Press release

Ipsen's 2011 results and 2012 objectives

- **Solid operating performance with a recurring adjusted[1] operating profit of €200.7 million, up 9.6%**
- **Reported operating profit of €75.8 million, down 41.2%, impacted by non-recurring elements**
- **Proposed dividend of €0.80 per share, stable year-on-year**
- **In 2012, strong actions to be taken to continue the implementation of the Group's new strategy**

Paris (France), 29 February 2012 – The Board of Directors of Ipsen (Euronext : IPN ; ADR : IPSEY), chaired by Marc de Garidel, met on 28 February 2012 to review the Group's results for 2011, 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 2011 and 2010 (in million euros)

	2011	***2010***	***% change***
Drug sales	1 127.9	1 068.3	+5.6%
Sales	1 159.8	1 100.2	+5.4%
Total revenues	1 234.9	1 170.3	+5.5%
Operating profit	75.8	128.8	(41.2%)
Operating margin[2]	*6.5%*	*11.7%*	-
Recurring adjusted[1] operating profit	**200.7**	**183.2**	**+9.6%**
Recurring adjusted[1] operating margin[2]	*17.3%*	*16.6%*	-
Consolidated profit	**0.9**	**95.7**	**(99.1%)**
Earnings per share – fully diluted (€)	0.01	1.13	(99.1%)
Recurring adjusted[1] EPS – fully diluted (€)	**1.68**	**1.64**	**+2.44%**
Weighted average number of shares:			
Outstanding	*84 512 079*	*84 379 443*	+0.16%
Fully diluted	*84 524 434*	*84 428 051*	+0.11%

Commenting the 2011 performance, **Marc de Garidel, Chairman and Chief Executive Officer of Ipsen**, stated: « *The 2011 results highlight the Group's robust operating performance with a recurring adjusted operating profit up by close to 10%, however these results are impacted by impairment charges and non-recurring costs related to the restructuring announced on June 9 of last year. The Group is executing its transformation at an accelerated pace to better face tomorrow's challenges. Ipsen will continue to invest in its technological platforms, franchises and growth territories while managing the significant austerity measures implemented in France.* »

[1] « Recurring adjusted »: Reconciliations between results and recurring adjusted results for 2011 and 2010 are detailed in appendix 5
[2] In percentage of sales

Comparison between the Group's 2011 performance and its financial objectives

	Financial objectives[3]	*2011 actuals*
Specialty Care drug sales growth	Close to 8.0%	+8.0%
Primary Care drug sales growth	Decrease of 3.0% to 5.0%	+1.3%
Recurring adjusted[4] operating income	In the upper range of 190 million euros to 200 million euros	200,7 million euros

Review of full year 2011 results

In 2011, Group drug sales grew 5.7% year-on-year at constant currency, fuelled notably by the dynamic growth of specialty care and the strong resilience of primary care.

Consolidated Group sales reached €1,159.8 million for the full year 2011, up 5.4% year-on-year excluding foreign exchange impact.

Other revenues reached €75.1 million in 2011, up 7.1% year-on-year. In 2011, the Group recorded a revenue of €22.2 million, against €15.0 million a year earlier, mainly related to expenses for the industrial development for OBI-1 and costs related to the European commercial platform invoiced to Inspiration Biopharmaceuticals Inc. as part of the agreements. Royalties received amounted to €9.1 million in 2011, up 46.6% year-on-year, driven by the increase in royalties paid by Medicis, Galderma and Menarini.

Total revenues amounted to €1,234.9 million, up 5.5% compared with 2010.

Cost of goods sold amounted to €249.2 million, or 21.5% of sales, ratio stable year-on-year. The cost of goods sold, positively impacted by the favorable mix related to the growth in specialty care sales and the Group's productivity efforts, was offset by custom duties in certain countries in which the Group recorded strong growth.

Research and Development expenses reached €253.6 million in 2011, up 14.7% year-on-year, mainly driven by increasing OBI-1 industrial development costs and by the major research and development projects conducted during the period on Dysport® and Somatuline®. In addition, research and development costs were also recorded with the discontinuation of certain Irosustat (BN83495) and Combo development programs (Combination of GH and IGF-1).

Selling, general and administrative expenses amounted to €526.6 million at 31 December 2011, or 45.4% of sales, stable year-on-year. In the context of a declining Primary Care in France and in line with the strategy announced on 9 June 2011, the Group continued to selectively allocate resources to growth territories, in particular China, Russia and Brazil. Moreover, the Group wrote down certain receivables from public hospitals in Southern Europe (Greece, Spain, Portugal and Italy).

Reported operating income in 2011 reached €75.8 million, down 41.2%, notably affected by:

- A non-recurring profit of €17.2 million following the enforceable ruling handed down in relation to the commercial dispute between the Group and Mylan, partially offset by other operating expenses mainly composed of consulting fees, changes within the Executive Committee and from the sale of the North American development and marketing rights for Apokyn®;
- A set of restructuring charges related to the strategy announced on 9 June 2011, mainly corresponding to the closure of the Research and Development site in Barcelona and the transfer of the Group's North American subsidiary to the East Coast;

[3] Sales growth excluding foreign exchange impacts
[4] « Recurring adjusted »: Reconciliations between results and recurring adjusted results for 2011 and 2010 are detailed in appendix 5

- Non-recurring impairment losses for a total amount of €85.2 million before tax, primarily composed of impairment losses on Increlex® related to decreasing sales forecasts in Europe and supply uncertainties in Lonza Hopkinton plant and impairment losses related to Primary care in France.

Excluding purchase price allocation impacts, non-recurring impairment charges and restructuring costs, the Group's **recurring adjusted[5] operating income** amounted to €200.7 million in 2011, or 17.3% of sales, up 9.6% year on year.

The **effective tax rate** amounted in 2011 to (32.3)% of profit from continuing activities before tax excluding the share of loss from associates, notably affected by the impairment losses recorded in 2011 and the non-recurring restructuring costs related to the new strategy announced on June 9, 2011.

Consolidated net profit amounted to €0.9 million at 31 December 2011 (attributable to the shareholders of Ipsen S.A.: €0.4 million), compared to €95.7 million at 31 December 2010 (attributable to the shareholders of Ipsen S.A.: €95.3 million).

The 2011 consolidated net income was strongly and notably impacted by:

- The net impacts of the non-recurring items that affected the Group's operating income, described above;
- The impact of the non-cash and non-recurring impairment charges for a total amount of €26.8 million after tax recorded on the convertible bonds issued by Inspiration Biopharmaceuticals Inc. and subscribed by the Group;
- The impact of the research tax credit on the Group's effective tax rate;
- **The share of loss/profit from associated companies** of €54.5 million resulting from:
    - the 22% stake held by the Group in Inspiration Biopharmaceuticals Inc.'s net result, i.e. a €20.2 million loss
    - a €34.3 million non-recurring net impairment loss composed of :
        - a €7.5 million non-recurring impairment loss on the intangible asset recognized within the framework of the purchase price allocation in Inspiration Biopharmaceuticals Inc.'s accounts
        - a €26.8 million impairment loss on the Group's stake in Inspiration Biopharmaceuticals Inc.

The depreciation of some of the Group's tangible, intangible and financial assets which impacted the 2011 consolidated net profit amounted to a non-cash and non-recurring total amount of €161.5 million before tax and €114.1 million after tax.

Excluding the impacts of the purchase price allocation on the Group's acquisitions and the non-recurring elements mentioned above, **the recurring adjusted[5] fully diluted EPS** amounted to €1.68 at 31 December 2011, up 2.44% compared to €1.64 a year ago.

Net cash generated by operating activities amounted to €175.4 million in 2011, down 30.9% year-on-year. In 2010, the Group had recognized the remaining deferred revenue relating to its partnership with Roche for a total amount of €48.7 million following the return of the development rights of

[5] « Recurring adjusted »: Reconciliations between results and recurring adjusted results for 2011 and 2010 are detailed in appendix 5

taspoglutide on 2 February 2011. At 31 December 2011, the **net cash position**[6] stood at €122.3 million, compared with a net cash position of €156.0 million a year earlier, notably affected by the Group's active partnership policy and by the subscriptions by the Group of two convertible bonds issued by Inspiration Biopharmaceuticals Inc..

Dividend for the 2011 financial year proposed for the approval of Ipsen's shareholders assembly

Ipsen's Board of Directors, which met on 28 February 2011, has decided to propose at Ipsen's annual shareholders' meeting to be held on 1 June 2012 the payment of a dividend of €0.80 per share, stable year-on-year, representing a pay-out ratio of approximately 47% of recurring adjusted[7] consolidated net profit (attributable to the Group's shareholders), compared to a pay-out ratio of approximately 49% for the 2010 financial year.

Financial objectives for 2012

Based on information currently available, the Group has set the following drug sales targets for 2012:

- **Specialty Care** drug sales growth year-on-year between **8.0% and 10.0%**
- **Primary Care** drug sales decrease year-on-year **of approximately 15.0%**

In addition, the Group is targeting a 2012 **recurring adjusted[7] operating margin of approximately 15.0% of its sales**. **This objective includes declining profitability of primary care in France, in particular as a result of the delisting of Tanakan® (effective as of 1 March 2012) and enforced price cuts. The impact of this decline on the Group's 2012 recurring adjusted[7] operating margin is estimated at approximately 300 to 400 basis points.**

This difficult environment confirms the Group's strategic choice to find a partner for its Primary Care commercial platform in France.

In 2012, the Group will continue to invest in its technological platforms, franchises and growth territories; it will also leverage the following growth drivers presented last June during its strategy update:

- Accelerated growth of its specialty care drugs resulting from the implementation of the franchise-based organization focused on the Group's core drugs: Somatuline®, Dysport® and Decapeptyl®. In addition, Hexvix®, a bladder cancer detection drug in-licensed by Ipsen in September 2011, will support the growth of the uro-oncology franchise.
- Continued performance in fast-growing emerging countries which benefit from the Group's selective commercial resources allocation, notably China, Russia and Brazil. Moreover, the Group expects sustained growth in Germany and in the UK.

In addition, the Group and its partner Inspiration Biopharmaceuticals Inc. are getting ready for the launch of IXinity® (IB1001) in Europe, expected in early 2013.

The above objectives are set excluding foreign exchange impacts.

[6] Net cash and cash equivalents: Cash and cash equivalents after deduction of bank overdrafts, short-term bank borrowings, other financial liabilities plus or minus derivative financial instruments.
[7] « Recurring adjusted »: Reconciliations between results and recurring adjusted results for 2011 and 2010 are detailed in appendix 5

Press conference (in French)

Ipsen will host a press conference on Wednesday 29 February 2012 at 9:00 a.m. (Paris time, GMT +1) at Pavillon Kléber - 7 rue Cimarosa - 75116 Paris (France).

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

Ipsen will host an analyst meeting on Wednesday 29 February 2012 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 web conference will be available at www.ipsen.com. 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 912265**. 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) 20 7162 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) 20 7031 4064 and from the United States +1 954 334 0342 and access code is 912265. This replay 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 2011. 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 2011, R&D expenditure totaled more than €250 million, above 21% 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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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.
- 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 favorable 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 authorization 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 realize 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. More specifically, in their US Hopkinton facility, Lonza, our supplier of IGF-1 (Increlex® active ingredient), is facing a regulatory challenge by the Food and Drug Administration. Products manufactured for the US in this plant are currently on hold. The follow-up inspection and its result are expected before the end of the first half of 2012.
- In certain countries exposed to significant public deficits, and where it sells its drugs directly to public hospitals, the Group could face discount or lengthened payment terms or difficulties in recovering its receivables in full. In Greece notably, which represented in 2011 approximately 1.6% of 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. Ipsen Pharmaceuticals, Inc. has received an administrative demand from the United States Attorney's Office for the Northern District of Georgia seeking documents relating to its sales and marketing of Dysport® (abobotulinumtoxinA) for therapeutic use. It is Ipsen's policy to fully comply with all applicable laws, rules and regulations. Ipsen is cooperating with the U.S. Attorney's Office in responding to the government's administrative demand.
- 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

- On 2 February 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 thoroughly 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 3 February 2011 – Ipsen announced that its partner Inspiration Biopharmaceuticals Inc. presented pharmacokinetic 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 factor compared to BeneFIX®, the only approved recombinant FIX product for the treatment of hemophilia B.
- On 25 February 2011 - Ipsen and bioMérieux announced that they had 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 2 March 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) had 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 Officer, 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.
- 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.

- On 30 August 2011 – Ipsen announced the appointment of two new members to the Group's Executive Committee: Nathalie Joannes, as Executive Vice President, General Counsel, and Susheel Surpal as Executive Vice President, Chief Financial Officer.
- On 30 August 2011 – Ipsen and Inspiration Biopharmaceuticals Inc. (Inspiration) announced they have entered into a strategic partnership agreement to create a European hemophilia commercial organization to launch Inspiration's hemophilia product portfolio in Europe. This partnership was designed to leverage the combined strengths of Ipsen's well-established European commercial infrastructure and medical network with Inspiration's expertise in the field of hemophilia. Inspiration and Ipsen have worked together to hire and train a highly specialized commercial team to serve as the exclusive sales organization in Europe for all hemophilia drugs commercialized under the Inspiration brand. This commercial organization takes the form of a hemophilia business unit nested within Ipsen's existing commercial organization.
- On 27 September 2011 – Ipsen announced the in-licensing from Photocure of Hexvix®, the first approved & marketed drug for improved detection of bladder cancer. Ipsen will be responsible for marketing and selling Hexvix® worldwide, excluding the US and Nordic region. Ipsen paid Photocure and GE Healthcare an upfront payment of €19 million as well as manufacturing milestones to Photocure up to € 5 million. Ipsen will also pay royalties on net sales and milestones on specific sales achievements. In addition, Photocure will manufacture the product for Ipsen and, in 2012 and 2013 will invest with Ipsen in marketing and sales programs up to € 3 million to drive momentum and accelerate the sales growth of Hexvix®.
- On 3 October 2011 – Ipsen announced that its partner, Inspiration Biopharmaceuticals, Inc. (Inspiration), had been informed that the European Medicines Agency (EMA) has validated and accepted the filing of the Marketing Authorization Application (MAA) for Inspiration's IB1001, a recombinant factor IX (FIX) product for the treatment and prevention of bleeding in individuals with hemophilia B.
- On 20 October 2011 – Ipsen and Syntaxin announced a global strategic collaboration to explore the discovery and development of new compounds in the field of botulinum toxins. Syntaxin, in the first three years of the collaboration, is eligible to receive technology access fee, full time employee support, and research milestones amounting up to US$9 million. Syntaxin is also eligible to receive additional license fees, development and regulatory milestones and potentially over US$90 million of commercial milestones together with royalties on net sales. In exchange, Ipsen will have exclusive worldwide development and commercialisation rights to the programmes discovered within the scope of the collaboration.
- On 2 November 2011 – Ipsen announced that it had sold its North American (US, Canada, Puerto Rico, Brazil and Mexico) development and marketing rights for Apokyn® indicated in the United States for the acute, intermittent treatment of hypomobility "off" episodes associated with advanced Parkinson's disease to Britannia Pharmaceuticals. Ipsen no longer records Apokyn® sales in its accounts as from November 30th, 2011.
- On 28 November 2011 – Ipsen announced that its partner Inspiration Biopharmaceuticals, Inc. (Inspiration) had initiated the treatment of the first patient in the second of two pivotal studies from the OBI-1's Accur8 clinical trial program. In this newly initiated clinical study, OBI-1, an intravenous recombinant porcine factor VIII (FVIII) product, is evaluated for the treatment of individuals with congenital hemophilia A, who have developed inhibitory antibodies (inhibitors) against their human FVIII replacement therapy.

After 31 December 2011, major developments included:

- On 5 January 2012 – Oncodesign, a Drug Discovery company and Oncology pharmacology service provider, and Ipsen announced that the two companies had entered into a research collaboration to discover and develop innovative LRRK2 kinase inhibitors as potential therapeutic agents against Parkinson's Disease and for potential additional uses in other therapeutic areas.

Oncodesign and Ipsen leverage their respective expertise to bring innovative therapeutic solutions to Parkinson patients.

- On 24 January 2012 – Santhera Pharmaceuticals and Ipsen announced that they had renegotiated their fipamezole licensing agreement. Santhera regains the worldwide rights to the development and commercialization of fipamezole. Under the renegotiated terms, Ipsen returns its rights for territories outside of North America and Japan in exchange for milestone payments and royalties based on future partnering and commercial success of fipamezole. Ipsen retains a call option for worldwide license to the program under certain conditions.
- On 27 January 2012 – Ipsen acknowledges the French government's decision to no longer reimburse Tanakan®, Tramisal® and Ginkogink®, presently manufactured at the industrial site of Dreux (France). This decision is linked to the French policy to reassess the reimbursement of a certain number of drugs by the French Social Security. These products will be delisted from 1st March 2012 onwards and can continue to be prescribed and delivered by healthcare professionals to patients in France. The Group plans a decrease of Tanakan® sales of around 35%[8] in France in 2012. This estimate is based on the decrease of sales following the delisting of veintonics in 2008.

Administrative measures

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 2011. In addition, certain measures introduced in 2010 have continued to affect the Group's accounts year-on-year.

- On August 4, 2011 China announced an average retail price decrease of 14.0% on 82 drugs primarily targeting steroid, endocrine and central nervous system therapeutics, effective on 1st October 2011. In this process, Decapeptyl® price was reduced by 7.0%;
- In October 2011, Korea introduced a price volume control system, by which the price of a drug is reduced by 7.0% if its volume growth exceeds 60.0% year-on-year. Decapeptyl® is impacted by such measure;
- In 2010, Russia initiated the implementation of a new healthcare reform including both an Essential Drug List and the regulation of distribution channels mark-ups. The Essential Drug List has impacted Ipsen's primary care products (mainly Smecta®, Fortrans®, Tanakan®) with average price reduction of 3.0% as of 1st January 2011;
- In January 2011, Algeria initiated the implementation of a new healthcare reform focused on setting reference pricing per therapeutic class (potential price alignment on Decapeptyl® expected in Q212) and control or potential ban of imported products to promote local production putting Forlax® and Smecta® at risk in 2012;
- Turkey has completed the implementation of the International Price Reference System (IPRS). Current discount required by SSK (Turkish Social Insurance) on lowest EU prices translates into a 41.0% price reduction on Dysport® and a 32.5% price reduction on Somatuline®;
- In 2011, Belgium maintained the 1% "special crisis" subsidiary tax on reimbursed drugs put in place in 2009. Additionally, the pharmaceutical industry paid an additional 2.75% subsidiary tax. New cost saving measures are under discussion: price comparison with foreign countries could be introduced in April 2012 leading to an International Price Referencing;
- As of November 1st, 2011, Spain will raise its tax on drug sales from 7.5% (introduced in June 2010) to 15.0% for products that have been on the market for more than 10 years and have no generic or biosimilar on the Spanish market;
- In Greece, a new reimbursement list, based on ATC classes, has been submitted and a 4.0% fee (based on 2011 sales) to remain on the reimbursement list, is implemented;

[8] Impact estimated for the full year

- After introducing an 8.0% tax on drug sales, Romania announced in October 2011 a reform wherein the new tax would be based on Healthcare budget excess, to be supported by companies according to their share of sales in NHIH consumption;
- In 2011, Portugal has introduced an electronic system encouraging the prescription of the cheapest product (including generics). A new basket of countries for International Pricing System taking in consideration Spanish, Italian and Slovenian prices, has also been introduced.
- In France, Forlax® price was reduced by 3.5% on October 1st, 2011 and Nisis® - Nisisco® price by 12.5% on November 14th, 2011;
- The Czech Republic introduced a series of measures on December 1st, 2011, among which:
    - electronic auction to lower generic and biosimilar prices;
    - maximum price set at the average of the 3 lowest prices in the 21 reference countries in Europe
    - more stringent conditions for the reimbursement of highly innovative products

  Additional measures are expected in April 2012.
- Slovakia has implemented in August 2011 the new reference pricing system, the 2nd cheapest in Europe (vs. 6th cheapest on average in 2011) and introduced a systematic 10% price decrease on each newly obtained indication. New price publication is expected in April 2012;
- In early 2011, Ireland announced a global austerity plan and asked the pharmaceutical industry to save €140 million. More recently, the Irish government has hinted that price reduction of patented drugs, along with a new system of reference pricing and generic substitution would be discussed in 2012;
- Hungary has doubled in July 2011, the health visitor tax, taking it to €40 thousand per year, and increased the tax on sales from 12% to 20%.
- The Baltic States have introduced price/volume agreements based on the growth of State budgets (in November 2010 for Lithuania and early 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 them will affect the Group sales and profitability beyond 2011:

- In France, as of January 1st, 2012, Decapeptyl® price was reduced by 3.0% for both 3 and 6-month formulations while Adrovance® price was reduced by 33.0%. An additional tax on promotional expenses of 0.6% will be also applied;
- In Poland, a new Reimbursement Law Reform was enforced on January 1st 2012, introducing an obligatory pay-back in case of budget excess, a tax on manufacturers' income to publicly fund clinical trials and lower regulated margins. As a result, prices of Decapeptyl® and Somatuline® were both reduced by 3.0% on January 1st 2012;
- In Hungary, mandatory INN prescription could be launched as a pilot for statins from April 2012, before possible extension to other therapeutic classes.
- In France, as of 1st March 2012 on-wards, Tanakan®, Tramisal® and Ginkogink® will be delisted. Nevertheless, they can continue to be prescribed and delivered by healthcare professionals to patients in France. Furthermore, in the context of the reassessment of marketing authorisations approved before 2005, the French regulatory authorities are reviewing the current indications of Tanakan®.

Comparison of consolidated income statement for 2011 and 2010

(in million euros)	31 December 2011	*% of sales*	31 December 2010	*% of sales*	*% change*
Sales	**1,159.8**	**100.0%**	**1,100.2**	**100.0%**	**5.4%**
Other revenues	75.1	*6.5%*	70.1	*6.4%*	*7.1%*
Revenues	**1,234.9**	**106.5%**	**1,170.3**	**106.4%**	**5.5%**
Cost of goods sold	(249.2)	*-21.5%*	(236.2)	*-21.5%*	*5.5%*
Research and development expenses	(253.6)	*-21.9%*	(221.1)	*-20.1%*	*14.7%*
Selling expenses	(425.2)	*-36.7%*	(422.8)	*-38.4%*	*0.6%*
General and administrative expenses	(101.5)	*-8.7%*	(98.3)	*-8.9%*	*3.3%*
Other operating income	17.5	*1.5%*	61.6	*5.6%*	*-71.6%*
Other operating expenses	(17.6)	*-1.5%*	(13.5)	*-1.2%*	*31.0%*
Amortization of intangible assets	(7.8)	*-0.7%*	(11.1)	*-1.0%*	*-29.7%*
Restructuring costs	(36.5)	*-3.2%*	0.0	-	-
Impairment losses	(85.2)	*-7.3%*	(100.2)	*-9.1%*	*-14.9%*
Operating income	**75.8**	***6.5%***	**128.8**	***11.7%***	***-41.2%***
Recurring Adjusted operating income [9]	***200.7***	***17.3%***	***183.2***	***16.7%***	***9.6%***
- Investment income	3.8	*0.3%*	2.2	*0.2%*	*68.9%*
- Costs of financing	(1.8)	*-0.2%*	(1.6)	*-0.1%*	*10.9%*
Net financing Cost	**2.0**	***0.2%***	**0.7**	***0.1%***	-
Other financial income and expense	(36.4)	*-3.1%*	(4.1)	*-0.4%*	-
Income taxes	13.3	*1.2%*	(17.0)	*-1.5%*	-
Share of profit/loss from associated companies	(54.5)	*-4.7%*	(12.8)	*-1.2%*	
Net profit / loss from continuing operations	**0.2**	***0.0%***	**95.7**	***8.7%***	***-99.8%***
Net profit / loss from discontinued operations	0.7	*0.1%*	0.0	-	-
Consolidated net profit	**0.9**	***0.1%***	**95.7**	***8.7%***	***-99.1%***
- Attributable to shareholders of Ipsen S.A.	0.4		95.3		-
- Minority interests	0.5		0.4		-

Sales

Consolidated Group sales reached €1,159.8 million in 2011, up 5.4% year-on-year or up 5.4% excluding foreign exchange impact[10].

Other revenues

Other revenues amounted to €75.1 million in 2011, up 7.1% compared with €70.1 million in 2010.

[9] The reconciliations between operating income and recurring adjusted operating income as of 31 December 2011 and 2010 are detailed in appendix 5.
[10] Variations excluding foreign exchange impacts are computed by restating 31 December 2011 with 31 December 2010 average exchange rates

Other revenues breakdown is as follows :

(in million euros)	31 December 2011	31 December 2010	Change *In value*	Change *in %*
Breakdown by type of revenue				
- Royalties received	9.1	6.2	2.9	*46.6%*
- Milestone payments – licensing agreements[11]	26.1	33.6	(7.5)	*-22.4%*
- Other (co-promotion revenues, re-billings)	40.0	30.3	9.6	*31.7%*
Total	**75.1**	**70.1**	**5.0**	***7.1%***

- **Royalties received** amounted to €9.1 million in 2011, up €2.9 million year-on-year driven by the increase in royalties paid by Medicis, Galderma and Menarini.
- **Milestone payments relating to licensing agreements**[11] amounted to €26.1 million, down €7.5 million compared with December 2010, mainly composed of the partnerships with Medicis, Galderma, Recordati, Menarini and Inspiration Biopharmaceuticals Inc.. This decrease was mainly related to the termination in 2011 of milestones payments relating to taspoglutide, after the restitution of product rights to the Group in February 2011.
- **Other revenues** amounted to €40.0 million in 2011 compared with €30.3 million a year earlier. Other revenues include rebilling expenses of industrial development for OBI-1, for €20.3 million, 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 2011, cost of goods sold amounted to €249.2 million, representing 21.5% of sales, stable year on year. The cost of goods sold, positively impacted by the favorable mix related to the growth in specialty care sales and the Group's productivity efforts, was offset by custom duties in some countries where the Group recorded strong growth.

Research and development expenses

At 31 December 2011, research and development expenses increased by €32.5 million year-on-year and represented €253.6 million or 20.5% of revenues or 21.9% of sales, compared with 18.9% of revenues and 20.1% of sales the previous year. Excluding industrial development expenses relating to OBI-1, invoiced to Inspiration Biopharmaceuticals Inc., research and development expenses represented 20.2% of sales, up 13.3% year-on-year.

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

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

(in million euros)	31 December 2011	31 December 2010	Change *in value*	Change *in %*
Breakdown by expenses type				
- Drug-related research and development[(1)]	(219.4)	(192.1)	(27.3)	*14.2%*
- Industrial development[(2)]	(29.4)	(23.7)	(5.7)	*24.0%*
- Strategic development[(3)]	(4.8)	(5.4)	0.5	*-10.2%*
Total	**(253,6)**	**(221,1)**	**(32,5)**	***14,7%***

(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 industrialize small-scale production of agents developed by the research laboratories.

(3) Strategic development includes costs incurred for research into new product licenses and establishing partnership agreements.

- **Drug-related research and development expenses** increased by 14.2% year-on-year. The major research and development projects conducted during the period focused on Dysport®, Somatuline® and the phase II clinical study of Irosustat (BN-83495). The Group decided on 6 June 2011 to discontinue the clinical development program in monotherapy. Drug-related research and development expenses also recorded costs relating to the discontinuation of Irosustat in monotherapy mentioned above and the Combo program (Combination of GH and IGF-1) in line with the strategy announced on 9 June 2011.

- **Industrial development expenses** have increased in 2011 by 24.0% year-on-year, mainly resulting from production ramp up of clinical batches of OBI-1 for 2 on-going phases III trials. The associated costs were reinvoiced to Inspiration Biopharmaceuticals Inc. and recorded in the “other revenues” line.

Selling, general and administrative expenses

Selling, general and administrative expenses amounted to €526.6 million in 2011, representing 45.4% of sales, stable year-on-year.

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

(in million euros)	31 December 2011	31 December 2010	Change *in value*	Change *in %*
Breakdown by expense type				
Royalties paid	*(46.6)*	*(43.7)*	*(2.9)*	*6.6%*
Other sales and marketing expenses	*(378.6)*	*(379.1)*	*0.5*	*-0.1%*
Selling expenses	(425.2)	(422.8)	(2.3)	*0.6%*
General and administrative expenses	(101.5)	(98.3)	(3.2)	*3.3%*
Total	**(526.6)**	**(521.1)**	**(5.6)**	***1.0%***

Selling expenses amounted to €425.2 million in 2011, or 36.7% of sales, compared with €422.8 million, or 38.4% of sales in 2010.

- Royalties paid to third parties on sales of products marketed by the Group during 2011 amounted to €46.6 million, compared with €43.7 million in 2010.
- Other selling expenses amounted to €378.4 million or 32.6% of sales, stable compared to €379.1 million, or 34.5% of sales for the same period in 2010. In line with the strategy announced on 9 June 2011, the Group continued to selectively allocate resources to growth geographies, especially China, Russia and Brazil, in a context of declining primary care sales in France. Moreover, the Group wrote down certain receivables from public hospitals in Southern Europe (Greece, Spain, Portugal and Italy).

General and administrative expenses in 2011 amounted to €101.5 million or 8.7% of sales, compared with €98.3 million or 8.9% of sales in 2010. In line with the strategy announced on 9 June 2011, this increase is mainly due to investments in facilities in growth geographies, notably China, Russia and Brazil, as well as costs relating to the reorganization of some Group support services.

Other operating income and expenses

Other operating income amounted to €17.5 million in 2011, compared with €61.6 million a year earlier. The other operating income is composed of a non-recurring income of €17.2 million following the enforceable ruling handed down in relation to the commercial dispute between the Group and Mylan. In 2010, the other operating income was mainly composed of a non-recurring income 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 non-recurring potential liability in connection with Tercica Inc.' buyout since the Group deemed the event unlikely to arise.

Other operating expenses amounted to €17.6 million in 2011, compared with €13.5 million for the same period in 2010. In 2011, the other operating expenses mainly comprised non-recurring costs resulting from the implementation of the new strategy announced on 9 June 2011, from changes within the Executive Committee and from the disposal of the North American development and marketing rights for Apokyn®. In 2010, the other operating expenses comprised non-recurring consultant fees and expenses related to the change of Chairman and CEO. In 2011, as well as in 2010, the other operating expenses included some costs related to the Group's headquarters.

Amortization of intangible assets

In 2011, amortization charges of intangible assets represented an expense of €7.8 million, compared with an expense of €11.1 million the previous year. This decrease is a result of the change of the amortization plan following the impairment loss recorded at 31 December 2010 on the IGF-1 license.

Restructuring costs

In 2011, the Group recorded €36.5 million in non-recurring restructuring costs as part of the strategy announced on 9 June 2011, mainly corresponding to the close down of the Research and Development Barcelona site for €24.4 million and the transfer to the East Coast of the Group's North American subsidiary for €10.9 million. In 2010, the Group did not record any restructuring costs.

Impairment losses

At December 31, 2011, the Group recorded €85.2 million in non-recurring impairment losses.

IGF-1 license

In October 2006, the Group had acquired international development and marketing rights for Increlex® from Tercica Inc., excluding the United States, Japan, Canada, the Middle East, and Taiwan. Once Tercica was acquired in October 2008, the Group had international access to Increlex® and to its active ingredient, IGF-I. IGF-1 has been manufactured for the Ipsen account by the company Lonza in the United States since the FDA approved the product in 2007.

The Group, in the context of its new strategy announced in June 2011, announced a deprioritization of short stature, to be managed in a commercial optimization perspective from now on. This new strategy resulted in canceling investments in short stature R&D programs on the one hand (Combo Program, combination of Growth hormone and IGF-1) and decreasing sales forecasts for short stature drugs in the European market on the other hand.

In 2008, the company Lonza moved its production site from Baltimore to Hopkinton. Following this transfer, Lonza received in the second half of 2011 a warning letter from the Food and Drug Administration (FDA) regarding the Hopkinton plant, where IGF-1 has been manufactured since 2008.

Lonza implemented an action plan in order to respond to the FDA's observations. The follow-up inspection and its result are expected before the end of the first half of 2012.

At the same time, the Group noticed a more stringent regulatory environment in the United States with similar situations for plants of other pharmaceutical companies on the American territory.

In the context of the decrease of Increlex® sales forecasts in Europe and of uncertainties regarding Increlex® supply, the Group decided to record a €47.3 million non-recurring impairment loss for IGF-1, at December 31, 2011.

Dreux industrial site tangible assets

In addition, in line with its new strategy presented on June 2011, the Group announced that it is actively searching for a purchaser to maintain and develop business at the Dreux industrial site, specialized in the production of pharmaceutical packaging pouches, solutions, pills and capsules. Negotiations are in progress with potential purchasers. However, at January 27, 2012, the Group acknowledged the French Government's decision to no longer reimburse, starting on March 1, 2012, Tanakan®, Tramisal® and Ginkogink®, which are currently manufactured at the site. This announcement, in addition to the details regarding the potential deal, led the Group to reassess the value of the Dreux tangible assets in its accounts and record a €25.0 million non-recurring impairment loss.

Nisis-Nisisco® and fipamezole

The Group also recorded €12.9 million impairment losses relating to:

– On the one hand the know-how and the brand of the primary care drug Nisis Nisisco®, active promotion of which has been deprioritized with the arrival of generics on the market following the loss of its patent in November 2011.

– On the other hand on fipamezole due to uncertainties associated with future development timelines following the renegotiation of the contract with Santhera in January 2012.

Operating income

Based on the above items, the 2011 reported operating income amounted to €75.8 million or 6.1% of total revenues and 6.5% of sales, down 41.2% compared with 2010, i.e. 11.0% of total revenues and 11.7% of sales.

The Group's recurring adjusted[12] operating income at 31 December 2011 amounted to €200.7 million, or 17.3% of consolidated sales, up 9.6% year-on-year, compared to €183.2 million in 2010.

[12] « Recurring adjusted »: The reconciliations between operating income and recurring adjusted operating income as of 31 December 2011 and 2010 are detailed in appendix 5.

Segment reporting: Operating income by geographical region

Internal reporting provided to the Executive Committee corresponds to the Group's managerial organization based on the geographical regions in which the Group operates. Accordingly, operating segments as defined by IFRS8 correspond to the grouping of related countries.

The operating segments existing as of 31 December 2011 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 countries not included in the three preceding segments.

The table below provides an analysis of sales, revenues and operating income by operating segment for the 2011 and 2010 periods :

(in million euros)	**31 December 2011**	*% of sales*	**31 December 2010**	*% of sales*	**Change** *In value*	*in %*
Major Western European countries						
Sales	542.0	*100.0%*	550.4	*100.0%*	(8.4)	*-1.5%*
Revenues	567.5	*104.7%*	571.7	*103.9%*	(4.1)	*-0.7%*
Operating income	155.9	*28.8%*	208.4	*37.9%*	(52.5)	*-25.2%*
Other European countries						
Sales	279.6	*100.0%*	255.1	*100.0%*	24.5	*9.6%*
Revenues	284.8	*101.8%*	259.6	*101.8%*	25.2	*9.7%*
Operating income	118.4	*42.3%*	110.7	*43.4%*	7.6	*6.9%*
North America						
Sales	65.7	*100.0%*	59.5	*100.0%*	6.2	*10.5%*
Revenues	82.8	*126.0%*	75.7	*127.4%*	7.1	*9.3%*
Operating income	(35.7)	*-54.4%*	(59.5)	*-100.1%*	23.8	*+39.9%*
Rest of the world						
Sales	272.5	*100.0%*	235.2	*100.0%*	37.3	*15.9%*
Revenues	273.2	*100.3%*	236.6	*100.6%*	36.6	*15.5%*
Operating income	106.4	*39.1%*	96.7	*41.1%*	9.7	*10.1%*
Total allocated						
Sales	1,159.8	*100.0%*	1,100.2	*100.0%*	59.7	*5.4%*
Revenues	1,208.3	*104.2%*	1,143.5	*103.9%*	64.7	*5.7%*
Operating income	345.0	*29.7%*	356.3	*32.4%*	(11.3)	*-3.2%*
Total unallocated						
Revenues	26.6	-	26.8	-	(0.1)	*-0.5%*
Operating income	(269.2)	-	(227.5)	-	(41.7)	*18.3%*
Total Ipsen						
Sales	1,159.8	*100.0%*	1,100.2	*100.0%*	59.7	*5.4%*
Revenues	1,234.9	*106.5%*	1,170.3	*106.4%*	64.6	*5.5%*
Operating income	75.8	*6.5%*	128.8	*11.7%*	(53.0)	*-41.2%*

In the major Western European countries, sales in 2011 amounted to €542.0 million, down 1.4% year-on-year, excluding foreign exchange impacts[13]. Dynamic volume sales growth of specialty care products were more than offset by the consequences of a tougher competitive environment in the French primary care landscape and austerity measures negatively impacting growth in Germany and Spain. As a result, sales in the Major Western European countries represented 46.7% of total Group sales at the end of 2011, compared with 50.0% a year earlier. The other operating income and expenses represented a €17.2 million income following the enforceable ruling handed down in relation to the commercial dispute between the Group and Mylan. The Group also recorded €24.4 million in non-recurring restructuring charges related to the new strategy announced on 9 June 2011, comprising the close-down of the Research and Development site in Barcelona (€24.4 million) as well as depreciation on some of the Group's assets following indications of impairment. Operating income in 2011 amounted to €155.9 million, down 25.2% year-on-year, representing 28.8% of sales,

[13] Variations excluding foreign exchange impacts are computed by restating 31 December 2011 with 31 December 2010 average exchange rates

compared with 37.9% in 2010. Excluding non-recurring impacts, operating income in 2011 reached €223.9 million, up 1.4% year on year, compared to €220.9 million in 2010.

In the Other European countries (other Western European countries together with Eastern Europe), sales reached €279.6 million in 2011, up 8.5% year-on-year excluding foreign exchange impacts[14], fuelled by volume growth, notably in Switzerland where the Group sells Azzalure® to its partner Galderma, and in Russia, Ukraine and Hungary. Over the year, sales in this region represented 24.1% of total consolidated Group sales, against 23.2% a year earlier. As a result, operating income in 2011 amounted to €118.4 million compared with €110.7 million a year earlier. It represented 42.3% of sales in 2011 compared with 43.4% in 2010.

In North America, sales reached €65.7 million in 2011, up 15.3% year-on-year excluding foreign exchange impacts[14], driven by the continuous penetration of Somatuline® in acromegaly (strong 28.5% year-on-year growth in the US excluding foreign exchange impacts[14]) and Dysport® in cervical dystonia. In 2011, Increlex® sales were stable year-on-year. Sales in North America represented 5.7% of total consolidated Group sales, against 5.4% a year earlier. Operating income amounted to (€35.7) million in 2011. In 2011, according to the new strategy announced on 9 June, the Group recorded €10.9 million non-recurring expense related to the transfer to the East Coast of its North American commercial subsidiary. The Group also recorded a non-recurring impairment loss of €24.4 million related to IGF-1 in North America. In 2010, the Group recorded a non-recurring impairment loss of €54.7 million, partially offset by the write-back of a €11.3 million contingent liability in connection with Tercica Inc.'s buyout, since the Group deemed the event unlikely to occur. Excluding the non-recurring impairments described above, the operating income in 2011 amounted to (€0.4) million compared to (€16.2) million in 2010.

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 €272.5 million in 2011, up 15.4% year-on-year excluding foreign exchange impacts[14], fuelled notably by strong volume growth in China, Brazil, Australia and Algeria. Over the year, sales in the Rest of the World increased to 23.5% of total consolidated Group sales, against 21.4% a year earlier. Operating income in 2011 increased by 10.1% year-on-year reaching €106.4 million, or 39.1% of sales in 2011 versus 41.1% of sales in 2010.

Non-allocated operating income amounted to (€269.2) million in 2011, to be compared with (€227.5) million in 2010. It comprised mainly the Group's central research and developments costs for (€213.2) million in 2011 and (€195.7) million in 2010 and, to a lesser extent, unallocated general and administrative expenses. Revenues amounted to €26.6 million in 2011, stable year-on-year, compared to €26.8 million in 2010. In 2011, non-allocated operating income mainly included the non-recurring expenses related to the implementation of the strategy announced on 9 June 2011 and the changes within the Executive Committee. In 2010, the non-allocated operating income 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 €28.4 million non-recurring impairment losses following uncertainties that had appeared in the future development timelines of some of its partnerships and some non-recurring fees notably related to the change of Chairman and CEO.

Costs of net financial debt and other financial income and expenses

In 2011, the Group's financial result amounted to (€34.4) million compared with (€3.4) million the prior year.

The cost of net financial debt amounted to €2.0 million in 2011, mainly comprising the interest recorded on the four convertible bonds issued by Inspiration Biopharmaceuticals Inc. and subscribed by the Group.

[14] Variations excluding foreign exchange impacts are computed by restating 31 December 2011 with 31 December 2010 average exchange rates

The other financial income and expenses amounted to (€36.4) million in 2011 versus (€4.1) million in 2010. In 2011, the Group booked a €42.0 million non-recurring impairment loss on the four convertible bonds issued by Inspiration Biopharmaceuticals Inc. and subscribed by the Group (detailed below in the line : share of profit/loss from associated companies), and partially offset by a €7.2 million positive foreign exchange impact mainly related to the revaluation of these four convertible bonds issued by Inspiration Biopharmaceuticals Inc. in US Dollars. Over the same period in 2010, the foreign exchange impact resulted in a loss of (€3.2) million. In 2010, the other financial income and expenses comprised notably a non-recurrent profit recorded on the divestment of the Group's shares in PregLem Holding S.A..

Moreover, as of 31 December 2011 as in 2010, the Group wrote down some of its financial assets available for sale.

- **Income taxes**

On 31 December 2011, the effective tax rate amounted to (32.3)% of profit from continuing activities before tax excluding the share of loss from associates compared with an effective tax rate of 13.5% at 31 December 2010.

The items reducing the Group's effective tax rate are applied to a profit before tax negatively impacted by, notably, impairment charges and non-recurring costs relating to restructurings incurred in the context of the new strategy announced on June 9th, 2011. Therefore, the research tax credit itself, while stable in volume between 2010 and 2011, reduced the tax charge of the Group by 58 points.

Moreover, the Group's geographic footprint in countries benefiting from a lower tax rate than in France helps lower the Group's tax in 2011.

However, the effective tax rate has been negatively impacted this year by the 5% temporary increase of corporate income tax rate due in France for fiscal years 2011 and 2012, which triggers a 3-point increase of the Group's tax rate.

Excluding the operating, financial and fiscal non-recurring items, the Group's effective tax rate amounted to 19.7% in 2011, compared with 17.2% in 2010.

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

In January 2010, the Group and Inspiration Biopharmaceuticals Inc. formed a partnership to create a franchise in the field of hemophilia. According to the agreement, Ipsen granted Inspiration Biopharmaceuticals Inc. an exclusive sub-license for OBI-1 for 50.0 million USD in addition to a 27.5% royalty rate on future drug sales. In exchange, Inspiration Biopharmaceuticals Inc. issued a 50.0 million USD convertible bond to Ipsen. Ipsen carried out an initial investment of 84.9 million USD in Inspiration in exchange for 22% of consolidated capital, booked according to the equity method. Furthermore, in accordance with the contract, Ipsen subscribed to three new convertible bonds for 50, 35 and 25 million USD, respectively, following the completion by Inspiration Biopharmaceuticals Inc. of development milestones on Ixinity® (IB1001) and OBI-1.

During the end of the second half of 2011, Ipsen noticed an intensifying competitive environment in the rapidly changing field of hemophilia and recently identified the accelerating development timelines of potential new competitors in the market. These factors led the Group to reduce the sales forecasts of Inspiration Biopharmaceuticals Inc.. In this context, on December 31, 2011, the Group recorded on the one hand a €7.5 million non-recurring impairment loss on the intangible asset recognized within the framework of the purchase price allocation in Inspiration Biopharmaceuticals Inc.'s accounts and, on the other hand, a €68.8 million impairment loss on its investment in Inspiration Biopharmaceuticals

Inc., applied in priority to its share of equity for €26.8 million, and the remaining (€42.0 million) applied to the convertible bonds held on the company.

Hence, the Group recorded a €54.5 million expense in 2011, representing, on the one hand, its 22.0% share of loss of Inspiration Biopharmaceuticals Inc., i.e. a €20.2 million loss, and on the other hand, the €34.3 million non-recurring loss mentioned above.

In 2010, the Group recorded an expense of €12.8 million representing its 22.0% 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.

Profit / Loss from continuing operations

Due to the items detailed above, net profit from continuing operations in 2011 amounted to €0.2 million compared with €95.7 million in 2010.

Recurring adjusted[15] profit from continuing operations amounted to €141.3 million at 31 December 2011, up 1.9% from €138.6 million year-on-year.

Profit / Loss from discontinued operations

In 2011, the Group recorded a profit from discontinued operations of €0.7 million whereas it had recorded none in 2010.

Consolidated net profit

Due to the items detailed above, the **consolidated net profit** reached €0.9 million as of 31 December 2011 (attributable to shareholders of Ipsen S.A.: €0.4 million) compared with a €95.7 million profit the prior year (attributable to shareholders of Ipsen S.A.: €95.3 million). The Group's consolidated net profit in 2011 was significantly impacted by the impairment losses recorded in the period and by restructurings resulting from the new strategy announced on 9 June 2011. In 2010, the Group's consolidated net profit was significantly impacted by the impairment losses recorded in the period, which had only been partially offset by the income recorded following Roche's decision to return to the Group the taspoglutide's development rights. The Group's consolidated net profits represented 0.1% and 8.2% of revenues, as of 31 December 2011 and 2010, respectively.

The Group's fully diluted recurring adjusted consolidated net profit per share[16] amounted to €1.68 at 31 December 2011, up by 2.44%.

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

At 31 December 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 €199.0 million, down 7.8% compared with €215.9 million in 2010.

In 2011, the Group only recorded €10.6 million of new deferred revenue for its partnerships (of which €8.3 million from Menarini), whereas, in 2010, the Group had recognized the totality of the remaining deferred income relating to its partnership with Roche, €48.7 million, following the announcement by the latter to return the development rights of taspoglutide. In addition, in 2010, the Group recorded €59.6 million of deferred income for its partnerships with Menarini (€24.1 million) and Inspiration

[15] "Recurring adjusted": The reconciliations between results and recurring adjusted results as of 31 December 2011 and 2010 are detailed in appendix 5.

[16] "Restated and diluted per share": The recurring adjusted incomes net of tax at 31 December 2011 and 2010 are attached in appendix 5.

Biopharmaceuticals Inc. ($50.0 million), corresponding to the initial payment for the OBI-1 license and offset by the Group's subscription to a convertible note issued by Inspiration Biopharmaceuticals Inc..

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

(in million euros)	**December 31, 2011**	**December 31, 2010**
Total (*)	**199.0**	**215.9**
These will be recognised as revenues over time as follows:		
In the year N+1	26.0	25.3
In the years N+2 and beyond	173.0	190.6

(*) Amounts converted at average exchange rate at 31 December 2011 and 30 December 2010, respectively.

CASH FLOW AND CAPITAL

The consolidated cash flow statement shows that the Group's operating activities generated in 2011 a net cash flow of €175.4 million, a significant decrease compared to €253.9 million generated over the same period in 2010.

Analysis of the cash flow statement

(in million euros)	31 December 2011	31 December 2010
– Cash generated from operating activities before changes in working capital requirements	207.1	248.5
– (Increases) / Decreases in working capital requirements for operations	(31.6)	5.4
• **Net cash flow from operating activities**	175.4	253.9
– Net investments in tangible and intangible assets	*(95.2)*	*(86.6)*
– Impact of changes in consolidation scope	*(45.3)*	*(130.9)*
– Other cash flow from investments	*(2.6)*	*(7.8)*
• **Net cash flow from investing activities**	(143.2)	(225.3)
• **Net cash flow from financing activities**	(65.2)	(61.6)
• **Net cash flow from discontinued operations**	(0.0)	(1.5)
Changes in cash and cash equivalents	**(32.9)**	**(34.5)**
Opening cash and cash equivalents	**177.9**	**205.4**
Impact of foreign exchange variations	(0.2)	7.0
Closing cash and cash equivalents	**144.8**	**177.9**

■ Net cash flow from operating activities

Cash flow from operating activities in 2011 amounted to €207.1 million, a sharp decrease compared with €248.5 million generated the previous year. The 2010 accounts mainly reflected the recognition of the income recorded further to Roche's decision announced the 2 February 2011 to return the taspoglutide development rights to Ipsen.

Working capital for operating activities increased by €31.6 million for the full year 2011 compared with a decrease of €5.4 million in 2010. This change was related to the following:

- Inventories increased by €5.1 million in 2011 compared with a €4.7 million increase in 2010 resulting from the constitution of buffer stocks in strong growth countries such as China, Russia and Brazil.
- Account receivables increased by €16.7 million in 2011 compared with a €14.8 million increase in 2010 due to business expansion, notably in China, Russia and Brazil.
- Trade payables increased by €9.4 million in 2011 compared with an increase of €16.8 million in 2010.
- The change in other assets and liabilities comprised the use of €24.0 million in 2011, against €6.1 million in 2010. In 2011, the Group recorded €10.6 million of deferred incomes from partnerships, compared with €59.6 million in 2010. On the contrary, the Group recognized €25.8 million of deferred incomes from partnerships in 2011 compared with €79.6 million in 2010 mainly due to the

deferred income recorded related to its partnership with Roche. Other operating assets and liabilities included an account receivable of €7.5 million in 2011 from Inspiration Biopharmaceuticals Inc., corresponding to the reinvoicing of the production ramp-up of OBI-1 clinical batches for the two on-going phIII studies.

- The change in net tax liability in 2011 represented a source of funds of €4.7 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 repayments.

Net cash flow from investing activities

During 2011, the net cash flow from investing activities represented a net use of €143.2 million compared with a net use of €225.3 million in 2010. It included:

- Investments in tangible and intangible assets net of disposals amounted to €95.2 million in 2011, compared with €86.6 million in 2010, which consisted mainly in:

  - Investments in tangible assets for €44.3 million against €53.7 million in 2010, mainly consisting of investments necessary for the maintenance of the Group's production equipment and investments in capacity at the Wrexham site as well as investments in equipment for the Milford and Group's research and development sites.

  - Investments in intangible assets amounted to €58.0 million (€33.3 million in 2010), mainly related to the Group's active partnership policy (Active Biotech for Tasquinimod, €25 million and Photocure for Hexvix®, €22.5 million).

- A cash outflow relating to the changes in consolidation scope for €45.3 million in 2011 related to the subscriptions by the Group of two convertible bonds issued by Inspiration Biopharmaceuticals Inc..
- A €10.7 million net cash use for other investment activities, mainly to the Group's investment in certain "Biotech" venture capital funds (Innobio and Biodiscovery).
- A decrease in working capital requirements relating to investment transactions representing €8.0 million mainly relating to the 2011 proceeds of the sale of Preglem shares, recorded in 2010.

Net cash flow from financing activities

As of 31 December 2011, the net cash flow from financing activities represented an outflow of (€65.2) million compared with a net use of €61.6 million as of December 2010. In 2011, the Group paid €66.5 million in dividends to its shareholders from €62.3 million in the previous year, which represented a 6.8% increase year-on-year.

Net cash flow from discontinued operations

At 31 December 2011, cash flow from discontinued operations was immaterial.

Analysis of the Group's net cash

(in million euros)	31 December 2011	31 December 2010
Cash in hand	52.3	50.4
Short-term investments	92.3	127.3
Interest-bearing deposits	0.4	0.4
Cash and cash equivalents	**145.0**	**178.1**
Bank overdrafts liabilities	**(0.2)**	**(0.2)**
Closing net cash and cash equivalents	**144.8**	**177.9**
Long term debt	0.0	0.0
Other financial liabilities	16.6	15.3
Non-current liabilities	**16.6**	**15.3**
Short term debt	4.0	4.0
Financial liabilities	5.0	3.5
Current liabilities	**9.0**	**7.5**
Debt	**25.6**	**22.8**
Derivative instruments	**(3.0)**	**(0.9)**
NET CASH[17]	**122.3**	**156.0**

As of 31 December 2011, the Group's net cash[17] amounted to €122.3 million, compared to net cash[17] of €156.0 million as of 31 December 2010.

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:

04/06/2011	€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[17]. The maximum ratios are as follows:

Net debt to equity: 1

Net debt to EBITDA[18]: 3

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

As of 31 December 2011, the Group had a positive net cash position; the net debt to equity and net debt to EBITDA[18] ratios are not relevant.

[17] Net cash and cash equivalents : Cash and cash equivalents after deduction of bank overdraft, bank borrowings, other financial liabilities excluding derivative financial instruments

[18] EBITDA : operating income before depreciations, amortizations and provisions

APPENDIX 1

■ Consolidated income statement

(in million euros)	31 December 2011	31 December 2010
Sales of goods	1,159.8	1,100.2
Other revenues	75.1	70.1
Revenue	**1 234.9**	**1 170.3**
Cost of goods sold	(249.2)	(236.2)
Research and development expenses	(253.6)	(221.1)
Selling expenses	(425.2)	(422.8)
General and administrative expenses	(101.5)	(98.3)
Other operating income	17.5	61.6
Other operating expenses	(17.6)	(13.5)
Amortization of intangible assets	(7.8)	(11.1)
Restructuring costs	(36.5)	0.0
Impairment losses	(85.2)	(100.2)
Operating income	**75.8**	**128.8**
Investing income	3.8	2.2
Financing costs	(1.8)	(1.6)
Net financing costs	**2.0**	**0.7**
Other financial income and expenses	(36.4)	(4.1)
Income taxes	13.3	(17.0)
Share of profit/loss from associated companies	(54.5)	(12.8)
Net profit from continuing operations	**0.2**	**95.7**
Net profit from discontinued operations	0.7	0.0
Consolidated net profit	**0.9**	**95.7**
- attibutable to shareholders of Ipsen	0.4	95.3
- minority interests	0.5	0.4

■ Comprehensive income statement

(in million euros)	31 December 2011	31 December 2010
Consolidated net profit	**0.9**	**95.7**
Other comprehensive income		
Foreign exchange differences, net of taxes	(3.5)	50.8
Revaluation of financial derivatives for hedging, net of taxes		
Share of gains and losses recorded directly to equity of associates companies, net of taxes		
Other items, net of taxes	0.0	(0.5)
Total of other comprehensive income, net of tax	**(3.5)**	**50.3**
Comprehensive income	**(2.6)**	**146.0**
Attributable to shareholders of Ipsen S.A.	**(3.1)**	145.5

Attributable to minority investors	0.5	0.5

APPENDIX 2

■ Consolidated balance sheets - Before allocation of net profit

(In million euros)	31 December 2011	31 December 2010
Assets		
Goodwill	299.5	299.1
Other intangible assets	135.6	166.5
Property, plant & equipment	271.7	282.3
Equity investments	12.3	7.2
Investments in associated companies	0.0	57.9
Non-current financial assets	2.9	2.2
Other non-current assets	94.0	81.6
Deferred tax assets	184.6	141.6
Total non-current assets	**1,000.6**	**1,038.4**
Inventories	117.8	112.1
Trade receivables	259.4	241.9
Current tax assets	39.1	44.7
Other current assets	71.4	62.9
Current financial assets	0.0	0.0
Cash and cash equivalents	145.0	178.1
Total current assets	**632.8**	**639.8**
Assets of discontinued operations	0.0	0.0
Total assets	**1,633.4**	**1,678.2**

Equity & liabilities		
Share capital	84.2	84.2
Additional paid-in capital and consolidated reserves	929.6	894.4
Net profit for the period	0.4	95.3
Foreign exchange differences	(1.4)	3.3
Equity - attributable to shareholders of Ipsen	**1,012.8**	**1,077.2**
Attributable to minority interests	2.6	2.0
Total shareholders' equity	**1,015.4**	**1,079.2**
Retirement benefit obligation	19.5	16.1
Long-term provisions	25.7	23.5
Bank loans	0.0	0.0
Other financial liabilities	16.6	15.3
Deferred tax liabilities	2.6	12.0
Other non-current liabilities	183.3	199.0
Total non-current liabilities	**247.6**	**265.9**
Short-term provisions	24.5	3.7
Bank loans	4.0	4.0
Financial liabilities	5.0	3.5
Trade payables	149.8	140.7
Current tax liabilities	5.6	6.6
Other current liabilities	181.3	173.8
Bank overdrafts	0.2	0.2
Total current liabilities	**370.4**	**332.4**
Liabilities of discontinued operations	0.0	0.7
Total equity & liabilities	**1,633.4**	**1,678.2**

APPENDIX 3

Consolidated statement of cash flows

(in millions euros)	December 31, 2011	December 31, 2010
Consolidated net profit	**0.9**	**95.7**
Net loss from discontinued operations	(0.7)	-
Share of profit/loss from associated companies	20.2	6.8
Impairment loss included in the share of profit/loss from associated companies	34.3	5.9
Net profit from continuing operations before share from associated companies	**54.7**	**108.4**
Non-cash and non-operating items		
- Amortization, provisions	114.7	39.4
- Impairment losses	85.2	100.2
- Change in fair value of derivative financial derivatives	2.2	1.4
- Net gains or losses on disposals of non-current assets	4.6	(8.7)
- Share of government grants released to profit and loss	(0.1)	(0.1)
- Foreign exchange differences	(8.4)	1.1
- Change in deferred taxes	(50.0)	(8.8)
- Share-based payment expense	4.1	10.1
- Gain/loss on sales of treasury shares	(0.1)	(0.5)
- Other non-cash items	0.2	6.0
Cash flow from operating activities before changes in working capital	***207.1***	***248.5***
- (Increase)/decrease in inventories	(5.1)	(4.7)
- (Increase)/decrease in trade receivables	(16.7)	(14.8)
- Increase/(decrease) in trade payables	9.4	16.8
- Net change in income tax liability	4.7	14.2
- Net change in other operating assets and liabilities	(24.0)	(6.1)
Change in working capital related to operating activities	**(31.6)**	**5.4**
NET CASH PROVIDED BY OPERATING ACTIVITIES	**175.4**	**253.9**
Acquisitions of property, plant & equipment	(44.3)	(53.7)
Acquisitions of intangible assets	(58.0)	(33.3)
Proceeds from disposal of intangible assets and property, plant & equipment	7.0	0.5
Acquisition of shares in non-consolidated companies	(5.7)	(5.7)
Acquisitions of shares in associated companies	-	(57.7)
Convertible note subscriptions	(45.3)	(73.2)
Proceeds from sales of investment securitie	-	8.8
Payments to post-employment benefit plans	(2.0)	(2.3)
Other cash flow related to investment activities	(2.9)	1.7
Deposits paid	(0.1)	0.1
Change in working capital related to investing activities	8.0	(10.4)
NET CASH USED IN INVESTING ACTIVITIES	**(143.2)**	**(225.3)**
Additional long-term borrowing	-	-
Repayment of long-term borrowings	(0.3)	(0.3)
Net change in short-term borrowing	-	-
Capital increase by Ipsen	0.1	1.1
Treasury shares	1.0	(0.8)
Dividends paid by Ipsen	(66.5)	(62.3)
Dividends paid by subsidiaries to minority interests	-	(0.2)
Deposits received	-	0.4
Change in working capital related to financing activities	0.6	0.5
NET CASH USED IN FINANCING ACTIVITIES	**(65.2)**	**(61.6)**
Impact of businesses to be sold or discontinued	-	(1.5)
CHANGE IN CASH AND CASH EQUIVALENTS	**(32.9)**	**(34.4)**
Opening cash and cash equivalents	**177.9**	**205.4**
Impact of exchange rate fluctuations	(0.2)	7.0
Closing cash and cash equivalents	**144.8**	**177.9**

APPENDIX 4

Consolidated Statement of changes in equity

(in million euros)	Share capital	Share premiums	Consolidated reserves	Treasury shares	Net profit for the period	Foreign exchange difference	Total group equity	Minority interests	Total equity
Balance at 1 january 2011	**84.2**	**711.0**	**224.5**	**(41.1)**	**95.3**	**3.3**	**1,077.2**	**2.0**	**1,079.2**
Consolidates net profit					0.4		0.4	0.5	0.9
Other comprehensive income			0.0			(3.5)	(3.5)	0.1	(3.5)
Consolidated net profit and other comprehensive income	**0.0**	**0.0**	**0.0**	**0.0**	**0.4**	**(3.5)**	**(3.1)**	**0.5**	**(2.6)**
Allocation of net profit from the prior period			96.5		(95.3)	(1.2)	0.0		0.0
Capital increases	0.0	0.1	(0.0)				0.1		0.1
Share-based payments			3.0	1.1			4.1		4.1
Own share purchases and disposals			(0.1)	1.0			0.9		0.9
Dividends			(66.5)				(66.5)		(66.5)
Other changes			(0.2)	0.4			0.2		0.2
Balance at 31 December 2011	**84.2**	**711.1**	**257.1**	**(38.6)**	**0.4**	**(1.4)**	**1,012.8**	**2.6**	**1,015.4**

APPENDIX 5

- **Reconciliation between the income statement at 31 December 2011 and the recurring adjusted income statement at 31 December 2011**

(in millions euros)	**31 December 2011 restated**	*(as a % of sales)*	Effects of acquisitions in North America[1]	Impairment losses[2]	Other non-recurrent items[3]	**31 December 2011**	*(as a % of sales)*
Revenues	**1,234.9**	**106.5%**				**1,234.9**	**106.5%**
Cost of goods sold	(249.2)	*-21.5%*				(249.2)	*-21.5%*
Research and development expenses	(253.6)	*-21.9%*				(253.6)	*-21.9%*
Selling expenses	(425.2)	*-36.7%*				(425.2)	*-36.7%*
General and administrative expenses	(101.5)	*-8.7%*				(101.5)	*-8.7%*
Other operating income	0.4	-			17.2	17.5	*1.5%*
Other operating expenses	(0.3)	-			(17.3)	(17.6)	*-1.5%*
Amortization of intangible assets	(4.7)	*-0.4%*	(3.1)			(7.8)	*-0.7%*
Restructuring costs	-	-			(36.5)	(36.5)	*-3.2%*
Impairment losses	-	-		(85.2)		(85.2)	*-7.3%*
Operating profit	**200.7**	***17.3%***	**(3.1)**	**(85.2)**	**(36.6)**	**75.8**	***6.5%***
Financial income/(expense)	**7.6**	***0.7%***		**(42.0)**		**(34.4)**	***-3.0%***
Income taxes	(46.8)	*-4.0%*	1.2	47.4	11.5	13.3	*1.2%*
Share of profit/loss from associated companies	(20.2)	*-1.7%*		(34.3)		(54.5)	*-4.7%*
Net profit from continuing operations	**141.3**	***12.2%***	**(1.9)**	**(114.0)**	**(25.2)**	**0.2**	***0.0%***
Profit/loss from discontinued operations	0.7	*0.1%*				0.7	*0.1%*
Consolidated net profit	**142.0**	***12.2%***	**(1.9)**	**(114.0)**	**(25.2)**	**0.9**	***0.1%***
– Attributable to shareholders of Ipsen S.A.	141.5		(1.9)	(114.0)	(25.2)	0.4	
– Minority interests	0.5					0.5	
Diluted earnings per share (in € per share)	*1.68*					*0.01*	

(1) Effects of the allocation of goodwill resulting from transactions by the Group in North America.

(2) Impairment losses recognized over the period, detailed in the paragraph “Impairment losses" and the €42.0 million non-recurring impairment loss recorded on the four convertible bonds issued by Inspiration Biopharmaceuticals Inc. and subscribed by the Group..

(3) The other non-recurrent items 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,

- compensatory damages received by the Group following the enforceable ruling handed down in relation to the commercial dispute between the Group and Mylan.

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- **Reconciliation between the income statement at 31 December 2010 and the recurring adjusted income statement at 31 December 2010**

(in millions 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	1.6	*0.1%*	48.7	11.3		61.6	*5.6%*
Other operating expenses	(4.5)	*-0.4%*			(9.0)	(13.5)	*-1.2%*
Amortization of intangible assets	(3.1)	*-0.3%*			(8.0)	(11.1)	*-1.0%*
Restructuring costs	-	-				-	-
Impairment losses	-	-		(100.2)		(100.2)	*-9.1%*
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)	*-1.2%*
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.	134.4					95.3	
– Minority interests	0.4					0.4	
Diluted earnings per share (in € per share)	*1.64*					*1.13*	

(1) Accelerated recognition of deferred income corresponding to milestone payments relating to the development of taspoglutide, licensed to Roche, who announced on 2 February 2011 that it discontinued its development.

(2) Impairment losses recognized over the period, detailed in the paragraph “Impairment losses" and the write-back of a potential liability in connection with Tercica Inc.’s buyout, since the Group deemed 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),

-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, Porton Inc..