments to post-employment benefit plans	(1.2)	(1.0)
Other cash flow related to investment activities	0.2	1.9
Deposits	(0.1)	1.1
Change in working capital related to investing activities	3.6	(7.3)
NET CASH USED IN INVESTING ACTIVITIES	**(48.1)**	**(124.3)**
Repayment of long-term borrowings	(0.2)	(0.2)
Capital increase by Ipsen	0.1	1.1
Treasury shares	0.0	(2.0)
Dividends paid by Ipsen	(66.5)	(62.3)
Dividends paid by subsidiaries to minority interests	-	(0.2)
Change in working capital related to financing activities	(0.6)	0.1
NET CASH USED IN FINANCING ACTIVITIES	**(67.1)**	**(63.4)**
Impact of operations due to be sold or discontinued	0.0	(0.0)
CHANGE IN CASH AND CASH EQUIVALENTS	**(17.9)**	**(53.0)**
Opening cash and cash equivalents	**177.9**	**205.4**
Impact of exchange rate fluctuations	(5.0)	11.7
Closing cash and cash equivalents	**155.0**	**164.1**

APPENDIX 4

- **Reconciliation between the income statement at 30 June 2011 and the recurring adjusted income statement at 30 June 2011**

(in million euros)	**30 June 2011 restated**	*% Sales*	Effects of acquisitions in North America[1]	Expenses linked with the strategy announced on 9 June [2]	Other non-recurring items[3]	**30 June 2011**	*% Sales*
Revenues	**619.4**	***106.2%***				**619.4**	**106.2%**
Cost of goods sold	(120.9)	*-20.7%*				(120.9)	*-20.7%*
Research and development expenses	(105.8)	*-18.1%*				(105.8)	*-18.2%*
Selling expenses	(205.6)	*-35.3%*				(205.6)	*-35.3%*
General and administrative expenses	(42.6)	*-7.3%*				(42.6)	*-7.3%*
Other operating income and expenses	0.9	*0.2%*		(10.6)	17.2	7.5	*1.4%*
Amortisation of intangible assets	(1.6)	*-0.3%*	(1.6)			(3.1)	*-0.5%*
Restructuring costs	(0.0)	*-0.0%*		(28.1)		(28.1)	*-4.8%*
Impairment losses	0.0	-				0.0	-
Operating income	**143.9**	***24.7%***	**(1.6)**	**(38.7)**	**17.2**	**120.8**	***20.7%***
Financial income/(expense)	**1.2**	***0.2%***				**1.2**	***0.2%***
Income taxes	(33.7)	*-5.8%*	0.6	12.8	(5.9)	(26.2)	*-4.5%*
Share of profit/loss from associated companies	(4.1)	*-0.7%*				(4.1)	*-0.8%*
Net profit from continuing operations	**107.3**	***18.4%***	**(0.9)**	**(25.9)**	**11.3**	**91.7**	***15.6%***
Profit from discontinued operations	0.2	*0.0%*				0.2	*0.0%*
Consolidated net profit	**107.5**	***18.4%***	**(0.9)**	**(25.9)**	**11.3**	**91.9**	***15.7%***
– attributable to shareholders of Ipsen S.A.	107.3					91.7	
– attributable to minority interests	0.2					0.2	
Diluted earnings per share (in euros)	1.27					1.09	

[1] Effects of the allocation of goodwill resulting from transactions by the Group in North America.

[2] Expenses linked with the strategy announced on 9 June include:

- certain non-recurring fees incurred during the preparation and early implementation of the strategy announced on 9 June 2011,
- non-recurring expenses linked with restructuring, corresponding to the closure of the site in Barcelona and the transfer of the Group's North American commercial subsidiary to the East Coast.
- certain expenses linked with changes within the Group's Executive Committee.

[3] Other non-recurring items include the damages received by the Group after the enforceable court decision relating to the trade dispute between the Group and Mylan.

- **Reconciliation between the income statement at 30 June 2010 and the recurring adjusted income statement at 30 June 2010**

(in million euros)	**30 June 2010 restated**	*% Sales*	Effects of acquisitions in North America[1]	Other non-recurring items[2]	**30 June 2010**	*% Sales*
Revenues	**585.7**	***105.7%***			**585.7**	**105.7%**
Cost of goods sold	(122.6)	*-22.1%*			(122.6)	*-22.1%*
Research and development expenses	(99.1)	*-17.9%*			(99.1)	*-17.9%*
Selling expenses	(203.9)	*-36.8%*			(203.9)	*-36.8%*
General and administrative expenses	(43.6)	*-7.9%*			(43.6)	*-7.9%*
Other operating income and expenses	(2.0)	*-0.4%*		(2.7)	(4.7)	*-0.9%*
Amortisation of intangible assets	(1.4)	*-0.3%*	(4.6)		(6.0)	*-1.1%*
Restructuring costs	0.0	-		(0.9)	(0.9)	*-0.2%*
Impairment losses	0.0	-			0.0	-
Operating income	**113.2**	***20.4%***	**(4.6)**	**(3.6)**	**104.9**	***18.9%***
Financial income/(expense)	**(3.8)**	***-0.7%***			**(3.8)**	***-0.7%***
Income taxes	(23.7)	*-4.3%*	1.8	1.2	(20.7)	*-3.7%*
Share of profit/loss from associated companies	(5.1)	*-0.9%*			(5.1)	*-0.9%*
Net profit from continuing operations	**80.6**	***14.5%***	**(2.8)**	**(2.4)**	**75.4**	***13.6%***
Profit from discontinued operations	0.2	*0.0%*			0.2	*0.0%*
Consolidated net profit	**80.8**	***14.6%***	**(2.8)**	**(2.4)**	**75.6**	***13.6%***
– attributable to shareholders of Ipsen S.A.	80.7				75.5	
– attributable to minority interests	0.1				0.1	
Diluted earnings per share (in euros)	**0.96**				**0.90**	

[1] Effects of the allocation of goodwill resulting from transactions by the Group in North America.

[2] Other non-recurring items include certain expenses linked with changes in the organisation of certain Group subsidiaries.