PRESS RELEASE

Ipsen's 2012 results and 2013 financial objectives

- **Strong sales growth above objectives**
- **Solid operating performance in light of significant decline of the French primary care contribution: Group recurring adjusted[1] operating profit of 16.1%[2]**
- **Reported consolidated loss, impacted by exit from hemophilia and implementation of the new commercial operations organization for French primary care**
- **Recurring adjusted[1] fully diluted EPS of €1.74**

Paris (France), 27 February 2013 – The Board of Directors of Ipsen (Euronext: IPN; ADR: IPSEY), chaired by Marc de Garidel, met on 26 February 2013 to review the Group's results for 2012, 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 2012 and 2011 (in million euros)

	2012	*2011 Proforma[3]*	*% change*
Drug sales	1 187.0	1 127.9	+5.2%
Sales	1 219.5	1 159.8	+5.1%
Total revenues	1 277.4	1 210.2	+5.6%
Operating profit	114.8	72.6	+58.2%
Operating margin[2]	*9.4%*	*6.3%*	-
Recurring adjusted[1] operating profit	**196.0**	**197.5**	**(0.8%)**
Recurring adjusted[1] operating margin[2]	*16.1%*	*17.0%*	-
Consolidated profit	**(29.0)**	**0.9**	-
Earnings per share – fully diluted (€)	(0.35)	0.01	-
Recurring adjusted[1] consolidated profit	145.5	154.4	(5.8%)
Recurring adjusted[1] EPS – fully diluted (€)	**1.74**	**1.85**	**(5.9%)**
Weighted average number of shares:			
Outstanding	*83 155 604*	*83 217 638*	(0.07%)
Fully diluted	*83 460 232*	*83 465 467*	(0.01%)

Commenting the 2012 performance, **Marc de Garidel, Chairman and Chief Executive Officer of Ipsen**, stated: « *2012 results highlight the Group's resilience, with both sales and profitability objectives beaten in the context of a challenging French primary care environment, showing a 30% sales decline year-on-year.* » **Marc de Garidel** added: *« 2013 will be marked by the implementation of*

[1] « Recurring adjusted »: Reconciliations between results and recurring adjusted results for 2012 and 2011 are detailed in appendix 4
[2] In percentage of sales
[3] In compliance with provisions on "discontinued activities", 2011 figures have been restated to provide comparative information between 2011 and 2012 (see appendix 5)

a new French primary care commercial operations organization and the publication of crucial clinical data. On a different note, I am pleased to announce the appointment of Christel Bories as Deputy Chief Executive Officer. Christel will help us accelerate the execution of the Group strategy. »

Comparison between the Group's 2012 performance and its financial objectives

	***Financial objectives*[1]**	***2012 actuals***
Specialty Care drug sales growth	Around 10.0%	+11.3%
Primary Care drug sales growth	Approximately -15.0%	-13.2%
Recurring adjusted[2] operating income	Approximately 15.0% of sales	16.1% of sales

Review of full year 2012 results

Note: Comparisons are made on a proforma basis with all income and expense related to Inspiration recorded in discontinued operations

In 2012, Group drug sales grew 3.4% year-on-year excluding foreign exchange impact[1], fuelled notably by the dynamic growth of specialty care sales.

Consolidated Group sales reached €1,219.5 million in 2012, up 3.3% year-on-year excluding foreign exchange impact[1].

Other revenues reached €57.9 million in 2012, up 14.9% year-on-year. In 2012, the Group recorded a revenue of €20.9 million, against €17.8 million the previous year, related to the Group's co-promotion and co-marketing agreements in France as well as promotion of Hexvix® in some countries. Royalties received amounted to €11.9 million in 2012, up 30.9% year-on-year, driven by the increase in royalties paid by the Group's partners.

Total revenues amounted to €1,277.4 million, up 5.6% compared with 2011.

Cost of goods sold amounted to €254.8 million, or 20.9% of sales, against 21.5% in 2011. The cost of goods sold, positively impacted by the favourable mix related to the growth in specialty care sales and the Group's productivity efforts, was partially offset by custom duties in high growth countries.

Research and Development expenses reached €248.6 million in 2012, up 5.9% year-on-year, mainly driven by the major programmes conducted during the period on Dysport®, Somatuline® and tasquinimod. Increase of Research and Development drug-related costs was partially offset by a favourable comparison basis: costs related to the phase II clinical study of Irosustat (BN-83495) were no longer recorded in 2012 as the program was discontinued on 6 June 2011. Moreover, industrial and pharmaceutical development expenses grew by 14.9% in 2012, mainly resulting from investments in the Group's toxins and peptides technology platforms.

Selling, general and administrative expenses amounted to €572.6 million at 31 December 2012, or 46.9% of sales, up 9.3% year-on-year. In line with the strategy announced on 9 June 2011, the Group continued to increase commercial investments in specialty care while selectively allocating business resources to high growth areas mainly China, Russia and Brazil. Furthermore, selling expenses related to primary care in France increased proportionally to declining sales. Synergies from the new organization of French primary care commercial operations are expected to materialize in 2014.

[1] Sales growth excluding foreign exchange impacts. Variations excluding foreign exchange impacts are computed by restating the 2011 figures with the 2012 average exchange rates

[2] « Recurring adjusted »: Reconciliations between results and recurring adjusted results for 2012 and 2011 are detailed in appendix 4

Reported operating income in 2012 reached €114.8 million, up 58.2% year-on-year, notably affected by:

- **Other operating expenses** of €25.8 million, mainly comprising non-recurring costs resulting from the search for potential acquirers for the Dreux industrial site and partners for the primary care commercial activity in France, the settlement of a trade dispute with a partner and an administrative procedure involving the Group.
- **Amortisation of intangible assets (excluding software)**, a charge of €5.8 million, compared to €7.8 million the previous year. This decrease is mainly due to the change in the amortization plan of IGF-1 following the impairment loss recorded on 31 December 2011 and to the total amortization of Exforge® (end of co-promotion contract in France with Novartis effective since 30 April 2012). This decrease was partially offset by initiation of the amortization of Hexvix®.
- **Restructuring costs** of €63.1 million, mainly related to the implementation of the new organization of French primary care commercial operations and to the transfer to the East coast of the Group's North American commercial subsidiary that occurred between June 2011 and June 2012.
- **Impairment losses** representing a non-recurring revenue of €2.4 million. Following the announcement to retain the Dreux-based industrial facility within its scope of activity, the Group reassessed the value of this asset and recorded an impairment write-back of €12.5 million in its consolidated financial statements as of 30 June 2012. The Group recorded a €10.1 million impairment charge on the brand of Nisis®/Nisisco®, following a step-up in July 2012 in France in the regulation known as « Tiers-Payant », whereby the patient now pays upfront for a branded drug and is later reimbursed. This has generated an unprecedented increase in generic penetration in France.

Excluding purchase price allocation impacts, non-recurring impairment charges and restructuring costs, the Group's **recurring adjusted[1] operating income** amounted to €196.0 million in 2012, or 16.1% of sales, down 0.8% year-on-year.

The **effective tax rate** amounted in 2012 to 20.3% of profit from continuing activities before tax. Excluding non-recurring operating, financing and tax items, the effective tax rate amounted to 23.2% in 2012 compared to 19.3% in 2011.

Net profit from continuing operations amounted to €95.8 million as of 31 December 2012, up 29.9% compared to €73.8 million in 2011.

Consolidated net profit in 2012 was a loss of €29.0 million (attributable to shareholders of Ipsen S.A.: (€29.5) million) compared with a profit of €0.9 million in 2011 (attributable to shareholders of Ipsen S.A.: €0.4 million). 2012 consolidated net profit was notably affected by:

Profit from discontinued operations: a loss of €124.8 million as of 31 December 2012, compared to a loss of €72.9 million in 2011, composed of activities related to Inspiration:

- a non-recurring impairment charge of €100 million after tax on tangible, intangible and financial assets;
- receivables related to the OBI-1 development costs for the second and third quarters 2012;
- rebilling of the costs associated with the implementation of the European platform;

[1] « Recurring adjusted »: Reconciliations between results and recurring adjusted results for 2012 and 2011 are detailed in appendix 4

- share of loss in Inspiration's result over the period before classification as "discontinued operations";
- all of the above, partially offset by acceleration of recognition of hemophilia related deferred revenues.

The **Recurring adjusted[1] consolidated net profit** amounted to €145.5 million at 31 December 2012, down 5.8% compared with €154.4 million in 2011.

Net cash generated by operating activities (continuing operations) amounted to €165.0 million in 2012, slightly down year-on-year. At 31 December 2012, the **net cash position[1]** stood at €113.3 million, compared with a net cash position of €144.8 million a year earlier, notably affected by the Group's active partnership policy: Inspiration, Active Biotech for tasquinimod and Photocure for Hexvix®.

Dividend for the 2012 financial year proposed for the approval of Ipsen's shareholders

Ipsen's Board of Directors, which met on 26 February 2013, has decided to propose at Ipsen's annual shareholders' meeting to be held on 31 May 2013 the payment of a dividend of €0.80 per share, stable year-on-year, representing a pay-out ratio of approximately 46% of recurring adjusted[2] consolidated net profit (attributable to the Group's shareholders), compared to a pay-out ratio of approximately 47% for the 2011 financial year.

Financial objectives for 2013

Based on information currently available, the Group has set the following financial targets for 2013:

- **Specialty Care** drug sales growth year-on-year **between 6.0% and 8.0%,** driven by continued and solid volume growth, in a context of increased pricing pressure and uncertainty as of today on Increlex® supply.
- **Primary Care** drug sales decrease year-on-year **between -8.0% and -6.0%, with** French activity to remain under pressure
- **Recurring adjusted[2] operating margin around 16.0%** of sales. The Group expects a continued decrease of French primary care margin in 2013. Synergies from the new organization of French primary care commercial operations are expected to materialize in 2014.

The above sales objectives are set excluding foreign exchange impacts.

[1] 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.
[2] « Recurring adjusted »: Reconciliations between results and recurring adjusted results for 2012 and 2011 are detailed in appendix 4

Press conference (in French)

Ipsen will host a press conference on Wednesday 27 February 2013 at 11:30 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 27 February 2013 at 8:30 a.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 929339**. 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 929339. 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 €1.2 billion in 2012. Ipsen's ambition is to become a leader in specialty healthcare solutions for targeted debilitating diseases. Its development strategy is supported by 3 franchises: neurology / Dysport®, endocrinology / Somatuline® and uro-oncology / Decapeptyl®. Moreover, the Group has an active policy of partnerships. Ipsen's R&D is focused on its innovative and differentiated technological platforms, peptides and toxins. In 2012, R&D expenditure totaled close to €250 million, representing more than 20% of Group sales. The Group has close to 4,900 employees worldwide. 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 a loss of market share.

Furthermore, the Research and Development process involves several stages each of which involves 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 cannot be certain that its partners will fulfil 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.

The Group expressly disclaims any obligation or undertaking to update or revise any forward looking statements, targets or estimates contained in this press release to reflect any change in events, conditions, assumptions or circumstances on which any such statements are based, unless so required by applicable law.

The Group's business is subject to the risk factors outlined in its registration documents filed with the French Autorité des Marchés Financiers.

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APPENDICES

Risk factors

The Group operates in an environment which is undergoing rapid change and exposes its operations to a number of risks, some of which are outside its control. The risks and uncertainties set out below are not exhaustive and the reader is advised to refer to the Group's 2011 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. More specifically and on the basis of available information, according to the auction procedure under the supervision of the US Federal Bankruptcy Court for the common sale of Ipsen's and Inspiration's assets, the Group has impaired haemophilia-related assets (mainly composed of the convertible bonds and the Milford manufacturing site) for a total amount, as of 31 December 2012, of €100 million after tax. (Excluding DIP financing, fully covered by the upfront payment in the deal recently announced with Baxter).
- 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® drug substance), is facing a regulatory challenge by the Food and Drug Administration that may result in a supply shortage in the US and in Europe.
- 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. Ipsen's policy is 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. Additionally, In February 2012, Allergan has commenced legal proceedings against Ipsen in Italy and in the United Kingdom concerning an alleged patent infringement. The patents claim certain therapeutic uses of botulinum toxin products in the field of urology. Ipsen will vigorously defend its rights in these legal proceedings, which are based on patents that are being challenged by Ipsen in opposition proceedings before the European Patent Office.

Major developments in 2012

In 2012, major developments included:

- On January 5, 2012 – Onco*design*, a Drug Discovery company and Oncology pharmacology service provider, and Ipsen announced that the two companies have 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.
- On January 24, 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, its first-in-class selective adrenergic alpha-2 receptor antagonist for the management of levodopa-induced Dyskinesia in Parkinson's disease. 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 January 27, 2012 – Ipsen acknowledged the French government's decision to no longer reimburse Tanakan®, Tramisal® and Ginkogink®. This decision is linked to the French policy to reassess the reimbursement of a certain number of drugs by the French Social Security. Although Tanakan®, Tramisal® and Ginkogink® have been delisted from 1st March 2012 onwards, they 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% in France in 2012. This estimate is based on decreases of sales following the delisting of veintonics in 2008.
- On February 24, 2012 – Active Biotech's and Ipsen's castrate resistant prostate cancer project, TASQ, announced the presentation of the up to three years safety data from the TASQ Phase II study in chemotherapy-naïve metastatic castrate resistant prostate cancer (CRPC) at the 27th Annual EAU Congress.
- On April 17, 2012 – Ipsen announced that its partner, Inspiration Biopharmaceuticals, Inc. (Inspiration), has submitted a Biologics License Application to the U.S. Food and Drug Administration (FDA) for the approval of IB1001, an intravenous recombinant factor IX (rFIX) for the treatment and prevention of bleeding in individuals with hemophilia B. Under the terms of this partnership and following the filing, Ipsen decided to pay Inspiration a $35 million milestone payment. In return, Inspiration has issued a convertible note to Ipsen, bringing Ipsen's fully diluted equity ownership position in Inspiration to approximately 43.5%.
- On April 25, 2012 – Ipsen announced the official opening of its new US commercial headquarters in Basking Ridge, New Jersey. This is an important step forward for Ipsen in the United States. This announcement confirms Ipsen's commitment to growth for its uniquely targeted neurology and endocrinology therapeutics in the United States and to provide innovative specialty medicines to US patients in need.
- On May 3, 2012 – Ipsen disclosed that it had sold, under a share purchase agreement, all of its shares in Spirogen Limited (19.31% of Spirogen's equity) on February 24, 2012, and is no longer represented on the board of Spirogen. Ipsen received an upfront cash payment and may receive deferred consideration.
- On May 3, 2012 – Ipsen disclosed that it had terminated its agreement with Novartis for the co-promotion of Exforge® in France effective April 30, 2012. Ipsen will receive a contractual cash exit fee payment of €4 million from Novartis.
- On May 18, 2012 – Active Biotech and Ipsen announced the presentation of overall survival (OS) data from the Phase II study on tasquinimod (TASQ), their prostate cancer drug candidate (CRPC), at the scientific conference "2012 ASCO Annual Meeting" held in Chicago (USA) on 1-5 June 2012.
- On May 21, 2012 – Active Biotech and Ipsen announced that recruitment to the global, pivotal, randomized, double-blind, placebo-controlled phase III study of tasquinimod in patients with metastatic castrate-resistant prostate cancer (CRPC) had reached an inclusion of 600 patients, half of the planned accrual. This triggered a €10 million milestone payment from Ipsen to Active Biotech.

- On June 4, 2012 – Active Biotech and Ipsen presented overall survival (OS) data from the tasquinimod Phase II study in chemotherapy-naïve metastatic castrate resistant prostate cancer (CRPC) at the scientific conference "2012 ASCO Annual Meeting" held in Chicago (USA).
- On June 29, 2012 – Ipsen announced that its partner Teijin received manufacturing and marketing approval from the Japan's Ministry of Health, Labour and Welfare (MHLW) for Somatuline® 60/90/120 mg for s.c. injection (lanreotide acetate). In Japan, Somatuline® is indicated for the treatment of growth hormone and IGF-I (somatomedin-C) hypersecretion and related symptoms in acromegaly and pituitary gigantism (when response to surgical therapies is not satisfactory or surgical therapies are difficult to perform). Somatuline® will be available in a new enhanced presentation with a pre-filled syringe that does not need reconstitution and with a retractable needle that enhances safety for caregivers.
- On July 10, 2012 – Ipsen announced that its partner Inspiration Biopharmaceuticals Inc. (Inspiration) was notified by the Food and Drug Administration (FDA) that the two clinical trials evaluating the safety and efficacy of IB1001 were placed on clinical hold. During the course of routine laboratory evaluations conducted as part of the ongoing phase III clinical trials, Inspiration observed, and reported to the FDA, a trend towards a higher proportion of IB1001 treated individuals developing a positive response to testing of antibodies to Chinese Hamster Ovary (CHO) protein, the product's host cell protein (HCP). A total of 86 people with hemophilia B have received IB1001 in clinical studies and, to date, no adverse events (anaphylaxis or other serious allergic type reaction and nephrotic syndrome) related to the development of antibodies to CHO protein have been reported. Furthermore, no relationship has been demonstrated between the development of antibodies to CHO protein and the development of any antibodies to factor IX. Inspiration continues to follow subjects enrolled in clinical trials of IB1001 to collect safety-related information and will share this information with regulators.
- On July 11, 2012 – Ipsen announced its decision to retain the Dreux (France)-based industrial facility within the scope of its activity. Considering the perspectives of Ipsen's primary care activity internationally and as a result the higher than-expected production volumes at this site since the beginning of this year, the Group has decided to keep its Dreux industrial site.
- On August 21, 2012 – Ipsen announced the renegotiation of its 2010 strategic partnership agreement with Inspiration Biopharmaceuticals, Inc. (Inspiration) for the development and commercialization of Inspiration's recombinant product portfolio: OBI-1, a recombinant porcine factor VIII (rpFVIII) being developed for the treatment of patients with acquired hemophilia A and congenital hemophilia A with inhibitors, and IB1001, a recombinant factor IX (rFIX) for the treatment and prevention of bleeding in patients with hemophilia B. The new agreement aims to establish an effective structure whereby Ipsen gains commercial rights in key territories. Inspiration remains responsible for the world-wide development of OBI-1 and IB1001. As part of the renegotiation, Ipsen paid Inspiration $30.0 million (approximately €24.0 million, based on current exchange rates) upfront. Including this upfront payment, Ipsen is entitled to pay Inspiration milestones for a total amount of up to $200m, of which $27.5m are regulatory milestones and the remaining are commercial milestones.
- On September 10, 2012 – Ipsen announced that it has avoided an interruption in US supply of Increlex® (IGF-1) for the treatment of Severe Primary IGF-1 Deficiency due to delays in manufacturing site approval. Increlex® is an important drug used to treat patients with Severe Primary IGF-1 Deficiency (Primary IGFD) and is considered to be a drug of medical necessity. As a result, Ipsen has worked closely with the US Food and Drug Administration to maintain product supply.
- On October 1, 2012 – Active Biotech and Ipsen have presented a new set of data on biomarkers from the previously concluded tasquinimod Phase II study in chemotherapy-naïve metastatic castrate resistant prostate cancer (CRPC) at the scientific congress ESMO (European Society for Medical Oncology) held in Vienna from 28 September to 02 October 2012.
- On October 3, 2012 – Ipsen and Active Biotech announced the initiation of a new phase II proof of concept clinical trial, evaluating the activity of tasquinimod in advanced metastatic castrate resistant prostate cancer patients. The study aims at establishing the clinical efficacy of tasquinimod used as maintenance therapy in patients with metastatic castrate-resistant prostate cancer (mCRPC) who have not progressed after a first line docetaxel based chemotherapy.

- On October 3, 2012 – Ipsen announced that Inspiration Biopharmaceuticals Inc. (Inspiration) had not raised third party financing by the contractual deadline of 30 September 2012. Consequently, Ipsen is no longer obligated to pay the additional $12.5 million in exchange for Inspiration equity. The parties continue to explore various options.
- On October 19, 2012 – Ipsen announced that it will shortly initiate a new phase II, proof-of-concept clinical trial with tasquinimod in a so-called umbrella study evaluating the compound in four different tumour types. The study will evaluate the safety and efficacy of tasquinimod in advanced or metastatic hepato-cellular, ovarian, renal cell and gastric carcinomas in patients who have progressed after standard anti-tumor therapies.
- On October 31 2012 - Ipsen announced that Inspiration Biopharmaceuticals Inc. (Inspiration) has commenced a voluntary reorganization case pursuant to Chapter 11's provisions of the United States Bankruptcy Code. Inspiration's Chapter 11 case was filed on October 30, 2012 with the United States Bankruptcy Court in Boston, Massachusetts. With this filing, Inspiration seeked to have the Bankruptcy Court's approval on detailed bidding and auction procedures for the sale of its assets to a third party purchaser. Inspiration's assets are notably comprised of commercial rights to OBI-1, a recombinant porcine factor VIII (rpFVIII) for the treatment of hemophilia A with inhibitors and IB1001, a recombinant factor IX (rFIX) for the treatment of hemophilia B. Through its $200 million of convertible bonds, Ipsen is Inspiration's only senior secured creditor. Ipsen has agreed to include its hemophilia assets in the sale process under certain conditions. Ipsen's assets are comprised of commercial rights to OBI-1 and IB1001 as well as its OBI-1 industrial facility in Milford (Boston, MA).
- On November 20 2012 - Ipsen and Inspiration Biopharmaceuticals Inc. (Inspiration) announced that Inspiration has received Fast Track designation from the US Food and Drug Administration (FDA) for OBI-1 in acquired hemophilia A. OBI-1, an intravenous recombinant porcine factor VIII (FVIII), is being evaluated for the treatment of individuals with acquired hemophilia A, who have developed inhibitory antibodies (inhibitors) against their innate FVIII. Fast track is a designation that the FDA reserves for a drug intended to treat a serious disease and has a potential to fill an unmet medical need. Fast track designation is designed to facilitate the development and expedite the review of new drugs. Marketing applications for fast track development programs are likely to be considered appropriate for priority review, which implies an abbreviated review time of eight months. Inspiration intends to submit a biologics license application (BLA) to FDA in the first half of 2013.
- On December 3, 2012 –Ipsen and Galderma, a leading global pharmaceutical company focused on dermatology, announced that their collaboration for the promotion and distribution of Dysport®, Ipsen's botulinum toxin type A in aesthetic indications, has been extended. Both companies renewed their collaboration in Brazil and Argentina and extended their partnership to Australia where Galderma has the exclusive promotion and distribution rights for Ipsen's Dysport® in aesthetic indications. Both companies also entered into a co-promotion agreement in South Korea where Galderma and Ipsen will co-promote Dysport® and Restylane®.
- On December 10, 2012 – Active Biotech and Ipsen announced that the Phase III clinical trial for tasquinimod, a novel compound for the treatment of prostate cancer, is successfully enrolled with over 1,200 randomized patients as planned in the clinical protocol. This achievement triggers a €10 million milestone payment from Ipsen to Active Biotech.
- On December 18, 2012 – Oncodesign, a Drug Discovery company and oncology pharmacology service provider, and the Laboratory for Neurobiology and Gene Therapy (LNGT) at the Department of Neurosciences at the KU Leuven, an expert academic group exploring the roles of LRRK2 and α-synuclein in Parkinson's disease headed by Professor Veerle Baekelandt, announced that they have entered into a research collaboration. The collaboration builds on Oncodesign's LRRK2 program with advanced Nanocyclix® lead molecules that was partnered with Ipsen in January 2012.

After 31 December 2012, major developments included:

- On January 17, 2013 – Teijin Pharma Limited, the core company of the Teijin Group's healthcare business, and Ipsen announced the launch of Somatuline® 60/90/120 mg for subcutaneous injection in Japan for the treatment of acromegaly and pituitary gigantism (when response to surgical therapies is not satisfactory or surgical therapies are difficult to perform). In Japan, Teijin Pharma holds the rights to develop and market the drug.
- On January 24, 2013 – Ipsen and Inspiration Biopharmaceuticals Inc. (Inspiration) today announced they entered into an Asset Purchase Agreement (APA) whereby Baxter International (Baxter) agrees to acquire the worldwide rights to OBI-1, a recombinant porcine factor VIII (rpFVIII) in development for congenital hemophilia A with inhibitors and acquired hemophilia A, and Ipsen's industrial facility in Milford (Boston, MA). The APA was filed on 23 January 2013, with the US Federal Bankruptcy Court in Boston (MA). The sale is a result of joint marketing and sale process pursued by Ipsen and Inspiration shortly after Inspiration filed for protection under Chapter 11 of the U.S. Bankruptcy Code on October 30, 2012. The APA is subject to certain closing conditions, including Bankruptcy Court and regulatory approvals. Ipsen has agreed to extend the DIP to Inspiration for a period of 45 days i.e. for an additional amount of up to c. $5 million.
- On 6 February 2013 - Ipsen and Inspiration Biopharmaceuticals Inc. (Inspiration) announced they entered into an Asset Purchase Agreement (APA) whereby Cangene Corporation (Cangene) agrees to acquire the worldwide rights to IB1001, a recombinant factor IX (rFIX) for the treatment of hemophilia B. Under the terms of the APA, Cangene has agreed to pay $5.9 million upfront, up to $50 million in potential additional commercial milestones as well net sales payments equivalent to tiered double digit percentage of IB1001 annual net sales. The APA is subject to certain closing conditions including Bankruptcy Court approval.
- On 7 February 2013 - Ipsen and Braintree Laboratories, Inc., a US-based company specializing in the development, manufacturing and marketing of specialty pharmaceuticals announced today that Eziclen® / Izinova® (BLI-800) successfully completed its European decentralized registration procedure involving sixteen countries. The product will be indicated in adults for bowel cleansing prior to any procedure requiring a clean bowel (e.g. bowel visualization including bowel endoscopy and radiology or surgical procedure).
- On 20 February 2013 - Ipsen and Inspiration Biopharmaceuticals Inc. (Inspiration) announced the closing of the sale of the proprietary hemophilia B product, IB1001 (recombinant FIX), to Cangene Corporation (Cangene). Ipsen and Inspiration jointly agreed to sell their respective commercialization rights to IB1001 as part of the transaction. Cangene acquired worldwide rights to IB1001, a recombinant factor IX currently under regulatory review in the United States and Europe.

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 are affecting the Group sales and profitability in 2012. In addition, certain measures introduced in 2011 have continued to affect the Group's accounts year-on-year.

Measures impacting 2012

In the Major Western European countries:

- In France, the price of Forlax® was reduced by 3.5% on 1 October, 2011 and the prices of Nisis®/Nisisco® by 15.0% on 14 November, 2011. On 1 January, 2012, the price of Decapeptyl® was reduced by 3.0% for both 3-month and 6-month formulations while the price of Adrovance® was reduced by 33.0%. On 1 March 2012, Tanakan® was delisted in France.
  An additional tax on promotional expenses of 0.6% has also been introduced. Moreover, sales of Nisis®/Nisisco® and Forlax® were negatively impacted by a step-up in July in the regulation known as « tiers-payant », whereby the patient now pays upfront for a branded drug (when genericized) at the pharmacy and is reimbursed only later on;
- In Spain, as of 1 November, 2011, tax on drug sales was raised 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 addition, Tanakan® was dereimbursed on 1 September 2012.

In the Other European countries:

- In Belgium, as from 1 April 2012, as soon as a generic or a hybrid is launched on the market, drugs are regrouped per active ingredient regardless of their galenic form and prices are cut by up to 31.0%;
- In Poland, a new Reimbursement Law Reform was enforced on 1 January 2012, introducing a sales tax in case of budget excess and a tax on manufacturers' income to fund clinical trials. Regulated margins have been decreased as well. As a result, prices of Decapeptyl® and Somatuline® were both reduced by 3.0% on 1 January 2012;
- Greece voted new measures designed to decrease pharmaceutical expenditure. Key measures include higher rebates to wholesalers and retail pharmacies (9.0% instead of 4.0% - retroactive effect as of 1 January 2012), an obligation to prescribe drugs labelled International Non-proprietary Name (INN) through an e-prescription system and introduction of a payback contribution in case of Health public budget overrun;
- In 2011, Portugal introduced an electronic system encouraging prescription of the cheapest product (including generics). New countries have been included in the reference basket for the International Pricing System such as Slovakia, Spain and France. New measures for 2013 have already been published: 6.0% price cut on all drugs and contribution of the pharmaceutical industry to the decrease of healthcare spending through the set up by every Pharma company of a provision fund equal to 2.0% of sales;
- In Hungary, a 10.0% additional tax on sales, on top of the 20.0% tax already in force, was introduced as of 1 August 2012 for all Somatuline® formulations;
- In Czech Republic, VAT on drugs was increased from 9.0% to 14.0% in January 2012.

In the Rest of the World:

- China is finalizing its international reference pricing system including ten countries including the USA, France, Germany, South Korea and Japan;
- In January 2011, Algeria set reference pricing per therapeutic class, hence a price alignment of Decapeptyl® on the cheapest GnRH seems imminent;

- In Korea, under the volume-control regulation in force since November 2011, the price of the 11.25 mg formulation of Diphereline® has been cut by 4.5% on 1 September, 2012;

Furthermore, and in the context of financial and economic crisis, 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 2012. Health Technology Assessment (HTA) methods are more broadly used in market access decisions in several part of the world, including some emerging countries and Eastern European countries.

Measures which may have impacts beyond 2012

In the Major Western European countries:

- The Spanish Health Minister confirmed a 14.0% reduction of healthcare budget in 2012. The new Royal Decree published in April 2011 stated that molecules that have been introduced in Europe for more than ten years will be regrouped per active ingredient and prices will be aligned on the cheapest daily dosage;
- In France, the taxable basis for the promotion tax has been significantly extended to the institutional communication and congresses by a decree published in December 2012, with a retroactive impact since the beginning of the year;
- In Italy, the cap for hospital expenditure has been increased from 2.4% to 3.5%. In addition, Pharma Companies will have to pay 50.0% of any extra expenditure beyond this cap level;

In the Other European countries:

- In Greece, a new price bulletin has been published in November 2011 based on the average of the 3 lowest prices within the Eurozone (27 countries), as well as a reimbursement reference price based on lower product price of ATC4 classification and a co-payment change. They should be in force in early 2013;
- In Belgium, IRPP was updated with new rules and a reference basket of 6 countries (France, Germany, the Netherlands, Austria, Ireland and Finland); it should be implemented in April 2013;
- Within the frame of the Healthcare Reform, Russian Health Authorities are considering a possible change in the price-setting methodology for drugs on the Essential Drug List (EDL). Future registered prices for drugs on EDL should be set as the weighted average price of all drugs with the same International Non-proprietary Name (INN);

In the Rest of the World:

- In Colombia, a new International Reference pricing system was implemented during the second semester 2012, as well as maximum reimbursement prices on expensive drugs. Somatuline® could face a price cut in the range of 40%-50%;
- Twelve Latin American countries (Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Surinam, Uruguay, and Venezuela) agreed to create a regional drug-pricing database in order to harmonize drug prices. Launch and impacts are unknown at this stage;
- In South Korea, price-volume agreements negotiated in 2011 which have led to a 7.0% price decrease of Decapetpyl® and Dysport® will continue to negatively impact prices in 2013 with a further 7,5% decrease.

Comparison of consolidated income statement for 2012 and 2011

(in million euros)	**31 December 2012**	*% of sales*	**31 December 2011** *Proforma* [2]	*% of sales*	*% change*
Sales	**1,219.5**	**100.0%**	**1,159.8**	**100.0%**	**5.1%**
Other revenues	57.9	*4.7%*	50.4	*4.3%*	*14.9%*
Revenues	**1,277.4**	**104.7%**	**1,210.2**	**104.3%**	**5.6%**
Cost of goods sold	(254.8)	*-20.9%*	(249.2)	*-21.5%*	*2.2%*
Research and development expenses	(248.6)	*-20.4%*	(234.6)	*-20.2%*	*5.9%*
Selling expenses	(473.5)	*-38.8%*	(424.4)	*-36.6%*	*11.6%*
General and administrative expenses	(99.1)	*-8.1%*	(99.7)	*-8.6%*	*-0.6%*
Other operating income	5.6	*0.5%*	17.5	*1.5%*	*-68.0%*
Other operating expenses	(25.8)	*-2.1%*	(17.6)	*-1.5%*	*46.4%*
Depreciation of intangible assets	(5.8)	*-0.5%*	(7.8)	*-0.7%*	*-26.5%*
Restructuring costs	(63.1)	*-5.2%*	(36.5)	*-3.2%*	*72.8%*
Impairment gain/(losses)	2.4	*0.2%*	(85.2)	*-7.3%*	*-102.8%*
Operating income	**114.8**	***9.4%***	**72.6**	***6.3%***	***58.2%***
Recurring Adjusted operating income [1]	***196.0***	***16.1%***	***197.5***	***17.0%***	***-0.8%***
- Investment income	1.0	*0.1%*	1.6	*0.1%*	*-37.8%*
- Costs of financing	(2.3)	*-0.2%*	(1.8)	*-0.2%*	*31.9%*
Net financing cost	**(1.3)**	***-0.1%***	**(0.2)**	***-0.0%***	-
Other financial income and expense	6.8	*0.6%*	(0.5)	*-0.0%*	-
Income taxes	(24.4)	*-2.0%*	1.9	*0.2%*	-
Share of profit/loss from associated companies	-	-	-	-	-
Net profit/loss from continuing operations	**95.8**	***7.9%***	**73.8**	***6.4%***	***29.9%***
Net profit/loss from discontinued operations	(124.8)	*-10.2%*	(72.9)	*-6.3%*	*71.3%*
Consolidated net profit	**(29.0)**	***-2.4%***	**0.9**	***0.1%***	-
- Attributable to shareholders of Ipsen S.A.	(29.5)		0.4		
- Minority interests	0.5		0.5		

[1] *See appendix 4*
[2] *In compliance with provisions on "discontinued activities", 2011 figures have been restated to provide comparative information between 2011 and 2012 (see appendix 5)*

Sales

Consolidated Group sales reached € 1,219.5 million as of 31 December 2012, up 5.1% year-on-year or up 3.3% excluding foreign exchange impact[1].

Other revenues

Other revenues amounted to € 57.9 million in 2012, up 14.9% compared to € 50.4 million in 2011.

[1] Variations excluding foreign exchange impacts are computed by restating the 2011 figures with the 2012 average exchange rates

Other revenues breakdown is as follows:

(in million euros)	31 December 2012	31 December 2011 *Proforma* [2]	Change *In value*	Change *in %*
Breakdown by type of revenue				
- Royalties received	11.9	9.1	2.8	*30.9%*
- Milestone payments – licensing agreements [1]	25.1	23.5	1.6	*6.7%*
- Other (co-promotion revenues, re-billings)	20.9	17.8	3.1	*17.6%*
Total	**57.9**	**50.4**	**7.5**	***14.9%***

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

[2] *In compliance with provisions on "discontinued activities", 2011 figures have been restated to provide comparative information between 2011 and 2012 (see appendix 5)*

- **Royalties received** amounted to €11.9 million in 2012, up €2.8 million year-on-year, driven by the increase in royalties paid by the Group's partners.
- **Milestone payments relating to licensing agreements** amounted to €25.1 million, mainly generated by the partnerships with Medicis, Menarini and Galderma.
- **Other revenues** amounted to €20.9 million in 2012 compared with €17.8 million a year earlier, driven by the revenues relating to the Group's co-promotion and co-marketing agreements in France as well as promotion of Hexvix® in some countries.

Cost of goods sold

In 2012, cost of goods sold amounted to €254.8 million, representing 20.9% of sales, compared with €249.2 million, or 21.5% of sales, for the same period in 2011.

The cost of goods sold, positively impacted by the favourable mix related to the growth in specialty care sales and the Group's productivity efforts, was partially offset by custom duties in high growth countries.

Research and development expenses

At 31 December 2012, research and development expenses represented €248.6 million or 20.4% of sales, compared with 20.2% the previous year.

The table below provides a comparison of research and development expenses during the full years 2012 and 2011, according to the new segmentation of research and development expenses as defined by the new strategy announced on 9 June 2011:

(in million euros)	31 December 2012	31 December 2011 *Proforma*[4]	Change *In value*	Change *in %*
Breakdown by expenses type				
- Drug-related research and development[1]	(199.4)	(192.0)	(7.3)	*3.8%*
- Industrial and pharmaceutical development[2]	(40.8)	(35.5)	(5.3)	*14.9%*
- Strategic development[3]	(8.4)	(7.1)	(1.3)	*18.6%*
Total	**(248.6)**	**(234.6)**	**(13.9)**	***5.9%***

(1) Drug-related research & development is aimed at identifying new agents, determining their biological characteristics and developing small-scale manufacturing processes. 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. 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. Pharmaceutical development is associated to industrial development after bringing together both activities in the framework of the new strategy announced on 9 June 2011, in order to build a Department « *Chemistry, Manufacturing, Controls & Engineering* »

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

In compliance with provisions on "discontinued activities", 2011 figures have been restated to provide comparative information between 2011 and 2012 (see appendix 5)

- **Research and development drug-related costs** increased by 3.8% compared to the prior year. The main research and development projects conducted in 2012 focused on Dysport®, Somatuline® and tasquinimod. This increase was partially offset by a favourable comparison basis: costs related to the phase II clinical study of Irosustat (BN-83495) were no longer recorded in 2012 as the program was discontinued on 6 June 2011.
- **Industrial and pharmaceutical development expenses** increased by 14.9% year-on-year in 2012, mainly resulting from investments in the Group's toxins and peptides technology platforms.

Selling, general and administrative expenses

Selling, general and administrative expenses amounted to €572.6 million in 2012, representing 46.9% of sales, up 9.3% versus 2011.
The table below provides a comparison of selling, general and administrative expenses in 2012 and 2011:

(in million euros)	**31 December 2012**	**31 December 2011** *Proforma*[(1)]	**Change** *In value*	*in %*
Breakdown by expense type				
Royalties paid	*(51.7)*	*(46.6)*	*(5.1)*	*11.0%*
Other sales and marketing expenses	*(421.7)*	*(377.8)*	*(43.9)*	*11.6%*
Selling expenses	(473.5)	(424.4)	(49.1)	*11.6%*
General and administrative expenses	(99.1)	(99.7)	0.6	*-0.6%*
Total	**(572.6)**	**(524.1)**	**(48.5)**	***9.3%***

(1) In compliance with provisions on "discontinued activities", 2011 figures have been restated to provide comparative information between 2011 and 2012 (see appendix 5)

- **Selling expenses** amounted to €473.5 million in 2012, or 38.8% of sales, compared to €424.4 million, or 36.6% of sales, in 2011.
  - Royalties paid to third parties on sales of products marketed by the Group amounted to €51.7 million in 2012, up 11.0% year-on-year. This increase was driven by improved in-market sales of in-licensed products ;
  - Other selling expenses amounted to €421.7 million, or 34.6% of sales, up 11.6% compared to €377.8 million, or 32.6% of sales, in 2011. In line with the strategy announced on 9 June 2011, the Group continued to increase commercial investments in specialty care while selectively allocating business resources to high growth areas mainly China, Russia and Brazil. Furthermore selling expenses related to primary care in France increased proportionally to declining sales. Synergies from the new organization of French primary care commercial operations are expected to materialize in 2014.
- **General and administrative expenses** slightly decreased by 0.6% in 2012.

Other operating income and expenses

Other operating income amounted to €5.6 million in 2012, compared with €17.5 million the previous year, mainly composed of revenues from the sublease of Ipsen's headquarters building. In 2011, the other operating income was composed of a non-recurring income of €17.2 million following the enforceable court judgment relating to the trade dispute between the Group and Mylan.

Other operating expenses amounted to €25.8 million, compared with €17.6 million for the same period in 2011. The other operating expenses were mainly composed of non-recurring costs resulting from the search for potential acquirers for the Dreux industrial site, for potential partners for the primary care activity in France, the settlement of a trade dispute with a partner and an administrative procedure involving the Group.

Amortisation of intangible assets (excluding software)

In 2012, amortization charges of intangible assets reached €5.8 million, compared to €7.8 million the previous year. This decrease is mainly due to the change in the amortization plan of IGF-1 following the impairment loss recorded on 31 December 2011 and to the amortization completion of Exforge® (end of co-promotion contract in France with Novartis effective since 30 April 2012). This decrease was partially offset by the initiation of Hexvix® amortization.

Restructuring costs

At 31 December 2012, the Group recorded non-recurring restructuring costs of €63.1 million, mainly related to the implementation of the new organization of French primary care commercial operations and to the transfer to the East coast of the Group's North American commercial subsidiary that occurred between June 2011 and June 2012.

Impairment losses

At 31 December 2012, the Group recorded a non-recurring revenue of €2.4million. Following the announcement to retain the Dreux-based industrial facility within its scope of activity, the Group reassessed the value of this asset and recorded an impairment write-back of €12.5 million in its consolidated financial statements as of 30 June 2012. The Group recorded a €10.1 million impairment charge on the brand of Nisis®/Nisisco®, following a step-up in July 2012 in France in the regulation known as « Tiers-Payant », whereby the patient now pays upfront for a branded drug and is later reimbursed. This has generated an unprecedented and sudden increase in generic penetration in France.

Operating income

Based on above items, the operating income reported in 2012 amounted to €114.8 million or 9.4% of sales, up 58.2% compared to 2011, where it represented 6.3% of Group's sales.
The Group's **recurring adjusted[1] operating income** in 2012 amounted to €196 million or 16.1% of consolidated sales, down 0.8% year-on-year.

Operating segments: Operating income by geographical regions

Internal reporting provided to the Executive Committee corresponds to the Group's managerial organisation based on the geographical regions within which the Group operates. Accordingly, operating segments as defined by IFRS8, equal to long-term groupings of countries.

The operating segments existing as of 31 December 2012 are as follows:

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

[1] See appendix 4

The table below provides an analysis of sales, revenues and operating income by operating segment for the 2012 and 2011 periods:

(in thousand euros)	31 December 2012	*% of sales*	31 December 2011 Proforma*	*% of sales*	Change	*%*
Major Western European countries (1)						
Sales of goods	518.5	*100.0%*	542.0	*100.0%*	(23.5)	*-4.3%*
Revenue	549.9	*106.0%*	567.5	*104.7%*	(17.6)	*-3.1%*
Operating income	138.3	*26.7%*	155.9	*28.8%*	(17.6)	*-11.3%*
Other European countries						
Sales of goods	306.0	*100.0%*	279.6	*100.0%*	26.5	*9.5%*
Revenue	312.2	*102.0%*	284.8	*101.8%*	27.4	*9.6%*
Operating income	135.7	*44.4%*	118.4	*42.3%*	17.4	*14.7%*
North America						
Sales of goods	72.8	*100.0%*	65.7	*100.0%*	7.1	*10.8%*
Revenue	90.5	*124.4%*	82.8	*126.0%*	7.7	*9.3%*
Operating income	(10.5)	*-14.5%*	(35.7)	*-54.4%*	25.2	*-70.6%*
Rest of the World						
Sales of goods	322.2	*100.0%*	272.5	*100.0%*	49.7	*18.2%*
Revenue	323.5	*100.4%*	273.2	*100.3%*	50.3	*18.4%*
Operating income	123.2	*38.2%*	106.4	*39.1%*	16.7	*15.7%*
Total Allocated						
Sales of goods	1 219.5	*100.0%*	1 159.8	*100.0%*	59.7	*5.1%*
Revenue	1 276.1	*104.6%*	1 208.3	*104.2%*	67.8	*5.6%*
Operating income	386.7	*31.7%*	345.0	*29.7%*	41.7	*12.1%*
Total non-allocated						
Revenue	1.3	-	1.9	-	(0.6)	*-30.6%*
Operating income	(271.9)	-	(272.4)	-	0.5	*-0.2%*
Total Group						
Sales of goods	1 219.5	*100.0%*	1 159.8	*100.0%*	59.7	*5.1%*
Revenue	1 277.4	*104.7%*	1 210.2	*104.3%*	67.2	*5.6%*
Operating income	114.8	*9.4%*	72.6	*6.3%*	42.2	*58.2%*

***** *In compliance with provisions on "discontinued activities", 2011 figures have been restated to provide comparative information between 2011 and 2012 (see appendix 5)*

Sales generated in the **Major Western European countries** amounted to €518.5 million in 2012, down 4.9% year-on-year excluding foreign exchange impacts[1]. 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 administrative measures in Spain. As a result, sales in the Major Western European countries represented 42.5% of total Group sales at the end of 2012, compared to 46.7% a year earlier. The Group recorded a €10.1 million impairment charge on the brand of Nisis®/Nisisco®, following a step-up in July 2012 in France in the regulation known as « Tiers-Payant », which has generated an unprecedented and sudden increase in generic penetration. The Group also recorded non-recurring restructuring cost related to the implementation of the new organization of French primary care commercial operations. Operating income in 2012 amounted to €138.3 million, down 11.3% year-on-year, representing 26.7% of sales, compared to 28.8% for the same period in 2011. Excluding non-recurring impacts,

[1] Variations excluding foreign exchange impacts are computed by restating the 2011 figures with the 2012 average exchange rates

operating income in 2012 reached €204.1 million, compared to €223.9 million in 2011.

Sales generated in the **Other European countries** reached €306.0 million in 2012, up 8.5% year-on-year excluding foreign exchange impacts[1]. Sales were mainly driven by Russia with the good performance of specialty care products and Tanakan®. Over the period, Poland, the Netherlands, Ukraine and Belgium also contributed to the volume growth. In 2012, sales in this region represented 25.1% of total consolidated Group sales, compared to 24.1% a year earlier. Operating income in 2012 amounted to €135.7 million compared to €118.4 million in 2011, representing 44.4% of sales for 2012, compared with 42.3% over the same period in 2011.

In 2012, sales generated in **North America** amounted to €72.8 million, up 2.3% excluding foreign exchange impacts[1]. Restated to exclude Apokyn® sales, North American sales were up 11.5% year-on-year, driven by strong supply of Dysport® for aesthetic use to Medicis, by the continuous penetration of Somatuline® in acromegaly and by the growth of Dysport® in the treatment of cervical dystonia. Sales in North America represented 6.0% of total consolidated Group sales, compared to 5.7% a year earlier. Operating income in 2012 amounted to (€10.5) million, up €25.2 million compared to 2011. This increase is mainly due to non-recurring costs booked in 2011, of which €10.9 million related to the transfer to the East coast of the Group's North American commercial subsidiary and €24.4 million impairment charge on IGF-1.

In 2012, in the **Rest of the World,** where the Group markets most of its products through distributors or commercial agents, sales reached €322.2 million, up 14.1% excluding foreign exchange impacts[1], driven by a strong volume growth in China, Colombia, Vietnam, Australia, Brazil and Mexico. In 2012, sales in the Rest of the World continued to increase, representing 26.4% of total consolidated Group sales, compared to 23.5% a year earlier. Operating income in 2012 amounted to €123.2 million, or 38.2% of sales, up 15.7% compared to €106.4 million, or 39.1% of sales, in 2011.

Non allocated operating income amounted to (€271.9) million in 2012 versus (€272.4) million in 2011. It mainly included the Group's central research and developments costs for (€203.9) million in 2012 and (€194.2) million in 2011 and, to a lesser extent, unallocated general and administrative expenses.

Costs of net financial debt and other financial income and expenses

In 2012, the Group's financial result amounted to (€5.5) million compared with (€0.7) million the prior year

- **The cost of net financial debt** amounted to €1.3 million in 2012, compared to €0.2 million in 2011, mainly including the non-utilisation fees on the new credit line subscribed on 31 January 2012, partially offset by cash investment income.
- **The other financial income and expenses** amounted to €6.8 million in 2012 versus €(0.5) million in 2011. As of 31 December 2011, the Group had recorded a €36.4 million loss, mainly comprising a €42.0 million non-recurring impairment loss on the four convertible bonds issued by Inspiration and subscribed by the Group, partially offset by a €6.1 million positive foreign exchange impact mainly related to the revaluation of these four convertible bonds. In the 2011 proforma accounts, those impacts are recorded in the discontinued operations line following Ipsen announcement on 30 October 2012 to sell all its hemophilia-related assets and to exit this therapeutic area. Restated to exclude the above elements, the year-on- year increase mainly resulted from positive foreign exchange rates, a profit derived from the sale of its Spirogen shares, and a non-recurring profit derived from additional payments received upon the divestment by the Group in 2010 of its shares in PregLem Holding SA.

Income taxes

On 31 December 2012, the effective tax rate (ETR) was 20.3% of profit before tax from continuing activities, compared to an ETR of (2.6)% on 31 December 2011.

The items reducing the Group's effective tax rate were applied to an increased profit before tax. As a

[1] Variations excluding foreign exchange impacts are computed by restating the 2011 figures with the 2012 average exchange rates

consequence, the research tax credit, while stable in volume between 2011 and 2012, had a diluted positive impact, down 13 points. Also, the effect of reduced corporate tax rates in comparison with standard French corporate tax rate was diluted by 8 points between 2011 and 2012.

Excluding non-recurring operating, financing and tax items, the effective tax rate amounted to 23.2% in 2012 compared to 19.3% in 2011.

Share of profit / loss from associated companies

At 31 December 2011 and 2012, share of profit / loss from associated companies was nil. The Group's 22.0% stake in Inspiration's net loss was recorded in the discontinued operations line as mentioned below.

Net profit from continuing operations

As a result of the items above, the profit from continuing operations in 2012 amounted to €95.8 million, up 29.9% compared to €73.8 million in 2011. It represented 7.9% Group's sales in 2012 and 6.4% in 2011.

Recurring adjusted[1] **profit from continuing operations** amounted to €145.5 million in 2012, compared to €154.4 million in 2011, down 5.8% year-on-year.

Profit from discontinued operations

Profit from discontinued operations amounted to (€124.8 million) as of 31 December 2012, versus (€72.9) millions at the end of 2011. It comprised the activities related to Inspiration. On 30 October 2012, Ipsen and Inspiration decided to sell all their hemophilia-related assets and Ipsen announced its exit from this therapeutic area.

Reminder of the evolution of Inspiration's situation

On 10 July 2012, Ipsen's partner in hemophilia, Inspiration, was notified by the Food and Drug Administration (FDA) that both clinical trials evaluating the safety and efficacy of IB1001, an investigational intravenous recombinant factor IX (rFIX) therapy for the treatment and prevention of bleeding episodes in people with hemophilia B, were placed on clinical hold.

In this context, on 21 August 2012, Ipsen announced the renegotiation of its 2010 strategic partnership agreement with Inspiration for the development and commercialization of IB1001 and OBI-1, a recombinant porcine factor VIII (rpFVIII) being developed for the treatment of patients with acquired hemophilia A and congenital hemophilia A with inhibitors. The new agreement aimed to establish a structure whereby Ipsen gained commercial rights in its key territories while Inspiration remained responsible for the world-wide development of OBI-1 and IB1001. As part of the renegotiation, Ipsen paid Inspiration $30.0 million upfront and, in certain countries[2], has:

- recovered OBI-1 commercial rights
- gained IB1001 commercial rights

Ipsen had agreed to pay Inspiration an additional financing if Inspiration raised third party financing by the end of the third quarter 2012.

As Inspiration did not manage to raise external financing and was cash constrained, it commenced, on 30 October 2012, a voluntary reorganization case pursuant to Chapter 11's provisions of the United States Bankruptcy Code with the objective of leading a joint marketing and sales process. Inspiration's assets include commercial rights on OBI-1 and IB1001 on several countries. With this filing, Inspiration sought to have the Bankruptcy Court's approval on detailed bidding and auction procedures for the sale of its assets

[1] See appendix 4

[2] Europe (EU, Switzerland, Monaco, Norway, Lichtenstein, Georgia, Bosnia, Albania and all EU candidates excluding Turkey), Russia and CIS (Community of Independent States), part of Asia Pacific (main countries are Australia, New Zealand, China, Singapore, South Korea and Vietnam) and certain countries in North Africa (Morocco, Algeria, Tunisia, Libya)

to a third party purchaser. Inspiration's assets are notably comprised of commercial rights to OBI-1 and IB1001 in certain countries[1].

Ipsen agreed to include its hemophilia assets in the sale process. Ipsen's assets are comprised of commercial rights to OBI-1 and IB1001 as well as its OBI-1 industrial facility in Milford (Boston, MA). Inspiration and Ipsen jointly mandated an investment bank for the transaction.

Under the Chapter 11 procedure, Ipsen agreed to provide Inspiration with so-called: "Debtor-in-Possession financing" (DIP) for an amount of up to $18.3 million assuming certain conditions were met. The DIP financing allows a company with debt to undertake, under acceptance by its creditors, some restructuring actions according to a plan which has been defined and approved by the Court. It was anticipated that the DIP financing was sufficient to enable Inspiration and Ipsen to successfully sell their assets.

As Ipsen announced it put all its hemophilia-related assets up for sale, it officially showed its intention to exit the specialized therapeutic area of hemophilia. As a consequence, in compliance with IFRS5, the Group classified all its hemophilia-related income and expense in « Profit from discontinued operations ». Furthermore, in compliance with IFRS5 « Non-current Assets Held for Sale and Discontinued Operations », all assets and liabilities related to hemophilia (excluding DIP financing) have been classified as of 31 December 2012 in « non-current asset as held for sale» in the Group's consolidated financial statements.

Hemophilia was one of the four focus and investment therapeutic areas for Ipsen. Furthermore, flows from this activity are clearly identified and the business is included in an exclusive and organized sales plan. In this regard, this activity meets the "discontinued operations" requirements; hence the associated result for the period is recorded on a separate line on the consolidated Income statement. This line is composed of the loss from "discontinued operations" and the loss after tax resulting from valuation at fair value less the estimated costs necessary to make the sale.

On 24 January 2013, Ipsen and Inspiration announced that they entered into an Asset Purchase Agreement (APA) for the sale of OBI-1 to Baxter International. Under the terms of the APA, Baxter has agreed to pay $50 million upfront, and potential additional development and commercial milestones.

This APA is subject to Fair Trade Commission (FTC) approval.

On 6 February 2013, Ipsen and Inspiration announced they entered into an Asset Purchase Agreement (APA) whereby Cangene Corporation (Cangene) agrees to acquire the worldwide rights to IB1001. Under the terms of the APA, Cangene has agreed to pay $5.9 million upfront and potential additional commercial milestones.

The Group reassessed the value of its hemophilia assets, now recorded in «non-current asset held for sale», and valued at the lower of carrying amount and fair value less the estimated costs necessary to make the sale. The milestones payments being contingent on regulatory approvals and products sales, the Group estimated that they were not certain income and, hence, did not include them in the fair value calculation of hemophilia assets held for sale as of 31 December 2012.

On the basis of available information at closing date, the share of upfront payment to be received by Ipsen should mainly cover the total amount of DIP financing provided to Inspiration. As a consequence, the Group, as of 31 December 2012, impaired all hemophilia related assets and liabilities, classified as « non-current asset as held for sale » on the balance sheet.

Hence, profit from discontinued operations mainly comprised non-recurring provisions of €100m after tax on tangible, intangible and financial assets, receivables related to the OBI-1 development costs for the second and third quarters of 2012, the rebilling of the costs associated with the implementation of the European platform, partially offset by acceleration of recognition of deferred revenues related to hemophilia. It also comprised the share of loss in Inspiration's result for the period before it was classified as "discontinued operations".

[1] Mainly the Americas and Japan

Consolidated net profit

As a result of the items above, consolidated net profit in 2012 was a loss of €29 (attributable to shareholders of Ipsen S.A.: (€29.5) million) compared with a profit of €0.9 million (attributable to shareholders of Ipsen S.A.: €0.4 million) in 2011.

The **Recurring adjusted consolidated net profit**[1] amounted to €145.5 million at 31 December 2012, down 5.8% compared with €154.4 million in 2011.

Earnings per share

The Group's earnings per share at 31 December 2012 amounted to €(0.35), compared with €0.01 a year earlier.

The **recurring adjusted**[1] **diluted earnings per share** attributable to the Group at 31 December 2012 amounted to €1.74, down by 5.9% year-on-year.

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

At 31 December 2012, the total of milestone payments received in cash by the Group and not yet recognised as other revenues on the income statement amounted to €152.4 million, compared with €199.0 million the previous year.

The Group recorded no new deferred revenue for its partnerships. All deferred income related to Inspiration (€28.0 million) was written back in 2012 following Inspiration decision to seek protection under Chapter 11 of the United States Bankruptcy Code on 30 October 2012.

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

(in million euros)	**31 December 2012**	**31 December 2011****
Total*	**152.4**	**199.0**
Deferred revenues will be recognised over time as follows:		
In the year n+1	22.4	26.0
In the years n+2 and beyond	130.0	173.0

** Amounts converted at average exchange rate at 31 December 2012 and 31 December 2011 respectively*

*** In compliance with provisions on "discontinued activities", 2011 figures have been restated to provide comparative information between 2011 and 2012 (see appendix 5)*

[1] See appendix 4

CASH FLOW AND CAPITAL

The consolidated cash flow statement shows that the Group's operating activities in December 2012 generated a net cash flow of €165.0 million, slightly down compared with €168.8 million generated over the same period in 2011.

Analysis of the cash flow statement

(in million euros)	31 December 2012	31 December 2011 Proforma*
– Cash generated from operating activities before changes in working capital requirements	175.3	189.5
– (Increases) / Decreases in working capital requirements for operations	(10.3)	(20.7)
o Net cash flow from operating activities	165.0	168.8
– Net investments in tangible and intangible assets	*(76.5)*	*(95.2)*
– Impact of changes in consolidation scope	*(0.2)*	-
– Other cash flow from investments	*11.9*	*(2.6)*
o Net cash flow from investing activities	(64.8)	(95.7)
o Net cash flow from financing activities	(73.2)	(65.2)
o Net cash flow from discontinued operations**	(56.2)	(40.2)
CHANGES IN CASH AND CASH EQUIVALENTS	**(29.2)**	**(32.9)**
Opening cash and cash equivalents	**144.8**	**177.9**
Forex impact	(2.3)	(0.2)
Closing cash and cash equivalents	**113.3**	**144.8**

* *In compliance with provisions on "discontinued activities", 2011 figures have been restated to provide comparative information between 2011 and 2012 (see appendix 5)*

** *see " Net cash flow from discontinued operations"*

■ Net cash flow from operating activities

Cash flow from operating activities in 2012 amounted to €175.3 million, down compared with €189.5 million generated in 2011.

Working capital requirements for operating activities increased by €10.3 million in 2012, against an increase of €20.7 million in 2011. This change in 2012 was related to the following:

- Inventories increased by €7.1 million in 2012 as a result of reconstitution of stocks in high growth territories such as Russia and Brazil.
- Accounts receivables decreased by €10.1 million in 2012, compared with an increase of €16.7 million in 2011, mainly due to decrease of public receivables in Southern Europe, mainly Italy, Spain and Portugal.
- Trade payables increased by €15.0 million in 2012, compared with an increase of €9.4 million in 2011.
- The change in other assets and liabilities comprised a use of fund of €10.9 million in 2012, against a use of fund of €13.1 million in 2011. In 2012, the Group recorded no deferred revenues from partnerships, against €10.6 million in 2011. The Group recorded €24.5 million of deferred revenues from partnerships on its income statement, against of €25.8 million in 2011.
- The change in net tax liability in 2012 represented a use of funds of €17.4 million related to the payment of an excess amount of tax to authorities with an expected reimbursement in 2013.

Net cash flow from investing activities

In 2012, the net cash flow from investing activities represented a net use of funds of €64.8 million, compared to a net use of €95.7 million in 2011. It included:

- Investments in tangible and intangible assets net of disposals, amounting to €76.5 million, compared with €95.2 million the previous year. This cash flow mainly included:
  - Acquisition of property, plant and equipment totalling €49.0 million, compared with €44.3 million in 2011. These investments mainly comprised items required for the maintenance of the Group's industrial facilities and in capacity investments in the Wrexham and Signes factories;
  - Investments in intangible assets for €27.7 million, compared with €58.0 million in 2011, mainly related to the partnership with Active Biotech for the rights of tasquinimod (€20 million) and Photocure pour Hexvix® (€1.5 million);
- A net cash flow of €13.9 million composed of the disposal of shares, mainly from additional payments received upon the divestment by the Group in 2010 of its shares in PregLem Holding SA;
- A use of funds of €7.5 million related to investing activities, mainly related to a €6.1 million payment of plan asset;
- A decrease of €5.3 million in working capital requirements related to investment activity, mainly related to a liability recorded in 2012 and payable to Active Biotech following the announcement of the completion of the recruitment of the clinical trial of phase III with tasquinimod;

Net cash flow from financing activities

In 2012, the net cash flow used in financing activities amounted to €66.0 million, compared with a net use of €65.2 million over the same period in 2011. In 2012, the Group paid €67.5 million in dividends to its shareholders, up 1.5% compared with €66.5 million paid a year earlier.

Under the Chapter 11 procedure, the Group provided Inspiration with "Debtor-in–possession" (DIP) financing amounting to €7.5 million as of 31 December 2012. The purpose of this financing is to enable the sale of Inspiration and Ipsen assets.

Net cash flow from discontinued operations

As of 31 December 2012, the net cash flow from discontinued activities related to Inspiration amounted to (€56.2) million, against (€40.8) million in 2011.

(in millions euros)	**31 December 2012**	**31 December 2011**
- Cash flow before changes in working capital requirement	(3.5)	17.6
- Change in working capital related to discontinued activities	(17.3)	(10.9)
o Net cash flow provided by discontinued activities	(20.8)	6.7
- Investment in intangible assets	*(5.8)*	-
- Convertible bond subscriptions	*(26.7)*	*(45.3)*
- Other cash flow related to investment activities	*(2.9)*	*(2.2)*
o Net cash flow used in investing activities	(35,4)	(47.5)
o Net cash flow used in financing activities	-	-
Change in cash and cash equivalents	**(56.2)**	**(40.8)**

This change in cash and cash equivalents from discontinued operations included:

- A net cash flow from discontinued activities of (€20.8) million against €6.7 million in 2011, mainly composed of the regained OBI-1 commercial rights ($22.5 million) according to the renegotiation of the partnership with Inspiration on 21 August 2012.
- A use of fund of €35.4 million composed of the subscription by the Group to a €26.7 million convertible bond issued by Inspiration and to the acquisition of the IB1001 intangible asset for €6.1 million. In 2011, the Group had subscribed to two convertible bond issued by Inspiration for €45.3 million. Also, in 2012, the Group recorded €2.9 million interest to be received on those obligations, against €2.2 million the previous year.

APPENDIX 1

▪ Condensed consolidated income statement

(in million euros)	**31 December 2012**	**31 December 2011** (1)
Sales of goods	1 219.5	1 159.8
Other revenues	57.9	50.4
Revenue	**1 277.4**	**1 210.2**
Cost of goods sold	(254.8)	(249.2)
Research and development expenses	(248.6)	(234.6)
Selling expenses	(473.5)	(424.4)
General and administrative expenses	(99.1)	(99.7)
Other operating income	5.6	17.5
Other operating expenses	(25.8)	(17.6)
Amortisation of intangible assets	(5.8)	(7.8)
Restructuring costs	(63.1)	(36.5)
Impairment losses	2.4	(85.2)
Operating income	**114.8**	**72.6**
Investment income	1.0	1.6
Financing costs	(2.3)	(1.8)
Net financing costs	**(1.3)**	**(0.2)**
Other financial income and expense	6.8	(0.5)
Income taxes	(24.4)	1.9
Share of profit / loss from associated companies	-	-
Net profit from continuing operations	**95.8**	**73.8**
Net profit from discontinued operations	(124.8)	(72.9)
Consolidated net profit	**(29.0)**	**0.9**
– Attributable to shareholders of Ipsen	(29.5)	0.4
– attributable to minority interests	0.5	0.5
Basic earnings per share, continuing operations (in euros)	1.15	0.88
Diluted earnings per share for continuing operations (in euros)	1.14	0.88
Basic earnings per share from discontinued operations (in euros)	(1.50)	(0.88)
Diluted earnings per share from discontinued operations (in euros)	(1.50)	(0.88)
Basic earnings per share (in euros)	(0.35)	0.01
Diluted earnings per share (in euros)	(0.35)	0.01

(1) *In compliance with provisions on "discontinued activities", 2011 figures have been restated to provide comparative information between 2011 and 2012 (see appendix 5)*

APPENDIX 2

Condensed consolidated balance sheet

(in million euros)	31 December 2012	31 December 2011
ASSETS		
Goodwill	298.2	299.5
Other intangible assets	129.2	135.6
Property, plant & equipment	281.8	271.7
Equity investments	12.0	12.3
Investments in associated companies	0.0	-
Non-current financial assets	6.7	2.9
Other non-current assets	18.7	94.0
Deferred tax assets	208.2	184.6
Total non-current assets	**954.7**	**1 000.6**
Inventories	127.9	117.8
Trade receivables	256.3	259.4
Current tax assets	54.4	39.1
Other current assets	53.6	71.4
Current financial assets	0.5	-
Cash and cash equivalents	113.6	145.0
Assets from discontinued operations	-	-
Total current assets	**606.3**	**632.8**
TOTAL ASSETS	**1 561.1**	**1 633.4**

EQUITY AND LIABILITIES		
Share capital	84.3	84.2
Additional paid-in capital and consolidated reserves	867.8	929.6
Net profit for the period	(29.5)	0.4
Exchange differences	1.6	(1.4)
Equity - attributable to shareholders of Ipsen	**924.2**	**1 012.8**
Attributable to minority interests	2.0	2.6
Total shareholders' equity	**926.3**	**1 015.4**
Retirement benefit obligation	19.9	19.5
Provisions	25.6	25.7
Short term debt	0.0	-
Other financial liabilities	15.9	16.6
Deferred tax liabilities	2.8	2.6
Other non-current liabilities	133.8	183.3
Total non-current liabilities	**197.9**	**247.6**
Provisions	66.2	24.5
Short term debt	4.0	4.0
Other financial liabilities	4.5	5.0
Accounts payable	159.8	149.8
Current tax liabilities	3.3	5.6
Other current liabilities	198.3	181.3
Bank overdrafts	0.4	0.2
Liabilities from discontinued operations	0.5	-
Total current liabilities	**437.0**	**370.4**
TOTAL EQUITY AND LIABILITIES	**1 561.1**	**1 633.4**

APPENDIX 3

Condensed consolidated cash flow statement

	31 December 2012			31 December 2011		
	Continued activity	Discontinued activity	Total	Continued activity	Discontinued activity	Total
Consolidated net profit	**95.8**	**(124.8)**	**(29.0)**	**73 763**	**(72 856)**	**907**
Net profit/loss from discontinued operations	-	21.7	21.7	-	20.2	20.2
Share of profit/loss from associated companies	-	-	-	-	34.3	34.3
Net profit/loss from continuing operations before share of profit/loss from associated companies	**95.8**	**(103.2)**	**(7.4)**	**73.8**	**(18.4)**	**55.4**
Non-cash and non-operating items						
– Amortisation, provisions and impairment losses	72.6	-	72.6	71.1	1.0	72.0
– Impairment losses	(2.4)	125.4	123.1	85.2	42.0	127.2
– Change in fair value of derivative financial instruments	(2.5)	-	(2.5)	2.2	-	2.2
– Net gains or losses on disposals of non-current assets	1.9	-	1.9	4.6	-	4.6
– Share of government grants released to profit and loss	(0.1)	-	(0.1)	(0.1)	-	(0.1)
– Exchange differences	(1.4)	6.1	4.6	(2.3)	(6.1)	(8.4)
– Change in deferred taxes	6.9	(31.8)	(24.9)	(49.0)	(1.0)	(50.0)
– Share-based payment expense	4.6	-	4.6	4.1	-	4.1
– Gain/loss on sales of treasury shares	0.1	-	0.1	(0.1)	-	(0.1)
– Other non-cash items	(0.2)	-	(0.2)	0.2	-	0.2
Cash flow from operating activities before changes in working capital requirement	***175.3***	***(3.5)***	***171.8***	***189.5***	***17.6***	***207.1***
– (Increase)/decrease in inventories	(7.1)	-	(7.1)	(5.1)	-	(5.1)
– (Increase)/decrease in trade receivables	10.1	-	10.1	(16.7)	-	(16.7)
– Increase/(decrease) in trade payables	15.0	-	15.0	9.4	-	9.4
– Change in income tax liability	(17.4)	-	(17.4)	4.7	-	4.7
– Net change in other operating assets and liabilities	(10.9)	(17.3)	(28.2)	(13.1)	(10.9)	(24.0)
Change in working capital related to operating activities	**(10.3)**	**(17.3)**	**(27.6)**	**(20.7)**	**(10.9)**	**(31.6)**
NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES	**165.0**	**(20.8)**	**144.2**	**168.8**	**6.7**	**175.4**
Investment in property, plant & equipment	(49.0)	0.0	(49.0)	(44.3)	-	(44.3)
Investment in intangible assets	(27.7)	(6.1)	(33.8)	(58.0)	-	(58.0)
Proceeds from disposal of intangible assets and property, plant & equipment	0.3	0.3	0.6	7.0	-	7.0
Acquisition of shares in non-consolidated companies	(0.4)	-	(0.4)	(5.7)	-	(5.7)
Convertible bond subscriptions	(0.2)	(26.7)	(26.9)	-	(45.3)	(45.3)
Proceeds of financial assets	13.9	-	13.9	-	-	-
Payments to post-employment benefit plans	(6.1)	-	(6.1)	(2.0)	-	(2.0)
Other cash flow related to investment activities	(0.5)	(2.9)	(3.4)	(0.7)	(2.2)	(2.9)
Deposits	(0.4)	-	(0.4)	(0.1)	-	(0.1)
Change in working capital related to investing activities	5.3	-	5.3	8.0	-	8.0
NET CASH USED IN INVESTING ACTIVITIES	**(64.8)**	**(35.4)**	**(100.2)**	**(95.7)**	**(47.5)**	**(143.2)**
Repayment of long-term borrowings	(0.3)	-	(0.3)	(0.3)	0.0	(0.3)
Capital increase by Ipsen	-	-	-	0.1	-	0.1
Treasury shares	0.2	-	0.2	1.0	-	1.0
Dividends paid by Ipsen	(66.5)	-	(66.5)	(66.5)	-	(66.5)
Dividends paid by subsidiaries to minority interests	(1.0)	-	(1.0)	-	-	-
Deposits	-	-	-	-	-	-
"DIP" financing	(7.2)	-	(7.2)	0.0	-	0.0
Change in working capital related to financing activities	1.6	-	1.6	0.6	-	0.6
NET CASH USED IN FINANCING ACTIVITIES	**(73.2)**	**-**	**(73.2)**	**(65.2)**	**-**	**(65.2)**
CHANGE IN CASH AND CASH EQUIVALENTS	**27.0**	**(56.2)**	**(29.2)**	**7.9**	**(40.8)**	**(32.9)**
Opening cash and cash equivalents	144.8	-	**144.8**	**177.9**	-	**177.9**
Impact of exchange rate fluctuations	(2.3)	-	(2.3)	(0.2)	-	(0.2)

Closing cash and cash equivalents	**169.5**	**(56.2)**	**113.3**	**185.6**	**(40.8)**	**144.8**

APPENDIX 4

- **Reconciliation between the income statement at 31 December 2012 and the recurring adjusted income statement at 31 December 2012**

(in million euros)	**31 December 2012 restated**	*% Sales*	Assets from discontinued operations [1]	Other non-recurring items[2]	**31 December 2011**	*% Sales*
Revenue	**1 277.4**	**104.7%**			**1 277.4**	**104.7%**
Cost of goods sold	(254.8)	-20.9%			(254.8)	-20.9%
Research and development expenses	(248.6)	-20.4%			(248.6)	-20.4%
Selling expenses	(473.5)	-38.8%			(473.5)	-38.8%
General and administrative expenses	(99.1)	-8.1%			(99.1)	-8.1%
Other operating income	5.6	0.5%			5.6	0.5%
Other operating expenses	(7.8)	-0.6%		(18.0)	(25.8)	-2.1%
Amortisation of intangible assets	(3.3)	-0.3%		(2.5)	(5.8)	-0.5%
Restructuring costs	-	-		(63.1)	(63.1)	-5.2%
Impairment losses	-	-		2.4	2.4	0.2%
Operating income	**196.0**	**16.1%**		**(81.2)**	**114.8**	**9.4%**
Financial income/(expense)	**(6.5)**	**-0.5%**		**11.9**	**5.5**	**0.4%**
Income taxes	(44.0)	-3.6%		19.6	(24.4)	-2.0%
Share of profit/loss from associated companies	-	-			-	-
Net profit from continuing operations	**145.5**	**11.9%**		**(49.7)**	**95.8**	**7.9%**
Profit from discontinued operations	-	-	(124.8)		(124.8)	-10.2%
Consolidated net profit	**145.5**	**11.9%**	**(124.8)**	**(49.7)**	**(29.0)**	**-2.4%**
– attributable to shareholders of Ipsen S.A.	145.0	-	(124.8)	(49.7)	(29.5)	-
– attributable to minority interests	0.5	-			0.5	-
Diluted earnings per share (in euros)	***1.74***				***(0.35)***	

[1] Income statement impact linked to Inspiration Biopharmaceuticals Inc.

[2] Other non-recurring items include:

- 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 transfer of the Group's North American commercial subsidiary to the East Coast
- the settlement of a trade dispute with a partner
- an administrative proceeding towards the Group
- and proceed on disposal of PregLem shares
- non-recurring tax elements

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

(in million euros)	**31 December 2011 Proforma Recurring Adjusted**	*% Sales*	Assets from discontinued operations (1)	Impairment (2)	Other non-recurring items (2)	**31 December 2011 Proforma**	*% Sales*
Revenue	**1 210.2**	***104.3%***				**1 210.2**	***104.3%***
Cost of goods sold	(249.2)	*-21.5%*				(249.2)	*-21.5%*
Research and development expenses	(234.6)	*-20.2%*				(234.6)	*-20.2%*
Selling expenses	(424.4)	*-36.6%*				(424.4)	*-36.6%*
General and administrative expenses	(99.7)	*-8.6%*				(99.7)	*-8.6%*
Other operating income	0.4	-			17.2	17.5	*1.5%*
Other operating expenses	(0.4)	-			(17.3)	(17.6)	*-1.5%*
Amortisation 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 income	**197.5**	***17.0%***		**(85.2)**	**(39.7)**	**72.6**	***6.3%***
Financial income/(expense)	**(0.7)**	***-0.1%***		**-**	**-**	**(0.7)**	***-0.1%***
Income taxes	(43.1)	*-3.7%*		32.3	12.7	1.9	*0.2%*
Share of profit/loss from associated companies	-	-				-	-
Net profit from continuing operations	**153.7**	***13.3%***		**(52.9)**	**(27.0)**	**73.8**	***6.4%***
Profit from discontinued operations	**0.7**	***-1.0%***	(73.5)			(72.9)	***-6.3%***
Consolidated net profit	**154.4**	***12.2%***	**(73.5)**	**(52.9)**	**(27.0)**	**0.9**	***0.1%***
– attributable to shareholders of Ipsen S.A.	153.9		(73.5)	(52.9)	(27.0)	0.4	
– attributable to minority interests	0.5					0.5	
Diluted earnings per share (in euros)	***1.86***					***0.01***	

(1) The 2011 presentation is compliant with IFRS5: 2011 has been restated to provide a comparative information between 2011 and 2012 (see appendix5).

(2) Impairment booked over the period 2012 (details in note « Impaiment »

(3) Other non-recurring items include:

- non-recurring fees incurred during the preparation and early implementation of the strategy announced on 9 June 2011
- impact related to allocation of purchase price acquisition on North America transactions
- non-recurring expenses linked with restructuring corresponding to the transfer of the Group's North American commercial subsidiary to the East Coast
- the settlement of a trade dispute with a partner
- an administrative proceeding towards the Group

APPENDIX 5

- **Reconciliation between the income statement at 31 December 2011 as published and the income statement proforma at 31 December 2011**

(in million euros)	**31 December 2011 Proforma**	*% sales*	Restatements according to IFRS 5	**31 December 2011 As published**	*% sales*
Revenue	**1 210.2**	***104.3%***	**(24.7)**	**1 234.9**	***106.5%***
Cost of goods sold	(249.2)	*-21.5%*	-	(249.2)	*-21.5%*
Research and development expenses	(234.6)	*-20.2%*	19.0	(253.6)	*-21.9%*
Selling expenses	(424.4)	*-36.6%*	0.7	(425.2)	*-36.7%*
General and administrative expenses	(99.7)	*-8.6%*	1.8	(101.5)	*-8.7%*
Other operating income	17.5	*1.5%*	-	17.5	*1.5%*
Other operating expenses	(17.6)	*-1.5%*	-	(17.6)	*-1.5%*
Amortisation of intangible assets	(7.8)	*-0.7%*	-	(7.8)	*-0.7%*
Restructuring costs	(36.5)	*-3.2%*	-	(36.5)	*-3.2%*
Impairment losses	(85.2)	*-7.3%*	-	(85.2)	*-7.3%*
Operating income	**72.6**	***6.3%***	**(3.2)**	**75.8**	***6.5%***
Financial income/(expense)	**(0.7)**	***-0.1%***	**33.7**	**(34.4)**	***-3.0%***
Income taxes	1.9	*0.2%*	(11.5)	13.3	*1.2%*
Share of profit/loss from associated companies	-	-	54.5	(54.5)	*-4.7%*
Net profit from continuing operations	**73.8**	***6.4%***	**73.5**	**0.2**	***0.0%***
Profit from discontinued operations	(72.9)	***-6.3%***	(73.5)	0.7	*0.1%*
Consolidated net profit	**0.9**	***0.1%***	**-**	**0.9**	***0.1%***
– attributable to shareholders of Ipsen S.A.	0.4			0.4	
– attributable to minority interests	0.5			0.5	
Diluted earnings per share (in euros)	***0.01***			***0.01***	