2011

REGISTRATION DOCUMENT

IPSEN
Innovation for patient care

SUMMARY

This Registration Document has been established in accordance with the Apendix 1 of the European Commission Regulation n°809/2004 dated April 29, 2004.

IPSEN
Innovation for patient care

Société anonyme with a share capital of €84 226 573
Registered office: 65 quai Georges Gorse – 92650 Boulogne-Billancourt Cedex
419 838 529 R.C.S. Nanterre

2011 REGISTRATION DOCUMENT

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

Pursuant of the provisions of its general regulations, in particular article 212-13, the *Autorité des Marchés Financiers* (AMF) has registered this registration document on 29 March 2012 under number D.12-0236. This document may not be used in support of any financial operation unless it is accompagnied by a prospectus approved by the AMF.

This document has been prepared by the issuer, and its signatories assume responsibility for its contents.

Pursuant to the provisions of article 28 of EC regulation 809/2004 of 29 April 2004, readers are referred to the Document de Reference for Ipsen recorded by the AMF on 29 March 2010 under number D.10-0180 for the 2009 financial year, on 26 April 2011 under number D.11-0360 for the 2010 financial year, for the following financial information, prepared under IFRS (International Financial Reporting Standard), the management discussion and analysis, historical and consolidated financial statement (including the auditors' reports).

GENERAL INTRODUCTORY COMMENTS

In this registration document, unless stated otherwise, the terms "Company" and "Ipsen" refer to Ipsen S.A. and the term "Group" refers to Ipsen and its subsidiaries and shareholdings.

This registration document contains forward-looking statements about the Group's targets and forecasts, especially in Chapter 1.5.2. Such statements may in certain cases be identified by the use of the future or conditional tense or by forward-looking words including but not limited to "believes", "targets", "anticipates", "intends", "should", "aims", "estimates", "considers", "wishes" and "may". These statements are based on data, assumptions and estimates that the Company considers to be reasonable. They are subject to change or adjustment owing to uncertainties arising from the vagaries inherent in all research and development activities, as well as in the economic, financial, competitive, regulatory and climactic environment. In addition, the Group's business activities and its ability to meet its targets and forecasts may be affected if certain of the risk factors described in Chapter 1.1.2 – "Risk factors" of this registration document arise. In addition, attainment of the targets and forecasts implies the success of the strategy presented in section 1.1.1.3 – "Strategy" of this registration document.

The Company makes no undertaking and gives no guarantee as to attainment of the targets and forecasts shown in this registration document.

Investors are urged to pay careful attention to the risk factors described in paragraphs 1.1.2.1, 1.1.2.2, 1.1.2.3, 1.1.2.4, 1.1.2.5 and 1.1.2.6 of this registration document (presented in decreasing order of importance among paragraphs 1.1.2.1, 1.1.2.2, 1.1.2.3, 1.1.2.4 and 1.1.2.5) before making their investment decision. One or more of these risks may have an adverse effect on the Group's activities, condition, the results of its operations or on its targets and forecasts. Furthermore, other risks not yet identified or considered as significant by the Group could have the same adverse effects, and investors may lose all or part of their investment.

This registration document also contains details of the markets in which the Group operates. This information is notably taken from research produced by external organisations. Given the very rapid pace of change in the pharmaceutical sector in France and the rest of the world, this information may prove to be erroneous or out of date.

Forward-looking statements, targets and forecasts shown in this registration document may be affected by risks, either known or unknown, uncertainties and other factors that may lead to the Group's future results of operations, performance and achievements differing significantly from the stated or implied targets and forecasts. These factors may include changes in economic or trading conditions and regulations, as well as the factors set forth in Chapter 1.1.2 – "Risk factors" of this registration document.

INDICATIVE FINANCIAL REPORTING TIMETABLE (1)

3 May 2012: First-quarter 2012 sales

1 June 2012: Annual General Meeting

28 August 2012: First Half 2012 sales and results

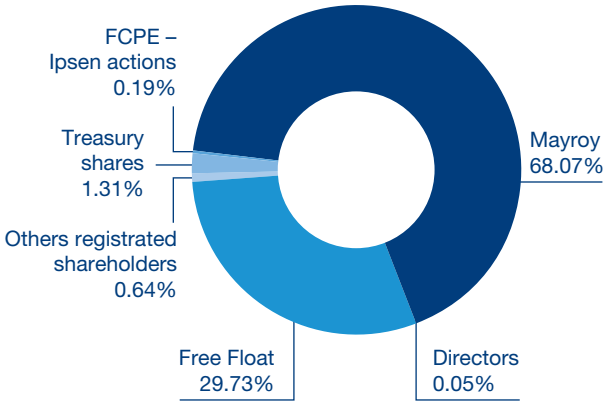
29 October 2012: Nine-month 2012 sales

(1) This financial calendar is for indicative purposes only and the Group could change its publication dates should it deem it necessary.

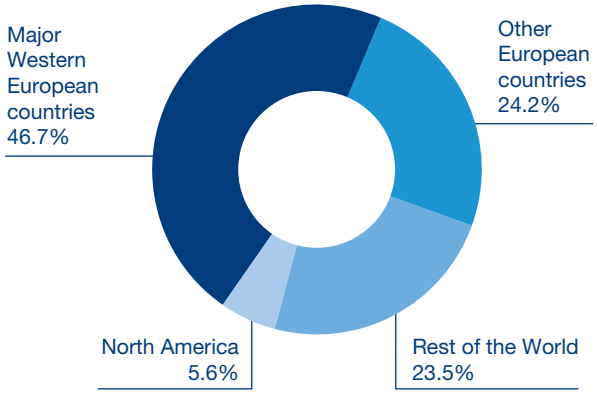
INTRODUCTION: GENERAL PRESENTATION

Ipsen is a global biotechnology specialty care group with total sales in excess of €1.1 billion and total worldwide staff of more than 4,500. Its strategy is based on fast growing specialty care drugs in oncology, endocrinology, neurology and hematology, and primary care drugs, which significantly contribute to research financing. This strategy is also supported by an active policy of partnerships. Ipsen's specific Research & Development (R&D) centers and peptide & protein engineering platform give the Group a competitive edge. 882 people are dedicated to the discovery and development of innovative drugs for patient care. In 2011, R&D spend reached close to €253.6 million, representing 21.9% of total Group sales. Ipsen's shares are traded on Segment A of Euronext Paris (stock code: IPN, ISIN code: FR0010259150). Ipsen's shares are eligible to the *"Service de Règlement Différé"* ("SRD"), the Group is part of the SBF 120 index and has implemented a Sponsored Level I American Depositary Receipt (ADR) program, which trade on the over-the-counter market in the United States under the symbol IPSEY. For more information on Ipsen, visit our website at www.ipsen.com.

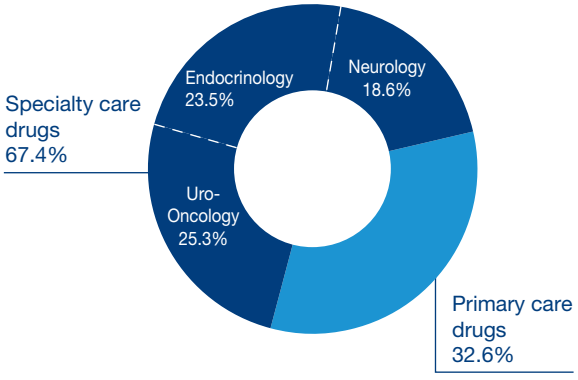
Ownership of the Company's share capital at 31 December 2011



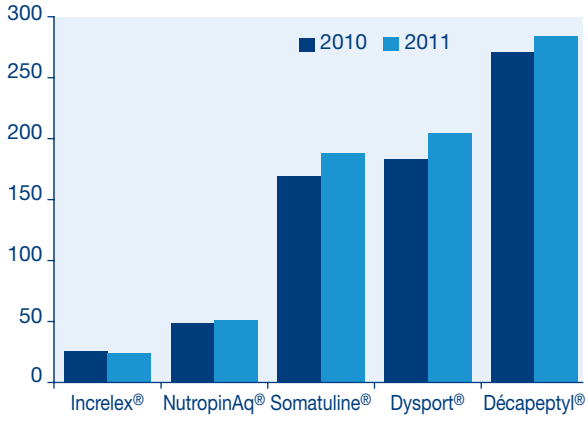
2011 Sales by regions



2011 Sales by disease area



Major products sales in specialty care (in m€)



1 PRESENTATION OF IPSEN AND ITS ACTIVITY

1.1 GROUP'S OVERVIEW AND ACTIVITY

1.1.1 History, Development and Strategy of the Group

1.1.1.1 Overview of the Legal Entity

Registered name

Registered name: Ipsen.

Registration details

The Company is registered in the Trade and Companies Registry in Nanterre under registration number 419 838 529.

Date of incorporation and term

The company's business sector N.A.F. code is 7010Z – Administration of companies.

The Company was incorporated on 28 July 1998 for a fixed period, except in the case of early dissolution or extension, of ninety-nine years from its registration in the Register of Commerce and Companies, or until 18 August 2097.

Registered office, legal form and applicable law

Registered office: 65 Quai Georges Gorse – 92650 Boulogne-Billancourt cedex

Telephone: +33 (0) 1 58 33 50 00

The Company is a limited liability company incorporated under French law with a Board of Directors governed by the provisions of Book II of the French Commercial Code.

1.1.1.2 Group Overview

Ipsen is a global biotechnology specialty care group created in 1929 with over 20 products on the market which sales are in excess of €1.1 billion, and a total worldwide staff of 4,479. Its strategy is based on fast growing specialty care drugs in development or commercialised worldwide in uro-oncology, endocrinology, neurology and hematology. Moreover, the Group also markets drugs from other therapeutical areas in which it has a historical know-how (in particular gastroenterology, cardiovascular and cognitive disorders), notably primary care drugs in France and in emerging countries for pharmaceuticals such as Eastern Europe and China, which contribute to research financing.

Ipsen's strategy is also supported by an active policy of partnerships. Ipsen's specific Research & Development (R&D) centers and peptide & protein engineering platform give the Group a competitive edge. 882 people are dedicated to the discovery and development of innovative drugs for patient care. In 2011, R&D spends reached close to €253.6 million, representing more than 21.9% of total Group sales.

The Group's products

Specialty care

In 2011, specialty care drugs accounted for 65.5% of the Group's consolidated sales.

The Group offers the following drugs in its targeted areas:

Uro-Oncology (24.6% of consolidated sales in 2011)

- *Decapeptyl®,* a peptide formulation for injection mainly used in the treatment of advanced prostate cancer.
- *Hexvix®,* licensed-in on 27 September 2011, approved and marketed to improve detection of bladder cancer.

Endocrinology (22.8% of consolidated sales in 2011)

- *Somatuline®* and *Somatuline® Autogel®* are sustained-release formulations for injection of a somatostatin analogue peptide, used primarily in the treatment of acromegaly and neuroendocrine tumours.
- *NutropinAq®,* a liquid formulation for daily use of recombinant human growth hormone used primarily in the treatment of growth failure in children and growth hormone deficiency in adults.
- *Increlex®,* a formulation for injection for a twice daily use of human recombinant IGF-1 used for the long-term treatment of growth failure in children and adolescents with severe primary insulin-like growth factor 1 deficiency (severe primary IGFD).

Neurology (18.1% of consolidated sales in 2011)

- *Dysport®,* a botulinum neurotoxin type A complex, used notably to treat spasticity of upper limbs following a stroke, as well as the spasticity of other muscles.
- *Apokyn®,* is used for the treatment of "off" episodes (re-emergence of Parkinson's disease symptoms) associated with advanced Parkinson's disease, namely when the therapeutic effects of the conventional treatment (L-Dopa) diminish.

On 2 November 2011, Ipsen announced it has sold the North American development and marketing rights for Apokyn® to Britannia Pharmaceuticals. Ipsen no longer records Apokyn® sales in its accounts as from 30 November 2011.

Primary care products

In 2011, primary care drugs generated 31.7 % of the Group's consolidated sales (of which 47.7% were generated in France). The main marketed drugs are as follows:

Gastroenterology (16.7% of consolidated sales in 2011)

- *Smecta®,* a natural clay-based drug used in the treatment of both chronic and acute diarrhoea.
- *Forlax®,* a drug based on a linear polyethylene glycol polymer used in the treatment of constipation.

Cognitive disorders (8.3% of consolidated sales in 2011)

- *Tanakan®,* oral formulation of EGb 761®, extracted from the leaves of the *Ginkgo biloba* tree, used principally in the treatment of age-related cognitive disorders.

On 27 January 2012, the French government annouced the delisting of Tanakan® effective as of 1 March 2012.

Cardiovascular (5.3% of consolidated sales in 2011)

- *Nisis® and Nisisco®,* oral formulations containing valsartan used in the treatment of hypertension.

In November 2011, Nisis/Nisisco® was genericized.

Products co-promoted by the Group in France and recorded in the others revenues

- *Adenuric®,* treatment of gout. Adenuric® 80 mg and 120 mg (tablets) are indicated in the treatment of chronic hyperuricaemia for conditions in which urate deposition exists or has occured (including a history of presence of tophus and/or gouty arthritis).
- *Exforge®,* treatment of Hypertension. Exforge is used in patients who do not achieve adequate blood pressure control by amlodipine or valsartan in monotherapy.

A strong commitment to Research and Development

The Group's Research and Development ambition is to respond to unmet medical needs by providing patients with innovative care solutions, and to transform the prognosis of the disease.

Research and Development has two core tasks:

- Discovery, development and commercialisation of new drugs on the back of its 2 differentiated technological platforms: peptides and toxins;
- Management of the lifecycle of the products marketed by the Group:
  - Development of new formulations,
  - Extensions of indications,
  - Registration in new geographical areas.

The Group's values

"Vision, Mission and Action principles" constitute the cultural reference of our Group. In a context marked by growth ambitions, it helps to refocus the Group's projects, formalise organisational changes made over a certain period, better serve customers, strengthen the sense of belonging to the Group and enhance its ethical dimension.

- **Our vision:** innovation for patient care

  Ipsen's *raison d'être* is to significantly improve patient health and quality of life by providing effective therapeutic solutions for unmet medical needs.

- **Our mission:** to become a leader in specialty healthcare solutions for targeted debilitating diseases
  - Rapidly translate understanding of disease biology into therapies for unmet patient needs.
  - Create differentiated solutions capitalising on our own expertise in peptides and toxins.
  - Swiftly grow and evolve in our targeted areas (neurology, endocrinology, uro-oncology, hemophilia) to allow global access to therapeutic solutions.
  - Foster a culture of excellence, responsibility, agility and teamwork.

- **Action principles:**

  Ipsen has established 4 action principles: accountability, team spirit, result-oriented and agility.

  - Accountability

    For Ipsen: This means empowering each employee with a clearly defined set of responsibilities and scope of action. It means encouraging people to take risks by recognising the right to make mistakes. It means applying the highest ethical standards throughout the organisation and complying with applicable laws and regulations.

    For each employee: This means increasing our efforts and spearheading initiatives to reach our objectives and come up with solutions that constantly strengthen our company's performance. It means fulfilling our commitments in an ethical manner.

  - Team spirit

    For Ipsen: This means facilitating and fostering cross-functional collaboration, encouraging people to share best practices and rewarding those who are genuine team players.

    For each employee: This means helping the team as a whole to work in the interest of the company's success rather than focusing on individual success and one's own interests.

  - Result orientation

    For Ipsen: This means recognising that operational performance generates added value. It means using performance indicators to track progress and benchmarks to see how we measure up to our competitors.

    For each employee: This means fostering a culture in which results are fundamental. It requires pragmatism, being demanding with ourselves in every way as we strive to achieve high performance.

  - Agility

    For Ipsen: This means promoting awareness and openness to the outside world. It means bolstering the company's ability to respond by simplifying the way we operate and streamlining decision-making processes.

    For each employee: This means adapting to change, adjusting to the circumstances, keeping the thought process simple so as to make quick decisions and respond in a timely manner.

The Group's competitive edge

The Group's believes that it has the following competitive advantages:

- *proven financial strength* thanks to its large recurring cash flows and robust balance sheet;
- *an international presence* in over 100 countries, with core operations in Europe's five largest markets (France, Germany, Italy, Spain and the United Kingdom, hereinafter referred to as the "Major Western European Countries"). The Group also recently entered the US market and benefit, besides, from a historic presence in emerging countries such as China and Russia;
- *proven expertise in cutting-edge technologies,* such as peptide engineering, protein engineering and advanced drug delivery systems, which can be employed together at

an early stage of development. In addition, the Group has a biotechnology development and production facility in the United States (Boston);

- *the geographic proximity of its four integrated technological platforms* based in the United States (Boston) and in Europe (Dreux, Dublin, Paris and London) to highly regarded university research centres, enabling the Group to tap into the wealth of scientific expertise available and to hire highly qualified personnel;
- *a recognised ability to seal and manage large-scale partnerships* with the world's leading pharmaceutical companies, such as Novartis, Teijin and Ménarini;
- *an effective management team* boasting considerable experience of working with the world's leading pharmaceutical companies, as well as a cross-divisional organisation structure, built around Research and Development department to propose new molecules and conduct chemical tests to proof of concept (phase IIa) and Franchise in each therapeutic area (Somatuline® / endocrinology, Dysport® / neurology, Decapeptyl® / uro-oncology and hematology) responsible for the definition of the target profile of the product and from the development of the phase IIb to marketing.

1.1.1.3 Group strategy

After his arrival on 22 November, 2010, Marc de Garidel, the new Chairman and CEO of Ipsen Group, conducted a thorough strategic review of the company and its activities. The Group's new ambition is to become a world leader in the treatment of targeted debilitating diseases.

As a results, on 9 June 2011, the Group announced its new strategy based on an increased focus and investment in technological platforms and targeted therapeutic areas which the offer best growth opportunities.

In this context, the Group's new strategy is articulated around three main pillars:

- a strategy of increased focus on two differentiated R&D technological platforms (peptides and toxins) in which the Group has a recognised expertise and on four targeted therapeutic areas (the franchises: Somatuline® / Endocrinology, Dysport® / Neurology, Decapeptyl® / uro-oncology and hematology), where the Group intends to become a major player in providing innovative therapies for unmet medical needs;
- a strategy of increased investment in both technological platforms to remain at the forefront of innovation and increased investment the four franchises to increase the Group's market share;
- a strategy of leveraging the Group's global footprint; after having lead a geographical expansion policy in recent years, the Group now intends to maximize the potential of each franchise in the territories in which it operates;
- a new future for the Primary care in France: in the context of a toughening competitive and regulatory environment (austerity measures: price cuts, generics, delistings...). The Group realises that the optimisation policy adopted so far is no longer sustainable. Hence, the Group is actively seeking to partner its French primary care business and to sell its Dreux industrial site.

  Outside France, primary care is dynamic and the Group wishes to proceed, when necessary, to selective products acquisition and partnerships signature;
- a partnership policy in all its franchises enabling the Group to, if relevant, (i) obtain resources for development programs it does not wish to finance alone or expand skills with partners owning complementary capabilities or technologies, (ii) leverage its distribution network by obtaining rights to third party products in certain countries (iii) out-license in hourse, products that are not core to the Group's strategy and positionning;
- a constant market watch on adjacent therapeutic areas where the Group may develop and market products according to its expertise (both in research and development and in marketing) and on opportunities available to him; the Group and Inspiration announced in January 2010 the creation of a leading hemophilia franchise.

The consequence of the non-chosen focus is a defocus of some other activities. In the treatment of Parkinson's disease, the Group sold the North American [(1)] development and marketing rights for Apokyn® to Britannia Pharmaceuticals and has renegotiated Fipamezole Licensing Agreement. In the pediatric endocrinology area, the Group announced its intention to commercially optimise its European business and to sell the marketing rights on Increlex® in North America.

1.1.1.4 Significant Milestones in the development of the Group's business

The Group's history started in 1929, when Doctor Henri Beaufour set up Laboratoires Beaufour in Dreux for the launch of Romarène®, a naturally occurring product derived from rosemary used in the treatment of digestive disorders. In 1954, the Group launched Citrate de Betaïne®, a product used in the symptomatic treatment of dyspepsia. Following the opening in 1969 of the Institut Henri Beaufour, the Group's research facility in France, the 1970s represented a period of expansion for the Group's activities in products of natural origin, since it launched Tanakan® and Smecta®, which all remain major products for the Group and draw on its specific expertise.

During the 1970s, the Group decided to focus its activities on peptide engineering products, which represented a visionary strategic advance. In pursuit of this goal, the Group forged close relationships with universities in the United States and set up Biomeasure, which is spearheaded by the Albert Beaufour Research Institute, its peptide product research facility based close to the Boston universities. Through Biomeasure, relationships were established and built up with several universities in the United States.

During the 1980s, ties were forged with Debiopharm. These partnerships led to the marketing of Decapeptyl®, which was launched in 1986 and has driven the Group's international expansion.

(1) Rights for US, Canada, Puerto Rico, Brazil and Mexico.

During the mid-1980s, the Ipsen Foundation for Therapeutic Research was created. It aims to foster exchanges between top-ranking scientists in life sciences. The Foundation's work has been published for the scientific community. The Group believes that this foundation has helped and continues to help to strengthen its relationships with leading university specialists.

In the late 1980s and early 1990s, the Group's international expansion continued with subsidiaries and offices being set up outside France and the acquisition of foreign companies. Outside Europe, the Company set up a commercial outpost in South-East Asia by opening up a regional office in Kuala Lumpur (Malaysia) in 1987. In that context, the Group initiated in 1992 its expansion in China, initially by setting up representative offices and then in 1997 by setting up a subsidiary with a view to establishing an active presence there. In 2000, the Group opened a manufacturing facility at which it produces Smecta® for the Chinese market. Today in China, the Group employs approximatively 450 persons.

In order to strengthen its presence in the United Kingdom, Northern Europe and the United States and to build a sales platform for its biological products, the Group acquired the UK-based company Speywood (known at the time as Porton International) in 1994, which is responsible for developing Dysport®. During this period, the Group also launched in France Somatuline®, its second sustained-release peptide in March 1995, and Forlax®, in February 1996.

In 1998, the PAI FBO Fund, Paribas (now BNP Paribas), CDC Participations and the Schwabe family acquired a significant shareholding in the capital of Mayroy, the holding company that controls the Group.

Since 2002, a new management team has defined and implemented the strategy for the Group. This is twofold and consists, on one hand, in the optimisation of its primary care presence by making selective investments in product lifecycle management, in partnerships or in research and development and, on the other hand, in the growth and globalisation of its specialty care activities. In that framework, the Group went public in December of 2005 on the Eurolist market of Euronext™ in order to accelerate and support its growth in specialty care, and to enter North America, the world's largest pharmaceutical market.

Within the framework of optimising its presence in **Primary Care drugs,** the Group has been:

- granted exclusive licensing rights in 41 countries for Adenuric® to Menarini on 20 October 2009 and maintained co-promotion rights in France. Adenuric® represents the first major breakthrough in the treatment of gout in over 40 years;
- announced in February 2011 that Roche has informed the Group on its decision to return taspoglutide;

Within the framework of the developpement and the globalisation of the **Specialty care** footprint, the Group has been:

- acquired a stake in Tercica Inc. in endocrinology in 2006 before buying out all of the remaining shares it did not hold in 2008. At the same time, the Group announced the acquisition of Vernalis Plc. and U.S. rights to Apokyn® in neurology and all assets related to OBI-1 in haematology from Octagen;
- obtained marketing authorisation for Somatuline® Depot (Lanreotide) Injection 60, 90 and 120 mg and Dysport (abobotulinumtoxinA) in the United States from the U.S. regulatory agency, the Food and Drug Administration (FDA) in September 2007 and April 2009 respectively;
- received marketing authorisation from the European Medicines Agency (EMA) for the 6-month formulation of Decapeptyl® (triptorelin embonate) in 9 European countries. The 1 and 3 month formulations are already marketed worldwide by the Group for the treatment of advanced prostate cancer, endometriosis, precocious puberty, in programs of in-vitro fertilization and uterine fibroids.

At the end of 2010, the new management team started working on a new strategy announced that was on 9 June 2011 to the market. This strategy is based both on increased focus and growth investment in both technological platforms and four franchises (as described in paragraph 1.1.3).

The Group also has an active policy of partnerships which allows the Group to obtain resources for programs it does not wish to finance independently or, to create value through the licensing of products arising from its research but which are deemed to not be a part of its core business. In that context, the Group:

- has granted exclusive rights for the development, promotion and distribution of its botulinum toxin type A in its aesthetic indications to Medicis and Galderma. In that context, Dysport® was approved by the FDA in April 2009 for the temporary correction of moderate to severe glabellar lines in adults less than 65 years of age. Azzalure®, also indicated for the temporary correction of moderate to severe glabellar lines (vertical frowning wrinkles), and has received marketing authorisation in 11 European countries including the major countries in Western Europe;
- signed a partnership with Inspiration Biopharmaceuticals in January 2010 to create a world leading hemophilia franchise. The partnership is designed to leverage combined expertise and resources to advance a broad portfolio of recombinant proteins, which address all major hemophilia disorders in a unique way by focusing on two significant unmet needs: wider access to treatment with coagulation factors and treatment for inhibitor complications. The two lead product candidates are scheduled to begin Phase III clinical testing in 2010 including Ipsen's recombinant porcine factor VIII, OBI-1 (for the treatment of patients with acquired hemophilia and hemophilia A who have developed an inhibitory immune reaction to human forms of factor VIII), and Inspiration's recombinant factor IX product, IB1001 (for the acute and preventative treatment of bleeding in patients with hemophilia B);
- announced on 30 August 2011 that it has entered into a strategic partnership agreement with Inspiration Biopharmaceuticals to create a European hemophilia commercial organisation, to launch Inspiration's hemophilia

product portfolio in Europe. This partnership is designed to leverage the combined strengths of Ipsen's well established European commercial infrastructure and medical network, with Inspiration's expertise in the field of hemophilia. Inspiration and Ipsen will work together to hire and train a highly specialised commercial team to serve as the exclusive sales organisation in Europe for all hemophilia drugs commercialised under the Inspiration brand. This commercial organisation will take the form of a hemophilia business unit nested within Ipsen's existing commercial organisation;

- announced on 3 October 2011, that its partner, Inspiration Biopharmaceuticals, Inc. (Inspiration), has been informed that the European Medicines Agency (EMA) has validated and accepted the filing of the Marketing Authorisation Application (MAA) for Inspiration's IB1001, a recombinant factor IX (FIX) product for the treatment and prevention of bleeding in individuals with hemophilia B. In doing so, the EMA has verified that it will begin its regulatory review process of the MAA;

- announced on 2 November 2011, its North American (1) development and marketing rights for Apokyn® indicated in the United States for the acute, intermittent treatment of hypomobility "off" episodes associated with advanced Parkinson's disease to Britannia Pharmaceuticals. Ipsen will no longer record Apokyn® sales in its accounts from 30 November 2011 onwards. For reference, 2010 sales of Apokyn® in the US amounted to $7.9 million (€6.0 million);

- announced on 28 November 2011, that its partner Inspiration Biopharmaceuticals, Inc. (Inspiration) has initiated the treatment of the first patient in the second of two pivotal studies from the OBI-1's Accur8 clinical trial program. In this newly initiated clinical study, OBI-1, an intravenous recombinant porcine factor VIII (FVIII) product, will be evaluated for the treatment of individuals with congenital hemophilia A, who have developed inhibitory antibodies (inhibitors) against their human FVIII replacement therapy.

1.1.1.5. The Ipsen Foundation

Because improving understanding is key to tackling current challenges in biomedicine, the *Fondation Ipsen* has set itself the goal of identifying emerging themes and acting as an intellectual catalyst to push forward the frontiers of knowledge.

In 2011, the *Fondation Ipsen* remained faithful to its traditions, focusing on emerging research themes such as epigenetics, protein conformation and the effect of hormones on the brain. Research into these and previous topics was rewarded with some highly prestigious prizes in 2011. Ulrich Hartl, who pioneered research into chaperone proteins and was a speaker at the *Fondation Ipsen*'s *Colloque Médecine et Recherche* in 2011, won the Lasker Award; Jules Hoffmann and Bruce Bleuler, also involved in the Fondation Ipsen's meetings, were awarded the Nobel Prize for medicine. In addition, the *Fondation Ipsen* started a prestigious partnership to organise a new series of conferences entitled *Days of Molecular Medicine*.

Days of Molecular Medicine

The *Fondation Ipsen* joined forces with the prestigious American journal *Science* (which recently created *Science Translational Medicine*), the Karolinska Institute of Stockholm (which awards Nobel Prizes), and the Days of Molecular Medicine (DMM) Global Foundation headed by Harvard University Professor Ken Chien, to organise this annual translational medicine conference. The 2011 conference was held in Hong Kong, from 10 to 12 November. On this occasion, the Croutcher Foundation and the University of Hong Kong took part in the event. The meeting focused on "Re-engineering / Regenerative Medicine." Some of the world's leading specialists in regeneration and biomaterials presented their most recent work there.

The *Fondation Ipsen* continued to host its series of scientific meetings, known as *Colloques Médecine et Recherche* (CMR):

- 7th CMR in the cancer science series, held in Swakopmund (Namibia) from 19 to 23 March 2011, on the theme "Epigenetics and Cancer." Co-organised by Inder Verma (Salk Institute, La Jolla), this meeting was attended by two Nobel laureates: Michael Bishop and David Baltimore.

- 18th CMR in the neuroscience series, held in Paris on 18 April 2011, on the importance of epigenetic mechanisms in brain development and behavior. This meeting was co-organised by Paolo Sassone-Corsi (University of California, Irvine).

- 25th CMR in the Alzheimer's disease series, held in Paris on 29 May 2011, on "protein quality control". This meeting was co-organised by Richard Morimoto (Northwestern University, Chicago).

- 11th CMR in the endocrinology series, held in Paris on 28 November 2011, on sex differences in the brain, their hormonal origins and their consequences on pathology. This meeting was co-organised by Donald Pfaff (Rockfeller University, New York).

In addition to its core activities, the *Fondation Ipsen* continued to pursue a number of prestigious partnerships. As well as the above-mentioned Days of Molecular Medicine, it joined forces with Cell Press, the DMM Global Foundation and the Riken Center for Developmental Biology in Kobe to organise the fifth meeting in the *Exciting Biologies series*. This meeting was held in Kobe (Japan) from 29 September to 1 October 2011, and its theme was "Cellular development: biology at the interface."

Finally, the *Fondation Ipsen* awarded its usual prizes for outstanding research, within the framework of international conferences. The 22nd Neuronal Plasticity Prize was awarded to three pioneers of research into the effects of music on the brain: Isabelle Peretz (University of Montreal), Robert Zatorre (McGill University, Montreal) and Helen Neuville (University of Oregon, Eugene). The 16th Longevity Prize was awarded to Thomas Kirkwood (University of Newcastle) for his work on the biology of ageing, considered in the light of modern evolutionary theory. The 19th Jean-Louis Signoret Neuropsychology Prize was awarded to Patricia Kuhl (Washington University, Seattle) for her pioneering work on children psychology and the 10th Endocrine

(1) Rights for US, Canada, Puerto Rico, Brazil and Mexico.

Regulation Prize went to Paolo Sassone-Corsi (University of California, Irvine) for his research into biological rhythms and their relationship to the endocrine system.

The *Fondation Ipsen* produced several hundreds of publications; more than 250 scientists and biomedical researchers have been awarded for prizes and research grants.

1.1.2 Risk Factors

The Group operates in a rapidly evolving environment which poses many risks for the Group, some of which are outside of its control. Investors are advised to carefully review each of the risks described below (and set out in decreasing order of importance in sections 1.1.2.1, 1.1.2.2, 1.1.2.3, 1.1.2.4 and 1.1.2.5), as well as all the information contained in this registration document. The risks and uncertainties set out below are not the only ones faced by the Group. Other risks and uncertainties of which the Group is not currently aware or which it does not consider material may also have an unfavourable impact on its business, financial situation or results.

Within the Finance Division, the Group has an "Insurance and Risk Management" function which reports directly to the Chief Financial Officer. Within this registration document, this function is described in section 3.1.2.1.6.3. of the report relating to the organisation of Board activities and section 3.1.2.1.6 on the Group's internal control procedures.

1.1.2.1 Risks specific to the Group and its structure

1.1.2.1.1 Dependence on products

The Group relies on certain products, in particular Decapeptyl®, Dysport®, Tanakan® and Smecta®, for a substantial proportion of its sales.

Decapeptyl®. In 2011, this product generated sales of €283.6 million, representing around 24.4% of consolidated Group sales. As a result of this high percentage of consolidated sales, the Group is exposed to significant risks which could arise from factors such as the development of competing or non-substitutable "look-alike" products, the adoption of unfavourable regulatory decisions or the filing of claims in relation to defects or side-effects associated with the product. Were the Group to be faced with any of these difficulties, this could potentially have a significant unfavourable impact on its business, financial situation or results. The formulations of Decapeptyl® marketed by the Group include a daily formulation, one-month, three-month formulations and a six-month formulation launched in February 2010 in France, Germany, Portugal, Belgium, Spain, and in The Netherlands after completing the relevant decentralised European registration procedure. Other launches followed in 2011 in the Scandinavian countries, Ireland, UK and some countries in Eastern Europe. Ipsen is the first laboratory to launch the three-month formulation in China. Some of the Group's competitors are also developing sustained release formulations of over three months, some of which are already available in the United States and Europe. (a detailed descrition of Decapeptyl® is presented in section 1.2.1.1).

Dysport®. In 2011, this product generated sales of €204.6 million, representing 17.6% of consolidated Group sales. The botulinum toxin, which is the primary agent in Dysport®, is not protected by any patent. The Group holds an exclusive global licence from the UK's Health Protection Agency (formerly known as the Centre for Applied Microbiology and Research) to use and sell type A botulinum neurotoxin, the primary agent in Dysport®. The Group benefits from the right to produce this toxin using the HPA's expertise. The Group now manufactures the toxin itself. The Group has also filed 11 patent applications relating to new therapeutic uses of botulinum toxin, as well as a further three applications; eight of its applications have not yet been published (a detailed descrition of Dysport® is presented in section 1.2.1.1).

Somatuline®. In 2011, 54.4% of sales related to Somatuline® and Somatuline® Autogel® were generated in the Major Western European Countries. Somatuline® Autogel® accounted for 94.3% of total sales of this product in 2011 versus 92.4% the previous year. Somatuline® was initially launched in France in 1995 and Somatuline® Autogel® in 2001.

The main rivals of Somatuline® Autogel® are (i) Sandostatin® LAR (a somatostatin analogue called octreotide) developed by Novartis for the treatment of acromegaly and neuroendocrine tumours and (ii) Somavert®, a growth hormone receptor antagonist developed by Pfizer and used only in acromegaly. Sandostatin® LAR Depot and Somavert® are already available in many countries, including the United States where Somatuline® Depot was launched at the end of 2007. A number of companies, including Ambrilia Biopharma, Endo Pharmaceuticals and Camurus, are carrying out research and development on octreotide sustained-release formulations. In addition, Novartis is developing a product called pasireotide for the treatment of acromegaly, neuroendocrine tumours and Cushing's disease. A number of products developed in the field of oncology, such as Everolimus® (Novartis) and Sunitinib® (Pfizer), have seen their indication extended to include the anti-proliferative treatment of pancreatic neuroendocrine tumours (pNET) in 2011.

Tanakan®. In 2011, this product generated sales of €96.4 million, of which 48.9% were generated in France (representing 8.3% of consolidated Group sales). The

AFSSAPS Transparency Agency has determined on 5 July 2006 that the therapeutic value of Tanakan® was "insufficient". On 15 January 2010, the French Minister of Health announced the setting of new rules for drugs with an insufficient rendered medical service: "no reimbursement by Social Security except opposite recommendation from the Minister of Health". On 27 January 2012, the French government decided to no longer reimburse Tanakan®. The Group anticipates a decline in Tanakan® sales of around 35% (1) in France in 2012.

Smecta®. In 2011, this product generated sales of €102.3 million, representing 8.8% of consolidated Group sales. Around two thirds of Smecta® sales were equally split between the product's main markets, France and China. Products competing with Smecta® are Imodium® and Arestal® (Janssen Cilag), Ercéfuryl® (Sanofi-Aventis), Ultralevure® (Biocodex) and Tiorfan® (Bioproject Pharma). On 20 May 2009, the AFSSAPS (French Healthcare Product Safety Agency) informed the Group that it had granted a marketing licence in respect of a Smecta® generic in France. One time suspended, this licence is now active. However, to date, no generic has been commercialised.

1.1.2.1.2 Dependence on drug prices and their inclusion on the list of reimbursable drugs

The Group is dependent on prices which are set for drugs, and is vulnerable to the potential withdrawal of certain drugs from the list of reimbursable products by governments and the relevant regulatory authorities in the countries in which it operates.

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 following:

- a tendency for governments and suppliers of medical care to recommend the use of generic drugs in several countries by way of laws on generic substitution, which authorise or require pharmacists dispensing drugs to substitute, as much as possible, less expensive generic drugs for those manufactured by the original pharmaceutical company;
- a tendency for governments and private medical insurance organisations to lower 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;
- other restrictive measures limiting increases in the cost of medical services;
- parallel imports which enable wholesalers to take advantage of price differentials by buying drugs at lower prices in certain markets and reselling them in other markets at higher prices.

The commercial success of the Group's products depends partly on the proportion of their price that is reimbursed by private medical insurance companies, health insurance bodies and public healthcare programmes.

The continued sale of a drug *via* the over-the-counter channel after its delisting does not necessarily prevent a decline in its sales, the decisive factor being whether patients themselves agree to bear the cost of their treatment. On the basis of experience with other drugs delisted in France and other European countries, products affected by such measures usually see a decline in sales.

As such, if a drug marketed by the Group and representing a significant proportion of its sales were to be delisted, this would be liable to have an unfavourable impact on the Group's business, financial situation or results. The Group would nevertheless reserve the option of entering into an agreement with a partner to market delisted drugs over the counter; such action may at least partially limit the unfavourable impact of any delisting on the Group's business, financial position or performance.

In the context of the economic and financial crisis, many Europeans countries have implemented various measures to reduce the growth of healthcare spending. For instance, the French governement announced in October 2010 targeted price cuts of 3% of total drug expenses. As such, Decapeptyl® price was reduced by 3% on 1 January 2012 and Nisis® and Nisisco® price was reduced by 12,5% on 14 November 2011.

In some European countries, governments also influence the prices of drugs indirectly, through control of national health systems which fund a significant portion of costs related to these products.

1.1.2.1.3 Uncertainty as to the approval of products under development

Some products developed by the Group are still in the very early stages of development, and, even if these products are in the very advanced stages of development, the Group cannot be certain that they will be approved by the relevant regulatory authorities and successfully brought to market.

If products developed by the Group were not approved during pre-clinical and clinical trials or were not approved by the regulatory authorities, this would have a negative impact on the Group's growth. It can take several years for a product to be approved, and the Group may not succeed in bringing all its new products to market. New products may also appear promising during the early stages of development or after clinical trials, but either never be brought to market or fail to sell. This can happen for various reasons, including the following:

- Products may prove ineffective or cause side-effects that outweigh their therapeutic benefits during pre-clinical or clinical trials.
- The Group could fail to devise appropriate clinical trials for products which perform satisfactorily during pre-clinical trials or in the very early stages of clinical trials.
- The Group could fail to obtain licences from the relevant regulatory authorities to allow it to carry out the required clinical trials, or could be forced to repeat trials in order to comply with regulations in different jurisdictions.
- The Group could fail to obtain the required licences from the relevant regulatory authorities to sell its products on certain markets or on any markets.

(1) Impact estimated for full year

- It could prove too costly or difficult to manufacture new products on a large scale.
- The marketing of certain products could be prohibited as a result of third parties holding intellectual property rights.
- The Group could fail to find distributors to market its products, or its partners in relation to jointly developed products could decide not to market its products.
- The Group's products may not find market acceptance.
- The Group's competitors could develop products which are more effective or which, for other reasons, are more successful at obtaining market acceptance.
- New products could render the Group's products obsolete.
- The Group could fail to sell its products at prices that enable it to generate a satisfactory return on investment.

1.1.2.1.4 Dependence of Research and Development activities on third parties

The Group is dependent on the support of third parties to ensure the success of its Research and Development portfolio; its inability to secure such support or any shortcoming in its control over such third parties could have a negative impact on the Group.

The Group enters into collaboration agreements with third parties to enhance its Research and Development portfolio. The Group depends on the technology and expertise of third parties both to undertake research into new molecules and to carry out pre-clinical and clinical trials. The Group's success depends on the quality of the partners it manages to attract and the performance of those partners in fulfilling their obligations under these collaboration agreements. The Group could find itself unable to maintain its current collaboration agreements on acceptable terms or to enter into new collaboration agreements on satisfactory commercial terms. Were the Group unable to maintain or enter into such agreements, it would have to develop products at its sole expense. Such a situation would have the effect of increasing the Group's capital requirements or limiting or delaying its development in other areas. In addition, the Group's partners could fail to fulfil their obligations or perform them in a satisfactory manner, potentially causing delays and expenses for the Group.

1.1.2.1.5 Dependence on third parties to develop and market certain products

The Group depends on third parties to develop and market some of its products. Although this type of business generates substantial royalties for the Group, these third parties could behave in ways which are damaging to the Group's business.

The Group develops and markets some of its products in collaboration with other pharmaceutical companies. The Group has entered into significant collaboration agreements, in particular with Medicis, Galderma, Inspiration and Menarini. The royalties received by the Group from some of these partners could or do make a substantial contribution to the Group's net operating income and cash flow. Where the Group markets its products under the terms of collaboration agreements, it exposes itself to the risk that certain decisions, such as the preparation of budgets and promotional strategies, may be controlled by its partners, and that decisions made by the Group's partners may have a negative impact on the Group's business carried-out under the terms of those agreements. The Group cannot be certain that its partners will fulfil their obligations, and may be unable to obtain any benefit from those agreements. In addition, the Group's partners could choose to develop their existing new products rather than products marketed in collaboration with the Group. Finally, although it has legal remedies against its partners in the event that they cause it damage, the Group is not in a position to ensure that its partners have sufficient insurance to fully cover their liability in respect of their business, as regards either third parties or the Group. Were they not to have sufficient cover, the Group could be forced to bear, either directly or indirectly, a substantial portion of any damage thus caused, potentially entailing an unfavourable impact on its business, financial situation or results.

A failure by any of the Group's partners or intense competition could result in some of the Group's products (i) having their development programmes delayed or stopped, (ii) not being approved by the Food and Drug Administration (FDA) in the United States or in other countries, having their approval delayed or being approved for indications which are more restrictive than those originally anticipated, or (iii) generating lower than expected sales and/or other revenue. Such situations could have a negative impact on the Group's business, financial situation or results.

1.1.2.1.6 Risks associated with the Group's capital requirements

The Group's business requires substantial funding in order to finance its operations and investments. If the Group were unable to provide additional funds when needed, it could find itself forced to delay, scale down or eliminate some of its development programmes or grant rights to third parties to develop and market its products earlier than anticipated.

The Group requires substantial funds to operate. Its future capital requirements depend on various factors, in particular, the following:

- continued progress in its Research and Development programmes, and the scale of those programmes;
- the scope and results of pre-clinical and clinical trials conducted by the Group;
- the time taken and expense incurred in obtaining regulatory approvals;
- the Group's ability to maintain existing collaboration agreements and enter into new collaboration agreements;
- costs of increasing manufacturing capacity and carrying out effective marketing; plus its capacity to avoid cost inflation in its major investment projects;
- costs associated with the creation of new businesses;
- costs associated with the Group's international development, particularly in the United States;

- the amounts of sales and royalties arising from the Group's current and future products;
- expenses arising from preparing, filing, conducting and enforcing claims relating to patents and other intellectual property rights;
- expenses associated with obtaining and maintaining licences required for the use of patented technologies;

Although the Group considers that it has sufficient cash to finance its current activities, it may need to raise additional funds in order to develop its business, whether through new equity issues, borrowing, collaboration agreements, participation in sponsored research programs or any other means. The Group cannot be certain that it will be able to raise funds it may require on satisfactory terms, or that it will be able to enter into the required partnership agreements to be able to continue its Research and Development programmes. Were it to prove unable to do so, the Group could be forced to delay, scale down or cancel expenditures on some Research and Development programmes, seek to obtain finance by way of agreements with partners collaborating with it or grant rights to develop and market new products that it would have preferred to develop and market on its own. Such practices are liable to reduce any profits the Group could generate *via* the products in question. In addition, if the Group were to increase its capital by issuing new shares, the investments held by the Group's existing shareholders would be diluted.

1.1.2.1.7 Risks associated with the Group's international activities

The Group operates throughout the world, including countries other than European Union Member States and the United States. In particular, these include China, Russia and other central and eastern European countries. As such, the Group incurs various risks specific to its international activities, in particular, the following:

- risks arising from unexpected regulatory changes, and in particular changes in tax regulations and regulations on trade and tariffs;
- risks arising from difficulties in interpreting or implementing certain specific regulations;
- risks linked to the inevitable complexity of decision-making processes at Group level in this environment;
- risks arising from limitations on the repatriation of earnings;
- the risk of financial default on the part of certain public and private operators with which the Group conducts business;
- risks arising from exchange rate fluctuations;
- risks arising from the validity of various intellectual property rights being deferred;
- risks arising from various labour regulations;
- risks arising from political or economic changes affecting a given region or country;
- risks arising from increased difficulties in recruiting staff and managing operating entities abroad;
- risks arising from failure by the Group's employees to observe ethical principles laid down by the Group (see section 3.1.2.1.6 of this registration document, "Internal control procedures");
- the absence of an international agreement on regulatory standards.

1.1.2.1.8 Dependence on certain managing executives and scientists, and social relations

The Group's success depends in large part on certain essential managing executives and scientists. The departure of these senior employees could damage the Group's competitiveness and compromise its ability to achieve its objectives. In addition, the Group is convinced that its continued expansion in sectors and activities requiring additional expertise and resources (such as marketing, clinical trials and regulatory licences) will require it to recruit new executive management and scientists. The Group could find itself unable to attract or retain the required executive management and scientists.

The Group's success also depends on the motivation of its employees in all its operations sites. Maintaining positive social relations within its different entities is an important factor in implementing the Group's policy. However, changes in economic conditions in the pharmaceutical industry could lead some Group sites to envisage or embark on reorganisation or restructuring operations that could have an adverse impact on employee motivation and the quality of social relations in the Group, thereby jeopardising achievement of some Group targets in terms of Research, Production or Marketing activities, with a corresponding impact on the Group's results or financial position.

1.1.2.1.9 Risks associated with the Group's acquisitions

The Group's strategy includes acquiring companies which may enable or facilitate access to new drugs, research projects or geographical regions or enable it to realise synergies with its existing businesses. The Group could find itself unable to identify appropriate target companies, complete acquisitions under satisfactory terms (particularly regarding price), or integrate newly acquired companies or businesses efficiently by achieving operational objectives, expected cost reductions or synergies. Furthermore, the Group could find itself unable to obtain financing for such acquisitions on favourable terms, and could be forced to finance them using cash that could otherwise be allocated to other purposes connected with the Group's existing businesses. The Group could also encounter difficulties or delays in integrating acquired companies, particularly as a result of potential incompatibilities in systems and procedures (including in particular accounting systems and procedures) or corporate policy and culture, employees leaving the company or the absorption of liabilities and expenses, and in particular significant uninsured disputes. If the Group were to encounter difficulties in defining or implementing its external growth policy, this could affect its ability to achieve its financial targets and grow market share, which could in turn have a significant unfavourable impact on the Group's business, financial position, performance or outlook.

1.1.2.2 Risks associated with the pharmaceutical industry

1.1.2.2.1 Risks associated with market competition

The Group operates in well established, rapidly evolving and intensely competitive markets. The Group's competitors include, in particular, major international pharmaceutical groups whose size, experience and capital resources exceed those of the Group. Consequently, the Group cannot be certain that its new products:

- will be able to obtain the required regulatory approval or be brought to market more quickly than those of its competitors;
- will be able to sustainably compete with safer, more effective or less expensive products marketed by certain major competitor groups;
- will adapt sufficiently quickly to new technologies and scientific advances;
- will be preferred by medical centres, doctors or patients over treatments currently used for the same pathologies; or,
- will be able to effectively compete with other products used to treat the same pathologies.

New developments are expected both in the pharmaceutical industry and in public and private research facilities. In addition to their ability to develop safer, more effective or less expensive products than those of the Group, the Group's competitors could also manufacture, market and distribute their products more efficiently than the Group is able to do for its own products. Finally, rapid technological developments introduced by competitors could make the Group's new or future products obsolete before it has been able to recover the costs incurred in researching, developing and marketing those products.

Details of the competitive environment of the Group's main products are set out in section 1.2.1.1 of this registration document.

1.1.2.2.2 Risks associated with Research and Development failures

In order to remain competitive, the Group invests very substantial amounts in Research and Development. It is unable to recover these investments if clinical trials of the Group's products are not as successful as anticipated or if such products do not receive the required regulatory approval.

In order to remain competitive, the Group has to invest large amounts in Research and Development.

In order to remain competitive in the highly competitive pharmaceutical industry, the Group must assign substantial resources to Research and Development every year in order to perfect new products. Even if the Group's Research and Development efforts bear fruit, its competitors could develop more effective products or successfully bring a larger number of new products to market. In 2011, the Group spent €253.6 million on Research and Development, representing around 21.9% of consolidated sales. The Group's current investments connected with launching new products and researching and developing future products could entail higher costs without a proportionate increase in the Group's revenues.

The Research and Development process is long and there is a substantial risk that products may not succeed.

The Research and Development process typically lasts between eight and twelve years from the date of a discovery to a product being brought to market. This process involves several stages; at each stage, there is a substantial risk that the Group could fail to achieve its objectives and be forced to abandon its efforts in respect of products in which it has invested significant amounts. Thus, in order to develop viable products from a commercial point of view, the Group must demonstrate, by means of pre-clinical and clinical trials, that the molecules in question are effective and are not harmful to humans. The Group cannot be certain that favourable results obtained during pre-clinical trials will subsequently be confirmed during clinical trials, or that the results of clinical trials will be sufficient to demonstrate the safety and efficacy of the product in question such that the required marketing licences can be obtained. In the event of failure of certain Research and Development projects, the Group cannot be assured of finding new, equivalent projects to replace them, whether from its own research activities or from research carried out under partnerships. If this were to happen, the Group's Research and Development pipeline could dry up, and the Group would in the longer term not have a sufficient number of drugs to market, which could have an adverse impact on its results or financial position and also on the value of its shares.

Following the Research and Development phase, the Group has to invest substantial additional resources to obtain the required government authorisations in a number of countries, without any guarantee that these authorisations will be granted.

Before a given product can be sold on the relevant market, the Group must obtain and retain the required regulatory approvals for its drugs from the European Union, the United States and other regulatory authorities. The submission of an application for approval to an authority does not guarantee that a marketing approval will be granted for the product in question. Each authority is free to impose its own requirements, including the requirement to carry out local clinical studies, and can delay or refuse to grant marketing approvals even where the product has already been authorised in other countries. The procedure for obtaining marketing approvals for new products in the Group's main markets is a complex and lengthy one. The time taken to obtain the required marketing approvals varies from country to country, although it is generally between six months and two years from the date of application. In addition, where a marketing approval is granted, it may include limitations as to the uses for which the product in question may be marketed, or a requirement to carry out further trials subsequent to the product's registration. Marketed products are also subject to ongoing monitoring once the initial approval has been granted. The subsequent discovery of problems which were unknown at the time of applying for a marketing approval, or any failure to comply with regulatory requirements, can result in restrictions

being placed on the marketing of the product in question or its withdrawal from the market, together with legal penalties. In addition, the Group is subject to rigorous official inspections in relation to the manufacture, labelling, distribution and marketing of its products. All these factors can increase the costs associated with developing new products and the risk that those products may not be marketed successfully.

1.1.2.2.3 Risks associated with manufacture of certain products

Risk on third parties to manufacture certain products

Although the Group currently manufactures active substances for several of its products, it subcontracts the production of certain of these active ingredients to third parties or purchases finished products directly from its partners or their subcontractors. The Group is therefore exposed to the risk of a supply shortage if its suppliers were to experience financial or operational difficulties such that they were no longer able to manufacture all or part of the required product quantities. Were a supply shortage to occur as a result of difficulties with these subcontractors, this could have a negative impact on the Group's ability to meet market demand for its products and, in particular, could damage the Group's reputation and its relations with its customers, which could in turn have a negative impact on the Group's business, financial situation, or results.

1.1.2.2.4 Risks associated with supply shortages and other disruptions

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 wih their technical specifications on a sufficiently reliable and uniform basis). This situation may result in a significant reduction in the sales of one or more products.

Consequently, the Group cannot guarantee that it will manage to secure the required future supplies. If difficulties of this nature were to persist for a period of time in relation to one or more products, this could also have a negative impact on the Group's sales, and thus on its profitability and earnings.

1.1.2.2.5 Risks associated to the sale of products for unauthorised uses and to generic drugs

The Group must or may have to face competition from (i) generic products, particularly in relation to Group products which are not protected by patents, for example, Forlax® or Smecta®, (ii) products which, although not strictly identical to the Group's products or which have not demonstrated their bioequivalence, may be granted marketing licences 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, and (iii) products sold for unauthorised uses once the protection afforded to the Group's products and those of its competitors by patent law expires. Such a situation could result in the Group losing market share, which could in turn affect the Group's ability to maintain its current level of sales growth or profitability. In order to avoid or reduce the impact of such situations, the Group could seek to protect its rights by bringing legal action against counterfeiters.

Because producers of generic products do not have to incur the costs associated with the various stages of the drug development process to prove that their products are not dangerous and are fit for their intended purpose, they can sell their products at prices lower than those at which the Group, which has incurred those costs, sells its products. The Group's products could lose market share in the face of competition from these alternative treatments and, consequently, the Group could be unable to maintain its current level of sales growth or profitability.

1.1.2.3 Legal risks

1.1.2.3.1 The Company's majority shareholder holds a significant percentage of the Company's equity and voting rights

As at 31 December 2011, the Company's main shareholder, Mayroy, held 68,07% of the Company's equity and 81.34% of voting rights. This means that it can control the passing of resolutions at Shareholders' Meetings, and could have a material unfavourable impact on the Company's share price. This concentration of capital and voting rights in the hands of a single shareholder, and that shareholder's ability to freely dispose of all or part of its shares in the Company, could have a material unfavourable impact on the Company's share price.

1.1.2.3.2 The Company's share price may fluctuate

The Company's share price may fluctuate significantly and could be affected by a wide variety of events affecting the Company, its competitors, the pharmaceutical sector or financial markets in general. The Company's share price could fluctuate significantly in response to the following types of events:

- changes in the Group's or its competitors' financial performance from one period to another;
- the announcement by the Company or one of its partners of the success or failure of one of the Company's Research and Development programmes conducted either on its own or in conjunction with a third party;
- the announcement by the Company or one of its partners of the success or failure of the commercial launch of a new product;
- announcements by competitors or announcements concerning the pharmaceutical industry;
- announcements regarding changes in the Group's executive team or key personnel.

Despite being inherent to any listed company, the Group believes that, with its limited float, the stock price fluctuation risk is higher for Ipsen than for companies with greater floats.

Furthermore, in the last few years, the financial markets have experienced significant volatility which, at times, has borne no relation to the financial performance of listed companies. Market fluctuations, as well as general economic conditions, may affect the Company's share price.

1.1.2.3.3 Legal and administrative proceedings

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. Provisions have been raised in respect of such claims in accordance with IFRS accounting standards (a description of these provisions is provided in section 2.1, note 23.1 of this registration document). These provisions amounted to a total of €23.5 million as at 31 December 2011. These provisions are estimated on the basis of the most likely assumptions on the reporting date.

These provisions include:

- €13.3 million, for the risk of tax reassessment in the Group's various subsidiaries and additional taxes which the Group may be required to pay ;
- €4.1 million for costs that the Group may incur related to corporate litigation;
- €5.1 million for various other legal risks.

Besides, on 29 January 2009, the Group disclosed the existence of a dispute initiated in Louisiana (USA) by Tulane University (New Orleans, USA) and a member of its faculty (hereinafter collectively referred to as "Tulane") against Biomeasure, a subsidiary of the Ipsen Group (based in Milford, MA, USA), for breach of contract and violation of certain patent rights relative to Taspoglitude, the rights to which had been granted under licence to Roche in July 2006. The Group is reviewing its response to these proceedings with its lawyers. If Tulane were to prevail in spite of Ipsen's arguments in its defence against these allegations, Ipsen could be forced to pay Tulane royalties and/or other amounts corresponding to intellectual property rights.

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 *"inter alia"* in opposition proceedings before the European Patent Office.

The Group believes that the amounts of provisions set aside for these risks, litigation and disputes either known or currently in progress are sufficient to ensure that its consolidated financial position should not suffer a material adverse impact in the event of an unfavourable outcome. However, the Company cannot guarantee that the Group will not be exposed to legal action, claims or government investigations which could prevent or delay its products being marketed or affect its operations, profitability or cash flow and thus have a negative impact on the Group's business, financial position or earnings.There are no other government, legal or arbitration proceedings (apart from those indicated above), including any pending or threatened proceedings of which the Company is aware, which are likely to have, or which have within the last 12 months had, a material impact on the Company's and/or the Group's financial position or profitability. Ipsen Pharmaceuticals, Inc. has received an administrative demand from the United States Attorney's Office for the Northern District of Georgia seeking documents relating to its sales and marketing of Dysport® (abobotulinumtoxinA) for therapeutic use. It is Ipsen's policy to fully comply with all applicable laws, rules and regulations. Ipsen is cooperating with the U.S. Attorney's Office in responding to the government's administrative demand.

1.1.2.3.4 Risks arising from specific regulations, legal, regulatory and administrative authorisations and their consequences

1.1.2.3.4.1 Uncertainty as to the approval of products under development

This aspect is covered under the same title in subsection 1.1.2.1.3.

1.1.2.3.4.2 Dependence on public authorities to obtain regulatory approval

Some Group products of biological origin consist of active ingredients whose stocks may only be renewed if regulatory approval is obtained. When the Group produces new batches of such active ingredients or alters their production processes, it has to obtain new regulatory approval for those batches before marketing any products containing those ingredients. The Group plans the studies it considers necessary to obtain such approval well in advance. However, it cannot guarantee that work carried out in this respect will necessarily yield the expected results or that the regulatory authorities will be satisfied with the results of such work and will issue the required approvals within the required timescales. Should the Group fail to obtain such approval or only obtain it significantly later than anticipated, it could be faced with depleted inventories of products containing the active ingredients in question.

Such inventory shortages could have a significant unfavourable impact on sales of the products in question, which in turn could have a negative impact on the Group's business, financial situation or results.

1.1.2.3.5 General business risks

1.1.2.3.5.1 Undesired disclosure of critical information

The Group is involved in Research activities leading to filing of numerous patents and exchange of information with numerous third parties in the normal course of its Development or Marketing activities. The Group has set up procedures for controlling dissemination of this information, either to protect the confidentiality of sensitive information, notably as concerns effective protection of its intellectual property or its competitive positions, or to ensure that privileged information is disseminated to investors in a manner that complies with the legislation in force. However, the Group cannot be certain that it will not be faced with undesired or uncontrolled disclosure of critical or strategic information, which might

have adverse effects on the financial position of the company, its competitive situation or the value of its shares.

1.1.2.3.5.2 Dependence on intellectual property rights held by third parties

The Group is dependent on intellectual property rights held by third parties in order to manufacture and market several of its products, including four of its main products.

Intellectual property rights (including in particular patents, expertise and trademarks) are covered by licence agreements granted to the Group by third parties which are either the owners of those rights or are authorised to sub-licence their use. Four of the Group's main products – Decapeptyl® (sales of which represented around 24.5% of consolidated 2011 sales), NutropinAq® (around 4.4% of consolidated 2011 sales), Tanakan® (around 8.3% of consolidated 2011 sales) and Increlex® (around 2.2% of consolidated 2011 sales) – are manufactured and/or marketed under licences from third parties. Although the Group currently maintains good relations with these third parties and has taken the necessary steps to protect its interests in the related agreements it cannot guarantee that it will be able to continue to benefit from these intellectual property rights or that the provisions of these contracts will be respected. For example, the Group could find itself unable to negotiate new licence agreements or collaboration agreements in the future or to maintain the terms of agreements already entered into at levels at least as advantageous as those currently enjoyed. In addition, the future development and sale of certain products could depend on licence terms. Finally, the Group's ability to grant exclusive patent licences or patent sub-licences to third parties could be limited by rights held by other third parties in respect of those same patents or other patents (for example, see section 1.2.2.2 of this registration document, "Intellectual property", with respect to NutropinAq®).

1.1.2.3.5.3 Risks associated with the Group's intellectual property

The Group's collaboration with third parties exposes the Group to the risk that those third parties might claim the benefit of intellectual property rights in respect of the Group's inventions or might not ensure that the Group's unpatented technology remains confidential.

The Group works with numerous partners (universities and other public and private bodies), and exchanges information and data with them in various forms in connection with researching, developing, producing and bringing to market its products. In spite of precautions taken by the Group with regard to these bodies, including in particular contractual precautions, they (or some of their members) could claim ownership of intellectual property rights arising from trials carried out by their employees or any other intellectual property rights relating to the Group's products. For example, the Group has disclosed the existence of a dispute initiated in Louisiana (USA) by Tulane University, which is described in section 1.1.2.3.3 above. In addition, where their own intellectual property rights are concerned, these bodies could refuse to grant licences to the Group on terms acceptable to it. The Group is also dependent on unpatented technology, methods, expertise and data which it considers to be industrial secrets. This information is protected in particular by confidentiality agreements between the Group and its employees and consultants, as well as some of its subcontractors.

The Group cannot be certain that these agreements or any other type of protection in respect of its industrial secrets will be effective, or that satisfactory means of redress will be available in the event of any breach.

1.1.2.3.5.4 Dependence on the Group's intellectual property rights

If the Group does not manage to protect its intellectual property rights, it may find itself uncompetitive and unable to generate profits. The Group's success depends on its ability to obtain, retain and protect patents and other intellectual property rights. Patent law, in terms of the extent of claims in the pharmaceutical sector in which the Group operates, is an area of the law which is constantly evolving and in relation to which there are a number of uncertainties.

Consequently, the Group cannot be certain that:

- it will be able to develop other patentable inventions;
- patents it has applied for will be granted;
- any patents granted to it or which are the subject of licences granted to it will not be challenged and judged to be invalid or unenforceable;
- the protection afforded by a patent will be sufficiently broad so as to exclude competitors;
- other persons or entities will not claim rights including ownership rights over patents and other intellectual property rights owned by the Group or which are the subject of licences granted to it.

As at 31 December 2011, the Group held 1,649 patents, 1,058 of which were issued in European countries and 171 in the United States. At that same date, the Group had 1,074 patent applications pending, including 125 in Europe, 15 international applications and 171 in the United States (in most cases, each international application consists of a number of national applications and one European application on expiry of the 30-month priority period). The Group cannot guarantee the level of protection that will be afforded to its patents if it seeks to assert its rights and those rights are challenged in court or by way of other proceedings. In addition, legal costs incurred in asserting the validity of patents can be very substantial.

1.1.2.3.5.5 Risks associated with patent

The Group's competitors could infringe its patents or circumvent them by way of design innovations. In order to prevent infringements, the Group could engage in patent litigation, which is both costly and time-consuming. It is difficult to monitor unauthorised use of the Group's intellectual property rights, and the Group could find itself unable to prevent its intellectual property rights being unlawfully appropriated.

In addition, in view of the development of the pharmaceutical industry, an increasing number of patents are being issued, including some which apply to all therapeutic areas, and there is an increasing risk that the Group's activities and its use of certain technologies could entail the infringement of patents belonging to third parties. This risk is inherent in the business of any pharmaceutical company and, where it materialises, is usually resolved by way of licence agreements or cross-licence agreements.

In this context, it should be noted that NutropinAq® is protected by a European patent belonging to Genentech and due to expire on 29 July 2013. A European patent (EP 587.858) belonging to Pharmacia could cover NutropinAq®, depending on the interpretation given to its claims. As a result of Genentech filing an opposition to this European patent belonging to Pharmacia, the Opposition Division of the European Patent Office amended the patent such that that it should no longer cover NutropinAq®. This ruling by the European Patent Office's Opposition Division was appealed by Pharmacia on 6 June 2005, and the European Patent Office's Technical Board of Appeal published its decision on 18 July 2006. Although the terms of the main claim of Pharmacia's patent were partially restored, its final claims are not expected to cover NutropinAq®. If Pharmacia were to successfully claim that NutropinAq® infringed its patent, the Group could be forced to pay compensatory royalties to Pharmacia.

Given that patent applications are not generally published until 18 months after the date of the priority application (or even, in certain cases, until the patents in question are issued), the Group cannot guarantee that third parties have not been the first to invent certain products or to file patent applications for inventions which are the subject of pending patent applications filed by the Group. In addition, in the United States, patents can be issued based on the date of invention (*i.e.* the first inventor). This can enable parties to benefit from patents related to inventions for which they were not the first to file applications. Were the Group to find itself unable to patent its technology, it could be forced to obtain licences from third parties to use their patents, terminate certain activities or gain access to alternative technologies.

1.1.2.3.5.6 Risks associated with the counterfeiting of Group products

The sale of counterfeit products could damage the Group's reputation and affect customers' confidence in the Group's products.

As a manufacturer of medication, the Group is exposed to the risk that third parties might attempt to counterfeit its products and sell counterfeit products as if they were the Group's products. Counterfeit products are not approved by the competent regulatory authorities and could prove dangerous. To the extent that counterfeit products are sold as being those of the Group, its reputation could be affected and the patients' confidence in the Group's products could be undermined. In addition, some of the Group's products could be withdrawn from the market if counterfeit products were sold. If the confidence of patients or prescribers of the Group's products were damaged, or if the Group were forced to withdraw products from the market, the Group could see a decline in its sales and profitability.

1.1.2.3.5.7 Risks associated with product liability

The Group's businesses expose it to product liability risk, and its insurance coverage could be insufficient to protect it against such risks should the need arise. Product liability constitutes a substantial commercial risk for the Group, and one which could increase if the Group's business expands into new markets and continues to grow in the United States (where the costs associated with product liability claims can be particularly onerous). Considerable damages have been awarded against pharmaceutical companies in certain countries as a result of physical harm allegedly caused by the use of certain products. Certain pharmaceutical companies have recently had to withdraw products from the market as a result of product liability claims. Although the Group is not currently involved in any substantial proceedings arising from product liability and including significant damages claims, it is possible that such proceedings could be initiated in the future. Although the Group has insurance policies covering, up to a certain amount, the risk of potential claims based on product liability, were a claimant to win a case against the Group on the basis of such liability, this could have a negative impact on the Group's business, financial situation or results.

Insurance cover in the pharmaceutical industry is becoming increasingly expensive, and it is impossible to predict the future cost of product liability insurance or to be certain that such insurance will always be available. The Group may be unable to obtain or retain insurance cover on acceptable terms, and the insurance cover held by the Group may not provide adequate protection against potential risks of the type in question. Should the Group be unable to take out insurance at reasonable prices or make adequate provision to protect itself against potential product liability claims, it could be exposed to substantial risks and find itself unable to market its products at the appropriate time or at competitive prices.

The Group could be faced with the risk of claims relating to the safety of its products, and in particular products relating to neurology (marketed under the brand names Dysport® and Azzalure®) which may cause, or appear to cause, serious side-effects or potentially dangerous interactions with other drugs if misused or not properly prescribed. The Group is subject to pharmacoviligance obligations that require it to report to the regulatory authorities any events in the course of which its products are associated with serious side-effects including patient death or serious harm. Such events could, in particular, result in additional regulatory constraints, such as additional requests from the regulatory authorities when reviewing marketing applications in various countries, leading to potential delays in launching products onto new markets; the need to conduct costly post-approval clinical studies; changes to marketing authorisation; limits on prescribed uses or patient populations; or even the withdrawal of products from the market. Such events would harm product sales and have a negative impact on the Group's financial position. Furthermore, any adverse publicity associated with such events could cause consumers to seek alternatives to

the Group's products, thus causing sales to decline, even if it were ultimately demonstrated that the Group product in question had not caused the side-effects reported to the regulatory authorities.

1.1.2.4 Financial risks

1.1.2.4.1 Market risks

Financial risks are mainly managed by the Group through control procedures put in place by Group Finance, working with the relevant subsidiaries and the Group's specialist departments responsible for arranging and managing such procedures. The Group mainly makes use of traditional, low-risk instruments to hedge its exposure to exchange rate and interest rate fluctuations. The financial impact of market risks described in note 25.2.1 to the consolidated financial statements as at 31 December 2011, which can be found in section 2.1 of this registration document.

1.1.2.4.2 Exchange rate risks

In 2011 and 2010, approximately 61.0% and 64.0%, respectively, of the Group's consolidated sales were generated in the euro zone. A 10% increase or decrease of the US dollar and the pound sterling (the two main currencies in which the Group operates) against the euro would impact sales by only plus or minus 1.0% and the operating income by plus or minus 5.0% for those two periods. This impact was calculated for companies with the euro as their functional currency, but which generate sales in other currencies, and companies whose functional currency is not the euro and which generate sales in that same currency.

Potential exchange rate risk exposure is estimated by each subsidiary prior to being transferred to the Group's dedicated teams. Exchange rate hedging operations carried out on behalf of subsidiaries and the management of intragroup exchange rate risk are centralised at Group level and managed with traditional hedging instruments (spot transactions, futures, foreign exchange swaps, multi currency credit lines).

Regarding invoicing flows, the Group hedges the majority of its subsidiaries' accounts receivable (by micro-hedging their invoices) to hedge exchange rate variations.

The hedging relationship between the hedging instruments used by the Group for its exposure to exchange rate risk and the hedging instruments used for the invoicesin currencies other than the euro, does not comply to the accounting rules for hedging instruments es defined by IAS 39. As a result, changes in value are recorded as financial income/expense. As an exception, a cash flow hedging relationship as defined in IAS 39 was recorded in 2008 for currency forwards purchases to cover future purchases of raw materials, as indicated in the 2008 consolidated statements of changes in equity. In 2009, this relationship was withdrawn.

1.1.2.4.3 Interest rate risks

Regarding the hedging of interest rate risks, the Group applies a prudent policy tailored to the profile of its business activities. As at 31 December 2011, the Group had no long-term debt requiring interest rate hedging. The financial impact of interest rate risks is set out in note 25.1 to the consolidated financial statements as at 31 December 2011, which can be found in section 2.1 of this registration document.

1.1.2.4.4 Liquidity and counterparty risks

The Group's policy consists of diversifying its counterparties so as to avoid excessive concentration and selecting its counterparties based on qualitative factors. In addition, the Group controls credit risks arising from the financial instruments in which it invests by limiting its investments in line with the quality of its counterparties. As at 31 December 2011, the Group's net cash and cash equivalents stood at €144.8 million, mainly invested in money market UCITS. The Group invests its surplus cash in short-term money market instruments issued by counterparties rated at least A-1 by Standard & Poor's or P-1 by Moody's. Derivative contracts are only entered into where the counterparties are first class banks.

More detailed analysis of the Group's liquidity position is described in section 1.2.7 related to the Group's net cash position.

1.1.2.4.5 Risks associated with the economic and financial crisis

The Group operates in certain geographical regions whose governmental finances, local currencies or inflation rates could be affected by the current crisis, which could in turn erode the local competitiveness of the Group's products relative to competitors operating in local currency, could be detrimental to the Group's margins in those regions where the Group's drugs are billed in local currencies or could compromise the Group's ability to recover receivables from public or private bodies with which the Group does business.

In a number of countries, the Group markets its drugs *via* distributors or agents: some of these partners' financial strength could be impacted by the crisis, potentially subjecting the Group to difficulties in recovering its receivables in full. Furthermore, in certain countries whose financial equilibrium is threatened by the crisis and where the Group sells its drugs directly to hospitals, the Group could be forced to lengthen its payment terms or could experience 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. Moreover, the Group may also be unable to purchase sufficient credit insurance to protect itself adequately against the risk of payment default from certain customers in those geographies, The Group could also find itself unable to take out sufficient insurance to protect itself against the risk of payment default by its customers in these geographical regions. In addition, patients in some geographical areas fund their own medication needs in the absence of any social security system. Such patients could find that their financial resources are impacted by the financial crisis. Finally, in those countries in which public or private health cover is provided, the impact of the financial crisis could cause medical insurance agencies to place added pressure on drug prices, increase financial contributions by patients or adopt a more selective approach to reimbursement criteria. All of the above risks could affect the Group's future ability to achieve its financial targets.

1.1.2.5 Industrial and environmental risks

1.1.2.5.1 Use of dangerous substances

The Group uses dangerous substances in performing its business, and any claim relating to the improper handling, storage or treatment of such substances could prove costly.

The Group's Research and Development programmes, pre-clinical and clinical trials and manufacturing and distribution activities involve the controlled storage, handling, use and processing of dangerous substances, toxins, chemical and biological agents and radioactive molecules. As a result, the Group is exposed not only to environmental risks linked to environmental contamination but also to health risks (occupational diseases) linked to the fact that Ipsen's employees handle active or toxic substances in the course of their research or production activities. These risks also exist for third parties with which the Group works.

The Group is subject to laws and regulations governing the use, production, storage, handling and processing of such substances and waste. Although the Group considers that the safety measures it takes in respect of the handling and processing of dangerous substances satisfy the standards laid down by applicable laws and regulations and enable its employees and subcontractors to carry on their activities under favourable environmental, health and security conditions, the risk of accidental contamination or occupational disease linked to handling dangerous substances cannot be completely eliminated. Accordingly, the Group's Quality, Environment, Health and Safety department, is committed to the implementation of preventive and precautionary principles.

In the event of an accident, the Group could be held liable for any resulting damage and the liability incurred could exceed the maximum amount of any insurance coverage subscribed by the Group, or even not be covered at all. The Group could find itself unable to maintain insurance cover on satisfactory terms, or to even obtain any insurance. The Group could incur substantial costs to comply with current or future environmental or health and safety laws and regulations.

1.1.2.5.2 Environmental risks

Environmental responsibilities and the associated compliance costs could have a negative impact on the Group's earnings.

Environmental laws in various countries impose real and potential obligations on the Group regarding the repair of environmental damage or the refurbishment of contaminated sites.

These obligations could relate to sites of which the Group is or was the owner, sites where it performs or has performed its business activities or sites where waste from its activities has been deposited. These environmental obligations could have a considerable adverse impact on the Group's operating performance. The Group could be involved in judicial or administrative proceedings arising from environmental disputes. Should any such proceedings have an outcome which was unfavourable to the Group, they could have a substantial negative impact on its profitability. Stricter laws relating to the environment, health and safety and more rigorous enforcement measures than those currently in force could generate considerable liabilities and costs for the Group and make the Group's handling, production, use, reuse or processing of substances or pollutants subject to more rigorous inspection measures than those currently observed. Consequently, compliance with such laws could involve considerable capital expenditures as well as other costs and responsibilities which would affect the Group's business and profitability. If any of the Group's production units were closed for reasons connected with the application of environmental laws, the Group could be subject to temporary interruptions in the production of some of its products and it could be some time before the Group obtained the required regulatory authorisations to reopen and recommence operation of its reserve production lines. Were such a situation to persist for an extended period, interruptions of this nature could have a negative impact on Group sales.

Significant investments to ensure the continued health and safety of employees handling dangerous substances at the Group's various sites could lead to the Group incurring significant expenditures or seeking to outsource certain activities to specialised partners. The Group's EHS (Environment, Health and Safety) policy is described in section 1.3.2.2.

1.1.2.5.3 Dependence on production facilities

The Group is dependent on its production facilities to maintain and develop its sales. Some production equipment at several of its sites is critical and unique. If a production site were to suffer a breakdown, this could result in an interruption to production of between three and 24 months pending the replacement of parts or entire equipment, followed by its requalification and validation, or could result in the use of subcontractors. Any such interruption in production could have a negative impact on the Group's business, financial position or performance.

Depending on the products concerned, the return of sales to their previous levels could prove difficult, which could have a negative impact on the Group's business, financial position or performance.

Furthermore, at several of its production sites, the Group uses dangerous and inflammable substances and powders which could lead to an explosion, a fire or the potential exposure of its employees to such substances. Although the Group considers that the safety measures it takes in respect of the handling and processing of dangerous substances satisfy the standards required by applicable laws and regulations and enable its employees and subcontractors to perform their activities under favourable environmental, health and security conditions, the risks associated with handling, storing and using these dangerous substances cannot be completely eliminated and could lead to the partial or total destruction of one or more of its production sites, which could entail an interruption in production of potentially several years. Depending on the site and products concerned, the return of sales to their previous levels could prove difficult which could have a negative impact on the Group's ability to achieve its financial targets in the future.

1.1.2.6 Insurance and protection against risks

The Group has insurance cover in place against the risks to which it is exposed, including product liability insurance. This coverage, which is provided by third party insurers, encompasses the Group's worldwide risks.

Product liability insurance covers all the products produced, marketed and sold by the Group, as well as all clinical trials conducted by the Group. The level of coverage for clinical trials exceeds that required under applicable local regulations. Furthermore, the Group's insurance includes specific coverage for expenses related to product recalls.

The Group also maintains insurance cover relative to its activities in general, including business interruption, as well as environmental liability insurance.

All the Group's policies carry certain restrictions, which are common practice for policies of this type, such as deductibles and exclusions relative to punitive damages.

In the case of product liability claims, the plaintiff may seek punitive damages; if such a judgement were issued, the Group's insurance policies may not cover the corresponding amounts. In such circumstances, the Group may not have sufficient financial resources to fulfil such legal penalties.

Insurance cover in the pharmaceutical industry is becoming increasingly expensive, and it is impossible to predict the future cost of product liability insurance or to be certain that such insurance will always be available.

In order to determine the level of coverage, the Group has attempted to assess the maximum foreseeable loss in terms of damage to property and operating losses arising from a business interruption. On the basis of this assessment, the Group increased its maximum coverage for property damage and operating losses to €750 million per event with effect from 1 January 2011.

The Group believes that the limitations of its insurance cover are reasonable and conservative given the Group's business activities and the risks with which it is faced.

Based on the Company's 2011 consolidated financial statements prepared according to IFRS principles, the total cost of insurance premiums paid by the Group represented approximately 0.7% of sales from ordinary activities.

Since 1 January 2006, the Group has financed a portion its liability insurance programme through a captive reinsurance company in order to cope with the high level of volatility seen in the insurance market for this type of risk. The Group's captive insurance company, which is domiciled in Luxembourg, provides the first €10 million of liability coverage per claim and per year.

1.1.3 Key figures

1.1.3.1 Selected Financial Information

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

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

Other revenues reached €75.1 million in 2011, up 7.1% year-on-year. In 2011, the Group recorded a revenue of €20.3 million, against €15.0 million a year earlier, mainly related to expenses for the industrial development for OBI-1 and costs related to the European commercial platform invoiced to Inspiration Biopharmaceuticals Inc. as part of the agreements. Royalties received amounted to €9.1 million in 2011, up 46.6% year-on-year, driven by the increase in royalties paid by Medicis, Galderma and Menarini.

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

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

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

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

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

- **A non-recurring profit** of €17.2 million following the enforceable ruling handed down in relation to the commercial dispute between the Group and Mylan, partially offset by other operating expenses mainly composed of consulting fees, changes within the Executive Committee and from the sale of the North American development and marketing rights for Apokyn®;
- **A set of restructuring** charges related to the strategy announced on 9 June 2011, mainly corresponding to the closure of the Research and Development site in Barcelona and the transfer of the Group's North American subsidiary to the East Coast;
- **Non-recurring impairment losses** for a total amount of €85.2 million before tax, primarily composed of impairment losses on Increlex® related to decreasing sales forecasts in Europe and supply uncertainties in Lonza Hopkinton plant and impairment losses related to Primary care in France.

Excluding purchase price allocation impacts, non-recurring impairment charges and restructuring costs, **the Group's recurring adjusted (1) operating** income amounted to €200.7 million in 2011, or 17.3% of sales, up 9.6% year on year.

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

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

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

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

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

Excluding the impacts of the purchase price allocation on the Group's acquisitions and the non-recurring elements mentioned above, **the recurring adjusted (1) fully diluted EPS** amounted to €1.68 at 31 December 2011, up 2.44% compared to €1.64 a year ago.

(1) "Recurring adjusted": Reconciliations between results and recurring adjusted results for 2011 and 2010 are detailed in annexe 1.

Net cash generated by operating activities amounted to €175.4 million in 2011, down 30.9% year-on-year. In 2010, the Group had recognised the remaining deferred revenue relating to its partnership with Roche for a total amount of €48.7 million following the return of the development rights of taspoglutide on 2 February 2011. At 31 December 2011, **the net cash position** [1] stood at €122.3 million, compared with a net cash position of €156.0 million a year earlier, notably affected by the Group's active partnership policy and by the subscriptions by the Group of two convertible bonds issued by Inspiration Biopharmaceuticals Inc..

ANNEXE 1

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

(1) Effects of the allocation of goodwill resulting from transactions by the Group in North America.
(2) Impairment losses recognised over the period, detailed in the paragraph "Impairment losses" and the €42.0 million non-recurring impairment loss recorded on the four convertible bonds issued by Inspiration Biopharmaceuticals Inc. and subscribed by the Group.
(3) The other non-recurrent items include:
- certain non-recurring fees incurred during the preparation and early implementation of the strategy announced on 9 June 2011,
- non-recurring expenses linked with restructuring, corresponding to the closure of the site in Barcelona and the transfer of the Group's North American commercial subsidiary to the East Coast,
- certain expenses linked with changes within the Group's Executive Committee,
- compensatory damages received by the Group following the enforceable ruling handed down in relation to the commercial dispute between the Group and Mylan.

(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.

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

(in million euros)	31 December 2010 restated		Accelerated recognition of revenue [1]	Impairment losses [2]	Other non-recurrent items [3]	31 December 2010	
	(in millions euros)	(as a % of sales)				(in millions euros)	(as a % of sales)
Revenues	**1,170.3**	**106.4%**	**–**	**–**	**–**	**1,170.3**	**106.4%**
Cost of goods sold	(238.9)	– 21.7%	–	–	2.7	(236.2)	– 21.5%
Research and Development expenses	(221.1)	– 20.1%	–	–	–	(221.1)	– 20.1%
Selling expenses	(422.8)	– 38.4%	–	–	–	(422.8)	– 38.4%
General and administrative expenses	(98.3)	– 8.9%	–	–	–	(98.3)	– 8.9%
Other operating income	1.6	0.1%	48.7	11.3		61.6	5.6%
Other operating expenses	(4.5)	– 0.4%			(9.0)	(13.5)	– 1.2%
Amortisation of intangible assets	(3.1)	– 0.3%	–	–	(8.0)	(11.1)	– 1.0%
Restructuring costs	–	–	–	–	–	–	–
Impairment losses	–	–	–	(100.2)	–	(100.2)	– 9.1%
Operating profit	**183.2**	**16.6%**	**48.7**	**(88.8)**	**(14.3)**	**128.8**	**11.7%**
Financial income/(expense)	**(6.1)**	**– 0.6%**	**–**	**(1.6)**	**4.3**	**(3.4)**	**– 0.3%**
Income taxes	(30.2)	– 2.7%	(7.6)	16.0	4.8	(17.0)	– 1.5%
Share of profit/loss from associated companies	(8.3)	– 0.8%	–	(5.9)	1.4	(12.8)	– 1.2%
Net profit from continuing operations	**138.6**	**12.6%**	**41.2**	**(80.3)**	**(3.8)**	**95.7**	**8.7%**
Profit/loss from discontinued operations	–	–	–	–	–	–	
Consolidated net profit	**138.6**	**12.6%**	**41.2**	**(80.3)**	**(3.8)**	**95.7**	**8.7%**
– Attributable to shareholders of Ipsen S.A.	138.2					95.3	
– Minority interests	0.4					0.4	
Diluted earnings per share (in € per share)	*1.64*					*1.13*	

(1) Accelerated recognition of deferred income corresponding to milestone payments relating to the development of taspoglutide, licensed to Roche, who announced on 2 February 2011 that it discontinued its development.
(2) Impairment losses recognised over the period, detailed in the paragraph "Impairment losses" and the write-back of a potential liability in connection with Tercica Inc.'s buyout, since the Group deemed the event unlikely to arise.
(3) The other non-recurrent items include:
– the effects of the purchase price allocation related to the Group's transactions in North America (€-1.8 million after tax),
– non-recurrent fees and expenses such as the impact of the change of Chairman and CEO,
– the income from the divestment of PregLem shares and the effect of the liquidation of a Group's subsidiary, Porton Inc..

1.1.3.2 Market in Ipsen Share

Trading in Ipsen shares

Listing	Eurolist by Euronext™ market – Compartment A
Code ISIN	FR0010259150
Ticker symbol	IPN
FTSE classification	486 – Pharmaceuticals
ICB sector	4577 – Pharmaceuticals

Share price performance on the stock exchange

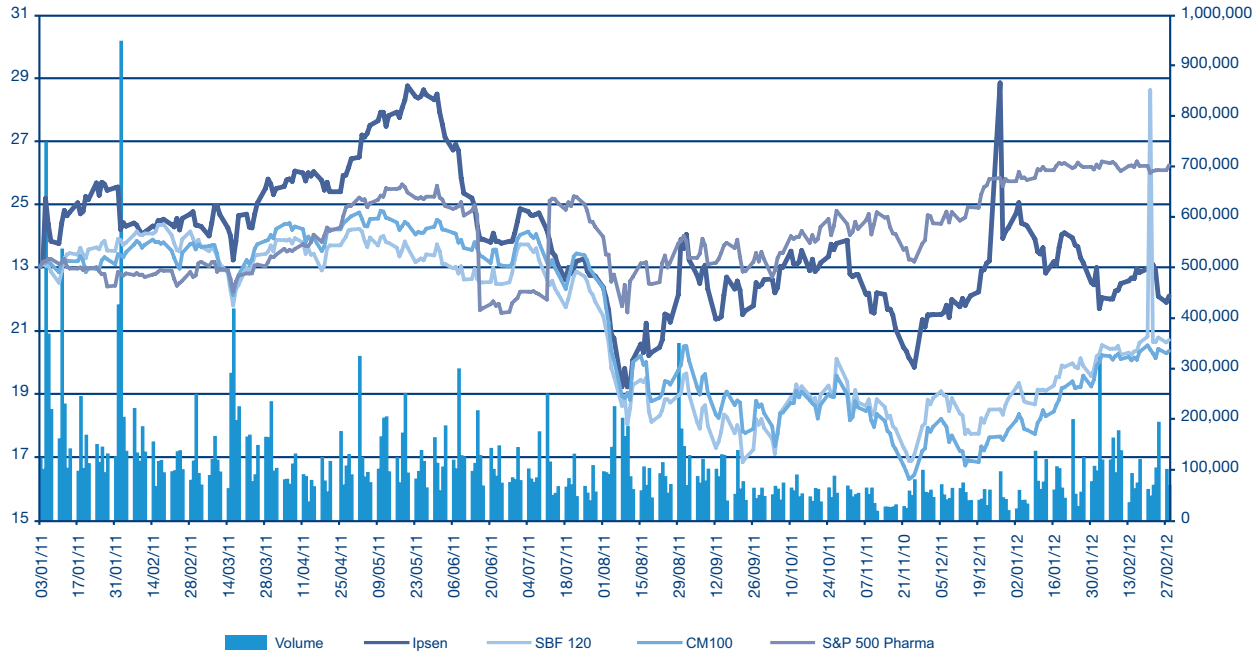
Shares in Ipsen S.A. have been traded on the Eurolist by Euronext™ market since 7 December 2005, when their IPO (Initial Public Offering) price was €22.20 per share. Trading volumes were very high during the first few sessions following the IPO, which is normal under the circumstances.

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.

- Ipsen shares joined the SBF120 index on 24 December 2007.
- Ipsen shares joined the Deferred Settlement System on 28 March 2007.
- Number of share issued: 25,037,825 as of 31 December 2011.

Average share price between 3 January 2011 and 28 February 2012	€23.78
High	€28.85
Low	€19.23
% change (between the high and 3 janvier 2011)	25%
Average daily trading volume between 3 January 2011 and 28 February 2012	109,168

Comparison between Ipsen S.A.'s share price performance and the principal stock market indicators between 3 January 2011 and 28 February 2012 (Source: Reuters)



1.2 GROUP'S ACTIVITY AND CORPORATE STRUCTURE

1.2.1 The Group's products

1.2.1.1 Detailed presentation of the Group's products

Marketing and distribution

The Group markets its products in the targeted therapeutic areas to specialists. The Group also markets numerous primary care products.

In 2011, the Group's consolidated sales amounted to €1,159,8 billion, 50.0% of which were generated in the Major Western European Countries. The following table shows a geographic split of consolidated sales for each of the stated periods.

	31 December 2011		31 December 2010	
	in millions of euros	%	in millions of euros	%
Major Western European countries	542.0	46.7%	550.4	50.0%
Rest of Europe	279.6	24.1%	255.1	23.2%
North America	65.7	5.7%	59.5	5.4%
Rest of the world	272.5	23.5%	235.2	21.4%
Group sales	**1,159.8**	**100.0%**	**1,100.2**	**100.0%**

At 31 December 2011, 43% of the Group's 4,479 employees and notably 62% of the sales force, were employed outside the major Western European countries A geographical split of the Group's workforce by job category and by specialised therapeutic area is presented in Chapter 1.3.1 "Human Resources" of this registration document.

General data

Twenty products are currently marketed by the Group, six of which each generated sales of over €50 million in 2011. The following table presents consolidated sales by therapeutic area.

(in thousand euros)	31 December 2011	31 December 2010	% change
Oncology	285.0	270.2	5.5%
Endocrinology	264.4	244.5	8.1%
Neurology	210.1	189.6	10.8%
Specialty care	**759.4**	**704.3**	**7.8%**
Gastroenterology	193.7	181.8	6.5%
Cognitive disorders	96.4	96.4	0.0%
Cardiovascular	62.1	70.6	– 11.9%
Other pharmaceutical products	16.3	15.2	7.4%
Primary care	**368.5**	**364.0**	**1.2%**
Total drug sales	**1,127.9**	**1,068.3**	**5.6%**
Drug-related sales	**31.9**	**31.9**	**0.0%**
Group sales	**1,159.8**	**1,100.2**	**5.4%**

The Group's principal product Decapeptyl® generated 24.5% of consolidated sales in 2011. The Group's four best-selling products, namely Decapeptyl®, Dysport®, Somatuline® and Tanakan®, together represented 66.6% of consolidated sales during the same year.

The following table shows a description of the main therapeutic indications for the Group's 13 top-selling products (Decapeptyl®, Somatuline®, Dysport®, Apokyn®, Nutropin Aq®, Increlex®, Smecta®, Forlax®, Tanakan®, Nisis® and Nisisco® ,Adrovance®, Exforge® and Adenuric®).

Product name	Therapeutic area (1)	Principal therapeutic indications (2)
Specialty care		
Décapeptyl®	Oncology	Advanced metastatic prostate cancer; uterine fibroids; endometriosis; precocious puberty; female sterility (*in vitro* fertilisation).
Hexvix®	Oncology	Improvement of the detection and resection of non invasive bladder cancer.
Somatuline®	Endocrinology	Acromegaly; neuroendocrine tumours.
NutropinAq®	Endocrinology	Growth failure in children due to growth hormone (GH) deficiency, Turner syndrome or chronic renal failure and GH deficiency in adults.
Increlex®	Endocrinology	Long-term treatment of growth failure in children and adolescents with severe primary insulin-like growth factor-1 deficiency (severe primary IGFD-1).
Dysport®	Neurology	Motor disorders and muscular spasticity (cervical dystonia; cerebral palsy; blepharospasms and hemifacial spasms).
Apokyn®	Neurology	Treatment of "off" episodes (rapid re-emergence of Parkinson's disease symptoms) associated with advanced Parkinson's disease, namely when the therapeutic effects of the conventional treatment (L-Dopa) diminish. Ipsen has sold the development and marketing rights to Britannia Pharmaceuticals on 30 November 2011.
Primary care		
Smecta®	Gastroenterology	Chronic and acute diarrhoea; symptomatic treatment of pain linked to oesogastroduodenal conditions and colic.
Forlax®	Gastroenterology	Constipation.
Tanakan®	Cognitive disorders	Mild cognitive impairment related to age; pathophysiological deficiencies; vertigo; retinal deficits; acute or chronic hearing impairment; tinnitus.
Nisis® and Nisisco®	Cardiovascular	Hypertension.
Exforge®	Cardiovascular	Treatment of arterial hypertension.
Adrovance®	Rheumatology	Treatment of post-menopausal osteoporosis in patients at risk of low vitamin D levels.
Adenuric®	Rheumatology	Treatment of gout.

(1) Products are classified into therapeutic areas based on their primary indications.
(2) Therapeutic indications of products vary from country to country.

The following table shows an analysis for the years ended 31 December 2010 and 2011 of consolidated sales by therapeutic area and a breakdown of sales generated by the Group's 10 top-selling products.

	31 December 2011		31 December 2010	
	in millions of euros	as a percentage	in millions of euros	as a percentage
Oncology	285.0	24.6%	270.2	24.6%
Décapeptyl®	*283.6*	*24.5%*	*270.2*	*24.6%*
Hexvix®	*1.3*	*0.1%*	–	–
Endocrinology	264.4	22.8%	244.5	22.2%
Somatuline®	*188.4*	*16.2%*	*170.0*	*15.4%*
NutropinAq®	*50.9*	*4.4%*	*48.4*	*4.4%*
Increlex®	*25.2*	*2.2%*	*26.1*	*2.4%*
Neurology	210.1	18.1%	189.6	17.2%
Dysport®	*204.6*	*17.6%*	*183.7*	*16.7%*
Apokyn®	*5.5*	*0.5%*	*6.0*	*0.5%*
Specialty care	**759.4**	**65.4%**	**704.3**	**64.0%**
Gastroenterology	193.7	16.7%	181.8	16.5%
Smecta®	*102.3*	*8.8%*	*101.3*	*9.2%*
Forlax®	*41.4*	*3.6%*	*38.9*	*3.4%*
Cognitive disorders	96.4	8.3%	96.4	8.7%
Tanakan®	*96.4*	*8.3%*	*96.4*	*8.7%*
Cardiovascular	62.1	5.4%	70.6	6.4%
Nisis® and Nisisco®	*45.9*	*3.9%*	*55.1*	*5.0%*
Ginkor Fort®	*12.7*	*1.0%*	*12.0*	*1.0%*
Other pharmaceutical products	16.3	1.4%	15.2	1.4%
Adrovance®	*12.8*	*1.1%*	*11.5*	*1.0%*
Primary care	**368.5**	**31.8%**	**364.0**	**33.1%**
Total drug sales	**1,127.9**	**97.2%**	**1,068.3**	**97.1%**
Drug-related sales	**31.9**	**2.8%**	**31.9**	**2.9%**
Group sales	**1,159.8**	**100.0%**	**1,100.2**	**100.0%**

Products in Specialty care

The products currently marketed by the Group in each of its targeted areas are described below:

Oncology

Décapeptyl®

Active substance and indications

The active substance in Decapeptyl® is triptorelin, a decapeptide analogue of GnRH (Gonadotrophin Releasing Hormone), a hormone secreted by the hypothalamus, which initially stimulates the release of pituitary gonadotrophins (hormones produced by the pituitary gland), which in turn control hormonal secretions by the testes and ovaries. Decapeptyl® contains a formulation that was initially developed and continues to be used mainly in the treatment of advanced metastatic prostate cancer. Additional indications have been subsequently developed.

The indications of Decapeptyl® are therefore as follows:

- *Treatment of metastatic and locally advanced prostate cancer.* In this indication, Decapeptyl® temporarily increases the concentration of testosterone and dihydro testosterone, but continuous administration paradoxically leads to a reduction in plasmatic testosterone concentration. After two to three weeks of treatment, testosterone is reduced to levels below the castration threshold, thereby depriving prostate tumours of one of the main hormones promoting tumour development.
- *Uterine fibroids.* Decapeptyl® is used to reduce the risk of blood loss following ablative surgery to remove uterine fibroids and to relieve symptoms such as abdominal pain, dysmenorrhoea (painful menstruation) and menorrhagia (excessive menstrual bleeding) associated with uterine fibroids through the reduction in their hormonal stimulation.

- *Endometriosis.* Decapeptyl® is used as a treatment aiming to suppress oestrogen secretion, depriving the ectopic endometrial tissue of the critical stimulus it needs to grow.
- *In vitro fertilisation.* Decapeptyl® is used in association with gonadotrophines, to induce ovulation in view of an in vitro fertilisation followed by embryo transfer.
- *Precocious puberty.* Decapeptyl® is used to inhibit an over secretion of hormones by the pituitary gland, which improves the height age/bone age ratio.

Decapeptyl® is available in monthly or quarterly sustained-release formulations, as well as a daily formulation. In addition, Ipsen and its partner Debiopharm submitted a marketing authorisation application for 6-month triptorelin 22.5 mg in Europe in September 2008. In October 2009, European regulatory authorities gave the green light for the treatment of locally advanced and metastatic prostate cancer through a decentralised procedure. In 2010, Ipsen and Debiopharm announced the completion of the European decentralised registration procedure for the 6-month sustained-release formulation of Decapeptyl® in Portugal, Spain, Germany, Belgium and The Netherlands. Other launches followed in 2011.

Marketing

Decapeptyl® was initially launched in France in 1986. At 31 December 2011, Decapeptyl® had marketing authorisations in over 60 countries, including 29 in Europe. Decapeptyl® was launched in the United Kingdom in late 2003 and in Germany in 2004 (under the Pamorelin® brand). In 2011, 53.5% of Decapeptyl® sales were generated in the Major Western European Countries. Emerging countries represent an increasingly large portion of Decapeptyl® sales. The prostate cancer market is growing significantly in these countries where Ipsen is in the process of launching its 3-month formulation (September 2009 for Russia and January 2010 for China). In China, Ipsen has been the first laboratory to launch a 3-month formulation. Its main competitor is expected to enter the market in 2012.

Decapeptyl® is prescribed primarily by the following specialists: urologists, oncologists, radiotherapists, paediatric endocrinologists, gynaecologists, obstetricians and in vitro fertilisation specialists.

Rival products vary depending on their therapeutic indications, the main ones being Enantone® (Takeda/Wyeth/Abbott), Zoladex® (Astra-Zeneca), Eligard® (Astellas). This is likely to change over the coming years, with new rival products extending their geographic reach on the one hand (the principal ones being Leuprone and Leupro by Sandoz and Hexal, marketed in Germany since August 2007. And, on the other hand, with the arrival of luteinizing hormone-releasing hormone antagonists, led by Degarelix® (Firmagon), marketed in Germany and Great Britain since June 2009, and in France since January 2010 in the form of a monthly injection.

In the analogue market, competition depends on whether or not 6-month forms are present in the product line. Three competitors offer a 6-month form, which give prescribers a certain amount of flexibility: Eligard®, Enantone® and Decapeptyl®, while Zoladex® has not developed this form. Six-month forms are registered in several European countries and the marketing of these products will be further expanded in 2012. Moreover, since 2011, Decapeptyl® has a new indication as adjuvant to radiotherapy in locally advanced prostate cancer. This indication has already been registered in England, France and Latvia; more registrations will follow in other territories in 2012.

Intellectual property

Debiopharm, which held the patent (now expired) to the pamoate formulations of Decapeptyl®, granted the Group an exclusive licence to market Decapeptyl® within the European Union and in certain other countries. Debiopharm also granted the Group a co-exclusive licence to manufacture Decapeptyl® within the European Union and in certain other countries (with Debiopharm nonetheless retaining the right to manufacture and supply Decapeptyl® for its own purposes and those of its other licensees in territories not licensed to the Group).

The pamoate formulations of Decapeptyl® (which represented 56.7% of total sales of Decapeptyl® in 2010 *vs.* 61.2% in 2009) were protected by patents until 2010 and are composed of monthly and quarterly administration formulations. The acetate formulations of Decapeptyl® (which represented 39.4% of sales of Decapeptyl® in 2010 *vs.* 38.8% in 2009) are not protected anymore. The Group owns a patent covering the 3-month acetate formulation as marketed in United Kingdom. These formulations include daily and monthly administration formulations. An opposition has been filed against this the patent which has been revoked in first instance and the Group appealed the decision; if it is maintained at the end of the opposition procedure, it will expire in 2018. The 6-month formulation of Decapeptyl® is covered by an international Patent Cooperation Treaty application validated in a certain number of countries including Europe and the United States (expiration 2028 if granted).

Research and Development

With regard to managing the life cycle of Decapeptyl®, the Group is pursuing the following developments:

- under the aegis of the International Breast Cancer Study Group, the Group is participating in a study on the treatment of pre-menopausal breast cancer by comparing different hormonal treatment regimens combining Decapeptyl® with oestrogen-suppressing agents such as Aromasin®, which is marketed by Pfizer or tamoxifen. Hormone therapy for breast cancer offers a better tolerated option than traditional cytotoxic chemotherapy and is particularly suitable for long-term treatment in patients with hormone-sensitive breast cancer;
- in 2009, the Group launched a 10-country international study for the purpose of studying changes in new prostate cancer biomarkers after an injection of triptorelin 22.5 mg (PCA3 and TMPRSS2-ERG). The aim of this highly innovative study is to provide elements which may eventually allow to individualise therapeutic modalities for prostate cancer based on the risk factors presented by the patient.

Hexvix®

Active substance and indications

Hexvix® (hexyl aminolevulinate, 85 mg) is the first licensed drug developed to enhance the detection of bladder cancer, a key step in the surgical resection and treatment of non-invasive bladder tumours. The drug was designed to generate selective fluorescence in malignant cells in the bladder during transurethral bladder resection, thus improving detection and resection of non-invasive bladder cancer.

Following intravesical instillation of hexyl aminolevulinate, an intracellular accumulation of porphyrins builds up in bladder wall tumours. Intracellular porphyrins are fluorescent, photosensitive compounds that emit red fluorescence under blue light excitation. The resulting red fluorescence of the malignant tumours is clearly visible against a blue background.

The drug is used solely for diagnostic purposes in the detection of malignant tissue, such as carcinoma *in situ,* in known bladder cancer or high suspicion of bladder cancer based on screening cystoscopy or positive urine cytology. Blue light fluorescence cystoscopy should be performed as an adjunct to conventional white light cystoscopy, to guide the biopsies and enhance the quality of the resection, thus ensuring a more complete treatment.

Marketing

Hexvix® was developed by Photocure, which sells the drug in Scandinavia and the United States. Photocure is an Oslo-based pharmaceutical company specialising in photodynamic technology applied to oncology and dermatology. Hexvix® was first granted marketing authorisation in 2004 in Sweden. It was subsequently approved in several European countries in 2006, then in the United States in 2010. General Electric (GE) Healthcare began distributing the product in Europe in 2006.

Hexvix® was originally granted marketing authorisation in Europe on the basis of robust clinical data demonstrating improvement in the detection and resection of bladder cancer. More recently, new clinical data have shown that this improved rate of detection using Hexvix® results in more complete local surgery and hence a significant reduction in the rate of recurrence of bladder cancer. Hexvix® therefore has the potential to change the diagnosis and initial management of bladder cancer and to significantly improve the patient's prognosis. The French health authorities have assessed that Hexvix® provides a significant medical service, stating that "fluorescence cystoscopy with Hexvix® 85 mg, used as an adjunct to white light cystoscopy, provides a high level (level II) of improved medical service ('ASMR') in the diagnosis and management of superficial bladder tumours".

On 27 September 2011, Ipsen bought the rights to Hexvix® from GE Healthcare. Under this strategic agreement, Ipsen will be responsible for distributing Hexvix® everywhere in the world, except for the United States, Scandinavia, India, Turkey and Russia (these territories were returned to Photocure on 27 January 2012, in accordance with the licence agreement).

Intellectual property

Photocure holds patents on the product Hexvix® and licensed patents on behalf of the Joint Federal Polytechnic School of Lausanne and Norbert Lange in one hand, and Dusa Pharmaceuticals on the other hand, has granted the Group a worldwide license (with the exception of the following countries: USA, Denmark, Finland, Iceland, Norway and Sweden and other countries where the Group decides to return to Photocure under the conditions laid down marketing agreement and understanding between the supply and Photocure (see Contract chapter 1.4.1.1) for marketing the product Hexvix® in the diagnosis of urological diseases. The license is exclusive with the exception of patents Dusa Pharmaceuticals.

Research and Development

Following the transfer of distribution rights to Hexvix®, Ipsen has become a partner in the independent clinical trials currently under way using Hexvix® in Europe and Korea.

Endocrinology

Somatuline®

Active substance and indications

The active substance in Somatuline® and Somatuline® Autogel® is lanreotide, a somastatin analogue that inhibits the secretion of several endocrine, exocrine and paracrine functions. It is particularly effective in inhibiting the secretion of growth hormones and certain hormones secreted by the digestive system.

Somatuline® and Somatuline® Autogel® are sustained-release formulations for injection containing lanreotide. The Group believes that the Somatuline® Autogel® formulation, to which it holds the patent, represents a major technological advance. As far as the Group is aware, this is the first semi-solid formulation for injection without any excipient, since the active substance itself controls the sustained release. Somatuline® Autogel® releases the active substance over a period of at least 28 days, thus requiring just one injection per month compared with the two or three injections previously required. This product is presented in a pre-filled syringe for easier administration. A new pre filled ready to use device has been launched since 2011, with a retractable needle enabling the safe delivery of the full dose at every injection.

Somatuline® was initially developed and continues to be used for the treatment of acromegaly and was subsequently developed for the treatment of symptoms associated with neuroendocrine tumours (particularly of a carcinoid type).

The indications of Somatuline® and Somatuline® Autogel® are therefore as follows:

- *Acromegaly.* Somatuline® is used in the treatment of acromegaly when circulating levels of growth hormone remain high despite surgery or radiotherapy. Somatuline® inhibits growth hormone release and thus improves control of this disorder by relieving the symptoms associated with elevated levels of this hormone.
- *Neuroendocrine tumours.* Somatuline® also treats certain symptoms associated with neuroendocrine tumours,

particularly of a carcinoid type, by inhibiting the over-production of certain hormones secreted by these tumours.

Marketing

Somatuline® was initially launched in France in 1995 and Somatuline® Autogel® in 2001. At 31 December 2010, Somatuline® and Somatuline® Autogel® were marketed in over 54 countries (including 25 in Europe) for the treatment of acromegaly and neuroendocrine tumours. Moreover, on 30 August 2007 the US Food and Drug Administration (FDA) approved the sale of Somatuline® Depot (lanreotide) Injection 60, 90 and 120 mg in the United States for the treatment of acromegaly.

In 2011, 54.4% of sales related to Somatuline® and Somatuline® Autogel® were generated in the Major Western European Countries. Somatuline® Autogel® accounted for 94.3% of total sales of this product in 2011 versus 92.4% the previous year.

Somatuline® and Somatuline® Autogel® are prescribed mainly by endocrinologists, oncologists, gastroenterologists and digestive surgeons.

The main rivals of Somatuline® Autogel® are (i) Sandostatin® LAR (a somatostatin analogue called octreotide) developed by Novartis for the treatment of acromegaly and neuroendocrine tumours and (ii) Somavert®, a growth hormone receptor antagonist developed by Pfizer and used only in acromegaly. Sandostatin® LAR Depot and Somavert® are already available in many countries, including the United States where Somatuline® Depot was launched at the end of 2007. A number of companies, including Ambrilia Biopharma, Endo Pharmaceuticals and Camurus, are carrying out research and development on octreotide sustained-release formulations. In addition, Novartis is developing a product called pasireotide for the treatment of acromegaly, neuroendocrine tumours and Cushing's disease. A number of products developed in the field of oncology, such as Everolimus® (Novartis) and Sunitinib® (Pfizer), have seen their indication extended to include the anti-proliferative treatment of pancreatic neuroendocrine tumours (pNET) in 2011.

Intellectual property

The Group holds an exclusive worldwide licence granted by Tulane University (United States) to manufacture, use and market the active substance in Somatuline® (lanreotide) and is the direct holder of the patent covering the Somatuline® Autogel® formulation. The patent covering the active substance, lanreotide, has expired. The patents to the Somatuline® Autogel® formulation are set to expire in August 2015 in Europe and in the United States. The European Patent application is extended in some countries (Austria, Belgium, Spain, Greece, Luxembourg, Sweden, Denmark and Portugal) which extends the patent term until May 2016. In the United States, the patent is also extended (PTE) which extends the patent term until March 2020.

Research and Development

The FDA accepted the filing of the New Drug Application (NDA) for Somatuline® for the treatment of acromegaly on 29 December 2006. On 30 August 2007, this agency approved the sale of Somatuline® Depot (lanreotide) Injection 60, 90 and 120 mg in the United States.

Pursuant to this FDA approval, an additional phase III clinical trial for treatment of the symptoms of neuroendocrine tumours began in 2009 in the United States in an effort to register Somatuline® Depot for this indication, and was further initiated in 11 countries outside the United States.

An international phase III clinical trial (CLARINET) is also underway in order to evaluate the anti-proliferative effect of Somatuline® Autogel®/Somatuline® Depot on neuroendocrine tumours.

The Group is also pursuing the development of longer sustained-release formulations of lanreotide.

In Japan, the Group's partner Teijin filed for registration Somatuline® Autogel® in the symptomatic treatment of acromegaly in September 2011.

NutropinAq®

Active substance and indications

NutropinAq® is a liquid formulation of recombinant human growth hormone administered using the NutropinAq® Pen. Growth hormone is involved in several physiological processes, such as growth in stature and bone development in children.

NutropinAq® is indicated:

- for the long-term treatment of growth failure in children due to inadequate endogenous growth hormone secretion,
- for the long-term treatment of growth failure associated with Turner syndrome,
- for the treatment of growth failure in prepubescent children associated with chronic renal failure ahead of kidney transplantation,
- for the treatment of adults with growth hormone deficiency of either childhood or adult onset.

Marketing

In September 2002, Genentech, a US company specialised in biotechnology, granted the Group exclusive marketing rights for NutropinAq® worldwide outside North America, Mexico, Canada and Japan. Genentech, acquired by Roche in 2009, has pioneered the development of growth hormone and is currently the leading player in the US market.

At 31 December 2011, the Group had obtained marketing authorisations in 34 countries. The product has been launched in 23 countries across Europe since 2004.

Growth hormones are prescribed by paediatric and adult endocrinologists.

Five other companies have marketed recombinant growth hormones for several years: Pfizer (Genotropin®), Eli Lilly (Humatrope®), Novo Nordisk (Norditropin®), Merck Serono (Saizen®) and Ferring (Zomacton®). Omnitrope® (Sandoz), a biosimilar product to Pfizer's Genotropin®, was introduced on the market more recently. A substantial number of developments focus on sustained-release formulations (weekly injection), which could improve acceptance of the treatment by the children and their parents.

NutropinAq® is a ready-to-use liquid formulation, which presents a significant advantage in a competitive market where the non-US leader, Genotropin, is presented in powder form which needs to be dissolved before use.

In 2011 and following the new strategy review, NutropunAq® is no longer managed as part of a franchise. Nutropin® is managed directly by countries in a commercial optimisation perspective.

Intellectual property

NutropinAq® is protected by a European patent owned by Genentech which expires on 29 July 2013.

Research and Development

NutropinAq® is currently available in a single cartridge containing 10 mg of growth hormone administered with the reusable NutropinAq® Pen. New forms of NutropinAq® in other concentrations – 5 and 20 mg – have been developed by Genentech, some of which, including the 10 mg form, can be administered by a disposable pen and could be available for the Group in the future.

Increlex®

Active substance and indications

The active substance in Increlex® is a recombinant insulin-like growth factor of human origin (IGF-1). IGF-1 is the direct hormonal mediator of stature and bone growth and must be present for normal growth of bones and cartilage in children. In severe primary IGF-1 deficiency, children's serum IGF-1 levels are low despite the presence of normal or elevated GH levels. If the IGF-1 is not present in sufficient quantities, the child will not reach a normal stature. In children with this disorder, low IGF-1 levels are generally due to growth hormone resistance associated with mutations affecting the GH receptors and the post-GH receptor signalling pathways or defects in IGF-1 gene expression. As such, these children cannot respond adequately to exogenous GH treatment. Some individuals may also have a range of metabolic disorders, including lipid metabolism abnormalities, decreased mineral bone density, obesity and insulin resistance leading to diabetes.

In October 2006, Tercica Inc. granted the Group the rights to develop and market Increlex® worldwide, with the exception of the United States, Japan, Canada, the Middle East and Taiwan. The Group's subsequent acquisition of Tercica in 2008 gave it full access to this molecule (IGF-1).

The only indication filed for Increlex® is the treatment of severe primary IGF-1 deficiency in children and adolescents. This disorder is characterised by a very low endogenous production of IGF-1 despite normal or increased growth hormone secretion and excluding other forms of IGF-1 deficiency such as malnutrition, hypothyroidism, etc. Severe primary IGF-1 deficiency (levels below the 2.5th percentile for age and gender) prevents children from achieving normal growth, which means that these children suffer from severe growth failure and short stature compared with children of the same age and the same gender (height standard deviation score of less than 3).

Marketing

Increlex® has been marketed in the United States since the beginning of 2006. It was granted orphan drug status by the EMEA on 5 April 2006 and marketing authorisation in the European Union on 9 August 2007. Increlex® is currently marketed by the Group in most European countries.

In 2011 and following the new strategy review, Increlex® is no longer managed as part of a franchise. Increlex® is managed directly by countries in a commercial optimisation perspective.

Intellectual property

Pursuant to the agreements made between Tercica Inc. and Genentech, the Group holds a licence under Genentech's United States patent to a method of microbial production of IGF-1 expiring in December 2018, which licence confers a non-exclusive right to make IGF-1 and the exclusive rights to use, sell and import such IGF-1 for certain medical indications. In Europe, the Group holds an exclusive licence under Genentech's patent to a method of using IGF-1 for the treatment of partial growth hormone insensitivity (excluding Laron syndrome). The patent expires in March 2015. Also, the Group owns a United States patent and a European patent to a method of using IGF-1 for the treatment of primary IGFD (excluding partial GHIS and Laron syndrome). The U.S. patent expires in August 2025 and the European patent expires in September 2024.

Neurology

Dysport®

Active substance and indications

The active substance in Dysport® is a botulinum neurotoxin type A complex which acts at the level of the neuromuscular junction in the targeted muscle to block acetylcholine secretion, thereby reducing muscular contractions. Dysport® is therefore used in the following therapeutic indications:

- Treatment of focal spasticity, including the treatment of arm symptoms associated with focal spasticity in conjunction with physiotherapy.
- Treatment of cerebral palsy in children. Dysport® treats spasticity of the leg muscles in children with cerebral palsy aged 2 years age or older. Cerebral palsy is a motor disorder resulting from damage to the brain that generally occurs before, during, or after birth.
- Treatment of blepharospasm & hemifacial spasm. Dysport® is indicated in the treatment of blepharospasm, which is the involuntary closing of the eyes caused by a spasm of the muscles surrounding the eyes. Hemifacial spasm is a movement disorder characterised by the contraction of the muscles on one side of the face, which can lead to disfigurement.

Marketing

Dysport® was initially launched in the United Kingdom in 1991. At 31 December 2011, Dysport® had marketing authorisations in 75 countries. In 2011, 24.1% of Dysport® sales were generated in the Major Western European Countries.

In March 2006, the Group signed an agreement with the Medicis Group (USA) granting the latter the exclusive right to develop, sell and market certain formulations of the botulinum toxin for use in aesthetic medicine indications in the United States, Canada and Japan under a brand other than Dysport®. Reloxin® was the name originally proposed for the product in the United States for cosmetic indications.

In addition, in February 2007 the Group granted Galderma (France) the exclusive right to develop, promote and distribute its botulinum toxin type A product for aesthetic indications in Europe and certain other territories (these agreements are presented in detail in section 1.4.1.3 of this registration document).

Dysport® is prescribed primarily by neurologists, physical rehabilitation specialists, neuro-paediatricians, ENT specialists, ophthalmologists, dermatologists, plastic surgeons and urologists.

Dysport® main competitor is Botox® (Allergan). Newer Botulinum toxine Type A are also competing with Dysport®. Xeomin® (Merck) (launched in 2005 in Germany, 2006 in Mexico, 2009 in Canada and in 2010 in the US) will continue its geographical expansion. Lanzhou Biologics Institute has also launched a Botulium toxin A, Prosigne®, Lantox® on BTXA® in Asia, Russia and Latin America. Medy-tox, Inc. has launched Medytoxin® in South Korea in 2006 and continues its geographical expansion in Asia, Latin America and Eastern Europe under different brand name (Neuronox®, Botulift®, Siax®). Mentor, acquired by Johnson&Johnson is continuing its on-going Phase III clinical trial with its Botulinum toxin A, Puretox® in glabellar lines and in Phase I in cervical dystonia.

Intellectual property

Botulinum toxin, the active substance in Dysport®, does not have any patent protection. The Group holds an exclusive worldwide licence granted by the UK Health Protection Agency (HPA), formerly known as the Centre for Applied Microbiology and Research, enabling it to use and to sell the botulinum neurotoxin type A complex, which is the active substance in Dysport®. The Group holds the right to manufacture this toxin using the HPA's expertise. The Group currently manufactures the toxin itself. The Group has also filed 7 patent applications concerning new therapeutic applications of the botulinum toxin, as well as a patent application on a new formulation of Dysport® that may be used by the Group.

Research and Development

With regard to the marketing of Dysport® in the United States, on 30 April 2009 the FDA approved the Biologics Licence Application (BLA) for Dysport® (abobotulinumtoxinA). The authorisation covers two different indications, namely the treatment of cervical dystonia aimed at reducing the severity of an abnormal position of the head and cervical pain, as well as the temporary improvement in the appearance of moderate to severe glabellar lines in adults aged 65 years and under. Reloxin®, which was the name proposed in the United States for Ipsen's botulinum toxin product for aesthetic use, will now be called Dysport®. Ipsen markets Dysport® in the United States for its therapeutic indication (cervical dystonia), while Medicis markets Dysport® in the United States for its aesthetic indication (glabellar lines). Moreover, the unique name "abobotulinumtoxinA" distinguishes Dysport® from other botulinum toxin products on the market.

In Europe, on 2 February 2009 the Group and its partner Galderma announced that Azzalure® (botulinum toxin type A) had obtained the collective green light from 15 European countries' Health Authorities for national marketing authorisations to be granted. Subsequently, Azzalure® received a marketing authorisation from the regulatory authorities of 11 countries for temporary improvement in the appearance of moderate to severe glabellar lines (vertical frown lines between the eyebrows) in adults aged 65 years and under, when the severity of these lines has an important psychological impact on the patient. To date, the treatment is marketed in 16 countries.

The Group conducts several clinical phase III to enhance the number of therapeutic indications including the USA. Three Phase III are underway (see section 1.2.2.1) with Dysport® today. In addition, the Group is working on a liquid formula *ready for use* of Dysport®. Dysport® *next generation*. It is currently in Phase II clinical trial in the glabellar lines and Phase III cervical dystonia in Europe.

Apokyn®

Active substance and indication

Apokyn®, an apomorphine hydrochloride injection, is a substitute for dopamine which is deficient in Parkinson's disease patients. Apokyn® was granted orphan drug status by the FDA for treating advanced Parkinson's disease patients in the United States who experience severe "on/off" fluctuations in motor function as an add-on to oral Parkinson's disease therapies.

Apokyn® is the only therapy available in the United States for treating advanced Parkinson's disease patients who experience severe "on/off" fluctuations in motor function (rapid re-emergence of Parkinson's disease symptoms) and are unresponsive to other oral Parkinson's disease therapies. Parkinson's disease is a condition that results from selective degeneration of an area of the brain called the substantia nigra, which is located at the base of the brain in the basal ganglia. Normally, these nerve cells release dopamine – a chemical that transmits signals between nerve cells (called neurotransmitters). This central signalling pathway is essential for controlling movement and posture, and a deficiency results in the symptoms of Parkinson's disease, namely tremor, rigidity, slow movements and postural instability. Muscle rigidity can become so severe that patients become immobile and are incapable of making the slightest movement, referred to as "off" episodes. Apokyn® is used to treat Parkinson's disease as an add-on to conventional oral therapies and is injected by the patient to treat off-episodes.

Marketing

Apokyn® was initially launched by the US subsidiary of Vernalis Plc. upon approval by the FDA (April 2004). In June 2008, the Group entered into an agreement with Vernalis (R&D) Ltd. and Vernalis Plc. in the UK involving the acquisition of the US subsidiary Vernalis Pharmaceuticals Inc. ("Vernalis Inc."), as well as the rights to market Apokyn® in the United States. In

30 November 2011 Ipsen sold the right for Apokyn to Britannia Pharmaceuticals. As a consequence, Ipsen no longer records Apokyn® sales in its accounts since 30 November 2011.

Intellectual property

The use of apomorphine hydrochloride for Parkinson's disease is in the public domain.

Primary care products

The main products currently marketed by the Group in primary care are described below.

Gastroenterology

Smecta®

Active substance and indications

The active substance in Smecta® is diosmectite, a natural clay processed for therapeutic use. This oral formulation of pharmaceutical clay, designed and developed by Ipsen, is used in the treatment of both chronic and acute diarrhoea in adults and children and in the symptomatic treatment of pain associated with oesophageal, gastric, duodenal and colonic disorders.

Marketing

At 31 December, 2011, Smecta® had marketing authorisations in over 57 countries. In 2011, approximately two-thirds of Smecta® sales were generated in equal proportions in France and China, the product's main markets.

In 2008, the positive results of three studies (two on children and one on adults) strengthened Smecta®'s dossier.

Smecta® is prescribed primarily by general practitioners, gastroenterologists and paediatricians.

Smecta®'s main rivals are Imodium® and Arestal® (Janssen Cilag), Ercéfuryl® (Sanofi-Aventis), Ultralevure® (Biocodex) and Tiorfan® (Bioproject Pharma). On 20 May 2009, the French *Agence Française de Securité Sanitaire des Produits de Santé* informed the Group that it had granted a marketing authorisation to a generic product of Smecta® in France. One time suspended, this same authorisation is henceforth active. So far, no generic has been launched in France.

Intellectual property

Smecta®, former flavour (vanilla) was protected by a patent which expired in 1995. The pharmaceutical composition of Smecta® new aroma (orange/vanilla) is protected by a patent application in a certain number of countries particularly in Europe (expiration 2028 if granted).

Research and Development

In 2007, the Group obtained approval for a new flavour of Smecta® (orange/vanilla) in some European countries.

Forlax®

Active substance and indications

The active substance in Forlax® is Macrogol 4000, a linear polyethylene glycol polymer of high molecular weight. It is an oral laxative designed and developed by Ipsen. It is used in the treatment of constipation for both adults and children.

Marketing

At 31 December 2011, Forlax® had marketing authorisations in over 52 countries. In 2011, 59.9% of Forlax® sales were generated in France.

Forlax® is prescribed primarily by general practitioners, gastroenterologists, gynaecologists, gerontologists and paediatricians.

Forlax®'s main rivals are Duphalac® (Solvay Pharma), Transipeg® (Roche Nicholas) and Movicol® (Norgine Pharma).

In France, two generics of Forlax® were marketed by Mylan and Qualimed in March 2009. To date, Ipsen has launched a generic product marketed by Biogaran.

Intellectual property

Forlax® has never been protected by a patent.

Cognitive disorders

Tanakan®

Active substance and indications

The active substance in Tanakan®, EGb 761®, is extracted from the leaves of *Ginkgo biloba* (dioecious tree in the *Ginkgoaceae* family) cultivated under controlled conditions on specially designed plantations. Tanakan® contains natural substances with antioxidant, neuroprotective and vasoactive properties (*i.e.* it increases the diameter of capillary vessels, thereby improving microcirculation), which allows the treatment of various neurological disorders.

The indications of Tanakan® are as follows:

- *Age-related cognitive disorders.* Tanakan® is indicated in the treatment of the pathological decline in age-related cognitive functions, such as impaired intellectual capacities, together with memory and attention disorders.
- *Pathophysiological deficiency.* Tanakan® is also indicated in the treatment of a number of cognitive deficiencies of degenerative origin (such as Alzheimer's disease), mainly of a vascular or combined type.
- *Cochleovestibular disorders.* Tanakan® is indicated in the treatment of symptoms of vertigo (such as equilibrium and instability disorders) and tinnitus (such as buzzing or whistling in the ears), and acute or chronic hearing impairment.
- *Retinal deficit.* Tanakan® is also used in the treatment of reduced visual acuity and field of vision disorders of vascular origin.

Marketing

At 31 December 2011, Tanakan® had been approved for use in over 46 countries, mainly in Europe and Asia. Since 2004, it has been indicated and reimbursed in Belgium in the symptomatic treatment of mild to moderate forms of Alzheimer's-type dementia associated with memory disorders and cognitive disorders.

In 2011, 48.9% of sales of Tanakan® were generated in France.

Tanakan® is prescribed primarily by general practitioners, neurologists, psychiatrists, ENT-specialists and ophthalmologists.

The AFSSAPS Transparency Agency has determined on 5 July 2006 that the reimbursement rate for drugs of Tanakan was insufficient. The reimbursement rate for drugs with low and insufficient health benefits, which include Tanakan®, has been reduced to 15% on 1 April 2010. On 15 January 2011, the French Minister of Health announced the setting of new rules for drugs with an insufficient rendered medical service: "no reimbursement by Social Security except opposite recommendation from the Minister of Health". Further to the results of the GuidAge study assessing the efficacy of EGb761®, active principle of Tanakan, in the prevention of Alzheimer's Dementia, Ipsen submitted a dossier to the French regulatory agency *(Agence Française de Sécurité Sanitaire des Produits de Santé)* in order to include these results in the Marketing Authorisation of Takan so as to secure its regulatory status.

On 27 January 2012, The French regulatory agency *(Agence Française de Sécurité Sanitaire des Produits de Santé)* decided to no longer reimburse Tanakan®, Tramisal® and Ginkogink®, presently manufactured at the industrial site of Dreux (France). This decision is linked to the French policy to reassess the reimbursement of a certain number of drugs by the French Social Security. Although Tanakan®, Tramisal® and Ginkogink® will be delisted from 1 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% (1) in France in 2012.

The main rival drugs of Tanakan® in this area are Fonzylane® (Lafon/Céphalon), VitaloGink (Mylan), Praxilène® (Lipha Santé), Sermion® (Sanofi-Aventis), Torental® (Sanofi-Aventis) and Nootropyl® (UCB Pharma).

Intellectual property

EGb 761® was, protected by two patents, one granted to Dr. Willmar Schwabe ("Schwabe", with which the Group has a longstanding relationship) and the other granted to the Italian company Indena. The Group holds licences to use these patents, entitling it to manufacture, use and sell products containing *Ginkgo biloba* extracts, including EGb 761®. These two patents are now expired in Europe, the American patent "Indena" will expire in 2014.

Research and Development

The GuidAge® study evaluating the EGb 761® in the prevention of Alzheimer's disease in patients aged 70 years or older having spontaneously complained of memory problems is closed. The studies' primary endpoint was not met. However, preset subgroups of patients have demonstrated statistically significant results that are being further analysed by independent experts.

Cardiovascular

Nisis® and Nisisco®

Active substance and indications

Nisis® is an oral formulation containing valsartan, while Nisisco® contains valsartan and hydrochlorothiazide. The active substance in Nisis® and Nisisco® is valsartan, a synthetic angiotensin II antagonist compound.

The products are used in the treatment of arterial hypertension.

Marketing

In 2003, the Group added Nisis® and Nisisco®, two anti-hypertensive products, to its portfolio by signing an agreement with the Swiss Novartis company to market the products in France, Andorra and Monaco. In 2011, these two products generated €45.9 million in sales. Two generics of Nisis and Nisisco were launched on 14 November 2011.

Nisis® and Nisisco® are prescribed by cardiologists and general practitioners.

The main drugs competing with Nisis® and Nisisco® in this area are other class C9C and C9D specialties, namely Aprovel® and Coaprovel® (BMS-Sanofi), Cozaar®, Hyzaar® and Fortzaar® (Merck), Tareg® and Cotareg® (Novartis), Atacand® and Hytacand® (Astra-Zeneca) and Kenzen® and Cokenzen® (Takeda). Other competitors include Alteis® / Alteis duo® (Menarini) and Olmetec® and Colmetec® (Sankyo).

Intellectual property

Novartis held a European patent to the molecule carrying the DCI valsartan (angiotensin II receptor antagonist). This patent has been supplemented in France by a supplementary patent certificate protecting valsartan until 12 May 2011 and by a pediatric extension until 10 November 2011. A preparation process of galenic formulations of valsartan and valsartan/hydrochlorothiazide is protected by a European patent owed by Novertis until 18 June 2017.

Exforge®

Active substance and indications

Exforge® combines in one tablet two widely studied molecules which are among the most prescribed worldwide, valsartan and amlodipine, a sartan and a calcium channel blocker, respectively. The fixed valsartan/amlodipine combination allows treatment of patients whose blood pressure is not adequately controlled by amlodipine or valsartan in monotherapy. The various strengths of the valsartan/amlodipine combination make it possible to adapt the dosage regimen individually: 5 mg/80 mg, 5 mg/160 mg and 10 mg/160 mg (source: Summary of the characteristics of Exforge®).

Marketing

In January 2009, Novartis Pharma and Ipsen announced that they had signed an agreement to co-promote Exforge® in France.

The main rival drugs of Exforge® are Axeler® (Menarini) and Sevikar® (Daïchi Sankyo), both of which combine a sartan and a calcium channel blocker. In addition, two other calcium channel blocker/CEI combinations were marketed in 2009, Zanextra® (Bouchara Recordati) and Lercapress® (Pierre Fabre).

Intellectual property

Novartis held a European patent to the molecule carrying the DCI valsartan (angiotensin II receptor antagonist). This patent

(1) Impact estimated for full year.

has bee supplemented in France by a supplementary patent certificate protecting valsartan until 12 May 2011 and by a pediatric extension until 10 November 2011. A preparation process of galenic formulations of valsartan/amlopidine is protected by a European patent owned by Novartis until 18 June 2017.

Rheumatology

Adrovance®

Active substance and indications

On 30 January 2007, MSD granted Ipsen the marketing rights in France for Adrovance®, indicated in the treatment of post-menopausal osteoporosis in patients at risk of vitamin D deficiency. Osteoporosis is a diffuse disease of the skeleton whose main characteristic is low bone mass and deterioration of bone tissue. Resulting bone fragility increases susceptibility to fractures.

Marketing

MSD currently markets this product under the brand name Fosavance®. The Group markets Adrovance® in France.

In 2011, Adrovance® generated €12.8 million in sales. Adrovance® is prescribed by rheumatologists, gynaecologists and general practitioners.

This drug is currently registered in the European Union and in France for the following indication: treatment of post-menopausal osteoporosis in patients at risk of vitamin D deficiency.

In France, Adrovance® pricing has been decreased by 25% in May 2010. Another decrease by 33% occurred on 1 January 2012.

The drug's principal rivals are other bisphosphonates such as: Actonel® (Procter and Gamble Pharmaceuticals France), Bonviva® (Roche), Fosavance® (MSD) and selective oestrogen receptor modulators such as: Evista® (Lilly France), Optruma® (Pierre Fabre Médicament), Protelos® (Servier) and Aclasta® (Novartis).

Adenuric®

Active substance and indications

Adenuric® is indicated in the treatment of gout, a particularly painful form of arthritis that generally occurs in men. It is caused by a high level of uric acid in the body, hyperuricaemia. Adenuric® 80 mg and 120 mg (tablets) are indicated in the treatment of chronic hyperuricaemia for conditions in which urate deposition exists or has occurred (including a history or presence of tophus and/or gouty arthritis). The recommended dose of Adenuric® is 80 mg once a day, administered orally. The therapeutic objective is to reduce the rate of serum uric acid and to keep it below 360 µmol/l (6 mg/dl).

Marketing

In July 2003, Ipsen began a Research and Development collaboration with Teijin Pharma Limited. This collaboration involves, on the one hand, the development of four of the Group's products and the marketing of the products resulting from this development programme by Teijin Pharma in Japan and, on the other hand, the development and marketing of febuxostat (Adenuric®) by Ipsen in Europe (European Union and Russia).

On 20 October 2009, the Group granted exclusive licence rights to the Menarini Group for Adenuric® (febuxostat) in 41 countries. Ipsen retains co-promotion rights to Adenuric® in France.

The product has been co-promoted in France by Ipsen since March 2010. Adenuric® will become the first major therapeutic alternative since 1964 for chronic hyperuricaemia available to patients suffering from gout.

Menarini has expected the first European launches during 2010. The agreement will remain in effect for at least 10 years or upon expiration of the last valid patent application for all territories (until 2023).

The only competitor of Adenuric® is Allopurinol®, which has long been available as a generic drug. Allopurinol® is the only chronic treatment for gout.

Intellectual property

Febuxostat is a product owned by Teijin Pharma and sold under the name of TMX 67. Teijin Pharma holds a European patent to febuxostat. This patent expired in November 2011. A European patent application covering a polymorphic form of febuxostat was granted in November 2009 and an opposition has been filed: the opposition division has decided to maintain the patent under an amended form relating to a therapeutical composition of a polymorphic form of febuxostat. The opponent may appeal the decision. The EP patent will expire in June 2019 if it is maintained at the end of the opposition procedure. Based on this EP patent, an extension has been filed *via* the filing of SPC in a certain number of European countries (Austria, Belgium, Bulgaria, Cyprus, Czech Rep., Denmark, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, The Netherlands, Poland, Portugal, Romania, Slovenia, Spain, Sweden and Great Britain) which might extend the patent term until 2023 if the patent is maintained at the end of the opposition procedure and if the SPCs are granted in these countries. Another application for a galenic formulation of febuxostat is currently being reviewed.

Significant new products or services launched on the market since the end of 2010 and during 2011

The 6-month formulation of Decapeptyl®, triptorelin 22.5 mg, has been marketed in France since early 2010 after the European regulatory authorities approved it in November 2009 for the treatment of locally advanced and metastatic prostate cancer in nine countries through a decentralised procedure. Other launches followed in 2011: Nordic countries, Ireland, England and several countries in Eastern Europe.

Decapeptyl® also has a line extension as adjuvant to radiotherapy in the treatment of locally advanced prostate cancer on 2011. This indication is alrreday approved in England, France and Estonia. Other approvals are expected to occur in additional geographies in 2012.

Moreover, since June 2010, Somatuline® Autogel®, lanreotide has been commercialised in Russia. A first tender for Moscow Region was gained in November 2010.

Since the marketing authorisation of the Somatuline® Autogel® in Brazil in 2009, Ipsen will launch this product early 2011, through its local partner Sanofi.

Somatuline® Autogel® therapeutic indictions are:

- The treatment of acromegaly when secretions of growth Hormone (GH) and IGF-1 remain abnormal after surgery and/or therapy.
- Treatment of the clinical symptoms associated with acromegaly and carcinoid tumours.

On 27 September 2011, Ipsen in-licensed Hexvix® from Photocure. As part of this strategic collaboration, Ipsen will commercialise Hexvix® worldwide – except USA and Nordic region.

Manufacturing

The Group operates, either alone or with its partners, a total of eight production facilities in France, the United Kingdom, Ireland, Switzerland, China and the United States, as well as five plantations and leaf-drying facilities in France, China and the United States.

The Group's production process consists of three main stages: the primary production of the principal active substances, incorporation of these constituents into secondary formulations and the related conditioning. Each stage of the production process takes place under strictly controlled conditions and is subject to the applicable national and international legislation. All the Group's production facilities comply with Good Manufacturing Practices (GMP), in line with the relevant directives. Production facilities located outside the United States which import products into the country must be approved by the FDA on a product-by-product basis and are subject to periodic inspections by this administration. On 1 December 2008, the FDA confirmed in its Establishment Inspection Report that the Dysport® production process at its Wrexham (Wales) facility complied with Good Manufacturing Practices.

The Group manufactures its own products when it deems this to be necessary for its business for strategic reasons, but also relies upon outsourcing as an alternative for certain projects. Likewise, where appropriate, the Group enters into supply agreements with third parties, such as Expansia, a fine chemicals company that supplies certain active substances.

The Group currently produces the active substances of its principal products and some of its products that appear to harbour significant future growth prospects. The Group produces EGb 761® through its partnership with Schwabe and under its licensing agreement with Indena. In addition to the pharmaceutical production know-how required to produce its highly specialised products, the Group boasts a wealth of experience in the technology of biological production processes based on proteins, which represents a solid platform enabling it to harness the emerging opportunities related to the biological production process. In addition, the Group believes that it is one of the few laboratories able to successfully produce sustained-release peptide formulations for injection.

Each of the Group's production facilities focuses on a particular technology to maximise its operational efficiency. For instance, the Dublin site (Ireland) is devoted to the purification and formulation of peptide, while the Dreux plant (France) specialises in the production and conditioning of high volumes of oral formulations. The continued implementation of this policy and the resulting efficiency are critical to the success of the Group's product procurement strategy.

To ensure access to the requisite quantities and quality of raw materials needed to produce its naturally occurring products in the *Ginkgo biloba* range, the Group produces a large proportion of the *Ginkgo biloba* leaves that it uses on its own plantations (in China, France and the United States). In this way, it minimises its exposure to any significant risk related to the availability of raw materials and the volatility of their prices.

1.2.1.2 Significant events during the year (1)

1.2.1.2.1 Strategy

On 9 June 2011 – Ipsen held its Strategy Day. The Group's management will provide a comprehensive review of its new strategy.

1.2.1.2.2 Partnership

On 25 February 2011 – Ipsen and bioMérieux announced that they have entered into a partnership to create a global collaboration in theranostics, with a focus on hormone-dependent cancers. The two companies have signed a framework agreement to leverage their expertise and resources to develop a personalised approach to medicine based on Ipsen's broad portfolio of innovative compounds and bioMérieux's diagnostic tests.

On 18 April 2011 – Active Biotech AB and Ipsen announced that they have entered into a broad partnership to co-develop and commercialise Active Biotech's investigational compound Tasquinimod "TASQ". A global Phase III trial of TASQ in men with metastatic castrate-resistant prostate cancer (CRPC) was recently initiated by Active Biotech and patient recruitment is ongoing.

On 12 July 2011 – Ipsen a global biopharmaceutical company represented by Claude Bertrand, Executive Vice-President, R&D and Chief Scientific Officer, and Institut de cancérologie Gustave Roussy (IGR, Villejuif), a leading international cancer center represented by Professor Alexander Eggermont, General Director, today announced the signature of a partnership in the area of medical oncology to leverage the combined expertises of their respective R&D teams. This 3 year agreement was signed on 27 June 2011.

On 12 July 2011 – Ipsen and The Salk Institute for Biological Studies (Salk Institute) announced that they are renewing the Ipsen Life Sciences Program at The Salk Institute. The mission

(1) Our press releases are available on Ipsen's web site www.ipsen.com

of the partnership is to advance knowledge in the field of proliferative and degenerative diseases through fundamental and applied biology research.

On 27 September 2011 – Ipsen announced a partnership with Photocure (OSE: PHO), a specialty pharmaceutical company focused on photodynamic technologies in cancer and dermatology. Photocure has entered into a strategic collaboration with Ipsen to commercialise Hexvix®, its flagship product for the diagnosis and resection of bladder cancer, worldwide except in the United States of America (USA) and the Nordic region.

On 20 October 2011 – Ipsen and Syntaxin, a biotechnology company specialising in innovative biopharmaceutical therapies targeting cell secretion pathways, announced today a global strategic collaboration to explore the discovery and development of new compounds in the field of botulinum toxins.

On 2 November 2011 – Ipsen announced that it has sold its North American (1) development and marketing rights for Apokyn® indicated in the United States for the acute, intermittent treatment of hypomobility "off" episodes associated with advanced Parkinson's disease to Britannia Pharmaceuticals. Ipsen will no longer record Apokyn® sales in its accounts from 30 November 2011 onwards. For reference, 2010 sales of Apokyn® in the US amounted to $7.9 million (€6.0 million).

1.2.1.2.3 Clinical trials

On 6 June 2011 – Ipsen announced its decision to assess the alternative development of Irosustat (BN 83495) in combination with other hormonal therapies. This decision is based on the futility analysis from the proof-of-concept trial phase II clinical study carried out in Europe in monotherapy in endometrial cancer, and on the phase I/II clinical study results obtained in metastatic prostate and breast cancers.

OBI-1 – Inspiration Biopharmaceuticals

On 3 February 2011 – Ipsen announced that its partner Inspiration Biopharmaceuticals, Inc. (Inspiration) presented pharmacokinetic (PK) data on its lead product, IB1001, a recombinant factor IX (FIX) for the treatment and prevention of bleeding in individuals with hemophilia B. According to Inspiration, results of the Phase 1 portion of an ongoing IB1001 clinical study demonstrated non-inferiority of IB1001 in achieving overall levels of replacement factor compared to BeneFIX®, the only approved recombinant FIX product for the treatment of hemophilia B. Currently, IB1001 is in Phase 3 and safety and efficacy results are expected later this year.

On 28 July 2011 – Ipsen announced that its partner Inspiration Biopharmaceuticals, Inc. (Inspiration) presented data from its clinical development program for OBI-1, an intravenous (IV) recombinant porcine factor VIII product (rpFVIII), intended for the treatment of bleeding in people with hemophilia A with inhibitors and in people with acquired hemophilia. The data were presented in a Scientific Session held in conjunction with the 23rd Congress of the International Society on Thrombosis and Haemostasis (ISTH), which was chaired by Amy Shapiro, M.D., Co-Medical Director at the Indiana Hemophilia and Thrombosis Center (IHTC).

On 30 August 2011 – Ipsen and Inspiration Biopharmaceuticals Inc. (Inspiration) announced they have entered into a strategic partnership agreement, to create a European hemophilia commercial organisation, to launch Inspiration's hemophilia product portfolio in Europe. This partnership is designed to leverage the combined strengths of Ipsen's well established European commercial infrastructure and medical network, with Inspiration's expertise in the field of hemophilia. Inspiration and Ipsen will work together to hire and train a highly specialised commercial team to serve as the exclusive sales organisation in Europe for all hemophilia drugs commercialised under the Inspiration brand. This commercial organisation will take the form of a hemophilia business unit nested within Ipsen's existing commercial organisation.

On 3 October 2011 – Ipsen announced that its partner, Inspiration Biopharmaceuticals, Inc. (Inspiration), has been informed that the European Medicines Agency (EMA) has validated and accepted the filing of the Marketing Authorisation Application (MAA) for Inspiration's IB1001, a recombinant factor IX (FIX) product for the treatment and prevention of bleeding in individuals with hemophilia B. In doing so, the EMA has verified that it will begin its regulatory review process of the MAA.

The application includes safety and efficacy data from Inspiration's clinical program for IB1001, which was conducted in the U.S., Europe, Israel and India.

On 28 November 2011 – Ipsen announced that its partner Inspiration Biopharmaceuticals, Inc. (Inspiration) has initiated the treatment of the first patient in the second of two pivotal studies from the OBI-1's Accur8 clinical trial program. In this newly initiated clinical study, OBI-1, an intravenous recombinant porcine factor VIII (FVIII) product, will be evaluated for the treatment of individuals with congenital hemophilia A, who have developed inhibitory antibodies (inhibitors) against their human FVIII replacement therapy.

1.2.1.2.4 – Executive Committee Members

On 2 May 2011 – Ipsen announced the departures of Frédéric Babin, Executive Vice-President Human Resources and Stéphane Thiroloix, Executive Vice-President Corporate Development. Both of them have expressed the wish to pursue their careers outside Ipsen. The Executive Committee will communicate the names of their successors shortly.

On 11 May 2011 – Ipsen announced the appointment of Etienne de Blois as Executive Vice-President, Human Resources and member of the Executive Committee. Etienne de Blois graduated from the Institute of Political Sciences in Paris and from the Executive MBA-CPA of HEC School of Management in Paris. He spent most of his career in international operations within Ipsen, especially in Asia, in Spain and in France. From 1995 to 2001, Etienne de Blois led Ipsen's activities in Spain, prior to joining the French affiliate as General Manager from 2001 until now.

(1) Impact estimated for full year.

On 27 May 2011 – Ipsen announced the departure of Claire Giraut, Executive Vice-President, Chief Financial Officer, as of 1 September 2011. The Executive Committee will communicate the name of her successor shortly.

On 9 June 2011 – Pierre Boulud is appointed Executive Vice-President, Strategy, Business Development and Market Access. Pierre Boulud joined Ipsen in 2002 and has held several senior positions within the company (Corporate Strategic Planning Manager, General Manager of the Spanish affiliate and VP Corporate Strategic Marketing). Previously, Pierre Boulud held several Senior Consultant and project leader positions both in Bossard consultants and then at Boston Consulting Group. He is graduated from Essec.

On 30 August 2011 – Ipsen announced the appointment of two new members to the Group's Executive Committee: Nathalie Joannes, as Executive Vice-President, General Counsel, effective 1st of October 2011 and Susheel Surpal as Executive Vice-President, Chief Financial Officer, effective in the weeks to come. With these two nominations, all the positions in the Group's Executive Committee have now been filled.

1.2.2 Research and Development Activities

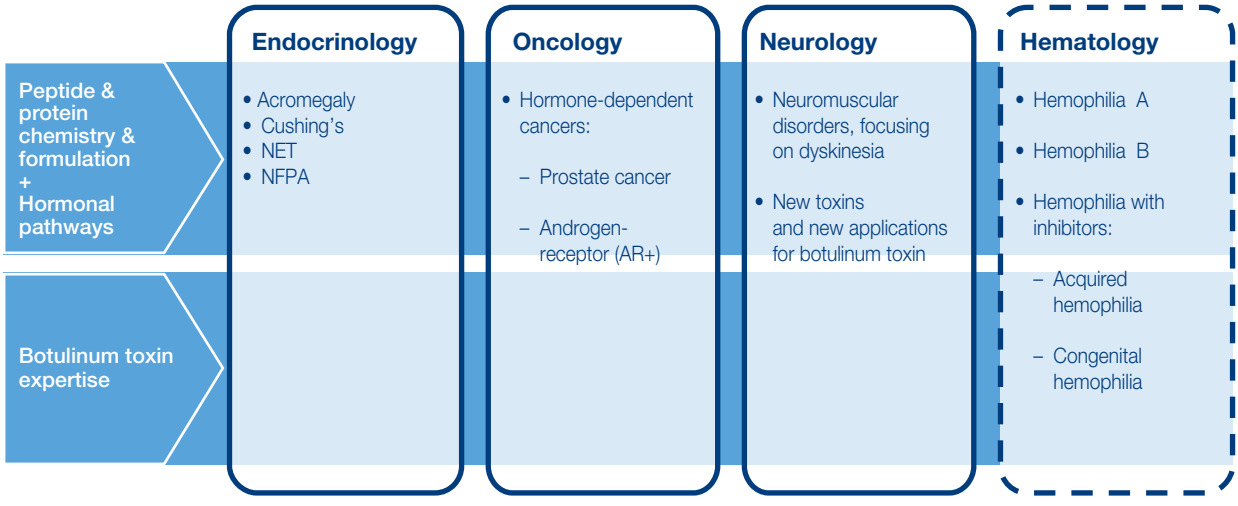
1.2.2.1 Research and Development

The Group's Research and Development ambition is to support Ipsen in becoming a world leader in the treatment of targeted debilitating diseases. It aims to respond to unmet medical needs by providing patients with innovative care solutions, and to transform the prognosis of the disease.

Research and Development has two core tasks:

- the management of the lifecycle of the products marketed by the Group, with:
  - the extension of labelled indications,
  - the development of new formulations, and
  - the registration in new geographical areas;
- the discovery, development and regulatory approval of new drugs with two differentiated core technological platforms, peptides and toxins.

Research and Development were merged in 2011. It will focus internally on Ipsen's differentiated core platforms.



- **The exploration and use of hormonal mechanisms** is central to the Group's research efforts: it is based on the in-depth exploration of the pathophysiological mechanisms involved in the genesis and development of the disease (biological processes that differentiate the healthy state *vs.* the diseased state). Based on this knowledge, the Group identifies the hormones (peptides or proteins) that regulate important biological phenomena. These natural substances (endogenous to the organism) are ideal targets for the design of innovative medicines.
- **The engineering of peptides** conducted by the Research and Development Centre in Boston (USA) alone or in collaboration with academic research centres and biotechs and is coupled with **pharmaceutical development**, located on the Dreux site, which aims to design and develop formulations and innovative delivery systems for new chemical entities or for marketed products. These converging technologies are able to optimise the efficacy of active ingredients while improving the quality of life of patients and facilitating the use of these products by health care workers.

  The integration of these platforms fosters the discovery of products for the treatment of very severe and life-threatening diseases in the Group's targeted therapeutic areas. One of the best examples of this approach is the trademark and patented formulation Somatuline® Autogel®, a product that illustrates the Group's ability to combine the results of its research in the field of innovative peptide drugs.
- **The botulinum toxin platform.** This molecule has unique potential for very broad therapeutic applications in many areas: regenerative medicine, urology, oncology, endocrinology, etc. The Group is one of the few to master its manufacture and testing at its plant in Wrexham (United Kingdom) as well as the technologies needed to explore new applications and to develop new toxin-based products.

Partnership policy

The internal Research and Development effort is also supported by an active partnership policy from the basic research stage through to clinical development. The Group's philosophy in this regard stems from the observation that Ipsen's R&D staff members, even if they are highly expert in their fields, are a tiny fraction of the expertise available worldwide in our areas of speciality; it is essential therefore to seek a synergy between internal projects and skills and those of other leading-edge players in medical and pharmaceutical R&D.

At the research stage, the Group has established numerous collaborations with academic groups. It has been involved since 2008 in a long-term partnership with the prestigious Salk Institute (La Jolla, California) on basic research in its areas of interest. It has also forged partnerships on specific projects with innovative biotechs such as Syntaxin, Dicerna, Oncodesign and Active Biotech, thereby accessing new compounds and promising technologies for the discovery of new candidate drugs. In the field of biomarkers and *in vitro* diagnostics, a framework agreement was concluded with bioMerieux in the first quarter of 2011. In July 2011, Ipsen and Institut Gustave Roussy entered into a partnership agreement in the area of medical oncology to leverage the combined expertises of their respective Research and Development teams, particularly optimising new therapeutic and biomarker programs in order to accelerate the transition between preclinical development and clinical proof of concept studies.

Foremost among the development partnerships involved in the Group's R&D efforts are:

- Debiopharm (Switzerland): one of the Group's oldest development partnerships, on Decapeptyl®. The 6 month formulation of Decapeptyl was approved and is commercialised by Ipsen in Europe.
- Inspiration (USA): through an innovative agreement with the company Inspiration, the establishment of a haemophilia development portfolio including one product under regulatory review and 1 Phase III product.
- Active Biotech (Sweden): Ipsen and Active Biotech are co-developing tasquinimod for the treatment of castrate resistant prostate cancer patients. Tasquinimod is currently in phase III.
- Syntaxin (UK): Through a collaboration agreement entered into in October 2011, Ipsen and Syntaxin are exploring the discovery and development of new compounds in the field of botulinum toxins, to complement Ipsen's Neurology portfolio.
- Oncodesign (France): Through a research collaboration, Ipsen and Oncodesign are developing new therapeutic agents against LRRK2, a Parkinson's disease target.
- Preglem (Switzerland): spin-off of a development project in the family of sulfatase inhibitors. In 2010, Gedeon Richter acquired the company Preglem. PregLem filed the European Marketing Authorisation Application with the European Medicines Agency in late 2010. The decision of the EMA whether to grant market authorisation for ESMYA™ is expected by the end of 2012. In December 2011, Richter announced that Preglem received a positive EMA/CHMP opinion for Esmya® for the pre-operative treatment of uterine treatment of uterine fibroids.
- Rhythm (USA): Ipsen licensed to the company Rhythm (USA) two endocrinology programmes at the pre-clinical stage, a ghrelin agonist and an MC4 agonist. The Ghrelin agonist moved into clinical development and is in Phase I clinical development for the treatment of diabetic gastroparesis.
- Radius: spin-off of a project for the development of a PTH-releasing peptide in osteoporosis. Moved into Phase III development in 2011.
- Pharnext (France): Ipsen's investment in an innovative approach to Charcot-Marie Tooth disease moved from research to clinical development in 18 months and is currently in Phase II.

Investment in translational sciences

Research and Development strives to be at the forefront of major changes currently emerging in science and medical

practice: progression of molecular medicine and biomarkers which are revolutionising the diagnosis and prognosis of diseases and the selection of the best treatment for them, the emergence of personalised medicine which will allow every patient to receive individualised therapy to suit their specific needs. This commitment to the translational sciences is reflected in a willingness to invest in in-depth knowledge of pathophysiological/molecular mechanisms of diseases and to identify from the outset biomarkers which will accompany the development of candidate drugs, with the potential to become companion diagnostics.

Total investment in Research and Development

At 31 December 2011, 881 Group employees (compares with 943 in 2010 and 892 in 2009) were assigned to Research and Development activities.

In 2011, the Group spent €253.6 million on Research and Development (against €221.1 million in 2010 and €197.3 million in 2009), representing 21.9% of Group's net consolidated sales (against 20.1% in 2010 and 19.1% in 2009).

1.2.2.1.1 Research and Development Centres

The Group has established an international network of research and development centres located in geographical areas where it has access to considerable expertise in scientific and clinical research. The Group believes its Research and Development programmes, and the geographical distribution of its Research and Development centres, allow it to recruit talented scientists, making the Group highly competitive in the field of pharmaceutical research compared with other groups of similar size.

The Research and Development Centre at Les Ulis (France)

The Research and Development Centre at Les Ulis (Institut Henri Beaufour) was opened in 1969 and a new facility was built in 1996. The scientists are focused on drug discovery of novel medicines in the fields of Neurology and Oncology. More recently, with the closure of the Barcelona site, the Pharmacodynamic and Metabolism group in Les Ulis, has expanded in order to support Ipsen projects from discovery to market. The Group has also established a pre-clinical and clinical development organisation which defines the worldwide development strategy and conducts the appropriate studies in order to progress compounds to market.

The Research and Development Centre in Boston (United States)

The Research and Development Centre in Boston (Albert Beaufour Research Institute) specialises in research on peptides. The site has facilities for peptide synthesis and recombinant protein expression for therapeutic purposes. The biological expertise of the Boston Centre focuses on knowledge of hormone-dependent pathophysiological mechanisms involving neuropeptides and the associated growth factors. The Group also has a clinical research and development team whose task is to coordinate clinical research in North America, along with a dedicated regulatory group which focuses on the Group's regulatory activities with the FDA in the United States.

The London Development and Regulatory Centre (United Kingdom)

Located near London, where the EMA (European Medicines Agency) is situated, some of the Group's central departments responsible for clinical development are also responsible for the implementation of international clinical trials and a part of the regulatory affairs teams responsible for registration dossiers and applications for submission to international regulatory authorities, in order to ensure that the Group receives the necessary approvals to market its products in a timely manner.

Successful registration requires the consolidation, at Group level, of all the regulatory data required to submit a dossier.

The Pharmaceutical Development Centre in Dublin (Ireland)

The development centre in Dublin is focused on the development of peptide active ingredients, especially in the development of manufacturing processes, industrialisation, quality control and analytical development. The manufacture of pre-clinical and clinical batches is an important activity on a pilot site.

The Dublin site is also involved in chemical production for active peptide products.

The pharmaceutical development business is located in the Dreux facility and its activities incorporate formulation and administration technologies, analytical development and the production of drugs, placebos for clinical trias. This unit now reports to the Technical Operations (TechOps) department and maintains close links with the R&D organisation.

1.2.2.1.2 The portfolio of research and development projects

1.2.2.1.2.1 The research and development process

At the end of the research stage resulting in the selection of a candidate molecule for development, the process of securing approval for this new molecule or compound by the regulatory authorities may take eight to twelve years and is typically broken down into five separate stages: the pre-clinical stage and clinical trial phases I, II, III and IV.

During the research stage, which usually lasts three to five years, the Group's researchers synthesise innovative molecules and study their effects on cell systems or isolated organs, *in vitro* or in animal subjects, to better understand their pharmacological, pharmacokinetic and toxicological properties. An analysis of the results of these studies makes it possible to select for a move into development the compound that meets the set treatment goals.

The first, pre-clinical, stage of development aims to gather the pre-clinical safety toxicological and pharmacokinetic data essential for initial administration in humans and to prepare the regulatory dossier to start clinical trials, subject to approval by the regulatory authorities and ethics committees.

The development continues with clinical trials, which are principally intended to provide evidence of the safety and efficacy of the future drug in humans. If the results of the various phase I, II and III clinical trials are positive, a registration

dossier is then submitted to the regulatory authorities to decide on its marketing authorisation.

The four clinical trial phases are:

- **Phase I.** The aim of Phase I is to carry out in healthy volunteers (or cancer patients) a short-term evaluation of the safety of an experimental drug based on the doses administered to healthy volunteers (or cancer patients) and establish a pharmacokinetic (absorption, distribution, metabolism, elimination) and pharmacodynamic profile (effective interaction between the experimental drug and its biological target). These results, together with those of the pre-clinical studies, make it possible to verify the safety of the product and to confirm the dose and the optimal treatment regimen for maximum efficacy and minimal side effects to be further used for the phase II clinical studies.
- **Phase II.** Phase II aims to further assess in patients the pharmacological properties of the drug and to establish the efficacy and safety of the investigational drug in a well-defined patients population at one or more doses identified in Phase I. At this stage, if the therapeutic activity and safety of the drug are confirmed, the decision may be taken to conduct phase III clinical trials. Depending upon the nature of the disease/patients, these studies can be either comparative (*vs.* an established treatment modality or a placebo) or non-comparative.
- **Phase III.** Phase III trials are the final stage of the clinical studies undertaken before filing an application for marketing authorisation. These tests are normally conducted on a much larger number of patients than at Phase II and their goal is to provide clinical data and statistics on tolerance and efficacy in well-defined and targeted diseases and to allow to establish the clinical benefit of the investigational drug against an established standard of care modality. Additional medico-economic evaluations are increasingly required to eventually support the reimbursement process.
- **Phase IV.** Phase IV trials are usually conducted after the marketing of a product in a given labelled indication and aim to monitor and further document the efficacy and safety of a drug.

1.2.2.1.2.2 The research programmes

Implementing its newly defined strategy – announced in June 2011, the Group has decided to further increase the focus of its R&D effort on its two core and differentiated technological platforms, peptides and toxins.

The Group currently has several innovative molecules at the research phase. The table below and the explanations that follow summarise the major programmes currently undertaken by the Group.

Research programme	Indications
New neurological drugs (neuromuscular disorders)	
Novel botulinum toxin therapeutics with Syntaxin	Neurology
LRRK2 (partnership with Oncodesign)	Parkinson's disease
New endocrinology drugs	
ACTH receptor antagonists	Treatment of Cushing's disease
"Chimeric" somatotstatin and dopamine agonist molecule – Back-up	Treatment of acromegaly
New oncology drugs	
Androgen receptor degraders	Anti-cancer agent: prostate cancer

Neurology research programmes

The Group's neurology research programmes focus mainly on the development of next-generation botulinum toxins. The work is being carried out within the Group's research entities and through targeted partnerships to explore the possibilities of toxins with differentiated characteristics. The partnership with Syntaxin sets out to identify new botulinum toxins.

Endocrinology research programmes

The Group is conducting several research programmes in the field of pituitary disease.

ACTH receptor antagonists. ACTH (adrenocorticotropic hormone) is secreted in abnormal quantities in patients with Cushing's disease, resulting in the excessive production of cortisol, which is responsible for many symptoms of disease (obesity, diabetes, etc.). Inhibition of the ACTH receptor by specific antagonists derived from the natural hormone has the potential to effectively suppress the symptoms of this extremely severe disease which is poorly controlled with current medical treatments.

"Chimeric" somatostatin analogue and dopamine agonist. Following the termination of the lead program, BIM23A760, the Group is pursuing the back up program and has synthesized new chimeric molecules, combining a somatostatin analogue and a dopamine agonist to achieve synergistic therapeutic effects in diseases such as acromegaly and neuroendocrine tumours.

Oncology research programmes

The Group's engineering technology platforms allow it to explore and develop new approaches to the treatment of hormonally controlled cancers. These research programmes are conducted internally in collaboration with universities and industry.

Selective androgen receptor degraders. The androgen receptor (AR) plays a key role in the proliferation of prostate tumour cells and is a major target for anti-tumour strategies. Ipsen's approach is to induce the destruction of this receptor by proteasome, blocking the stimulation of cell signals exerted by the androgen receptor and hence tumour proliferation.

Peptide conjugates. These molecules are designed to target tumours which express a particular receptor to a peptide hormone in order to selectively deliver an antiproliferative therapeutic agent: cytotoxic or siRNA. The targeted tumours are the ones that express high levels of peptide hormone receptors, foremost among which neuroendocrine tumours.

1.2.2.1.2.3 The development programmes

The dates for filing applications for marketing authorisations shown in the table below are based on the Group's current Research and Development programme, which is subject to change depending on a number of factors, many of which are extremely unpredictable. The Group might therefore fail to meet these dates for various reasons, including the delayed completion of clinical trials, treatment failures, the absence of marketing authorisation, the occurrence of a technical or administrative event beyond the Group's reasonable control and for other reasons described in chapter 1.1.2 "Risk Factors" of this document.

The portfolio of molecules under development is as follows:

Product under development	Indications	Development stage
New molecules under development		
BN82451	Mitochondrial protectant for the treatment of Hungtington's disease	Pre-clinical
OBI-1 (Licensed to Inspiration Biopharmaceuticals)	Hemophelia A with inhibitors	• Phase III in acquired hemophilia (Conducted by Inspiration) • Phase III in congenital hemophilia (Conducted by Inspiration)
IXinity® – rFIX	Hemophelia B	• Phase III in the USA (Conducted by Inspiration) • Filled in Europe (by Inspiration)
Tasquinimod	Castrate Resistant Prostate Cancer	• Phase III (Conducted by Active Biotech)
Product lifecycle management programmes		
Somatuline® Autogel®	Asymptomatic neuroendocrine tumours (CLARINET)	Phase III
	Symptomatic neuroendocrine tumours (USA)	Phase III
	Acromegaly (Japan)	Regulatory
Dysport®	Adult upper limb spasticity	Phase III
	Adult lower limb spasticity	Phase III
	Peadiatric upper limb spasticity	Phase III (pending FDA)
	Peadiatric lower limb spasticity	Phase III
	Neurogenic detrusor overactivity	Phase II
Dysport® Next Generation	Glabellar Lines	Phase II
	Cervical Dystonia	Phase III
Decapeptyl®	Combined hormone therapy for pre-menopausal breast cancer	Phase III

Neurology development programmes

Dysport® – Type A botulinum toxin

In April 2009, the U.S. regulatory authorities (FDA) approved the Biologics License Application (BLA) for Dysport (abobotulinumtoxinA) in the treatment of cervical dystonia. Moreover, the unique name "abobotulinumtoxinA" differentiates Dysport® from other botulinum toxin-based products on the market. The Group launched Dysport®.

At the same time, the FDA also approved the application for authorisation to market Dysport® (abobotulinumtoxinA) for aesthetic indications. It is designed to temporarily correct moderate to severe frown lines in adults aged under 65.

As part of the applications for FDA approval of Dysport®, the Group has started in 2011, three worldwide phase III pivotal studies:

- Spasticity of upper limb muscles in post-stroke/traumatic bain injury adults.
- Spasticity of lower limb muscles in children with cerebral palsy (CP).
- Spasticity of lower limb muscles in post-stroke/traumatic bain injury adults.

The Group is planning to initiate an additional study in Spasticity of upper limb muscles in children with CP.

In Europe, on 2 February 2009 – Azzalure® was given the collective green light by health authorities in 15 European countries to issue national marketing authorisations for the treatment of frown lines. This evaluation was based on the results of clinical trials involving over 2,600 patients which confirmed the product's tolerance profile and efficacy. Its launch in all the countries concerned has been ongoing since 2009.

BN82451B – Mitochondrial protectants. In the field of neurodegenerative diseases, the Group has synthesised several original families of chimeric molecules. These molecules are simultaneously able to exert multiple pharmacological activities and are designed to protect the mitochondria (the intracellular organelles responsible for energy function) against neurodegenerative diseases such as Huntington's or Parkinson's disease. One of these molecules, BN82451, has been selected as a candidate for clinical development in Huntington's disease and will enter phase I clinical trials in 2012.

Endocrinology development programmes

Somatuline® Autogel®. In the lifecycle management of Somatuline® Autogel®, the Group is pursuing the following developments:

- a fully recruited phase III clinical trial with Somatuline® Autogel® is ongoing in Europe and the United States for the treatment of asymptomatic neuroendocrine tumours;
- additional phase III clinical trials for the treatment of neuroendocrine tumour symptoms, with a view to registering Somatuline® Depot, the equivalent of Somatuline® Autogel® in the United States, were launched in 2009 in the United States and are on-going;
- in March 2011, the FDA approved an up to 8 weeks extended dosing interval for patients suffering from acromegaly and well controlled by Somatuline® Depot;
- in Japan, the Group's partner (Teijin) has filed Somatuline® Autogel® for the treatment of acromegaly and is expecting the review to be completed in 2012.

Oncology development programmes

Decapeptyl®. In the lifecycle management of Decapeptyl®, the Group is pursuing the following developments:

The Group is participating in three phase III studies performed under the auspices of the International Breast Cancer Study Group for the treatment of pre-menopausal breast cancer, comparing traditional treatment methods with hormone therapy by combining Decapeptyl® with oestrogen suppressants such as Aromasin®, marketed by Pfizer. These studies are scheduled to run until 2015. Their findings could lead to a review of treatment guidelines for pre-menopausal women with hormone receptor expressing breast cancer.

The Group has obtained an exclusive know-how licence and new patent applications relating to worldwide marketing rights for Decapeptyl® (triptorelin pamoate), excluding North America and some other countries such as Sweden, Israel, Iran and Japan. The Group thus has access to future sustained-release formulations of Decapeptyl® developed by Debiopharm, among which a 6-month sustained-release formulation launched in France in 2010.

Tasquinimod (TASQ). Tasquinimod is under co-development by Active Biotech and Ipsen. Tasquinimod is an oral quinoline-3-carboxamide derivative that binds to S100A9 and has been shown to have a pleotropic mode of action which includes antiangiogenic, antimetastatic and immunomodulatory activities. The development of TASQ is currently focused on the treatment of metastatic prostate cancer, with a large pivotal phase III being conducted by Active Biotech in about 1,200 pateints in more than 200 centers. Ipsen is planning to initiate clinical studies in 2012.

Irusostat (BN 83495). BN 83495 and related molecules from the acquisition of Sterix are selective inhibitors of the enzyme sulfatase, which is involved in a key step in the biosynthesis of oestrogens and hence in the supply of energy to cancer cells in breast cancer among post-menopausal women. The Phase I programme in the indications for prostate, breast and endometrial cancer is now complete. A Phase II programme was conducted in breast and endometrial cancers. In June 2011, Ipsen decided to terminate the development of irosustat as monotherapy on the basis of the futility analysis from the proof of concept trial phase II clinical study carried out in Europe in monotherapy in endometrial cancer and on the phase I/II clinical study results obtained in metastatic prostate and breast cancers.

Other development programmes

Tanakan®

The Group is endeavouring to explore the potential mechanism of action of EGb 761®, *Ginkgo biloba* extract, present in Tanakan® for the treatment of cognitive impairment in elderly patients with or without predementia or dementia.

With this objective, a on-going study is evaluating the effect of EGb 761® on cerebral glucose metabolism, assessed by FDG-PET scan (in collaboration with the CEA), in patients with spontaneous memory complaints and in patients with Alzheimer's dementia.

Smecta®

The Group is pursuing the life cycle management of Smecta®, *via* the development of a new ready-to-use formulation, and a Phase III clinical trial is planned to be initiated in 2012.

BLI-800

BLI-800 is a new generation of bowel cleansing prior to intestinal procedure as colonoscopy. The patented product, licensed from the US Company Braintree, has been approved by the FDA in 2011 and an EU dossier was submitted to EMA in November 2011.

1.2.2.1.2.4 Research and Development programmes licensed to partners

To ensure the development of the wealth of the molecules in its research programme, the Group has granted worldwide licences for the development and marketing of some of these innovative molecules in clinical practice:

Endocrinology – Taspoglutide (BIM 51077) is an analogue of the peptide hormone GLP-1 (Glucagon-Like Peptide-1) licenced out by the Group to Roche in 2003. On 2 February 2011, the Group announced that Roche had informed it of its decision to return taspoglutide rights to Ipsen. Roche's decision is based on the analyses conducted recently on nausea and hypersensitivity. Under the terms of the agreements signed with Roche in 2003 and 2006, Ipsen has recovered all the data generated by Roche. The Group is examining the available data to identify potential partnership opportunities. Given the investment required, the Group will not carry out the clinical development of the product itself. In Japan, the Group's Japanese partner (Teijin) is conducting a phase II study with sustained-release formulations.

Endocrinology – PTH-rP (BIM 44058). The Group has granted Radius the exclusive right to develop, manufacture and distribute a compound belonging to the Group known as BIM 44058 (as well as its analogues) using the sustained-release formulation technology designed by the Group for the development of a drug used in the treatment of osteoporosis. A detailed description of this partnership is given in paragraph 1.4.1.2 of this document.

Endocrinology – MC4 agonist, ghrelin. The Group has granted Rhythm Pharmaceuticals, a biotechnology company developing therapeutic peptides for metabolic diseases, an exclusive worldwide licence for research, develop and marketing rights of its candidate drugs, MC-4 and ghrelin agonists, therapeutic peptides targeting obesity, metabolic disorders and gastrointestinal problems.

Haemophilia – OBI-1. The Group also has longstanding expertise in the field of haemostasis (blood clotting). The Group's research has led to partnerships with Emory University (USA) and Octagen to develop OBI-1, a recombinant version of porcine factor VIII, using the engineering platform of the Group's proteins. OBI-1 is produced by the Group in its biotechnology unit in Boston. The product (OBI-1) is intended for the treatment of congenital and acquired haemophilia with human factor VIII inhibitors. The Group has conducted phase I and II clinical trials of OBI-1 in the United States.

In January 2010, Ipsen and Inspiration Biopharmaceuticals entered into a partnership to create a leading franchise in the field of haemophilia. The new expanded portfolio of recombinant proteins targets all major types of haemophilia in a unique way and is based on two largely unmet medical needs: the widening of access to clotting factor treatments and the treatment of complications relating to the development of inhibitors. Ipsen and Inspiration are collaborating on the development of two main candidate products, including Ipsen's recombinant porcine factor VIII, OBI-1, and Inspiration's recombinant factor IX product, IB1001, (for preventive and acute bleeding in hemophilia B patients). IB1001 has completed the pivotal phase III clinical testing for the European regulatory submission while the clinical testing is still on-going for the US. In February 2011, Inspiration announced that IB1001 showned non inferiority compared to BeneFIX®, the only recombinant replacement therapy available on the market. In October 2011, Ipsen and Inspiration announced the filing in Europe of the marketing authorisation application for IB1001 for the treatment of hemophilia B.

A first phase III on OBI-1 was a initiated in late 2010 and is still on-going. In November 2011, Inspiration has initiated the second pivotal study, in patients with congenital hemophilia A, who have developed inhibitory antibodies against the human FVIIII replacement therapy.

Under the terms of the agreement, Ipsen has granted an exclusive sub-licence for OBI-1 to Inspiration in exchange for amounts payable in convertible bonds and a royalty on future sales of OBI-1.

Upon certain triggering events, Ipsen could also have the opportunity to acquire control of Inspiration.

■ 1.2.2.2 Intellectual property

The Group's intellectual property strategy consists of seeking protection for patents, copyright and brand names in relation to its products and processes and to defend its intellectual property rights vigorously throughout the world.

1.2.2.2.1 Patents

The Group considers that protection of patented technologies and products is essential to the success of its businesses. At 31 December 2010, the Group held 1,649 patents 1,058 of which were issued in European countries and 171 in the United States (in the majority of cases, each international application includes several national applications and one European application upon expiry of the 30-month priority period).

At the same time, the Group had 1,074 patent applications pending.

The European and international patent applications by definition designate a large number of countries in which protection can be obtained later. In practice, many of these applications will result in the issuance of patents in the initially designated countries and which are considered important by the Group. Consequently, the 125 applications in Europe and the 15 international patent applications ("PCT") are likely to lead to a significantly larger number than 140 national patents issued.

In countries where the Group seeks legal protection through patents, the duration of legal protection of a particular product is generally 20 years from the Group's filing date. This protection may be extended in some countries, particularly in the European Union and the United States. The protection, which may also vary by country, depends on the type of patent and its scope. In most industrialised countries, any new active substance, formulation, indication or manufacturing process may be legally protected. The Group conducts ongoing checks to protect its inventions and to act against any infringement of its patents and or trademarks.

The expiry dates of patents currently held by the Group for its main products are listed in the table below. The Group benefits from the protection in terms of intellectual property rights through licensing agreements for products and compounds that have been patented by other companies.

Product	Patent holder	Patent expiration date
Targeted areas		
Oncology		
Decapeptyl® – Pamoate formulation – Acetate formulation	 Debiopharm Syntex	 patent now expired patent now expired
Décapeptyl® 6 month formulation	Debiopharm	2028 (if patent request granted)
BN 2629 (SJG-136)	Spirogen	2019 (Europe and USA)
BN 83495 (STX 64)	Ipsen (Sterix)	2017 (Europe and USA)
STX 140	Ipsen (Sterix)	2021 (Europe and USA)
Tasquinimod – product – medical use (cancer) – preparation process	 Active Biotech	 2019 2020 2023
Hexvix®	Photocure École Polytechnique Lausanne	2016 + SPC [1] 2019
Endocrinology		
Somatuline® Autogel®	Ipsen	2015 (Europe [2] and USA [3])
Somatuline®	–	Tulane University patent expired
NutropinAq®	Genentech	2013 (Europe)
Increlex® – Medical use – Medical use – Formulation – Manufacturing process	 Genentech Genentech Genentech Genentech	 2015 (Europe) and 2014 (USA) 2024 (Europe) and 2025 (USA) 2017 (USA) 2018 (USA)
Co-administration GH + IGF-I – Medical use (growth stimulation)	 Genentech	 2011 (Europe)
Taspoglutide (BIM 51077)	Ipsen	2019
BIM 51182	Ipsen	2019
BIM 28131	Ipsen	2023 (Europe) and 2024 (USA)
Neurology		
Dysport® [4]	–	No patent filed
Apokyn®	–	No patent

Product	Patent holder	Patent expiration date
Primary care		
Smecta® – process – new formulation aroma	 Ipsen Ipsen	 2025 (if patent request granted) 2028 (if patent granted)
Forlax®	–	No patent filed
Tanakan® (5)	Schwabe Indena	Expired (Europe) 2014 (USA)
Ginkor Fort® (5)	Schwabe Indena	Expired (Europe) 2014 (USA)
Nisis® and Nisisco® – active substance – preparation process of oral formulation	 Ciba Geigy Novartis	 2011 2017
Exforge® – active substance – preparation process of oral formulation	 Ciba Geigy Novartis	 2011 2017
Adenuric® (febuxostat) – Active substance – polymorphic form – solid composition	 Teijin	 2011 2019 (6) 2023 (if granted) (7)
BLI-800	Braintree	2023 (Europe)
Other therapeutic areas		
Neurology		
BN 82451	Ipsen	2020 (Europe and USA)
Fimapezole – active substance – formulation – process	 Santhera Santhera Santhera	 2012 (Europe) 2023 (Europe) 2024 (Europe)
Hematology		

(1) The European patent is extended (*via* SPC) in a number of European countries until 2021 in Switzerland and 2019 in the other countries (Austria, Belgium, Czech Rep., Germany, Spain, France, Great-Britain, Hungary, Ireland, Italy, The Netherlands and Portugal).
(2) An application for a supplementary protection certificate has been issued in Austria, Belgium, Spain, Greece, Luxembourg, Sweden, Denmark and Portugal (expiring in 2016). Similar requests have been made and rejected in France and the United Kingdom.
(3) In the United States, an extension (PTE) has been granted which extends the patent term until March 2020.
(4) There is no patent on the indications and formulation currently marketed but applications are currently pending in the field of botulinum toxin.
(5) Schwabe and Indena held patents in Europe relating to the EGb 761®, the active ingredient of Tanakan® and *Ginkgo biloba* extracts, one of the active ingredients of Ginkor Fort®.
(6) The EP patent has been granted in November 2009 and an opposition has been filed. The opposition division has decided to maintain the patent under an amended form relating to a therapeutical composition of a polymorphic form of febuxostat. The opponent may appeal the decision The patent will expire in June 2019 if it is maintained at the end of the opposition procedure. Based on this EP patent, an extension has been filed *via* the filing of SPC in a number of European countries (Austria, Belgium, Bulgaria, Cyprus, Czech Rep., Denmark, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, The Netherlands, Poland, Portugal, Romania, Slovenia, Spain, Sweden and Great Britain) which might extend the patent term until 2023 if the patent was maintained at the end of the opposition procedure and if the SPCs were granted in these countries.
(7) Could be extended until 2013.

The expiration of the patent for a product may result in significant competition due to the emergence of generic products, and a strong reduction of product sales which benefited from patent protection, particularly the United States. In certain cases, however, the Group may continue to reap commercial benefits from product manufacturing secrets, patents covering processes and intermediate compounds facilitating the cost-effective manufacture of the active substances, patents covering special product formulations, delivery systems and the conversion of active substances into over-the-counter drugs. In some countries, some of the Group's products may also benefit from a period of market exclusivity for five to ten years. This exclusivity period is independent of the protection accorded by patent law and can protect from competition from generic products, even when the original patent has expired. Some of the Group's products, especially certain acetate formulations of Decapeptyl®, Dysport®, Smecta® and Forlax® have never been or are no longer protected by patents. But composition and/or process and/or application patents are still in effect for some of these products.

1.2.2.2.2 Brandnames and trademarks

Brandname and trademark protection varies from country to country. In some countries, this protection is based primarily on the use of the brandname, while in others it results from its registration. Brandname rights are obtained under national trademarks, international registrations or EU-wide trademarks. Registrations are generally granted for a period of ten years and are indefinitely renewable, although in some cases, their maintenance is related to the continued use of the trademark.

Regarding trademarks, the Group, in particular, holds the product names used. These trademarks enjoy protection for pharmaceutical products included in Class 5 of the International Classification of Products and Services.

Registrations protect both the product names in Latin characters but also the names of products in local characters (Cyrillic, Chinese, etc.).

The Group's key products, namely Decapeptyl®, Somatuline® (and Somatuline® Autogel®), Dysport®, Tanakan®, Ginkor Fort®, Smecta® and Forlax®, and the number of trademarks held by the Group at 31 December 2011 are shown in the table below.

Brands and trademarks	Number of registrations or applications
Décapeptyl®	74
Somatuline®	147
Autogel®	149
Dysport®	306
Tanakan®	243
Ginkor Fort®	89
Smecta®	345
Forlax®	145

The Group also holds registrations for the company names which make up the Group, as well as the slogan and logo which constitute its graphic charter.

The Group defends its trademark rights by forming oppositions against deposits of identical or similar trademarks and initiates, if such is the case, legal actions to have its rights recognised.

1.2.2.2.3 Domain Names

At 31 December 2011, the Group had 1048 domain names (reserved or in the process of being reserved).

1.2.3 Main Markets

1.2.3.1 General data

The pharmaceutical industry is highly competitive. In recent years, the pharmaceutical industry has experienced an increased level of horizontal and vertical concentration. In addition, significant changes in marketing conditions are currently occurring in the US and European pharmaceutical markets, including a decrease in the flexibility of pricing, a strengthening of cost control measures and the impact of health care cost management, particularly concerning the selection of products and the determination of selling prices.

In this context, the Group faces competition from other companies to develop and secure marketing authorisations for new pharmaceutical specialities in the therapeutic areas it has targeted, as well as for specific products which generate similar therapeutic results to those generated by medicines marketed by the Group. The Group also competes with

other laboratories in its search for suitable partners to ensure the growth of its research and development and marketed products portfolio.

Numerous companies that compete with the Group to develop and secure marketing authorisations for new medicines are significantly larger than the Group and, accordingly, are able to invest more resources in Research and Development, as well as in marketing, which may provide them the advantage of offering a larger range of products and having access to larger sales forces. Some of these companies have a stronger presence in markets where the Group currently markets products within therapeutic areas it has targeted, particularly in the European Union and markets earmarked for expansion, such as the United States and Japan.

The Group's strategy as a specialty pharmaceutical company is to focus its Research and Development program on the development of a complementary range of products for a deliberately low number of debilitating conditions in the therapeutic areas targeted by the Group. In terms of marketing, this strategy has led the Group to concentrate its efforts on key prescribing physicians, mainly specialists, who are responsible for drug prescriptions or who may induce such a prescription from other practitioners. By developing a strong reputation with these prescribing specialists in these highly specific and specialised areas, the Group believes it is able to direct its marketing activities selectively and cost efficiently, thereby reducing the need for a large sales force. However, the Group must continue to face competition from larger companies that market products in the same therapeutic areas.

Once on the market, the Group's products must compete with those marketed by other pharmaceutical companies for the same indications. Some of these products may already have been on the market for some time when the Group introduces its rival product For example, in the United States, in April of 2009 the Group obtained the market authorisation from the FDA for Dysport® in therapeutic medicine and aesthetics. Today, Dysport® faces competition from Botox® (Allergan), a well established botulinum toxin. In some cases, the Group hopes to profit from the interfaces between its technological platforms by using its research on new delivery systems that are practical for patients for already perfected active substances in order to give both existing and new products competitive advantages. As an example, Somatuline® faces competition from Sandostatin®, which is produced by Novartis, but the Group believes the development of Somatuline® Autogel®, a sustained-release formulation that is relatively painless and easy to use, gives it a competitive advantage in the somatostatin analogue market.

The Group may also have to compete with generic drugs or those marketed for unapproved indications following the expiry of patents protecting its own products or those of its competitors. The prices for these products may be much lower than the original products they replicate, because laboratories that produce them don't need to support the related Research and Development costs. The Group is also exposed to the risks of the creation and sales of counterfeits of its products produced by third parties.

In addition to competition against its products, the Group is also in competition with other companies when recruiting scientists and other highly experienced employees. The Group believes that its human resource policy is highly competitive and contributes to the construction of a positive working environment which, when combined with its reputation for research and development, increases the interest of qualified candidates.

■ 1.2.3.2 Competitive position

The Group's competitive position is essentially described in paragraphs 1.1.1.2. and 1.2.1.1 of this registration document, in which the Group mentions its main competitors. The company IMS, which specialises in the processing of sales data for the pharmaceutical industry worldwide, provides the data (notably IMS – MIDAS/ex-manufacturers), permitting the determination of market share. Further information can be obtained at: www.imshealth.com. The Group does not provide market share data as it considers that the data supplied by third parties is likely to inaccurately reflect sales effectively realised by the Group and its competitors. In addition, the sales of the Group's competitors may be obtained directly from those competitors.

1.2.4 Regulations

The pharmaceutical industry is highly regulated by government bodies. Regulations cover nearly all aspects of the Group's activities, from Research and Development and marketing to its manufacturing facilities and processes. In each country where it markets its products or conducts research, the Group has to comply with the standards laid down by the local regulatory authorities and by any other competent supra-national regulatory authority. These authorities namely include the European Medicines Agency (EMA), the French Agency for the Safety of Medicines and Health Products (ANSM) which replaces the former French Agency for the Safety of Health Products (Afssaps), the Medicines & Healthcare Products Regulatory Agency (MHRA) in the United Kingdom and the Food and Drug Administration (FDA) in the United States, as well as various other regulatory bodies, depending on the relevant market.

■ 1.2.4.1 Price-setting and control

Regulation may cover the setting and the control of selling prices in certain countries in which the Group markets its products. These controls are implemented pursuant to law or because the government or other healthcare agencies in

a given country are the principal purchasers of products or reimburse purchasers for their cost. Price control mechanisms vary in the way they operate from country to country. This may lead to significant differences between markets, which may be amplified by exchange rate fluctuations. These pricing differences may also be exploited by parallel import companies which buy branded products in markets where prices are low and sell them in markets where prices are higher.

In recent years, efforts by government authorities to curb healthcare spending have led to tighter controls on reimbursement policies and price setting in most of the countries in which the Group operates, and particularly in Europe. Measures intended to curb direct costs come in various forms, including mandatory price cuts (or a refusal to accept price increases), a larger share of the cost being borne by the patient (reduction in the amount reimbursed by the third party), the withdrawal of certain products from the lists of reimbursable products, the alignment of reimbursed prices with the lowest product price in a given therapy category, analysis of the cost/benefit ratio of drugs prescribed and efforts to promote growth in the generic drugs market. Since 2009, the national health insurance authority in France *(Assurance Maladie)* has introduced incentive programs (*Contrats d'Amélioration des Pratiques Individuelles* or CAPI) that link physician compensation to individual targets in public health and prescription drugs. These objectives translate into an incentive for the prescription of generic drugs or the decrease in the prescription of certain drug classes.

In some European countries, governments also influence the prices of drugs indirectly, through control of national health systems which fund a significant portion of costs related to these products. In France, for instance, a government authority sets the price of reimbursable drugs taking into account the product's scientific value, as well as the agreements struck between the government authorities and pharmaceutical groups. The price set for a drug depends on the benefits it produces in terms of an improvement in medical performance and innovation and on an economic analysis comparing it with existing treatments. In addition, when fixing the price of a product, the national agency takes into account the price of same product in other countries.

In the context of the global economic and financial crisis, several countries have implemented various measures to reduce the growth of healthcare spending. Thus, in 2011, Decapeptyl® price in China was reduced by 7.0% as well as in South Korea where Decapeptyl® was impacted by the setting up of a price volume control system, by which the price of a drug is reduced by 7.0% if its volume growth exceeds 60.0% year-on-year. In Russia, Ipsen's primary care products (mainly Smecta®, Fortrans®, Tanakan®) underwent a price reduction of 3.0% as of 1 January 2011, following the implementation of a new healthcare reform initiated in 2010 and including both an Essential Drug List and the regulation of distribution channels mark-ups. In January 2011, Algeria also initiated the implementation of a new healthcare reform focused on setting reference pricing per therapeutic class, and control or potential ban of imported products to promote local production putting Forlax® and Smecta® at risk in 2012. Lastly, Turkey completed the implementation of the International Price Reference System (IPRS). Thus, current discount required by SSK (Turkish Social Insurance) on lowest EU prices translates into a 41.0% price reduction on Dysport® and a 32.5% price reduction on Somatuline®.

As for the European Union, many countries also announced a series of restrictive measures in 2011. Thus, Belgium maintained the 1% "special crisis" subsidiary tax on reimbursed drugs put in place in 2009. Additionally, the pharmaceutical industry paid an additional 2.75% subsidiary tax. In Spain, as of 1 November 2011, tax on drug sales (introduced in June 2010) raised from 7.5% to 15.0% for products that have been on the market for more than 10 years and have no generic or biosimilar on the Spanish market. In Greece, a new reimbursement list has been submitted and a 4.0% fee (based on 2011 sales) to remain on the reimbursement list, is implemented. After introducing an 8.0% tax on drug sales, Romania announced in October 2011 a reform wherein the new tax would be based on Healthcare budget excess, to be supported by companies according to their share of sales in NHIH consumption. Portugal has introduced an electronic system encouraging the prescription of the cheapest product (including generics), and a new basket of countries for International Pricing System taking in consideration Spanish, Italian and Slovenian prices, has also been introduced. In December 2011, the Czech Republic introduced a series of measures including electronic auction to lower generic and biosimilar prices, a maximum price set at the average of the 3 lowest prices in the 21 reference countries in Europe, and more stringent conditions for the reimbursement of highly innovative products. Slovakia has implemented in August 2011 the new reference pricing system, the 2nd cheapest in Europe, and introduced a systematic 10% price decrease on each newly obtained indication. In early 2011, Ireland announced a global austerity plan and asked the pharmaceutical industry to save €140 million. Hungary has doubled in July 2011, the health visitor tax, taking it to €40 thousand per year, and increased the tax on sales from 12% to 20%. The Baltic States have introduced price/volume agreements based on the growth of State budgets (in November 2010 for Lithuania and early 2011 for Latvia). Lastly, in Poland, a new Reimbursement Law Reform was enforced on 1 January 2012, introducing an obligatory pay-back in case of budget excess, a tax on manufacturers' income to publicly fund clinical trials and lower regulated margins. As a result, prices of Decapeptyl® and Somatuline® were both reduced by 3.0% on 1 January 2012.

■ 1.2.4.2 Technical and regulatory situation in France

In France, the law on the financing of the social security system, which is voted annually by the Parliament, sets a target for national spending on pharmaceutical products (+0.5% for 2012). If this target is exceeded, the companies party to this agreement are subject to quantitative discounts calculated according to the trend in total spending by drug treatment category and to the sales posted by each company.

French law of 13 August 2004 instituted a *Haute Autorité de Santé* or HAS (French Supreme Health Authority) responsible for evaluating and classifying the health benefits expected or produced by medical procedures, services and products.

This committee has from time to time rendered opinions on the Group's drugs whose health benefits were qualified as insufficient; Tanakan® is notable example. On 15 January 2011, the French Health Minister announced a set of new rules on drugs with an insufficient therapeutic value *(Service Médical Rendu Insuffisant)* that include Tanakan®: "In the absence of specific notice from the Health Minister, the social security will no longer reimburse this class of drugs". Thus, the decision to no longer reimburse Tanakan® in France, as of 1 March 2012, was publicized on 27 January 2012.

In France, the rate of contributions based on the sales of pharmaceutical companies is fixed by the social security finance act voted each year. The rate was set at 1.6% for three years (1% in 2011) by the law on the financing of the social security system for 2012.

Regarding the economic regulation of medicines, it is delegated to the Economic Committee for Health Products (*Comité Economique des Produits de Santé* or CEPS) with which Ipsen maintains a conventional relationship. It is this committee which fixes the prices of medicines following the recommendations of the *Haute Autorité de Santé* (French Supreme Health Authority) who assesses the improvements in medical service rendered (*Amélioration du Service Médical Rendue* or ASMR) brought by each new medical treatment. Regarding medicines already on the market, the Economic Committee for Health Products may be led to seek price reductions based on international comparisons to ensure consistency of prices within the same pharmacotherapeutic category, or at the arrival of generic drugs. Thus, in October 2011, French authorities imposed a price cut of 3.5% on Forlax® and, in November 2011, a price cut of 15% on Nisis®/Nisisco®. In France again, as of 1 January 2012, Decapeptyl® price was reduced by 3.0% for both 3 and 6-month formulations while Adrovance® price was reduced by 33.0%.

Lastly, the law of 29 December 2011, concerning the reinforcement of the sanitary safety of medicines and healthcare products, is going to lead in France to a reinforcement of rules regarding conflict of interests management, and to the creation of the French Agency for the Safety of Medicines (*Agence Nationale de Sécurité du Médicament et des Produits de Santé* or ANSM) which replaces the former French Agency for the Safety of Health Products (Afssaps), with expanded powers and missions. This law is also going to reinforce the rules regarding prescriptions, delivery system, reimbursement, information and advertising of medicines.

■ 1.2.4.3 Other measures to reduce public health spending

Group sales continues to be impacted by the measures taken over the past years by the governments of countries where it operates, particularly in Europe, in the aim to control public health spending (see paragraphs 1.1.2.1.2 and 1.2.6 of this document). The Group foresees that this trend of reducing public health spending will continue in Europe notably in the foreseeable future.

1.2.5 Productivity drive

The Purchasing organisation contributed to the general strategy of the company by setting up a plan of productivity in 2011.

The Purchasing team also developed value creation by spreading an international approach of purchases, implementing preferred vendors list on key categories, developing specific practices in sustainable purchasing and social responsibility.

Beyond the substantial savings achieved in 2011, the Group displayed tools allowing a better visibility of the expenses and a more effective monitoring of the purchase categories at global level.

A program of certification dedicated to the purchasers has also been set up with the partnership of the E.I.P.M. to develop and professionalize the teams around common purchasing skills.

The Operational Excellence programme to improve the efficiency and effectiveness of people and teams has been successful. Competency development through a Lean Six Sigma approach has resulted in shortening cycle times, reducing waste, improving productivity, developing better problem solving skills and improved customer focus. Since 2008, there have been 123 newly certified Black and Green Belts who actively support improvements in the organisation and achieved substantial savings. Operational Excellence has extended beyond production processes into other parts of the Ipsen organisation, like Finance and HR.

1.2.6 Analysis of results

1.2.6.1 Comparison of consolidated sales for the full year of 2011 and 2010

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

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

Sales by geographical region

Group sales by geographical region for the full year of 2011 and 2010 were as follows:

(in millions of euros)	Twelve months			
	2011	2010	% variation	% variation at constant rate
France	292.9	307.1	– 4.6%	– 4.6%
Spain	59.2	58.9	0.4%	0.4%
Italy	79.9	77.0	3.7%	3.7%
Germany	63.7	61.1	4.2%	4.3%
United Kingdom	46.3	46.2	0.2%	1.5%
Major Western European countries	**542.0**	**550.4**	**– 1.5%**	**– 1.4%**
Other European countries	**279.6**	**255.1**	**9.6%**	**8.5%**
North America	**65.7**	**59.5**	**10.5%**	**15.3%**
Asia	138.3	121.5	13.8%	14.0%
Other countries in the rest of the world	134.2	113.6	18.1%	16.9%
Rest of the world	**272.5**	**235.2**	**15.9%**	**15.4%**
Group Sales	**1,159.8**	**1,100.2**	**5.4%**	**5.4%**

For the fourth quarter 2011, sales generated in the **Major Western European countries** amounted to €136.4 million, down 1.7% year-on-year. For the full year, sales generated in the major Western European countries amounted to €542.0 million, down 1.4% year-on-year excluding foreign exchange impacts. 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 negatively impacting growth in Germany and Spain. As a result, sales in the Major Western European countries represented 46.7% of total Group sales at the end of 2011, compared with 50.0% a year earlier.

France – For the full year, sales totaled €292.9 million, down 4.6% year-on-year, penalized notably by the decline of primary care sales. Despite the good performance of Smecta® with a high incidence of seasonal pathology, primary care sales in France were negatively impacted by declining sales of Nisis® and Nisisco® following successive price cuts of 11% in September 2010 and 15% in November 2011, the arrival of several generics in November 2011 and by the switches to Exforge®, co-promoted by the Group. Primary care sales in France were also impacted by decreasing sales of Tanakan®. Additionally, Decapeptyl® sales were down notably due to a destocking at wholesaler levels. Consequently, the relative weight of France in the Group's consolidated sales continued to decrease, representing 25.3% of total Group sales against 27.9% a year earlier.

Spain – For the full year, sales totaled €59.2 million, up 0.4% year-on-year fuelled notably by strong volume growth of Somatuline®, NutropinAq® and the new 6-month formulation of Decapeptyl®, partly offset by the consequences of a 7.5% tax on sales implemented on 1 June 2010 and increased to 15% on 1 of November 2011. Dysport® sales declined following the launch of Azzalure® by the Group's partner, Galderma. At the end of 2011, sales in Spain represented 5.1% of total group sales against 5.4% a year earlier.

Italy – For the full year 2011, sales were €79.9 million, up 3.7% year-on-year driven by the good performance of NutropinAq® and Somatuline®. Italy represented 6.9% of the Group's consolidated sales at the end of 2011, stable year-on-year.

Germany – For the full year 2011, sales amounted to €63.7 million, up 4.2% year-on-year. Strong volume growth of Decapeptyl®, Somatuline® and Hexvix®, a product newly in-licensed from Photocure (outlined below), was partly offset by the increase to 16% from 6% of a mandatory rebate affecting the majority of the Group's sales as of 1 August 2010, by the decrease in sales of Dysport® following the launch of Azzalure® by Galderma and by a sharp decline in drug-related sales [1]. In 2011, sales in Germany represented 5.5% of total Group sales against 5.6% a year earlier.

United Kingdom – For the full year 2011, sales totaled €46.3 million, up 1.5% excluding foreign exchange impacts fuelled by a strong double digit volume growth of Decapeptyl® and Somatuline®, partly offset by lower Dysport® sales

(1) Active ingredients and raw materials.

following the launch of Azzalure® by Galderma and by certain discount accruals related to prior periods under the Pharmaceutical Price Regulation Scheme (PPRS). In 2011, United Kingdom represented 4.0% of total Group sales against 4.2% in 2010.

For the full year 2011, sales generated in the **Other European countries** amounted to €279.6 million, up 8.5% excluding foreign exchange impacts. Performance was fuelled by volume growth, notably in Switzerland where the Group sells Azzalure® to its partner Galderma, and in Russia, Ukraine and Hungary. Over the year, sales in this region represented 24.1% of total Group sales, against 23.2% a year earlier.

For the full year 2011, sales generated in **North America** amounted to €65.7 million up 15.3% excluding foreign exchange impacts driven by the continuous penetration of Somatuline® in acromegaly (strong 28.5% year-on-year growth in the US excluding foreign exchange impacts) and Dysport® in cervical dystonia. For the full year 2011, Increlex® sales were stable year-on-year. Sales in North America represented 5.7% of total Group sales, against 5.4% a year earlier.

For the full year 2010, sales generated in the **Rest of the World** amounted to €272.5 million, up 15.4% year-on-year excluding foreign exchange impacts. This performance was notably driven by strong volume growth in China, Brazil, Australia and Algeria. Over the year, sales in the Rest of the World increased to 23.5% of total Group sales, against 21.4% a year earlier.

Sales by therapeutic area and by product

The following table shows sales by products, grouped together by therapeutic areas for the full year of 2010 and 2009:

(in millions of euros)	Twelve months			
	2011	2010	% variation	% variation at constant rate
Oncology	285.0	270.2	5.5%	5.5%
of which Décapeptyl® (1)	*283.6*	*270.2*	*5.0%*	*5.0%*
Hexvix®	*1.3*	–	–	–
Endocrinology	264.4	244.5	8.1%	8.5%
of which Somatuline® (1)	*188.4*	*170.0*	*10.8%*	*10.9%*
NutropinAq® (1)	*50.9*	*48.4*	*5.1%*	*4.8%*
Increlex® (1)	*25.2*	*26.1*	*– 3.6%*	*0.2%*
Neurology	210.1	189.6	10.8%	10.9%
of which Apokyn® (1)	*5.5*	*6.0*	*– 7.8%*	*– 3.1%*
Dysport® (1)	*204.6*	*183.7*	*11.4%*	*11.3%*
Specialty care	**759.4**	**704.3**	**7.8%**	**8.0%**
Gastroenterology	193.7	181.8	6.5%	6.6%
of which Smecta®	*102.3*	*101.3*	*1.0%*	*1.1%*
Forlax®	*41.4*	*38.9*	*6.4%*	*6.3%*
Cognitive disorders	96.4	96.4	0.0%	0.0%
of which Tanakan®	*96.4*	*96.4*	*0.0%*	*0.0%*
Cardiovascular	62.1	70.6	– 11.9%	– 11.9%
of which Nisis® and Nisisco®	*45.9*	*55.1*	*– 16.6%*	*– 16.6%*
Ginkor Fort®	*12.7*	*12.1*	*5.3%*	*5.3%*
Other primary care products	16.3	15.2	7.4%	7.4%
of which Adrovance®	*12.8*	*11.5*	*11.2%*	*11.2%*
Primary care	**368.5**	**364.0**	**1.2%**	**1.3%**
Total drug sales	**1,127.9**	**1,068.3**	**5.6%**	**5.7%**
Drug-related sales	**31.9**	**30.2**	**0.0%**	**– 5.4%**
Group sales	**1,159.8**	**1,100.2**	**5.4%**	**5.4%**

(1) Peptide- or protein-based products.

For the full year 2011, sales of **specialty care** amounted to €759.4, up 8.0% year-on-year excluding foreign exchange impacts. Sales in Neurology, Endocrinology and Uro-oncology grew year-on-year by 10.9%, 8.5% and 5.5% respectively, excluding foreign exchange impacts. At the end of 2011, the relative weight of specialty care products continued to increase to 65.5% of total Group sales, compared to 64.0% a year earlier.

In the uro-oncology, sales of ***Decapeptyl®*** amounted to €283.6 million, up 5.0% excluding foreign exchange impacts. Solid sales in China, Germany, Algeria and in the United Kingdom were partly offset by lower sales in France and in Russia. For the year 2011, sales in uro-oncology represented 24.5% of total Group sales, stable year-on-year. On 27 September 2011, Ipsen in-licensed Hexvix® from Photocure, the first approved and marketed drug for improved detection of bladder cancer. For the fourth quarter 2011, sales amounted to €1.3 million mostly generated in Italy and Germany.

In endocrinology, sales amounted to €264.4 million, up 8.5% excluding foreign exchange impacts, representing 22.8% of total Group sales, against 22.2% a year earlier.

Somatuline® – Sales of Somatuline® reached €188.4 million, up 10.9% year-on-year excluding foreign exchange impacts, fuelled by a strong 28.5% year-on-year growth in the US excluding foreign exchange impacts and by strong growth in France, Germany, United Kingdom, The Netherlands, Belgium and Italy.

NutropinAq® – NutropinAq® totaled €50.9 million, up 4.8% excluding foreign exchange impacts, driven by strong performances in Italy, Spain and Eastern Europe. In Germany, NutropinAq® displayed a strong volume growth in a stable market.

Increlex® – Sales of Increlex® for the full year 2011 amounted to €25.2 million, up 0.2% excluding foreign exchange impacts.

In the neurology, sales amounted to €210.1 million, up 10.9% excluding foreign exchange impacts. Sales in neurology represented 18.1% of total Group sales, against 17.2% a year earlier.

Dysport® – Sales reached €204.6 million, up 11.3% year-on-year excluding foreign exchange impacts fuelled notably by strong growth of supply sales to the Group's partners Galderma and Medicis, slightly offset by the consequences of the launch of Azzalure® by Galderma in the main Western European countries. Growth was also driven by the growth in the United States in cervical dystonia and by strong performances in Brazil, Russia and Australia.

Apokyn® – Sales were €5.5 million, down 3.1% year-on-year excluding foreign exchange impacts. In November, Ipsen sold its North American development and marketing rights for Apokyn® to Britannia Pharmaceuticals. Ipsen stopped recording Apokyn® sales in its accounts as of 30 November 2011.

For the full year, sales of **Primary Care products** amounted to €368.5 million, up 1.3% year-on-year excluding foreign exchange impacts. Solid sales growths outside of France were partly offset by the negative impacts of the French market situation. Primary Care sales represented 31.8% of the Group's consolidated sales in 2011, down from 33.1% a year before. Primary Care sales in France represented 47.7% of total group Primary Care sales in 2011, against 51.1% a year earlier.

In gastroenterology, sales amounted to €193.7 million, up 6.6% year-on-year excluding foreign exchange impacts.

Smecta® – reached €102.3 million, up 1.1% year-on-year excluding foreign exchange impacts, notably fuelled by a good performance in Russia and high level of seasonal pathology in France. This performance was partly offset by lower sales in Poland and Vietnam. Sales of Smecta® represented 8.8% of total Group sales during the period compared with 9.2% a year earlier.

Forlax® – Sales amounted to €41.4 million, up 6.4% year-on-year, positively impacted notably by a change in the distribution model in a country outside of France. In 2011, France represented 55.5% of the overall sales of the product, down from 59.9% a year earlier.

In the cognitive disorders area, totaled €96.4 million, stable year-on-year. Lower sales in France were offset by higher sales in Russia. In 2011, 48.9% of Tanakan® sales were made in France compared with 52.0% a year earlier.

In the cardiovascular area, sales amounted to €62.1 million, down 11.9% year-on-year, mainly related to successive price cuts on Nisis® and Nisisco® of 11% in September 2010 and 15% in November 2011, to the arrival of several generics in November 2011 and to the switches to Exforge® co-promoted by the Group in France.

Other primary care products amounted to €16.3 million, up 7.4% year-on-year, with sales of ***Adrovance®*** contributing to €12.8 million, up 11.2% year-on-year despite a 25% price cut enforced in May 2010 in France.

For the full year, **drug-related sales** amounted to €31.9 million, down 5.4% excluding foreign exchange impacts.

1.2.6.2 Comparison of the consolidated income statement for 2011 and 2010

	31 December 2011		31 December 2010		Change 2011/2010
	(in millions of euros)	(as a % of sales)	(in millions of euros)	(as a % of sales)	
Sales	**1,159.8**	**100.0%**	**1,100.2**	**100.0%**	**5.4%**
Other revenues	75.1	6.5%	70.1	6.4%	7.1%
Total revenues	**1,234.9**	**106.5%**	**1,170.3**	**106.4%**	**5.5%**
Cost of goods sold	(249.2)	– 21.5%	(236.2)	– 21.5%	5.5%
Research and Development expenses	(253.6)	– 21.9%	(221.1)	– 20.1%	14.7%
Selling expenses	(425.2)	– 36.7%	(422.8)	– 38.4%	0.6%
General and administrative expenses	(101.5)	– 8.7%	(98.3)	– 8.9%	3.3%
Other operating income	17.5	1.5%	61.6	5.6%	– 71.6%
Other operating expenses	(17.6)	– 1.5%	(13.5)	– 1.2%	31.0%
Amortisation of intangible assets	(7.8)	– 0.7%	(11.1)	– 1.0%	– 29.7%
Restructuring costs	(36.5)	– 3.2%	–	–	–
Impairment losses	(85.2)	– 7.3%	(100.2)	– 9.1%	– 14.9%
Operating profit	**75.8**	**6.5%**	**128.8**	**11.7%**	**– 41.2%**
Restated adjusted operating profit [1]	**200.7**	**17.3%**	**183.2**	**16.7%**	**9.6%**
– Income from cash and cash equivalents	3.8	0.3%	2.2	0.2%	68.9%
– Interest expense on gross debt	(1.8)	– 0.2%	(1.6)	– 0.1%	10.9%
Interest expense on net debt	**2.0**	**0.2%**	**0.7**	**0.1%**	**–**
Other interest income and expense	(36.4)	– 3.1%	(4.1)	– 0.4%	–
Income tax	13.3	1.2%	(17.0)	– 1.5%	–
Share of loss from associated companies	(54.5)	– 4.7%	(12.8)	– 1.2%	–
Net profit / loss from continuing operations	**0.2**	**0.0%**	**95.7**	**8.7%**	**– 99.8%**
Net profit / loss from discontinued operations	0.7	0.1%	0.0	–	–
Consolidated profit	**0.9**	**0.1%**	**95.7**	**8.7%**	**– 99.1%**
– Equity holders of Ipsen S.A.	0.4		95.3		–
– Minority interests	0.5		0.4		–

(1) "Recurring adjusted": Reconciliations between results and recurring adjusted results for 2010 and 2009 are detailed in appendix 1.

Sales

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

Other revenues

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

Other revenues break down as follows:

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

(1) Variations excluding foreign exchange impacts are computed by restating 31 December 2011 with 31 December 2010 average exchange rates.

- **Royalties** received amounted to €9.1 million in 2011, up €2.9 million year-on-year driven by the increase in royalties paid by Medicis, Galderma and Menarini.
- **Milestone payments** relating to licensing agreements amounted to €26.1 million, down €7.5 million compared with December 2010, mainly composed of the partnerships with Medicis, Galderma, Recordati, Menarini and Inspiration Biopharmaceuticals Inc.. This decrease was mainly related to the termination in 2011 of milestones payments relating to taspoglutide, after the restitution of product rights to the Group in February 2011.
- **Other revenues** amounted to €40.0 million in 2011 compared with €30.3 million a year earlier. Other revenues include rebilling expenses of industrial development for OBI-1, for €20.3 million, as part of the agreements signed with Inspiration Biopharmaceuticals Inc., together with revenues relating to the Group's co-promotion and co-marketing agreements in France.

Cost of goods sold

In 2011, cost of goods sold amounted to €249.2 million, representing 21.5% of sales, stable year on year. The cost of goods sold, positively impacted by the favorable mix related to the growth in specialty care sales and the Group's productivity efforts, was offset by custom duties in some countries where the Group recorded strong growth.

Research and Development expenses

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

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

(in thousand euros)	31 December 2011	31 December 2010	Change 2011/2010	
			in amount	%
Breakdown by expense type				
– Drug-related research and development [1]	(219.4)	(192.1)	(27.3)	14.2%
– Industrial development [2]	(29.4)	(23.7)	(5.7)	24.0%
– Strategic development [3]	(4.8)	(5.4)	0.5	– 10.2%
Total	**(253.6)**	**(221.1)**	**(32.5)**	**14.7%**

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

- **Drug-related research and development expenses** increased by 14.2% year-on-year. The major research and development projects conducted during the period focused on Dysport®, Somatuline® and the phase II clinical study of Irosustat (BN-83495). The Group decided on 6 June 2011 to discontinue the clinical development program in monotherapy. Drug-related research and development expenses also recorded costs relating to the discontinuation of Irosustat in monotherapy mentioned above and the Combo program (Combination of GH and IGF-1) in line with the strategy announced on 9 June 2011.
- **Industrial development expenses** have increased in 2011 by 24.0% year-on-year, mainly resulting from production ramp up of clinical batches of OBI-1 for 2 on-going phases III trials. The associated costs were reinvoiced to Inspiration Biopharmaceuticals Inc. and recorded in the "other revenues" line.

Selling, general and administrative expenses

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

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

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

- **Selling expenses** amounted to €425.2 million in 2011, or 36.7% of sales, compared with €422.8 million, or 38.4% of sales in 2010.
  - **Royalties** paid to third parties on sales of products marketed by the Group during 2011 amounted to €46.6 million, compared with €43.7 million in 2010.
  - **Other selling expenses** amounted to €378.4 million or 32.6% of sales, stable compared to €379.1 million, or 34.5% of sales for the same period in 2010. In line with the strategy announced on 9 June 2011, the Group continued to selectively allocate resources to growth geographies, especially China, Russia and Brazil, in a context of declining primary care sales in France. Moreover, the Group wrote down certain receivables from public hospitals in Southern Europe (Greece, Spain, Portugal and Italy).

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

Other operating income and expenses

Other operating income amounted to €17.5 million in 2011, compared with €61.6 million a year earlier. The other operating income is composed of a non-recurring income of €17.2 million following the enforceable ruling handed down in relation to the commercial dispute between the Group and Mylan. In 2010, the other operating income was mainly composed of a non-recurring income of €48.7 million for the accelerated recognition of the deferred revenues following Roche's decision – announced on 2 February 2011 – to return taspoglutide's development rights to the Group, and on the other hand, of the write-back of a €11.3 million non-recurring potential liability in connection with Tercica Inc.' buyout since the Group deemed the event unlikely to arise.

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

Amortisation of intangible assets

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

Restructuring costs

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

Impairment losses

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

IGF-1 licence

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

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

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

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

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

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

Dreux industrial site tangible assets

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

Nisis-Nisisco® and fipamezole

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

- On the one hand the know-how and the brand of the primary care drug Nisis Nisisco®, active promotion of which has been deprioritised with the arrival of generics on the market following the loss of its patent in November 2011.
- On the other hand on fipamezole due to uncertainties associated with future development timelines following the renegotiation of the contract with Santhera in January 2012.

Operating income

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

The Group's recurring adjusted (1) operating income at 31 December 2011 amounted to €200.7 million, or 17.3% of consolidated sales, up 9.6% year-on-year, compared to €183.2 million in 2010.

- Segment reporting: Operating profit by geographical region

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

The operating segments existing as of 31 December 2011 are as follows:

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

(1) "Recurring adjusted": The reconciliations between operating income and recurring adjusted operating income as of 31 December 2011 and 2010 are detailed in appendix 1.

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

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

- **In the major Western European countries,** sales in 2011 amounted to €542.0 million, down 1.4% year-on-year, excluding foreign exchange impacts [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 austerity measures negatively impacting growth in Germany and Spain. As a result, sales in the Major Western European countries represented 46.7% of total Group sales at the end of 2011, compared with 50.0% a year earlier. The other operating income and expenses represented a €17.2 million income following the enforceable ruling handed down in relation to the commercial dispute between the Group and Mylan. The Group also recorded €24.4 million in non-recurring restructuring charges related to the new strategy announced on 9 June 2011, comprising the close-down of the Research and Development site in Barcelona (€24.4 million) as well as depreciation on some of the Group's assets following indications of impairment. Operating income in 2011 amounted to €155.9 million, down 25.2% year-on-year, representing 28.8% of sales, compared with 37.9% in 2010. Excluding non-recurring impacts, operating income in 2011 reached €223.9 million, up 1.4% year on year, compared to €220.9 million in 2010.
- **In the Other European countries (other Western European countries together with Eastern Europe),** sales reached €279.6 million in 2011, up 8.5% year-on-year excluding foreign exchange impacts [2], fuelled by volume growth, notably in Switzerland where the Group sells

(1) Variations excluding foreign exchange impacts are computed by restating 31 December 2011 with 31 December 2010 average exchange rates.

Azzalure® to its partner Galderma, and in Russia, Ukraine and Hungary. Over the year, sales in this region represented 24.1% of total consolidated Group sales, against 23.2% a year earlier. As a result, operating income in 2011 amounted to €118.4 million compared with €110.7 million a year earlier. It represented 42.3% of sales in 2011 compared with 43.4% in 2010.

- **In North America,** sales reached €65.7 million in 2011, up 15.3% year-on-year excluding foreign exchange impacts, driven by the continuous penetration of Somatuline® in acromegaly (strong 28.5% year-on-year growth in the US excluding foreign exchange impacts) and Dysport® in cervical dystonia. In 2011, Increlex® sales were stable year-on-year. Sales in North America represented 5.7% of total consolidated Group sales, against 5.4% a year earlier. Operating income amounted to (€35.7) million in 2011. In 2011, according to the new strategy announced on 9 June, the Group recorded €10.9 million non-recurring expense related to the transfer to the East Coast of its North American commercial subsidiary. The Group also recorded a non-recurring impairment loss of €24.4 million related to IGF-1 in North America. In 2010, the Group recorded a non-recurring impairment loss of €54.7 million, partially offset by the write-back of a €11.3 million contingent liability in connection with Tercica Inc.'s buyout, since the Group deemed the event unlikely to occur. Excluding the non-recurring impairments described above, the operating income in 2011 amounted to (€0.4) million compared to (€16.2) million in 2010.
- **In the Rest of the world,** where the Group markets most of its products through agents and distributors, with the exception of a few countries where it has a direct presence, sales reached €272.5 million in 2011, up 15.4% year-on-year excluding foreign exchange impacts14, fuelled notably by strong volume growth in China, Brazil, Australia and Algeria. Over the year, sales in the Rest of the World increased to 23.5% of total consolidated Group sales, against 21.4% a year earlier. Operating income in 2011 increased by 10.1% year-on-year reaching €106.4 million, or 39.1% of sales in 2011 versus 41.1% of sales in 2010.
- **Non-allocated operating income** amounted to (€269.2) million in 2011, to be compared with (€227.5) million in 2010. It comprised mainly the Group's central research and developments costs for (€213.2) million in 2011 and (€195.7) million in 2010 and, to a lesser extent, unallocated general and administrative expenses.
- **Revenues** amounted to €26.6 million in 2011, stable year-on-year, compared to €26.8 million in 2010. In 2011, non-allocated operating income mainly included the non-recurring expenses related to the implementation of the strategy announced on 9 June 2011 and the changes within the Executive Committee. In 2010, the non-allocated operating income comprised €48.7 million for the accelerated recognition of the deferred revenues following Roche's decision to return taspoglutide's development rights to the Group, as well as €28.4 million non-recurring impairment losses following uncertainties that had appeared in the future development timelines of some of its partnerships and some non-recurring fees notably related to the change of Chairman and CEO.

Costs of net financial debt and other financial income and expenses

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

- **The cost of net financial debt** amounted to €2.0 million in 2011, mainly comprising the interest recorded on the four convertible bonds issued by Inspiration Biopharmaceuticals Inc. and subscribed by the Group.
- **The other financial income and expenses** amounted to (€36.4) million in 2011 *versus* (€4.1) million in 2010. In 2011, the Group booked a €42.0 million non-recurring impairment loss on the four convertible bonds issued by Inspiration Biopharmaceuticals Inc. and subscribed by the Group (detailed below in the line : share of profit/loss from associated companies), and partially offset by a €7.2 million positive foreign exchange impact mainly related to the revaluation of these four convertible bonds issued by Inspiration Biopharmaceuticals Inc. in US Dollars. Over the same period in 2010, the foreign exchange impact resulted in a loss of (€3.2) million. In 2010, the other financial income and expenses comprised notably a non-recurrent profit recorded on the divestment of the Group's shares in PregLem Holding S.A..

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

Income tax

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

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

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

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

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

Share of profit/loss from associated companies

In January 2010, the Group and Inspiration Biopharmaceuticals Inc. formed a partnership to create a franchise in the field of hemophilia. According to the agreement, Ipsen granted Inspiration Biopharmaceuticals Inc. an exclusive sub-license for OBI-1 for 50.0 million USD in addition to a 27.5% royalty rate on future drug sales. In exchange, Inspiration Biopharmaceuticals Inc. issued a 50.0 million

(1) Variations excluding foreign exchange impacts are computed by restating 31 December 2011 with 31 December 2010 average exchange rates.

USD convertible bond to Ipsen. Ipsen carried out an initial investment of 84.9 million USD in Inspiration in exchange for 22% of consolidated capital, booked according to the equity method. Furthermore, in accordance with the contract, Ipsen subscribed to three new convertible bonds for 50, 35 and 25 million USD, respectively, following the completion by Inspiration Biopharmaceuticals Inc. of development milestones on IB1001 and OBI-1.

During the end of the second half of 2011, Ipsen noticed an intensifying competitive environment in the rapidly changing field of hemophilia and recently identified the accelerating development timelines of potential new competitors in the market. These factors led the Group to reduce the sales forecasts of Inspiration Biopharmaceuticals Inc.. In this context, on December 31, 2011, the Group recorded on the one hand a €7.5 million non-recurring impairment loss on the intangible asset recognised within the framework of the purchase price allocation in Inspiration Biopharmaceuticals Inc.'s accounts and, on the other hand, a €68.8 million impairment loss on its investment in Inspiration Biopharmaceuticals Inc., applied in priority to its share of equity for €26.8 million, and the remaining (€42.0 million) applied to the convertible bonds held on the company.

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

In 2010, the Group recorded an expense of €12.8 million representing its 22.0% stake of Inspiration Biopharmaceuticals Inc.'s net loss or €8.3 million equity accounted into the Group's accounts since January 2010, a non-recurring net loss of €5.9 million further to the depreciation of an underlying asset, resulting from an increase in discount rate of its future cash flows, as well as a €1.4 million income consequent to the purchase price allocation.

Profit/loss from continuing operations

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

Recurring adjusted (1) profit from continuing operations amounted to €141.3 million at 31 December 2011, up 1.9% from €138.6 million year-on-year.

Profit/loss from discontinued operations

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

Consolidated net profit

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

The Group's fully diluted recurring adjusted consolidated net profit per share (2) amounted to €1.68 at 31 December 2011, up by 2.44%.

Milestones received in cash but not yet recognised as revenues

At 31 December 2011, the total of milestone payments received in cash by the Group and not yet recognised as other revenues on the income statement amounted to €199.0 million, down 7.8% compared with €215.9 million in 2010.

In 2011, the Group only recorded €10.6 million of new deferred revenue for its partnerships (of which €8.3 million from Menarini), whereas, in 2010, the Group had recognised the totality of the remaining deferred income relating to its partnership with Roche, €48.7 million, following the announcement by the latter to return the development rights of taspoglutide. In addition, in 2010, the Group recorded €59.6 million of deferred income for its partnerships with Menarini (€24.1 million) and Inspiration Biopharmaceuticals Inc. ($50.0 million), corresponding to the initial payment for the OBI-1 license and offset by the Group's subscription to a convertible note issued by Inspiration Biopharmaceuticals Inc..

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

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

(1) Amounts converted at average annual exchange rates as of 31 December 2011 and 2010 respectively.

(1) "Recurring adjusted": The reconciliations between results and recurring adjusted results as of 31 December 2011 and 2010 are detailed in appendix 1.
(2) "Restated and diluted per share": The recurring adjusted incomes net of tax at 31 December 2011 and 2010 are attached in appendix 1.

APPENDIX 1

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

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

(1) Effects of the allocation of goodwill resulting from transactions by the Group in North America.
(2) Impairment losses recognised over the period, detailed in the paragraph "Impairment losses» and the €42.0 million non-recurring impairment loss recorded on the four convertible bonds issued by Inspiration Biopharmaceuticals Inc. and subscribed by the Group.
(3) The other non-recurrent items include:
- certain non-recurring fees incurred during the preparation and early implementation of the strategy announced on 9 June 2011,
- non-recurring expenses linked with restructuring, corresponding to the closure of the site in Barcelona and the transfer of the Group's North American commercial subsidiary to the East Coast,
- certain expenses linked with changes within the Group's Executive Committee,
- compensatory damages received by the Group following the enforceable ruling handed down in relation to the commercial dispute between the Group and Mylan.

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

(in millions of euros)	31 December 2010 restated		Accelerated recognition of revenue [1]	Impairment losses [2]	Other non-recurrent items [3]	31 December 2010	
	(in millions of euros)	(as a % of sales)				(in millions of euros)	(as a % of sales)
Revenues	**1,170.3**	**106.4%**	**–**	**–**	**–**	**1,170.3**	**106.4%**
Cost of goods sold	(238.9)	– 21.7%	–	–	2.7	(236.2)	– 21.5%
Research and Development expenses	(221.1)	– 20.1%	–	–	–	(221.1)	– 20.1%
Selling expenses	(422.8)	– 38.4%	–	–	–	(422.8)	– 38.4%
General and administrative expenses	(98.3)	– 8.9%	–	–	–	(98.3)	– 8.9%
Other operating income	1.6	0.1%	48.7	11.3		61.6	5.6%
Other operating expenses	(4.5)	– 0.4%			(9.0)	(13.5)	– 1.2%
Amortisation of intangible assets	(3.1)	– 0.3%	–	–	(8.0)	(11.1)	– 1.0%
Restructuring costs	–	–	–	–	–	–	–
Impairment losses	–	–	–	(100.2)	–	(100.2)	– 9.1%
Operating profit	**183.2**	**16.6%**	**48.7**	**(88.8)**	**(14.3)**	**128.8**	**11.7%**
Financial income/(expense)	**(6.1)**	**– 0.6%**	**–**	**(1.6)**	**4.3**	**(3.4)**	**– 0.3%**
Income taxes	(30.2)	– 2.7%	(7.6)	16.0	4.8	(17.0)	– 1.5%
Share of profit/loss from associated companies	(8.3)	– 0.8%	–	(5.9)	1.4	(12.8)	– 1.2%
Net profit from continuing operations	**138.6**	**12.6%**	**41.2**	**(80.3)**	**(3.8)**	**95.7**	**8.7%**
Profit/loss from discontinued operations	–	–	–	–	–	–	
Consolidated net profit	**138.6**	**12.6%**	**41.2**	**(80.3)**	**(3.8)**	**95.7**	**8.7%**
– Attributable to shareholders of Ipsen S.A.	138.2					95.3	
– Minority interests	0.4					0.4	
Diluted earnings per share (in € per share)	*1.64*					*1.13*	

(1) Accelerated recognition of deferred income corresponding to milestone payments relating to the development of taspoglutide, licensed to Roche, who announced on 2 February 2011 that it discontinued its development.
(2) Impairment losses recognised over the period, detailed in the paragraph "Impairment losses" and the write-back of a potential liability in connection with Tercica Inc.'s buyout, since the Group deemed the event unlikely to arise.
(3) The other non-recurrent items include:
– the effects of the purchase price allocation related to the Group's transactions in North America (€-1.8 million after tax),
– non-recurrent fees and expenses such as the impact of the change of Chairman and CEO,
– the income from the divestment of PregLem shares and the effect of the liquidation of a Group's subsidiary, Porton Inc..

1.2.7 Cash flow and capital

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

1.2.7.1 Analysis of the cash flow statement

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

Net cash flow from operating activities

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

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

- Inventories increased by €5.1 million in 2011 compared with a €4.7 million increase in 2010 resulting from the constitution of buffer stocks in strong growth countries such as China, Russia and Brazil.
- Account receivables increased by €16.7 million in 2011 compared with a €14.8 million increase in 2010 due to business expansion, notably in China, Russia and Brazil.
- Trade payables increased by €9.4 million in 2011 compared with an increase of €16.8 million in 2010.
- The change in other assets and liabilities comprised the use of €24.0 million in 2011, against €6.1 million in 2010. In 2011, the Group recorded €10.6 million of deferred incomes from partnerships, compared with €59.6 million in 2010. On the contrary, the Group recognised €25.8 million of deferred incomes from partnerships in 2011 compared with €79.6 million in 2010 mainly due to the deferred income recorded related to its partnership with Roche. Other operating assets and liabilities included an account receivable of €7.5 million in 2011 from Inspiration Biopharmaceuticals Inc., corresponding to the reinvoicing of the production ramp-up of OBI-1 clinical batches for the two on-going phIII studies.
- The change in net tax liability in 2011 represented a source of funds of €4.7 million corresponding, on the one hand, to the reimbursement by the tax authorities of an excess amount of tax paid in France for the 2010 tax year, and, on the other hand, to tax owed over the period, net of repayments.

Net cash flow from investing activities

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

- Investments in tangible and intangible assets net of disposals amounted to €95.2 million in 2011, compared with €86.6 million in 2010, which consisted mainly in:
  - Investments in tangible assets for €44.3 million against €53.7 million in 2010, mainly consisting of investments necessary for the maintenance of the Group's production equipment and investments in capacity at the Wrexham site as well as investments in equipment for the Milford and Group's research and development sites.
  - Investments in intangible assets amounted to €58.0 million (€33.3 million in 2010), mainly related to the Group's active partnership policy (Active Biotech for Tasquinimod, €25 million and Photocure for Hexvix®, €22.5 million).
- A cash outflow relating to the changes in consolidation scope for €45.3 million in 2011 related to the subscriptions by the Group of two convertible bonds issued by Inspiration Biopharmaceuticals Inc..
- A €10.7 million net cash use for other investment activities, mainly to the Group's investment in certain "Biotech" venture capital funds (Innobio and Biodiscovery).

- A decrease in working capital requirements relating to investment transactions representing €8.0 million mainly relating to the 2011 proceeds of the sale of Preglem shares, recorded in 2010.

Net cash flow from financing activities

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

Net cash flow from discontinued operations

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

1.2.7.2 Analysis of the Group's net cash (1)

(in million of euros)	31 December 2011	31 December 2010
Cash in hand	52.3	50.4
Short-term investments	92.3	127.3
Interest-bearing deposits	0.4	0.4
Cash and cash equivalents	**145.0**	**178.1**
Bank overdrafts liabilities	(0.2)	(0.2)
Closing net cash and cash equivalents	**144.8**	**177.9**
Non-current liabilities	0.0	0.0
Long-term debt	16.6	15.3
Other financial liabilities	16.6	15.3
Current liabilities	4.0	4.0
Short-term debt	5.0	3.5
Financial liabilities	9.0	7.5
Debt	**25.6**	**22.8**
Derivative instruments	(3.0)	(0.9)
Net cash (1)	**122.3**	**156.0**

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

As of 31 December 2011, the Group's net cash (1) amounted to €122.3 million, compared to net cash (1) of €156.0 million as of 31 December 2010.

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

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

- 04/06/2011 €187.5 million
- 04/06/2012 €150.0 million
- 04/06/2013 –

In addition to the customary contractual clauses, the loan agreement requires the Group to comply with various financial covenants on a consolidated basis on each reporting date.

The covenants include a maximum ratio of net debt to equity and a maximum ratio of net debt to EBITDA (2). The maximum ratios are as follows:

- Net debt to equity: 1
- Net debt to EBITDA (2): 3

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

As of 31 December 2011, the Group had a positive net cash position; the net debt to equity and net debt to EBITDA (2) ratios are not relevant.

(1) Net cash and cash equivalents : Cash and cash equivalents after deduction of bank overdraft, bank borrowings, other financial liabilities excluding derivative financial instruments.
(2) EBITDA: operating income before depreciations, amortisations and provisions.

1.2.8 Mother-subsidiaries relationship

Ipsen S.A. is acting as an holding company with regards to its affiliated companies and has no operational activities. Some senior managers are employed by Ipsen S.A. under the conditions and the invoicing provisions set forth in Chapter 2.2.3.2. €19.5 million have been invoiced by Ipsen S.A. in 2011 with regards to these senior managers. The Group comprises 44 affiliates which are consolidated as set forth in note 31 in Chapter 2.1.5.

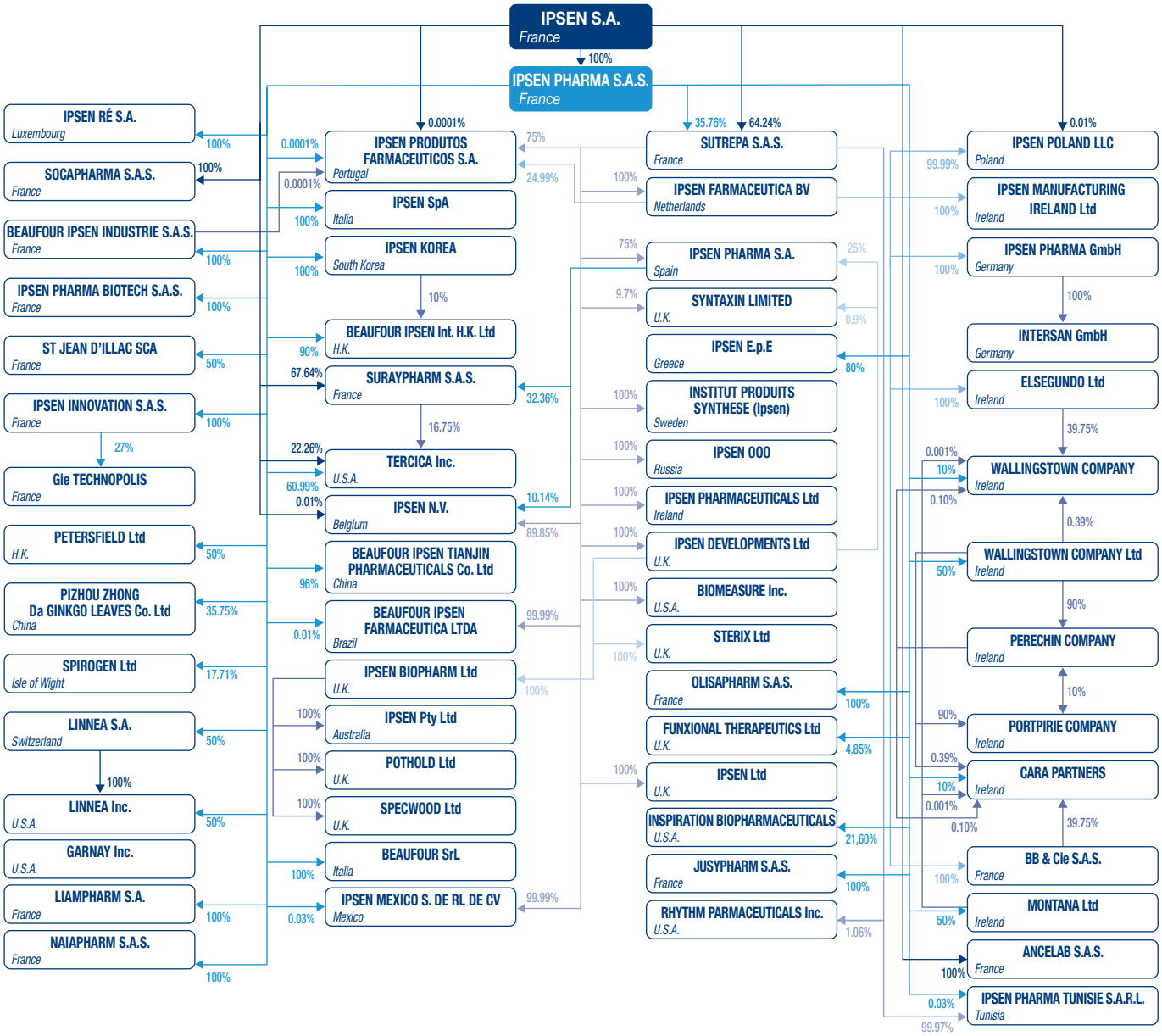
These companies are either research and development, manufacturing, management or commercialisation entities. They own the assets they are exploiting in the frame of their activities and Chapter 2.1 note 5.3 presents such assets by geographical areas.

As indicated in Chapter 3.2.3, Ipsen S.A. is controlled by a company incorporated in Luxembourg, Mayroy. Description of this company and its shareholding is to be found in Chapter 3.2.3.

1.2.8.1 Organisational structure

The stated percentages indicate the proportion of share capital and voting rights held in each company.

Group Organisation chart at 31 December 2011



1.2.8.2. Acquisitions

On 22 January 2010, the Group acquired 20% of the shares of the Company Inspiration Biopharmaceuticals Inc., a company incorporated under American Law. The terms of this acquisition are described in paragraph 1.4.3 of this reference document.

The evolution of the organisation chart takes into account the acquisition of holdings by the Group in certain companies within the framework of these partnerships and the disposal of Preglem Holding SA and Porton International Inc. shares.

In the context of the Group's aim to streamline its legal, administrative and regulatory structure, the Group has decided to liquidate the Danish subsidiary Ipsen Scandinavia A/S, dormant company since December 2007.

This internal legal restructuring generated does not have a significant impact on the Group's consolidated income statement at 31 December 2011.

1.2.8.3 Information on the participations

The participations of the Company cover only the Group Companies. Their financial impacts are described in the Appendices to consolidated financial statements of the Company contained in Section 2.1 "Financial Information and Results of the Company" in this registration document.

1.3 GROUP'S EMPLOYEES AND ENVIRONMENTAL ISSUES

1.3.1 Human Resources

1.3.1.1 Group workforce

At 31 December 2011, 43% of the Group's 4,479 employees and notably 62% of the sales force, were employed outside the major Western European countries. The following table shows a geographical analysis of Group's employees by function.

Geographical split

	Sales	Manufacturing and supply	Research and Development	Administration and other	Total
At 31 December 2011					
Major Western European countries (1)	762	743	589	468	**2,562**
Other European countries	415	128	60	82	**685**
North America	123	18	191	42	**374**
Rest of the world (2)	691	55	41	71	**858**
Total	**1,991**	**944**	**882**	**663**	**4,479 (*)**
At 31 December 2010					
Major Western European countries (1)	797	756	682	470	**2,705**
Other European countries	402	133	66	74	**675**
North America	116	26	163	38	**343**
Rest of the world (2)	616	53	32	65	**766**
Total	**1,931**	**968**	**943**	**647**	**4,489**
At 31 December 2009					
Major Western European countries (1)	734	882	644	419	**2,679**
Other European countries	392	135	53	78	**658**
North America	120	25	164	37	**346**
Rest of the world (2)	587	61	31	66	**745**
Total	**1,833**	**1,103**	**892**	**600**	**4,428**

(*) Data covered by the report of one of the Auditors presented on page 84.
(1) *i.e.*: Germany, Spain, France, Italy and the United Kingdom.
(2) Including Asia.

Structure and trends

The following tables provide an insight into the structure and recent trends in the Group's workforce.

Overall workforce trends

	31/12/2011	31/12/2010	31/12/2009
Major Western European countries (1)	2,562	2,705	2,679
Other European countries	685	675	658
North America	374	343	346
Rest of the world (2)	858	766	745
Total	**4,479 (*)**	**4,489**	**4,428**

(*) Data covered by the report of one of the Auditors presented on page 84.
(1) *i.e.*: Germany, Spain, France, Italy and the United Kingdom.
(2) Including Asia.

Analysis of the workforce by type of employment contract (joint ventures non included)

As illustrated by these tables, the Group maintains a high level of permanent jobs: 96% of employees have permanent contracts.

(As a percentage)	31/12/2011	31/12/2010	31/12/2009
Permanent	96% (*)	96%	96%
Non-permanent	4% (*)	4%	4%

(*) Data covered by the report of one of the Auditors presented on page 84.

Analysis of the workforce by employment category (joint ventures non included)

	Non Sales force		Sales force (1)	
	Exempt staff	Non-exempt staff	Exempt staff	Non-exempt staff
At 31 December 2011	1,247 (*)	1,704 (*)	1,164 (*)	269 (*)
At 31 December 2010 (**)	1,249	1,697	1,126	321
At 31 December 2009 (**)	1,211	1,735	1,057	325

(*) Data covered by the report of one of the Auditors presented on page 84.
(**) Change on figures published in 2009 and 2010 (calculated without joint ventures).
(1) "Field" sales force.

Recruitments (joint ventures non included)

Recruitments include both replacements and new job positions.

	31/12/2011			31/12/2010			31/12/2009		
	Total (*)	Of which		Total	Of which		Total	Of which	
		Perm (*)	Fixed term (*)		Perm	Fixed term		Perm	Fixed term
Major Western European countries (1)	**244**	128	116	**263**	146	117	**286**	162	124
Other European countries	**73**	53	20	**78**	47	31	**161**	138	23
North America	**94**	92	2	**70**	70	0	**81**	81	0
Rest of the world (2)	**303**	286	17	**256**	238	18	**208**	203	5
Total	**714**	**559**	**155**	**667**	**501**	**166**	**736**	**584**	**152**

(*) Data covered by the report of one of the Auditors presented on page 84.
(1) *i.e.*: Germany, Spain, France, Italy and the United Kingdom.
(2) Including North America (except for 2009) and Asia.

Termination of employees (joint ventures non included)

	Redundancies, dismissals	Mutual agreement	Resignations, end of fixed-term contracts, seasonal contracts	Retirements, deaths
2011 financial year				
Major Western European countries (1) (*)	162	21	164	15
Other European countries (*)	8	7	47	–
North America (*)	19	–	44	–
Rest of the world (2) (*)	64	–	137	1
Total	**253**	**28**	**392**	**16**
2010 financial year				
Major Western European countries (1)	36	22	169	20
Other European countries	9	5	43	1
North America	19	–	39	1
Rest of the world (2)	49	–	135	2
Total	**113**	**27**	**386**	**24**
2009 financial year				
Major Western European countries (1)	55	18	132	21
Other European countries	15	16	73	4
North America	15	–	19	1
Rest of the world (2)	17	–	116	–
Total	**102**	**34**	**340**	**26**

(*) Data covered by the report of one of the Auditors presented on page 84.
(1) *i.e.*: Germany, Spain, France, Italy and the United Kingdom.
(2) Including North America (except for 2009) and Asia.

In 2011, the increase in number of redundancies and dismissals is more particularly due to the close down of the research and development activities in Spain.

Absenteeism

Absenteeism reasons taken into account: illness, work/journey accident, unjustified absence unpaid.

The following table shows the absenteeism rates by function during the 2009, 2010 and 2011 financial years:

	2011 financial year (*)	2010 financial year (*)	2009 financial year
Manufacturing and supply chain	4.5%	3.6%	3.9%
Sales	2.6%	2.4%	2.9%
Administration and other	2.7%	1.0%	2.2%
Research and Development	2.6%	2.4%	2.2%
Total	**3.0%**	**2.6%**	**3.0%**

(*) Tercica not included.

Use of temporary personnel

The main reason for using temporary personnel is the replacement of absent employees. It is concentrated primarily in manufacturing and supply chain departments where absenteeism is important, while it is vital to keep production going at all times. Even so, only limited use is made of temporary staffing, since it accounted for only 227 full-time equivalents during 2011 for all Group's units (Tercica not included), *i.e.* 5.2% of the workforce.

Use of outsourcing by the Group

During the 2011 financial year, the Group spent over 37 million euros on outsourcing, compared with 34.9 million euros in 2010 and 31 million euros in 2009.

The Group uses the services of external companies for security, building and green space maintenance, company catering, administration, maintenance, and the processing of certain drugs.

1.3.1.2 The Group's Human Resources policy

Ipsen's Human Resources policy is dedicated to supporting the Group's dynamic and strategy. It aims at creating the right framework:

- to improve individual and collective performance,
- to foster employee development notably by giving them access to training and mobility,
- to promote a managerial excellence culture.

Individual performance appraisal

The Individual Performance Appraisal Process (IPAP) is an essential process in the management of people. It is an ongoing process with two formal appraisal meetings. The dialogue between the Manager and the team members is an opportunity to recall and/or clarify the business strategy of the Company and transform Group objectives into individual ones.

The IPAP provides Managers with the means to motivate and encourage their team members to achieve challenging but realistic objectives. For the employee it offers the conditions for a constructive dialogue with their Manager so that they may voice their view on their performance and the difficulties they may have encountered. The outcome of the end-of-year interview should allow alignment and agreement on the performance to achieve – main duties, annual objectives and behaviour – and the definition of the means to enable the employee to reach them.

Recruitment and mobility

To suppport Ipsen's new strategy, the recruitment and mobility processes were reinforced in 2011 so as to make sure Ipsen has the strategic competencies it needs to face its business challenges: leadership qualities, medical competencies, market access know how and international profiles.

Recruitment

In 2011, the Group recruited a total of 714 new employees which splits as follows: 19.6% in manufacturing and supply, 9.8% in research and development, 5.3% in administration and other, and 65.3% in sales.

In 2010, with the support of the Purchasing department, 10 external recruitment providers were referenced and the terms of collaboration were defined and negotiated. By the end of 2011, the service they delivered to Ipsen was assessed to ensure continuous improvement.

Ipsen's commitment to ensure diversity within its workforce starts with a call to recruit a wide panel of profiles and competencies (cf *"Equal opportunities and diversity within the Group"*).

To welcome and integrate new employees, Ipsen has local integration programmes for all employees at site level and organises Global Management Induction seminars for Managers at Group level; in 2011, 38 Managers attended.

Internal mobility

The Group actively promotes internal mobility. Internal candidates having demonstrated their professionalism and engagement are given priority for any recruitment act. In 2010, an internal mobility Charter was circulated to all employees and job vacancies are systematically advertised to employees on the Group's intranet portal.

In the last quarter of 2011, approximately 70 new job positions were created in the context of the new organisation. A new impetus was given to the mobility process and to the communication intended for recruiting Managers and candidates. The Mobility Committee which provides an opportunity for Human Resources teams to discuss potential candidates for an internal position and job opportunities within the Group met every week.

Furthermore 70 top managers were individually assessed by an external provider to pin point their professional profile, their key competencies – including leadership – their motivation and development needs. As a result candidates for internal mobility were identified as well as individual and collective development needs.

As a result, 98 employees changed positions within the Group in 2010, and 125 in 2011, while 8% moved up from one hierarchical position to another in 2010 and 2011.

Development and training

The Group consistently aims to provide its employees with high-quality learning and development opportunities tailored to the overall Group requirements and the specific features of each business. Training can be broken down into two types: at central level, training programmes are organised to promote the development of managerial expertise and the cohesion of the Group, and at local level technical training is provided linked to different business expertise.

Development

In 2011, the development policy was focused on the implementation of the Individual Development Plan (IDP) and by individual and collective change management initiatives.

Tested on a sample of people in 2010, IDP was proposed to all employees in 2011. IDP enables those who wish to do so to review their professional experience, know-how, motivation, and select the areas for development; it is an opportunity for them to have a dedicated discussion with their Manager and to have a concrete action plan which will be followed up by management and Human Resources. Specific trainings were delivered to prepare both Managers and employees.

Ipsen's competency model which was defined in 2010 has been adapted to the Group's new priorities and organisation.

It is now based on the Group's four action principles: accountability, team spirit, result orientation and agility (see page 7). Each principle is broken down into three or four major competencies. Each competency can be assessed based on three levels of expertise. This model has been included into training programs for Managers to guarantee consistent management practices within the Group – with leadership competencies being a key point of focus – and to raise managerial skills and performance to support the Group's transformation and the execution of its strategy.

Three specific individual programs have been proposed to support top executives taking up a new role: mentoring, coaching and on-boarding. Lastly, collective seminars have been organised at Group or divisional level to promote the new strategy, support the cultural change, build teams around concrete projects and action plans.

Training and development investment

To improve individual and collective performance, the Group Training Plan defines the investments which are required to answer the Group's, divisions' and sites' strategic needs as well as those identified for individuals in the framework of the IPAP (short-term needs) and of the IDP (long-term needs).

In 2011, the Group devoted €3.7 million to continuous professional training (including €0.9 million for training relating to large-scale projects such as SAP, IDP, Operational Excellence *(Lean Manufacturing / 6 Sigma)* representing 1.86% of its total payroll costs. This equates to a training investment of €844 and 32 hours per employee.

The investment excluding salaries, travel and accommodation expenses, is broken down as follows:

(in thousand euros)	2011	2010	2009
Team and personnel management	291	210	544
Employee efficiency and development	671	696	522
Business and technical expertise (**)	1,113	1,165	1,280
Language training	470	333	360
Environment, health and safety (**) (1)	141	149	156
Quality procedures (*)	60	86	87
Office and messaging applications (**)	61	78	107
Sub-total	**2,806** (*)	**2,717**	**3,056**
Training within large-scale projects – e.g. SAP, IDP, e-learning programmes, Operational Excellence	896	614	1,402
TOTAL	**3,702** (*)	**3,331**	**4,458**

(*) Data covered by the report of one of the Auditors presented on page 84.
(**) For 2009, there were some minor changes in the professional training type definitions. The most significant being the inclusion of all training related to professional expertise within "Business and technical expertise, whereas previously, professional expertise had been included in the categories of "Environment, health and safety", "Quality procedures", "Office and messaging applications", as appropriate. Since 2009 professional expertise has been included in the category "Business and technical expertise".

(1) For more detail see paragraph 1.3.2.3.4 "Training" under the EHS Culture section.

Over the past three years, the total number of training hours provided to Group employees was as follows:

Number of hours of training	2011	2010	2009
Training excluding large-scale projects	122,596	132,885	153,689
Training within large-scale projects – SAP, IDP, e-learning programmes, Operational Excellence	19,571	11,337	19,419
TOTAL	**142,167** (*)	**144,222**	**173,108**

(*) Data covered by the report of one of the Auditors presented on page 84.

Employment and competencies management

In France, Ipsen signed an agreement in May 2010 to be proactive in terms of overall employment and competencies management *(Gestion Prévisionnelle de l'Emploi et des Compétences)*. This is a framework intended to enable the Group to adapt its employees collectively to its organisational, market and technology changes, and to offer individuals the tools they need to anticipate and prepare their professional and personal development all through their career. First steps include clarifying what tools the Human Resources department offers, communicating with employee representatives, job mapping for each site, creating job referentials, and implementing specific action plans for job categories which are sensitive because of economic, organisational or technological changes which will impact the required competencies and call for retraining and/or a headcount drop.

Vocational training courses are organised in manufacturing units and, in France, efforts towards professional certifications are continuously underway.

Equal opportunities and diversity within the Group

The Group endeavours to ensure that all employees adhere to its policy of non-discrimination. The Group's employment policy is based on objective criteria and individual merit. Employees are thus given equal opportunities without any

discrimination on the basis of race, colour, religion, gender, disability, family situation, sexuality, age, nationality or ethnic background.

The average age of employees in the Group is 40 (*).

Certain Group companies have defined equal opportunities policy (Ipsen Biopharm Ltd in Wales for example), while others have incorporated measures ensuring equal opportunities into their recruitment policy (Ipsen Poland LLC or Beaufour Ipsen Korea Ltd) or into more general codes of conduct (Ipsen SpA in Italy).

In France, Beaufour Ipsen Industrie in Dreux set up a Diversity Chart in February 2007 and, in January 2010, Ipsen Pharma Biotech in Signes signed the *French Diversity Charter,* a written commitment to ban discrimination in the workplace and to work towards creating diversity.

Equal opportunities for men and women

Of the measures implemented within the Group, the most significant ones relate to equal opportunities for men and women. For instance, they are based around ensuring work and family life balance for women (flexible working hours, easy access to part-time and private day-care centres), while making sure that potential career opportunities are protected. Better communication is established with fathers – depending on the local applicable legislation – regarding the possibility for them to benefit from the same paid-leave and childcare rights as women (specifically paternity leave and parental leave in France).

In 2009, in France, management and employee representatives signed an agreement which reasserts the right for equal opportunities, treatment and remuneration between men and women.

The following table provides an analysis of the number of male and female Group employees by employment category:

(As a percentage)		31/12/2011		31/12/2010		31/12/2009	
		Male (*)	Female (*)	Male	Female	Male	Female
Non Field sales force	Exempt staff	13.8%	14.6%	14.1%	14.4%	14.2%	13.8%
	Non-exempt staff	14.2%	24.6%	14.3%	24.3%	14.7%	25.4%
Field sales force	Exempt staff	11.8%	14.8%	11.7%	13.9%	10.9%	13.5%
	Non-exempt staff	2.5%	3.6%	2.4%	4.9%	2.6%	4.9%
Total		**42.4%**	**57.6%**	**42.5%**	**57.5%**	**42.4%**	**57.6%**

(*) Data covered by the report of one of the Auditors presented on page 84.

Integration of disabled workers

Ipsen is committed to help disabled workers find their place within the company. Disabled workers accounted for 1.9% of the total number of Group employees at 31 December 2011 (Tercica not included).

Specifically in France, an initial agreement was signed in 2008. The objective is to enable disabled workers to stay in the work force, recruit disabled employees and develop outsourcing contracts with centers employing disabled workers.

As a result, at 31 December 2010, 15 recruitments were completed. On each site, a person is in charge of following up and organising communication and awareness raising campaigns. Specific training programmes have been organised for Human Resources and Purchasing teams. Ipsen has created partnerships with non-profit organisations dedicated to finding internships for young disabled students.

Ipsen has also become a founding member of the first French Club House by supporting Cap Cités, a non-profit organisation specialised in helping people with psychical problems. Furthermore, the Group supports a national campaign aimed at raising awareness about disabilities in top French universities.

A second agreement has been signed for 2011-2013 with four priorities:

- recruit 18 new employees with a fixed-term or permanent contract and welcome students on internships. In 2011, four employees with a fixed-tem contract and three interns have been recruited,
- maintain disabled workers in their position by anticipating critical situations. In 2011, 13 employees voluntarily applied to be recognised as disabled workers,
- set up a formal purchasing policy outsourcing contracts with centres employing disabled workers,
- communicate, raise awareness and train (e.g. e-learning for managers).

Development for employees in the latter stages of their career

In France, in 2009, management and employee representatives reached an agreement to favor the employment of employees who are at the latter stages of their career – "seniors". This agreement includes an action plan aimed at developing their competencies and qualifications, setting up a framework so

that they may tutor other employees and transfer their know-how and competencies, and facilitating their transition from professional life to retirement. The Group notably proposed to employees age 55 and above to benefit from a statement providing them with personalised information regarding the financial conditions of their retirement. So far, 158 employees have asked for this personal statement. In addition, 60% of eligible employees have benefited from a training to help them prepare their retirement from both an administrative and personal point of view. Lastly, 95% of Managers have been trained on the specifics of managing "seniors".

Strenuous labor conditions and Psychosocial risk factors

See paragraph 1.3.2.3.2 "Assuring the health and safety of employees" under the section "EHS Culture".

Employee representation

Employees are represented in each Group company in accordance with the applicable local legislation, *i.e.* by the Joint Consultation Group in the United Kingdom, by the *Rappresentanza Sindicale Unitaria* in Italy, by a Work Council in Spain.

In France, employee representation is ensured for all 6 companies and also at a central level within the framework of an Economic and Social entity *(Unité Économique et Sociale)*, with a single Central Works Council *(Comité Central d'Entreprise)* for all employees in France and a Central Negotiation Body *(Instance Centrale de Négociation)* which bring together Central trade unions representatives of the Economic and Social entity.

The frequency of meetings between management and employee representatives also depends on the applicable local legislation.

The Group ensures that the rights and freedoms of employee representatives are strictly observed and that they enjoy the same promotion and training opportunities as other employees.

Thus, since 2007, in France, management and employee representatives have agreed to jointly develop measures ensuring a social policy geared towards progress and quality regarding the Company and its employees thanks to a permanent and constructive dialogue. Furthermore, management is committed to guaranteeing similar remuneration, job evolution, promotion and training opportunities for employee representatives as for other employees. The Group also ensures that the rights and freedoms of employee representatives are strictly observed.

Lastly, a European Works Council has been set up; it brings together three representatives of Ipsen's management and eight employee representatives from France, Spain, Italy and UK. This council met three times in the course of 2010 and 2011 to negotiate an agreement defining the role and the scope of this body's attributions, as well as to give an update on the Company. Thus in July 2011, the project of setting up a new organisation and closing the research and development activities in Barcelona were presented to the representatives for information and discussion.

Group's compensation and benefits policy

Compensation and benefits

Ipsen's compensation and benefits policy is based on 3 main principles which are:

- Internal equity,
- External competitiveness,
- Performance recognition.

These principles are applied in the countries where the group is established and fit to the local social-economic and legal context.

From 2006 onwards, annual pay increases are implemented using some commons frameworks and tool, and identical schedule for the entire Group.

Employees performing a management role are eligible to a bonus system. The proportion of variable compensation has been increased with efforts by the Group to foster a performance-based culture, and this policy will be continued over the coming years.

Trends in compensation and benefits paid by Group companies depend on local circumstances.

The following table shows the average increase by category in compensation and benefits paid to full-time Group employees in France over the past three financial years:

	2011	2010	2009	2008	2007
Executive	1.8%	1.5%	3.82%	3.19%	4.97%
Non-executive	1.8%	2.5%	3.21%	2.98%	3.77%

The Median trend accorded to Ipsen employees in France in 2011 is 1.8% (including Seniority and Group bonuses, except promotion).

The trend in the Group's total payroll costs as a percentage of sales over the past three financial years is shown in the following table:

(in thousand euros)	31/12/2011	31/12/2010	31/12/2009
Gross salaries and wages	272,668	252,262	228,876
Employer social security contributions	95,666	94,654	84,874
Total	**368,144**	**346,916**	**313,750**
Consolidated sales	1,159,819	1,100,169	1,032,807
As a % of consolidated sales	**31.7%**	**31.5%**	**30.4%**

Employee profit sharing plan

For over ten years, as required by French law, the Group has developed an active employee profit sharing plan in its French subsidiaries, based on a profit-sharing agreement and an employee share ownership plan.

(in thousand euros)	31/12/2011	31/12/2010	31/12/2009
Employee profit sharing	6,919	12,411	7,849

Under the profit-sharing agreement dated 23 May 2006, which covers the Group's French subsidiaries, amounts set aside for the special profit-sharing reserve are calculated using an alternative method rather than the benchmark method provided by French law. For the year ended 31 December 2011, the amount set aside to the profit-sharing reserve was 8,973,945 euros, representing a rate of 9%. The profit-sharing reserve represented a rate of a rate of 7.63% in 2010 and 9.67% in 2009.

Employees of the Company's French subsidiaries also benefit from an employee share ownership plan, which is a voluntary scheme. The French subsidiaries encourage employees to participate in the plan by paying all management fees charged by the various investment funds involved.

In France, an agreement was signed for a new profit-sharing plan June 2010; accordingly performance-related bonus could be distributed in May 2012. The total amount to be distributed amounts to 3,470,557 euros, which represents 3.5% of the salary mass.

Allowance on dividends

In order to reward its employees for its good 2010 performance, Ipsen has distributed at the end of 2011, a profit sharing allowance. The global amount represented 1.6% of the payroll, by entity, equally shared between the beneficiaries.

The Group's social initiatives

According to specific environments, the Group's policy on social initiatives is based on four main priorities: initiatives benefiting its employees' children, initiatives for retired employees, initiatives for active employees and, lastly, all other initiatives, such as relationships with not-for-profit organisations, sponsorship, etc. Aside from the normal benefits linked to family events, the calendar and various subsidised leisure activities, the Group aims to provide genuine support to its employees.

Furthermore, in 2011, the Company benefits and cultural activities budget for Ipsen's Work Councils in France amounted to €1,085,216, which represents an average of €584 per employee.

The scope of the Group's actions also extends beyond its business. For several years, the Group has donated drugs to TULIPE, the French pharmaceutical industry's charitable association set up originally in 1982. Ipsen has inaugurated in 2007 a "2nd Chance Foundation" centre. This Foundation aims at helping people who live in high misery to start up a professional life again. It offers human and financial support to carry out projects. Ipsen got involved in this project by setting up a centre at Dreux to give more practical help and to award winners of the Foundation. Seven people completed their project and "got back on track". Some found a job after going through a training aimed at gaining new competencies or at consolidating their know-how while others set up a business with the support and advice of the Foundation's volunteers.

Ipsen Mexico supports the "Candy Foundation" which offers a reduced treatment cost for Child Cerebral Palsy to families with limited resources. 5 centers were built to welcome children: 4 in Mexico City and one en Puebla (State of Mexico). In 2011, 50 children were taken care of by the "Candy Foundation".

1.3.2 Environment, Health and Safety

The Environment, Health and Safety (EHS) data presented in this document and originating from the implementation of the Group's EHS policy stem from the consolidation of EHS data from the ten sites. It includes the activities of the research and development (R&D) centres, those of the production of active substances, and the activities up to and including the final finished products.

■ 1.3.2.1 Regulatory Issues

The Group's activities are regulated by the applicable health, safety and environmental legislation.

In Western Europe, the entire Group's manufacturing sites and research and development centres are located in countries belonging to the European Union. Within the European Union, environmental and labour legislation have become much more extensive since the early 1980s.

Concerning workplace health and safety, Group companies are subject to regulatory requirements to protect the health and safety of employees, particularly through the assessment of occupational risk. Legislation and regulation in this area strengthens regularly. These last years have seen the emergence of new requirements related to the management of chemical hazards and related to psychological risks in Europe.

Regarding environmental legislation, sites are covered by EU Directive No. 96/61 of 24 September 1996 related to integrated pollution prevention and control. This directive introduced a formidable array of specific operating procedures (declaration or filing for authorisation to operate) and covers all environmental issues potentially facing an industrial site (waste management, environmental discharges, use, handling and storage of toxic and/or hazardous substances, etc.). This directive has now been enacted in national legislation in every EU member state and its provisions must be observed at each of the Group's facilities located in these countries.

Furthermore, the European Parliament adopted directive 2004/35 on 24 April 2004 on environmental liability related to the prevention and remediation of environmental damage. The Directive, now enacted in EU member states and in France since August 2008, established "the polluter pays principle" in the case of environmental damages caused by the user's activities.

In France, the requirements in terms of sustainable development have partly been enforced through the publication of decrees related to the laws of the Grenelle on the thematic of energy efficiency, reduction of energy consumption, risk management or preservation of health. As part of its commitment to compliance, the Group ensures the inclusion of these new requirements in its new project development.

The REACH regulation (Registration, Evaluation, Authorisation and Restriction of Chemicals) was formally adopted on 1 June 2007. Its aim is to improve the protection of human health and the environment and has been the subject of a detailed analysis by the Group. This analysis has enabled the Group to be assured that the regulation will have only a minor impact on Group activities. In addition, the Group continues to watch over successive amendments to the regulations that may impact its business or products in the medium or long term.

In 2008, the regulation implementing international recommendations from the Global Harmonisation System (GHS) on the labelling of chemical substances was disclosed. This regulation (CE) n° 1272/2008 of 16 December 2008, called "CLP" defines the new rules for classification, packaging and labelling of chemical products in Europe. This new system will progressively replace the pre-existing European system. It is applicable to substances since 1 December 2010. The measures of this regulation concern both chemicals having an effect on the environment as well as those having an impact on the health and safety of workers. The procedures for implementing this new regulation and its impact on the Group's activities have been analysed and at the end of 2010. The required notifications of chemical products from the Group have been realised.

In the light of these important European regulatory issues, the Group maintains a constant proactive watch for new information concerning EU directives. The Group is currently analysing the impact of regulations with special attention on those regarding energy efficiency, greenhouse gases, substances that deplete the ozone layer, and more generally, on changes in EHS legislation applicable to its business activities.

Given its increasing integration with worldwide trade channels, China has for several years been developing a specific framework of EHS regulations. The manufacturing facility operated by the Group in China is thus subject to a set of regulations in this area. The highest Chinese authority for environmental issues is the Ministry of Environmental Protection (EPM) which is leading its local branch organised in Environmental Protection Bureau (EPB) in each province. Each EPB reports directly to the Ministry as well as to local authorities. The EPB supervises each company according to its relative size, as such; the site in Tianjin is controlled by the Tianjin Huayuan industrial zone EPB. In parallel, the highest authority for safety is the State Administration of Work Safety of the People's Republic of China who has the same organisational system of various Branches. Thus, the Huanyuan Industrial Zone branch supervises the Tianjin site. For health, it is the Ministry of Health of the People's Republic of China which takes into account these questions.

The Milford research and development centre in the United States is subject to health, environmental and work safety regulations specific to the United States. That framework is, for the most part, similar to the framework in Western European countries. U.S. legislation is based on a regulatory system at both the state and federal levels. Federal authorities are represented by the EPA (Environmental Protection Agency) which develops environmental regulations applicable to industry and by OSHA (Occupational Safety and Health Administration) in charge of developing health and safety regulations to ensure a safe working environment. The State of Massachusetts, in turn, is responsible for enforcing federal laws, which are interpreted to be the minimum level of requirements, and can make them more stringent. EPA, OSHA and the states conduct inspections to ensure regulatory compliance.

Finally, at the international level, the Group watches carefully for events that could have a direct or indirect impact on the various business activities of the Group regarding EHS, and monitors with particular attention the guidance given at post-Kyoto international meetings.

1.3.2.2 EHS Policy

1.3.2.2.1 The Group's EHS policy

The Group believes passionately in Environment, Health and Safety (EHS). Thus, the Group's policy in terms of EHS, signed in 2005 by the Chairman and Chief Executive Officer establishes that:

- "We respect people, property and the environment;
- all our sites and all employees operate in a safe and responsible manner;
- we comply fully with local Environment, Health and Safety (EHS) legislation and this is supported by compliance with our Group EHS Standards;
- EHS and loss prevention are integral to all projects, business processes, planning and decision-making;
- we evaluate and report all EHS incidents and issues so that they may be corrected;
- we promote a culture of continuous improvement in EHS performance;

- our business practices, and EHS and hazard prevention strategies optimally utilise resources and prevent pollution to ensure long term sustainability of the Group and the global environment;
- we take into account a lifecycle management and product stewardship approach such that EHS requirements are a key for the selection of suppliers, contractors and business partners;
- as individuals, we are all responsible for our own safety and environment together with those of our colleagues, key stakeholders and neighbours."

The Group's policy focuses on compliance with local laws regarding health, safety, and environment and on a common governance of all sites.

An Environmental, Health and Safety Management Manual was created in 2008. It describes the organisational and management policies necessary to protect the environment, and to respect our health and safety. This dynamic prevention process has the goal of continuous improvement in EHS performance.

From an operational perspective, the Group's EHS policy is implemented through a 5-year strategic plan for EHS. This plan thus permits the definition of annual targets which are applicable to all of the Group's sites.

The focus since 2008 has been to put in place an EHS management system for the Group to ensure site compliance. In addition, integrating these various EHS elements into the business allows the Group to ensure a better product management (see paragraph 1.1.2.5.1) as well as a better control of its production equipment (see paragraph 1.1.2.5.3).

By making a daily commitment to the health and safety of employees and to the environment, and by focusing on the dissemination of best practices and the implementation of preventive action, EHS is an integral component of sustainable development and of the policy of Corporate Social Responsibility.

1.3.2.3 EHS 2011 Performance

1.3.2.3.1 Compliance and external reward

In this highly regulated environment, the Group's main concern is regulatory compliance. As such, the Corporate QEHS (Environment, Health & Safety) is particularly focused on the establishment of global standards in Environment, Health and Safety (EHS). Thus, each site ensures the compliance of its activities and facilities in relation to applicable legal requirements in order to better control health and safety risks and environmental issues raised in paragraphs 1.1.2.5.2 and 1.1.2.5.1 of this document.

Since 2009, a set of requirements and good practices for the Group was established through global EHS standards. At the end of 2010, this internal set of requirements was made of 6 standards concerning the elements of the management system for the Group and 15 standards of operational control. It is important to notice that the standards defining the management system for the Group are totally aligned with the occupational health-safety standard OHSAS 18001 on one hand, and the environmental standard ISO 14001 on the other hand.

The sites of the Group have moved forward to the implementation of these global standards through action plans and have reached a satisfactory level of compliance with regard to internal requirements.

Legal and regulatory intelligence

Legal and regulatory intelligence in the areas of environment and health and safety has been put into place at each Group site. This allows them to keep track and update evolution of applicable regulatory developments.

Regulatory compliance assessment and other requirements

All sites operated by the Group in Europe have all the environmental permits and licences required for their operations and comply with applicable EHS regulations.

As part of the Group's EHS policy, each site performs a compliance evaluation with regard to regulatory requirements and other requirements such as applicable global standards.

To assess compliance with applicable requirements and global standards, since 2010, the Corporate EHS performs internal audit on all the sites of the Group. In addition the Corporate EHS is planning to expand this programme to sub-contractors in the upcoming years. Since the mid-year 2011, it was decided to carry out these audits by independent service to the EHS organisation of the Group.

Certifications

The Group follows a voluntary approach to certification in terms of environment with ISO 14001 and in terms of health & safety with OHSAS 18001.

In terms of ISO 14001, two new sites, Dreux and Signes received the ISO 14001 certification testifying their commitment to environmental issues. These two sites are adding to the list of Isle sur la Sorgue, Cork and Tianjin, which had respectively received their certificate in 2004, 2008 and 2010. It is noted that these certifications are renewed every year following the continuous improvement approach.

In terms of OHSAS 18001, the site of Dreux was certified as well this year according to the standard OHSAS 18001 demonstrating a developed culture for the management of the occupational health and safety. The site of Cork had obtained this certification in 2010 and remains certified.

Other sites such as Les Ulis, Milford and Wrexham are in the process of conforming to these standards nevertheless without seeking external recognition of their management system. In terms of environment, the site of Wrexham has obtained from the authorities the certification BS 8555 which gives evidence of the environmental management system Furthermore, this site received a recognition from the local authorities in regards to the promotion of occupational health: the Corporate Health Standard and in regards to occupational safety: the RoSPa gold award (Royal Society for the Prevention of Accidents).

1.3.2.3.2 Assuring the health and safety of employees

Reduce accidents

Group accident statistics are as follows:

	2011	2010	2009
Frequency rate (1)	3.44	5.31	4.64
Severity Rate (2)	0.06	0.13	0.16

(1) The frequency rate is the number of disabling injuries with work loss time exceeding one day which have occurred over a period of 12 months per million hours worked (frequency rate = number of disabling injuries with loss time x 1,000,000 / number of hours worked).
(2) The severity rate is the number of worker-days lost as a result of disability injuries per thousand hours worked (severity rate = number of worker-days lost x 1,000 / number of hours worked).

The frequency rate has decreased by 35,3 % between 2010 and 2011 for a negligible evolution of the number of hours worked (around 0.04%). Hence, the number of accidents has decreased from 17 accidents in 2010 to 11 in 2011 on production and R&D sites.

Meanwhile, the severity rate has decreased by 49.6% between 2010 and 2011 for a negligible evolution of the number of hours worked (around 0.04%). Therefore, the number of days lost due to injury has decreased from 413 days lost in 2010 to 208 in 2011 on production and R&D sites.

Since 2010, the senior management has put a particular emphasis on the improvement of these indicators and on the implementation of actions such as safety visits on the site and the reporting of near misses which allowed a significant improvement of these indicators.

Beyond the risk assessment performed on all work stations at the sites, each accident or identified hazardous situation is the subject of preventive and protective actions, included in the annual safety programme at each site.

In addition, in 2011 the Group continued its project of profit-sharing launched in 2010 for its French employees based on various criteria of which 2 are EHS data. Indeed, one of the criteria corresponds to the frequency rate and a second criterion corresponds to the participation rate at EHS training.

Road Safety

During the year 2011, the Group has formalised its commitment by writing a policy on road safety. This policy aims, above all, to improve driving safety, to make drivers responsible for safe driving in order to reduce the risk of accidents and to have responsible, alert and courteous driving habits. It also aims to establish a fleet of more environmentally friendly vehicles or, in other words, a fleet which consumes less fossil fuel and emits fewer greenhouse gases. This policy involves all the Group employees.

In 2011, the taken measures have been deployed and communicated based on a pilot of French representative companies. These measures are accompanied by a training-action plan in road safety and in driving in emergency situations. This plan has been implemented for those employees who are most at risk. This training plan is spread over three years.

Industrial Hygiene

The risks related to the use of hazardous materials such as those mentioned in paragraph 1.1.2.5.1 of this registration document, has led the Group to put into place a policy of prevention and protection of the health and safety of employees.

As part of this policy, in 2011, the Group continued its programme for industrial hygiene for which the main objective is to improve the control of chemical risks at short and long terms.

In 2011, the industrial hygiene of the Group has been pursued to ensure the provision of updated safety data sheets for proprietary products in accordance with the requirements of the CLP regulation, incorporating any new information that have an impact on the classification. In addition, the Group has continued it work on the risk profiling of the Group's products regarding health, safety and the environment, in order to implement recommendations for product handling and for the selection of associated equipment. In 2011, the strategy of industrial hygiene has been reinforced by the realisation of sampling campaigns on three sites of the Group.

The industrial hygiene issues concerning the Group compounds and commercial products are integrated in the site master plans of the facilities. This has led to the development of significant investments to comply with general precautionary principles through the elimination of personal protective respiratory equipment at the sites which use substances identified as hazardous to health and safety, by addressing the risks at their source and acting in priority on more effective and reliable collective protection.

The implementation of the industrial hygiene programme will be continued at sites in 2012 through investments on affected sites.

Psychological risks

Prevention of the psychosocial risks (RPS) is integrated in a global approach of preserving occupational health and quality of life, major component of the Environment, Health and Safety policy of the Group. The RPS cover occupational hazards from various nature and origin and can impact employees' health affecting the good performance of the company.

The signature in France of the framework agreement on the prevention of the RPS in December 2010 has thus constituted a first step of the worldwide general project regarding health plan. This agreement defines a general framework of reference, which is declined since January 2011 within the French establishments and relying on three significant themes: identification of the psychosocial risks, prevention of the risk factors on the workplace and accompaniment of employees.

With this agreement, the Group wishes to continue the actions already engaged by the French sites while setting up a common approach of prevention and adapted protection, and involving all the actors of the company.

Strenuous labour conditions

In France, under Law No. 2010-1330 of 9 November 2010 on the pension reform and its implementing regulations, the Group has embarked on a policy against the strain at work.

Thus, the prevention approach of strenuous labour conditions has led to the realisation of a prior diagnosis of situations of strain, for the eventual negotiation of an agreement or the elaboration of a unilateral action plan and the establishment of strenuous labour conditions forms to be integrated into *"Documents Uniques"*.

This preliminary diagnosis made in late 2011 shows a limited exposure of personnel in each entity to the ten factors of strain defined by the Decree of 30 March 2011. Whatever the final result of the diagnosis, a proportion of the workforce exposed to these strenuous labour conditions factors, the Group will continue its preventive action to preserve the health of employees by implementing the associated action plans.

1.3.2.3.3 Reduce the environmental footprint

Soil, Subsoil & Pollution Prevention

As stated in the Group's EHS policy, the Group is committed to preventing accidental pollution to ensure the sustainable development and its surrounding environment.

As such, specific procedures are in place to treat incidents of accidental pollution on the Group's industrial sites.

Products that could be causes of accidental pollution are stored in appropriate retention areas. Their handling and disposal follow specific procedures and guidelines. The sites also follow the rules set by the different regulations concerning the transportation of hazardous materials (ADR, IATA, RID...).

All environmental incidents are recorded in the EHS management system framework in place at manufacturing and research and development sites. The most significant incidents are systematically reported to the appropriate administrative authorities, if applicable, and the Corporate EHS. In 2011, a total of 24 environmental incidents were reported to local authorities notably at Cork, Dreux, Dublin, Isle-sur-la-Sorgue, Milford and Wrexham.

At the Cork site, the old practice of using field spreaders (now abandoned) on a limited section of the site may have contributed to the occasional presence of above normal concentrations of ammonium sulphate. This matter was and continues to be regularly monitored under the supervision of the local environmental agency (EPA) and a steady decline in the concentration of residual ammonium sulphate is evident. In addition in both 2010 and 2011, this site has performed remediation work to drain enclosures, bunding structures and retention facilities in order to prevent leaks.

In Wrexham, a due diligence audit had been conducted prior to the commissioning of a new building to determine any existing environmental liabilities. The conclusions of this audit indicated that potential sources of contamination arising from historical uses of the site were possible. However, it is noted that previous investigations undertaken on the site did not identify significant impacts underlying the site.

Besides, in compliance with the global standard on real estate, environment, hygiene and safety audits of compliance were performed in 2010 on 2 French sites: the site of Dreux and the site of Isle-sur-la-Sorgue. These audits aimed at identifying potential high-risk areas in terms of soil and underground water pollution associated with the current and past activities practised. According to the conclusions, no obvious high-risk area of soil and underground water pollution associated with the current conditions of operation was identified during these audits. This kind of audit will be extended on the 2 other French sites of the Group in 2012. In addition, as part of the closure of Barcelona in 2011, a similar audit was conducted and concluded that further investigations are needed and will be completed in early 2012.

Fight against climate change, reduction of CO_2 emissions

The Group has initiated a voluntary programme of assessment and reduction of greenhouse gas emissions (GHG) to contribute to the fight against global warming.

Efforts have focused mainly on industrial activities, but also include activities related to company vehicles and sales force cars.

In 2009, the Group teamed with the French Pharmaceutical Companies Association (LEEM) to initiate a process of quantification of greenhouse gas emissions using a common and consistent methodology. The sites of Signes and Dreux had been engaged in this pilot process of the evaluation of their CO_2 emissions. In late 2011, the research centre of Les Ulis and other manufacturing sites (sites of Isle-sur-la-Sorgue, Cork, Signs and Wrexham) have completed their assessment of greenhouse gas emissions on a broad perimeter – Scope 1, 2 and 3. The Group now has a clear vision of its baseline. In 2012, carbon reporting system should be consolidated and a plan to reduce the carbon footprint should be implemented with a particular focus on "Energy Plan".

Meanwhile, the Group will progressively replace its vehicle fleet with vehicles of lower CO_2 emissions.

In addition to les Ulis, Cork and Signes sites, which have continued the programmes of carpooling and shuttles allowing employees to reduce the use of personal vehicles, the site of Dreux has implemented this year a carpool for travel to the headquarters in Boulogne-Billancourt and to Ulis.

Estimated CO_2 emissions to the atmosphere from Group manufacturing operations which are currently determined on the basis of energy consumption shows a slight raise of 1.6% compared to 2010 and represents 33 043 tons of CO_2 (*).

Other air emissions

The Group monitors other substances which could be discharged into the atmosphere through its various activities. It monitors, in particular, volatile organic compounds (VOCs) and controlled substances identified as causes of the depletion of the ozone layer under the Montreal Protocol.

Emissions to the atmosphere of these substances for 2011 were quantified to a little more than 11 tonnes mainly due to the sites of Signes and Cork. These emissions stay stable compared to 2010.

Emissions from the research and development centres, taking into account their activities, do not contribute much to these 2010 emissions.

(*) Data covered by the report of one of the Auditors presented at the end of this chapter.

Energy consumption

The Group's energy consumption totalled 130 927 709 kWh (*) in 2011 compared to 134 724 199 kWh in 2010, which corresponds to a decrease of 2.8%.

This decrease in energy consumption over last year can be put in perspective with overall Group sales growth of 5.7%. This energy efficiency is the result of deliberate efforts to reduce consumption at most sites.

The sites of Cork, Dreux and Wrexham represent more than half (53%) of the energy consumption of the manufacturing and R&D activities.

The site of Cork, which represents 20% of the Group energy consumption, has decreased its energy consumption by 5.3% between 2009 and 2010. This decrease is the result of reduced production volumes combined with the implementation "lean" initiatives of energy efficiency among which the improvement of the cooling water system.

The production sites of Dreux representing 19% of the Group energy consumption, has seen its consumption decreasing by 12%. This decrease is mainly due to a mild climate but also to an economic regime used by the air-handling units.

To be noted is the increased energy needs in 2011 for the Wrexham site (+9%). The increase is due to the new production facility "Unit 12". In parallel, there is a 17% raise in production, which generates an impact on this indicator.

On the manufacturing site of Signes, even if the production recorded a 7.5% increase, the energy consumption has decreased by 0.5%. This result is the consequence of energy saving measures in the context of "Operational Excellence" projects. Among different actions, we can note in particular: the repair of the insulations of the vapour network as well as the optimisation of the tuning and adjustment for heating and gas boiler in particular.

Group research and development centres had significantly decrease their energy consumption between 2010 and 2011: -13.6% in Barcelona primarily related to the shutdown of the site and -28% in Les Ulis where the mild climate allowed less heating in winter and less cooling in summer.

The consumption by energy source is as follows:

Group energy consumption (percentage of total)	2011	2010	2009
Electricity	48.2% (*) of which 4.9% is renewable	48.3% of which 2.5% is renewable	49.7% of which 8.4% is renewable
Gas	51.4% (*)	51.4%	49.9%
Fuel oil	0.4% (*)	0.3%	0.4%

The split between energy sources has been stable since 2007 and tends to be about equal percentages of electricity and gas.

The share of the renewable energy has significantly increased in 2011 because the Cork facility (first energy consumer of the Group), has greatly increased its use of renewable energy and because sites, especially Dublin, have better reported their data.

In 2011, the fuel oil consumption remains small compared to the others with a share of 0.4% of the global energy consumption. The sites of Signes, Isle sur la Sorgue, Milford and Les Ulis still consumed fuel oil.

Waste Management

The Group produced 9,398 tonnes of waste in 2011 compared to 9,026 tonnes in 2010, corresponding to an increase of 4.1%. This increase is essentially linked with the site of Isle-sur-la-Sorgue which represent 30% in terms of the Group wastes volumes and which has increased its production of waste by 20% compared to 2010. This increase is correlated with the increased production volumes of 9% and with the cleaning of machines.

On the contrary, the site of Cork, representing 47.6% of the total waste production of the Group, has reduced its waste production by 3.9% compared to 2010.

Meanwhile, in Dreux, waste production decreased by 11.4% compared to 2010 due to recycling initiatives (pallets and "big bag").

The Group waste profile in terms of hazardous / non-hazardous category and in terms of treatment mix percentage remains rather stable since 2010 with however a light reduction of the hazardous waste share.

Waste separated into categories of hazardous and non-hazardous waste for the manufacturing sites and R&D is as follows:

Total waste by category	2011	2010	2009 (1)
Total hazardous waste	20.9% of which 0.5% is biological waste	24.9% of which 0.6% is biological waste	33.9% of which 5.25% is biological waste
Total non-hazardous waste	79.1%	75.1%	65.2%

(1) Since the Cork facility has reduced its waste by 65.7% in 2010 compared to 2009 following the reclassification of ammonium sulfate (usually treated as a non-hazardous liquid waste) as fertilizer, the waste profile of the Group in terms of hazardous / non hazardous category and in terms of treatment mix percentage has significantly changed between 2009 and 2010.

(*) Data covered by the report of one of the Auditors presented at the end of this chapter.

Group waste treatment mix was as follows:

Types of treatment	2011	2010	2009 (1)
Recycling	73.6%	72.4%	83.8%
Incineration	24.2% of which 12% is with heat recovery	25.8% of which 22.5% is with heat recovery	14.9% of which 12.9% is with heat recovery
Landfills	2.1	1.8%	0.9%
Other	0.1%	0%	0.4%

(1) Since the Cork facility has reduced its waste by 65.7% in 2010 compared to 2009 following the reclassification of ammonium sulfate (usually treated as a non-hazardous liquid waste) as fertilizer, the waste profile of the Group in terms of hazardous / non hazardous category and in terms of treatment mix percentage has significantly changed between 2009 and 2010.

The proportion of recycled waste remains a majority with a percentage of 73.6% compared to incineration and landfilling. It should be noted that the two largest producers of waste, the sites of in Cork and Isle-sur-la-Sorgue, recycle their waste respectively up to 80.2% and 99.9%.

Finally, sites are in the process of implementing waste optimisation programmes by searching for new technologies to ultimately increase the percentage of recycled waste.

Water Consumption

The Group's water consumption totalled 51,084 m^3 (*) in 2011 compared to 471,451 m^3 in 2009, hence an increase of 8.4%. The supply of water for 2011 is 65.4% (*) of well water origin.

The Isle-sur-la-Sorgue site alone consumes 65.1% of total 2011 water consumption of which 99.8% is well water. The 19% raise in water consumption for this site between 2010 and 2011 comes mainly from the increase in production by 9%.

The site of Cork, representing 7.7% of the Group water consumption, has seen a decrease by 9.4% between 2009 and 2010. This is due to a lower production volume in conjunction with a more efficient cooling tower. At Signes, the implementation of interchange on water discharges and the modification of landscaped with plants that require less watering allowed a 26% reduction in water consumption between 2010 and 2011.

Water treatment

The Group has five sites with on-site sewage treatment plants that treat all or part of liquid wastes. The five sites are Cork, Isle-sur-la-Sorgue, Signes, Tianjin, Milford and Signes with a neutralisation station in place since 2009. The Tianjin plant treats effluents from manufacturing activities and the Milford plant treats effluents from research and development activities.

The volume of treated water on sites is 376,157 m^3 (*) in 2011 compared to 299,446 m^3 in 2010, hence 25.6% increase. This raise is related to increased water consumption in Isle-sur-la-Sorgue.

Green Chemistry or solvent usage optimisation

The Group launched an initiative since 2009, to develop ideas that could lead to the use of more environmentally friendly products. Some projects around the solvent usage have been retained as for example:

- at the Cork site, a project was implemented to recover solvent allowing the regeneration of 96.2% of solvents;
- at the Signes site, 75.8% of solvents were regenerated;
- at the Dublin site, the solvent consumption was reduced significantly by 18.9%.

In parallel, the Group has reduced its solvent usage by 6.8%, from 16,658 tons in 2011 to 17,879 tons in 2010. In addition, out of the 16,658 tons of solvents used by the Group, 93.8% were regenerated (or 15,629 tons).

Stakeholders Relations

The Group is concerned about the potential impact of its activities on the areas surroundings its sites. Also, as part of its overall Group's EHS policy and in the context of its implementation at the sites, the Group integrated stakeholder requests and opinions.

For 2011, the Group can highlight the communication campaigns on health and safety undertaken by the sites of Barcelona and Milford. Meanwhile the site of Tianjin has presented its project regarding the reduction of energy consumption at a media conference of the industrial estate.

Biodiversity: biological equilibrium, natural habitats and protected species

The Group's policy is to provide a safe workplace that protects the environment and does not harm the health of its employees nor that of neighbouring communities. The preservation of ecological equilibrium, conservation of natural habitats and protection of protected species are followed closely.

The measures taken to curb impacts on biological equilibrium, natural habitats and protected plant and animal species are integrated into the Group's general environmental protection programme. Some initiatives were implemented at Cork facility where wild flowers were planted to increase biodiversity and at Wrexham facility where a day was dedicated to employees' awareness on the protection of the environment.

1.3.2.3.4 EHS Culture

Integrating EHS into Business

The integration of EHS into business activities gives rise to a detailed assessment of EHS impact and particularly in the definition of site master plans like in Milford, Les Ulis, Signes and Dreux.

Sourcing strategy, procurement

In 2011, the Group carried on with taking EHS criteria into local purchasing strategies. From a broader point of view, an initiative on sustainable purchasing has been initiated at Group level, and the first accomplishments are visible. Indeed, EHS criteria are more and more frequently taken into request for proposals. And to guaranty the implementation, these criteria are integrated into the assessment and follow-up of suppliers in sites like Dublin, Milford or Les Ulis.

(*) Data covered by the report of one of the Auditors presented at the end of this chapter.

In addition and beyond encompassing EHS impacts in the purchasing of the Group, two initiatives have been deployed:

- The first one focuses on "Insertion and Consideration of Disability" and is one of the activities of the "Phare" program managed by Human Resources. It started with an inventory of the use of subcontractors providing protected work environments for the disabled people and services that could be handed over to them, and this on all 5 French sites. The next step, planned in 2012, is the selection of "EA" and "ESAT" (institutions that employ persons with disabilities) into targeted areas like gardening and catering to significantly increase the level of purchasing with the protected area.
- For the second, a questionnaire has been sent to 68 suppliers representing our Group panel in term of size, type of purchase, location in the world, length of the relationship and including suppliers with which the Group has stopped working. Questions are related to the quality of the relationship on aspects like collaboration, ethic, forecast sharing and process complexity. Answers provided will enable to work on an improvement plan in 2012.

Eco-design

The development of approaches to eco-design is part of the Group's EHS strategic plan. Also some sites of the Group carried out major eco-design projects.

At Dreux, an eco-design project around packaging has been implemented in 2010 through a training of all the concerned parties of the site and a diagnosis performed by an external consultant over 2 days. The training and the diagnosis report had raised awareness in different sectors. The action plan resulting from this audit has been implemented in 2011 with the purchase of software for the modelling of packaging, the optimisation of the cases weight and the realisation of studies for having a single blister and considering the solution for recycled cardboard packaging.

At the Wrexham site, 98% of the primary packaging of medicines is designed with recyclable materials and, 51% of products are shipped in bulk packing which reduces the amount of intermediate packaging on one hand and reduces transport and optimises logistics on the other. In Tianjin, the eco-design results in optimising the conditions of products transportation (reducing the number of trucks) and the recycling of packaging pallets.

In parallel, actions for reducing or recycling solvents (detailed in the green chemistry paragraph) are developed on the sites of Cork, Signes and Dublin.

Training

As the cornerstones of the prevention programme, awareness campaigns and training on environment, health and safety were continued in 2011. The EHS training budget shows the level of this effort and is described in paragraph 1.3.1.2 which develops the Group's "Investment in training" and specifically its continuing education. Each site has defined its training programme as a function of its own risks and impacts. As such, all employees are trained for the inherent risks and associated environmental impact of his or hers workstation. Employees, therefore, develop a professional and responsible attitude in going about their daily work.

In total in 2011, 6518 hours of training (*) was provided in the EHS group. The EHS induction training for new arrivals as well as the training on the fire risk prevention with the evacuation drills or occupational first-aid trainings or the prevention of accidents and incidents, emergency situations and ability to respond were realised on nine sites out of ten. On this same scope were given some more specific training related to the workplace such as training courses on project review and change management, on prevention of chemical risks in laboratories and on the use of safety data sheets or contractor safety.

In the field of the safety more particularly, the trainings for the technical activities such as: manual handling, work with lift truck, transport of dangerous goods and electrical risk prevention are dispensed on at least six sites, in particular at Cork, Dreux, Dublin, Milford, Signes, and Wrexham.

In term of environmental protection, the training have been focussed on the management of the waste and their minimisation, performed on the sites of Barcelona, Cork, Dreux, Isle-sur-la-Sorgue, Milford, Signes and Tianjin and on the resource conservation realised in Cork, Dreux, Dublin, Isle-sur-la-Sorgue, Signes, Tianjin and Wrexham.

To raise awareness among the Group employees to the last point of Group EHS policy: "As individuals, we are all responsible for our own safety and our environment as well as that of our colleagues, stakeholders and neighbours", training on civil and criminal liability are organised at the sites in Cork, Dreux, Dublin, Isle-sur-la-Sorgue, Milford, Tianjin and Wrexham.

Finally, trainings on psychological risks were conducted in Dreux, Isle-sur-la-Sorgue, Signes and Wrexham.

■ 1.3.2.4 Internal resources

1.3.2.4.1 Internal management resources for EHS issues

Group EHS policy is applied at each site by the site manager. Senior management as well as site employees are heavily involved in the daily management of EHS and the application of Corporate EHS guidelines. As such, everyone in his actions and behaviour contributes to the success of EHS policy.

In addition, to reinforce its policy of prevention, the Group EHS Committee which comprises one or more representatives from each manufacturing site, R&D centre and Corporate, meets regularly to share experiences and reflect on best practices for managing EHS.

EHS management at each site is coordinated by an EHS manager under the authority of the site director. A total of 23 people make up the Group's EHS organisation. They report to the Corporate Department of Environment, Health and Safety (2 people). The latter reports to the Head of Facility Management and EHS.

The Committees of Health, Safety and Work Conditions (CHSCT) in France, or their equivalent in other countries, meet regularly and are involved in monitoring activities and projects concerning the health and safety of employees. In 2010, nine sites had this type of committee.

(*) Data covered by the report of one of the Auditors presented at the end of this chapter.

1.3.2.4.2 Spending on the prevention of EHS impacts and on regulatory compliance

Since health and safety prevention and protection and environmental protection are constant priorities for the Group, it regularly makes investments in these areas. In 2011, outside the implementation of master plans on the sites of Milford, Dublin, Dreux and Signes, which includes the setting of new concepts for EHS prevention, the amount of investment in secondary EHS totalled to just over €4 million.

Of the investments, in particular we can highlight:

- the purchase of lifelines and change the type of sprinkler system for extinction with non-toxic gas in Dreux;
- the improvement of ATEX facilities in Dublin;
- the establishment of walkways and stairs to the waste water treatment plant and the realisation of the noise study and rollover of noisy points in Isle-sur-la-Sorgue;
- the establishment of a new system for the protection of lone workers in Les Ulis;
- the purchase of materials to prevent muscular strain injuries in Signes;
- and the improvement of fire detection system in Wrexham.

1.3.2.4.3 Provisions and guarantees for EHS, compensation and remediation

Regular surveys on environmental risks, work-related health and safety risks and the implementation of proactive policies for mitigation of these risks, enable the Group to limit its exposure and liability or, more generally, to remediate the environmental damage caused by its operations.

In addition, since 2004, no ruling or compensation payments related to environmental damage caused by one of the Group's manufacturing facilities were brought to the Group's attention.

Methodological note on the social and environmental reporting

Human resources

The Headcount indicators reported in the registration document are composed of two main sources of information:

1. HRConnect – HR Information System of Ipsen – which covers all countries (32) except China. Data retrieved from HRConnect enable us to provide all indicators except the temporary workers no. and the absenteeism rate. However, for FY2011, the headount of the French sites has been extracted from ADP, the French payroll system.
2. Standard Excel Templates :
   - China submits every month a report which includes the list of employees with the necessary data (active, inactive, start date/leave date, birth date etc.) enabling us to produce indicators.
   - An additional template which covers the following indicators: Temporary workers no. and absenteeism rate. This template is sent to every site at the end of the year. However, the absenteeism rate for the French sites is based on data retrieved from the French payroll system. All data are centralised and consolidated by the Human Resources Control Department.

Regarding "Joint Ventures" data: Ipsen Human Resources Department does not report any HR data from them. Besides, the Group HR policy does not apply in these entities. Finance communicates to us the no. of headcount on a monthly basis for reconciliation. This is the reason why the Joint Venture's headcount indicators are not taken into account in the HR indicators included in the registration document.

Headcount computation's rule: Any employee **with a current work contract with Ipsen & paid** on 31 December of the given year is included. External resources: temps workers, trainees, etc. are excluded.

Training

Training data is inclusive of the same perimeter of reporting as those described in the previous section covering Human resources.

Standard Training data is collected from the Ipsen sites using EXCEL templates. The training information are controlled by the TD&E department. Guidelines included in the template assist sites to provide the correct data and minimise errors. Group training project data is collected in a separate template from each of the Group Project leaders. The collected data is consolidated into a common EXCEL file. Checks are performed on the central file to eliminate errors.

For the 2011 reported data it should be noted that 4,205 hours of external training were collected with no associated cost at the time of submission. An average cost per hour of €149,926 has been applied. This represents 4% of the overall training investment.

Environment, Health and Safety (EHS)

The scope includes 7 manufacturing or production sites: Dreux (France), Dublin (Ireland), Isle-sur-la-Sorgue (France), Signes (France), Tianjin (China) and Wrexham (United Kingdom) and the joint venture in Cork (Ireland), as well as 3 research and development sites: Barcelona (Spain), Les Ulis (France) and Milford (United States). The joint venture of Cork is included in the perimeter of this reporting as this site follows the Group EHS policy.

Data consolidation is performed using an internal reporting file, which also defines EHS monitoring indicators. The data are controlled and compiled using this central file, which possess means of control and alert (absurd data, problems of units…). This central reporting file has been introduced to persons in charge of EHS on site in order to minimise the sources of errors. In 2011, improvements in terms of ease of use and in terms of relevance of the indicators have been made. Besides, the indicators have been defined in indicator forms and an internal procedure of control has been written in order to create common guidelines between sites.

It is nevertheless advisable to note that the extra-financial reporting does not benefit from the same maturity as the financial reporting. The practical modalities of data collection are still to be perfected, considering the diversity of the Group. Some definitions of indicators remain still heterogeneous because of sector-based practices and habits.

Some 2010 data were worked out again thanks to a better reporting and the obtaining of more robust data in 2011.

Besides, some precisions are to be taken into account for the following indicators:

- The water consumption for the Dublin facility are estimated for the year 2011;
- The volumes of treated water for the Milford facility includes all water discharges of the site.

Ipsen S.A.

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(This is a free translation into English of the original report issued in the French language and is provided solely for the convenience of English speaking readers.)

Auditor's moderate assurance report on the review of selected environmental and social indicators of the Ipsen Group

Year ended 31 December 2011

For the attention of Mr. Susheel Surpal, Chief Financial Officer of the Ipsen Group

At your request and in our capacity as one of the statutory auditors, we performed a review in the aim of providing moderate assurance on selected environmental and social indicators identified by the symbol * in section 1.3 of the 2011 Registration Document of the Ipsen Group for the year ended 31 December 2011 (the **"data"**).

This data, which is the responsibility of the EHS Department in conjunction with the Human Resources, has been prepared in accordance with internal measurement and reporting procedures available for consultation with either of these teams (the **"reporting criteria"**). The note on reporting methodology in section 1.3 of the 2011 Reference Document explains the data collection methodologies used to calculate the published indicators, and the inherent measurement limitations of some of them.

It is our responsibility, based on the work performed, to express a moderate assurance on this data, it being understood that the conclusions expressed below relate solely to this data and not to all the environmental and social data appearing in the 2011 Registration Document.

Nature and scope of our work

We performed our work in accordance with the applicable professional standards. Our work includes, for the selected data, assessing the reporting criteria with respect to their relevance, completeness, reliability, objectivity and clarity.

We implemented limited procedures in order to provide moderate assurance as to whether the selected data identified by the symbol * did not contain any material misstatement. A higher level of assurance would have required more extensive work.

With respect to the selected data, we have:

- conducted interviews with the persons responsible for the application of the reporting criteria at the following management levels: EHS, Human Resources and Occupational Training;
- conducted interviews and performed substantive tests on the application of the reporting criteria in the following entities: Ipsen Manufacturing Ireland, Beaufour Ipsen Industries Isle-sur-la-Sorgue, Ipsen Biopharm Wrexham and Ipsen Pharma Boulogne (hereinafter the **"selected entities"**);
- performed consistency tests on the consolidation of such data at Group level.

The selected entities account for 22% (1) of the Group consolidated social data on average and 43% (2) on average of EHS consolidated data.

To assist us in conducting our work, we referred to the Sustainability & Climate Change specialists of our firm.

(1) Total Headcount: 28%; Number of new hires: 19%; Number of departures: 21%, Number of training hours: 23%, Training expenses: 19%.
(2) Energy consumption: 32%; CO_2 emissions: 35%, Water consumption: 74%; Volume of water treated: 87%; Number of EHS training hours: 44%.

Comments on the procedures

We have identified the following areas for improvement which should, in our opinion, be taken into consideration in a continuous improvement policy:

- The collection process of the training expenses should be strengthened to ensure that the reported data is complete. Part of the training expenses have been estimated and the method used to estimate them is detailed in the note on reporting methodology.
- The definitions of the "number of training hours" and "training expenses" should be detailed to improve the uniformity of the collected data.

Conclusion

Based on our review, we did not identify any material misstatements likely to call into question the fact that the data identified by the symbol * in section 1.3 of the Ipsen 2011 Registration Document was prepared, in all material respects, in accordance with the above-mentioned reporting criteria.

Neuilly-sur-Seine, 24 February 2012

One of the statutory auditors

Deloitte & Associés

Fabien Brovedani

1.4 MAJORS CONTRACTS

The Group markets its products either directly through its sales force or through third parties to which it has entrusted responsibility for selling its products under licensing or other agreements. Furthermore, the Group has earned the confidence of third parties, which have entrusted it with selling their products, such as, for instance, Decapeptyl®, Hexvix®, NutropinAq®, Nisis® and Nisisco®. In certain cases, the Group has entered into agreements with third party companies to manufacture drugs or raw materials under its marketing agreements.

The Group complements implementation of its internal Research and Development programme by entering into partnership agreements with university teams and pharmaceutical and biotechnology companies. These partnerships help the Group to gain access to cutting-edge technologies in complex areas of expertise.

This partnership strategy helps the Group to finance development of its products while extending its range of existing products. The Group is constantly looking to forge high-quality, complementary and long-lasting marketing and Research and Development partnerships.

1.4.1 Agreements in the targeted therapeutic areas

1.4.1.1 Agreements in oncology

Debiopharm (Lausanne, Switzerland)

The Group has maintained an ongoing relationship with Debiopharm since 1983, when it entered into its first licensing deal with Debiopharm to manufacture and market Decapeptyl® in the area of locally advanced cancer or metastatic prostate cancer. This licensing agreement was renewed in October 2002 and in 2007. It covers Debiopharm's expertise and patents relating to the active substance triptorelin and its various salts (particularly the pamoate formulation), which are sold essentially under the Decapeptyl® trademark and the Pamorelin® trademark. The acetate formulations of Decapeptyl® are no longer protected by an invention patent.

The licensing agreement with Debiopharm grants the Group (i) the right to manufacture Decapeptyl® around the world (with the exclusion of North America and certain other countries, principally Israel) and (ii) the right to market Decapeptyl® worldwide (with the exclusion of North America and certain other countries, principally Israel), which marketing right is exclusive except in Japan and Central America. Pursuant to the agreement, the Group commercialises Decapeptyl® under the daily formulation as well as under a monthly, a 3-month and a 6-month sustained-release formulations developed by Debiopharm, for which the Group obtained in October 2009 marketing authorisations in France, in The Netherlands and in Portugal under the European decentralised procedure involving nine countries (Germany as the Reference Member State, France, Austria, Finland, Norway, Belgium, Denmark, Spain and The Netherlands). The 6-month sustained-release formulation of Decapeptyl® is being launched in France since February 2010.

This licensing agreement is due to remain in place in the countries covered by this agreement or on a country by country basis until the following dates: (i) at the earliest on 31 December 2020 for each country of the agreement not covered by Debiopharm's patent protection or (ii) at the expiry date of the last of the patents in countries covered by Debiopharm's patent protection. Under this agreement, the Group pays different levels of royalties to Debiopharm which vary according to the sales territory and volume, with an increase in royalty levels above a given sales threshold. The Group is also entitled to a reduction of royalty rates in the event of competition from a generic product, which reduction is increasing in nature if Decapeptyl®'s market share falls significantly below a certain threshold determined on a market-by-market basis. Also, pursuant to the agreement, the Decapeptyl® and Pamorelin® trademarks were assigned by Debiopharm at no costs to Ipsen as of 31 July 2009. The agreement entered into by the Group does not provide for any minimum royalty clause. This agreement also contains a change of control event clause, which may be triggered if either of the parties undergoes a change of control causing substantial prejudice to the interests of the other party in relation to Decapeptyl®. At the registration date of this registration document, the Group was not aware of any change of control affecting Debiopharm.

On 30 April 2008, the Group and Debiopharm entered into a licence agreement granting to the Group the exclusive right to commercialise the triptoreline under the tradenames Salvacyl®, Salvacyl LP®, Moapar® and Salvapar® for the treatment of paraphilia (sexual perversions) in the same territories as for Decapeptyl® with the exclusion of Sweden and Lichtenstein for which the commercialisation right is granted to Debiopharm.

Finally, on 7 September 2009, the Group and Debiopharm entered into a licence agreement under which Debiopharm was granted an exclusive worldwide licence to develop and commercialise IRC-08364, Ipsen's first-in-class inhibitor of the CDC25 phosphatase enzyme, intended for the treatment of various human cancers. Pursuant to this agreement, the Group had the option to re-acquire the development and commercialisation rights after completion of Phase II clinical studies. In June 2010, the Group and Debiopharm jointly decided to terminate their collaboration without costs.

GTx Inc. (Memphis, Tennessee, United States)

Pursuant to a license and collaboration entered into in September 2006, as subsequently amended in March 2010, GTx Inc. granted the Group among others an exclusive licence to develop and market toremifene citrate which is a drug that can modulate the activity of the estrogen receptor in an organ-selective manner (Selective Estrogen Receptor Modulator – SERM) and all other products containing toremifene for all its indications, except from breast cancer in Europe under the September 2006 agreement then later extended beyond Europe to Australia and certain countries of North Africa, Middle East and Asia (excluding Japan) under the March 2010 revised agreement.

Toremifene Citrate was intended to exploit a new strategy of estrogen receptors modulation in 20 mg form which could translate into a tangible clinical benefit in both the chemo prevention of prostate cancer in high-risk men (HG PIN indication) and the treatment of multiple side effects from androgen deprivation therapy in advanced prostate cancer in 80 mg form (ADT indication – anti-androgenic therapy). The agreement provided that the Group would pay all clinical development, regulatory and launch expenses to commercialise toremifene citrate in the licensed territory for the two indications ADT and HGPIN. In addition, the March 2010 agreement provided that the Group would pay GTx up to €42 million (approximately $58 million, based on current exchange rates) in milestone payments upon the initiation, recruitment and progression of the second toremifene 80 mg Phase III clinical trial. In return, GTx Inc. granted an extension of Ipsen's licensed territory for marketing toremifene products beyond Europe, an option to co-promote toremifene 80 mg in the United States or to opt for a double digit royalty stream on net sales of toremifene 80 mg in the United States and a decrease in the royalty payment on Ipsen's net sales of toremifene 80 mg set at a fixed rate, around 12%. GTx Inc. remained liable for all development costs outside the territory.

In May 2010, GTx Inc. announced that the top-line results in the HGPIN indication were not decisive.

On 2 March 2011, the Group and GTx Inc. announced their joint decision to mutually terminate their exclusive licence agreement to develop and market toremifene citrate. Accordingly, the Group is no longer bound to pay the amount of €42 million based on the milestone events of the second Phase III clinical trial nor to pay any royalties on the net sales. GTx Inc. is continuing to develop its pipeline of product candidates to address unmet medical needs.

Active Biotech (Lund, Sweden)

On 18 April 2011, the Group signed a collaboration agreement with Active Biotech for the co-development of Tasquinimod, a compound in clinical phase III trial in men with metastatic castrate-resistant prostate cancer. The agreement grants the Group a co-development licence as well as an exclusive licence to manufacture and commercialise worldwide except in North and South America, Japan and in certain other countries where Ipsen may decide to return to Active Biotech under certain conditions under the contract. Active Biotech which is responsible for the conduct and the funding of clinical phase III pivotal study will receive from Ipsen payments up to €200 million including an upfront payment already paid of €25 million and future milestones payments upon realisation of certain developments, regulatory and commercial milestones. In addition, Ipsen will pay Active Biotech progressive double-digit royalties based on net sales. In parallel, Ipsen will conduct and fund a supportive study. The agreement also provides for subsequent developments in other oncology indications jointly between Ipsen and Active Biotech with development costs to be shared.

Photocure (Oslo, Norway)

On 26 September 2011, the Group signed a marketing and supply agreement with Photocure, a specialty pharmaceutical company specialised in photodynamic technologies applied to cancer and dermatology. Under

the agreement, the Group is granted an exclusive license to commercialise the product for the diagnosis and resection of bladder cancer under the Hexvix® trademark, a brand that is owned by Photocure. The product is designed to induce specific fluorescence in malignant cells in the bladder during a cystoscopic procedure, by improving the detection and resection of non invasive bladder cancer. The product is approved since 2004 in Sweden then subsequently approved across many countries in Europe as well as in the United States. The product was commercialised by GE Healthcare since 2006 in Europe as well as in other countries except in the Nordics. Photocure and GE Healthcare have terminated their agreement to allow the granting of exclusive license rights to Ipsen for the promotion and commercialisation worldwide except in the United States, the Nordics and certain other countries where Ipsen may decide to return to Photocure under certain conditions under the contract. In consideration of the exclusive license rights, the Group has paid un upfront payment of €19 million to Photocure and GE Healthcare as well as additional manufacturing milestones to Photocure of €5 million. In addition, the Group will pay royalties on annual net sales at a rate that is in line with industry standards for a marketed product as well as commercial milestones upon the achievement of specific sales thresholds. Photocure has committed to invest in 2012 and 2013 with Ipsen in marketing and sales programs up to €3 million.

Spirogen (London, United Kingdom)

In May 2003, the Group signed a partnership agreement with Spirogen, a UK biotechnology company. This partnership comprises a development and licensing agreement covering the development and marketing by the Group of a patented anti-cancer drug, namely BN 2629 (SJG-136) (now SG-2000) and a research agreement for other anti-cancer compounds through implementation of a gene targeting technology patented by Spirogen. The research agreement has expired and was not renewed by the parties.

Pursuant to the development and licensing agreement, the Group had obtained an exclusive worldwide licence on Spirogen's patents and expertise related to the manufacture, use and sale of BN 2629 and its analogue or replacement compounds. Spirogen had also granted the Group a worldwide non-exclusive licence under which the latter is allowed to use and operate the gene screening technique patented by Spirogen.

The Group has the right to terminate the development and licensing agreement during the development stages provided that it observes a notice period of six months. In the event of termination, all rights and all licences granted to the Group pursuant to this agreement will be null and void and any information acquired about BN 2629 and the products containing it will be returned to Spirogen.

In May 2003, the Group acquired a shareholding in Spirogen's capital by subscribing for preference shares issued by the company. At 31 December 2010, the Group held 15% of Spirogen's share capital.

In August 2009, the Group and Spirogen terminated their development and licence agreement and entered into new agreement in order to allow Spirogen to continue and lead the clinical development and commercialisation of the first-in-class anticancer molecule (SJG-136) (now known as SG-2000). According to this agreement, Spirogen is granted an exclusive worldwide licence to certain Ipsen's intellectual property rights covering pyrrolobenzodiazepines in combination with cytotoxic agents. In the case of commercialisation of the SJG-136 (now SG-2000) Ipsen will receive royalties as well as commercial milestone payments.

In January 2011, Spirogen announced the signature of a multi-year research collaboration and licence agreement with Genentech. As a 15% shareholder of Spirogen, the Group may indirectly benefit from the future milestone payments and royalties to be paid by Genenetch to Spirogen.

bioMérieux (Marcy l'Etoile, France)

In September 2007, bioMérieux and the Group entered into an agreement for the development by bioMérieux of a companion test for a molecule (BN 83495) currently being developed by the Group for the treatment of breast cancer. As part of the collaboration, bioMérieux shall devise a companion assay to determine the patients best suited to benefit from the new therapy targeting the steroid sulfatase enzyme. The assay is developed on bioMérieux's molecular diagnostic platform. The development of this test is co-financed by the parties. In case of successful development of the assay, the test will accompany the clinical development of BN 83495 and potentially future commercialisation.

In February 2011, bioMérieux and the Group entered into a framework partnership agreement to establish a worldwide collaboration in theranostics, including hormone-dependant cancers. The purpose of such agreement is to leverage the expertise and resources of both the parties (*i.e.*, Ipsen's portfolio of innovative compounds bioMérieux's diagnostic tests) to identify programs and develop jointly a therapeutic and companion diagnostic test for the prevention and treatment of prostate and breast cancers, neuro-endocrine tumors and pituitary tumors.

■ 1.4.1.2 Agreements in endocrinology

Tulane University (New Orleans, United States)

Pursuant to an agreement sealed in June 1990, Tulane University granted the Group an exclusive worldwide licence to manufacture, use and sell Lanreotide, the active substance in Somatuline® and Somatuline® Autogel®. This agreement remains in force until the corresponding patents have expired. Furthermore, the agreement covers any future formulation using this active substance until the corresponding patents have expired. The Group pays different levels of royalties to Tulane University, which vary from territory to territory. The agreement does not provide for any minimum royalty clause. The length of the agreement's exclusivity period varies from territory to territory: (i) in territories where Tulane University holds a patent, including the United States, the exclusivity period runs until expiry of the corresponding patent, and (ii) in territories where Tulane University does not hold a patent, the exclusivity period runs for ten years from the initial commercial sale of the relevant product.

Genentech (San Francisco, United States)

Distribution agreement covering NutropinAq®

The exclusive distribution agreement entered into in September 2002 by the Group with Genentech covers NutropinAq®, a liquid formulation of human growth hormone for daily use produced using recombinant DNA technology. Under this agreement, the Group has the exclusive right to market worldwide (with the exception of North America, Mexico and Japan) NutropinAq® and the NutropinAq® Pen Cartridge® (*i.e.* the configuration used for the daily administration of the liquid formulation of NutropinAq®) and any improvement made to these products for a period of 20 years starting from the date on which NutropinAq® was launched on the market. The Group also has the right to use Genentech's existing brand names, namely NutropinAq®, NutropinAq® Pen and NutropinAq® Pen Cartridge®, as well as any new brand name that Genentech uses to market the products in territories not governed by the distribution agreement with the Group.

The Group agreed to pay Genentech milestone payments when certain net sales figures are reached. The Group has to agree with Genentech on sales milestone payments for each product before filing any application for regulatory approval for the marketing of any such product. The Group also agreed to pay royalties based on the total amount of annual sales of each product in the territory covered by the distribution agreement. NutropinAq® is covered by a European patent owned by Genentech which expires on 29 July 2013. A European patent (EP 587.858) covering the liquid formulations of human growth hormone belonging to Pharmacia may also have covered this pharmaceutical compound. However, the limitation of claims by the Opposition division of the European Patent Office following Genentech's opposition should mean that NutropinAq® escapes the clutches of this patent. This ruling by the European Patent Office's Opposition Division was appealed by Pharmacia on 6 June 2005. European Patent Office's Technical Board of Appeal published its decision on 18 July 2006. The terms of Pharmacia's patent's main claim were partially restored but the final claims of the Pharmacia's patent should probably not cover NutropinAq®. If Pharmacia claims that NutropinAq® has infringed its patent and, assuming the latter's action were successful, the Group may have to pay compensatory royalty to Pharmacia.

Genentech has the right to terminate this agreement in certain cases, notably if the Group is unable to market products by the agreed deadlines or if it fails to reach certain objectives. If the annual sales of a product in a specific country fall below a predetermined threshold, the rights and licences granted may become non-exclusive in the relevant country, if Genentech so decides.

Research and Development agreement

Following the agreement covering NutropinAq®, the Group signed a Research and Development agreement in November 2004 covering the development of sustained-release formulations of recombinant growth hormones using the technology platforms of Genentech, the Group and third parties. At the end of the initial research period, Genentech and the Group had the option to decide either to extend the research period or to develop jointly or individually the products resulting from the research or to terminate the contract. In October 2010, the Group and Genentech jointly decided to terminate their research and development collaboration.

Increlex® Agreements

Tercica has entered into a North America and a Ex-North America licence agreements on 15 April 2002 and 25 July 2003, respectively. Further to the acquisition of Tercica, the Group is granted pursuant to these agreements the exclusive right to develop, manufacture and commercialise IGF-1 in the world in all indications except central nervous system diseases. For the indication of diabetes treatment when outside of USA, the Group should obtain the prior approval of Roche. Under terms of these contracts Genentech is Genentech also is granted an option right for the product in all non-orphan indications and diabetes.

In consideration for these rights, the Group shall pay to Genentech certain amounts dependent on sales made by the Group reaching certain levels.

IGF-1-Growth Hormone Combination Product Agreement

On 6 July 2007, Tercica entered into a licence agreement with Genentech for the development and commercialisation of a product combining IGF-1 and growth hormone. Pursuant to this agreement and further to the acquisition of Tercica Inc., the Group develops the product in paediatric indications (short stature children) as well as in indications for adults, Genentech keeping a say in the development of the product. On 19 October 2010, the parties decided to end the development of the growth hormone indication for adults but to keep the paediatric indications and other indications for adults. Genentech has an opt-in right to participate in the development and commercialisation of the product in all indications; this opt-in right can be exercised at various stages of development of the product. In case of exercise of this opt-in right by Genentech, the parties will share the costs and revenues relating the product per indications and Genentech will reimburse the Group a percentage of the development costs borne by the Group. In the absence of opt-in by Genentech, the Group will pay royalties to Genentech on the basis of the sales of the relevant product made by the Group. Under certain terms, Genentech may also acquire the right for the deciding vote in the commercialisation of the product.

Insmed Settlement Agreement

On 5 March 2007, Genentech, Insmed and Tercica Inc, entered into a settlement agreement ending their dispute relating to the product developed and commercialised by Insmed, Iplex® (IGF-1 and BP3). Pursuant to this agreement, Insmed continue to have limited rights for the development and commercialisation of Iplex® and Insmed grants to Genentech and the Group opt-in rights for the co-development of the product in authorised indications. In the event the Group or Genentech exercises this opt-in, the Group or Genentech will reimburse Insmed a fraction of development costs and will share with Insmed future costs and revenues generated by the sales of the product.

Roche (Basel, Switzerland)

Pursuant to an agreement signed by the Group in October 2003 with various companies in the Roche group whereby the group granted to Roche the exclusive licence rights to develop and commercialise the GLP-1 analogue worldwide, with the exclusion of Japan where these rights are shared with Teijin (the Group's Japanese partner) and France where the Group may decide to exercise its co-marketing rights, in July 2006 Roche exercised its option for an exclusive licence to develop and commercialise a class of anti-diabetic GLP-1 drugs discovered by the Group's research activities and notably including the BIM 51077 compound. Since the exercise of this option, Roche paid to the Group up to €71.6 million. As of the date of the option's exercise, Roche became wholly responsible for the product's development and manufacturing as well as being the holder of the regulatory approvals. Roche also became wholly responsible for the next stages in the development of BIM 51077, with the exception of Japan where the developments costs would be shared equally between Roche and Teijin. In June 2008 Roche decided to move the GLP-1 analogue into phase III clinical trials and in October and December 2009 Roche announced that the results of certain clinical trials have met their primary endpoints. In June 2010, Roche disclosed that it would implement a risk mitigation plan in the phase III program due to a higher than expected incidence of hypersensitivity reactions reported as attributable to the administration of the product. At the end of January 2011, the Group was informed of Roche's decision to terminate the agreement based on the analysed data stemming from the root cause analysis carried-out on both nausea and hypersensitivity. Roche therefore returned all of its rights to Ipsen, including the full body of data generated by Roche on GLP-1, effective 3 August 2011. The Group is reviewing the available data to assess possible partnership opportunities in light of the agreement that Roche terminated, but is not envisaging the clinical development of the product on its own given the level of the required investment.

On 19 January 2009 the Group disclosed that Biomeasure (Milford, MA, USA), an affiliate within the Ipsen Group, had been sued in Louisiana by Tulane University of New Orleans (United States) and a Tulane faculty member ("Tulane"), alleging breach of contract and/or inventor ship of some of the GLP-1 analogue patents that the Group licensed out to Roche in July 2006. The Group denies Tulane's allegation and vigorously contests Tulane's claim. However, should Tulane position prevail, despite Ipsen's strong arguments against their allegations, Ipsen might be led to pay royalties and/or milestones components from corresponding intellectual property revenues.

Teijin (Tokyo, Japan)

In July 2003, the Group entered into a Research and Development partnership with Teijin. The Teijin group is a Japanese industrial conglomerate specialising in the production and sale of pharmaceutical, medical and homecare products, as well as fibres, chemicals and plastics. This partnership covers the development of four of the Group's products and the marketing of the products that complete the development programme by Teijin in Japan. Secondly, this partnership covers the development and marketing by the Group in "Europe" *(i.e.* in the European Union and countries located to the west of Russia, including Russia) of febuxostat (Adenuric), a product owned by Teijin and used in the treatment of the symptoms associated with hyperuricaemia and known as TMX-67.

The Group has granted Teijin rights to develop and market in Japan the following products:

- Somatuline® Autogel for the treatment of acromegaly, SSTR-2 for the treatment of diabetic retinopathy and BIM 44058 (PTHrP analogue) in the treatment of severe osteoporosis. The Group has granted Teijin exclusive rights to these products;
- a glucagon like peptide-1 analogue (GLP-1) known as BIM 51077 in the treatment of type II diabetes, for which the Group has granted Teijin co-exclusive rights together with Roche (Chugai in Japan). Several amendments to the collaboration agreement have been entered into between the Group and Teijin, the first amendment having been signed in February 2004, the Group and Teijin added the first additional clause to the BIM 51077 partnership agreement. Pursuant to this additional clause, the Group granted Teijin an option on all the compounds belonging to it and forming part of the GLP-1 class.

Teijin conducted phase II trials in Japan with Somatuline® Autogel® which were completed in November 2008. The first phase III patient in acromegaly was injected on 27 January 2010. Teijin continues phase II trials with BIM 51077 and Phase I with BIM 44058.

Teijin will bear the entire burden of costs related to the development of SSTR-2 and PTH and 50% of the costs resulting from the development of Somatuline® Autogel® and GLP-1. The agreements covering GLP-1, SSTR-2 and PTH and Somatuline® Autogel® give the Group the power to veto publications.

For each of these products, marketing rights will revert to the Group upon expiry of a ten-year period of commercial use.

As regards febuxostat, pursuant to the distribution and promotion agreement signed on 24 July 2006 by Teijin and the Group, the parties have determined the definitive terms of Ipsen's exclusive rights to the product in Europe. Febuxostat's development costs in Europe will be borne by the Group, except for the cost of conducting clinical trials that may be requested by the regulatory authorities prior to the registration of febuxostat in Europe, which will be shared between Teijin and the Group. Marketing rights will revert to Teijin upon expiry of a ten-year period of commercial use. The agreement covering febuxostat contains a reciprocal clause for the advance notification of planned publications.

In October 2009, the Group granted the Menarini group exclusive licensing, development and commercialisation rights in Europe for Adenuric® and kept co-promotion rights in France.

Submission for the registration of febuxostat is currently being made in Japan (Teijin). The product was registered in Europe in May 2008 under the tradermark Adenuric® and is being

launched by Menarini since March 2010 (with a co-promotion right for the Group in France). The product was registered in the United States (TAP) in February 2009 under the trademark Uloric® and launched since March 2009 by Takeda.

Asterion Ltd (Sheffield, United Kingdom)

In December 2003, the Group and Asterion entered into a research and licensing agreement, pursuant to which Asterion is conducting a research programme into the generation of growth hormone agonists and antagonists. This research programme has been prolonged in 2010 to carry out new researches. The Group contributes to the financing of this programme by paying fixed sums. The strategic priorities and progress of the research work are supervised by a steering committee composed of representatives from the Group and Asterion. The results of this research belong to the Group.

Furthermore, the Group holds an exclusive worldwide licence to use Asterion's patents and expertise related to Asterion's technology with a view to the development and commercial use of any growth hormone agonists or antagonists. This licence has been granted for the duration of the patents, in return for the payment by the Group to Asterion of different fixed sums, payment of which depends on progress on the development front, the attainment of sales thresholds with these compounds and the payment of royalties based on these sales.

Radius (Cambridge, United States)

In September 2005, the Group signed a licensing agreement with Radius under the terms of which the Group granted Radius the exclusive right to develop, manufacture and distribute a compound belonging to the Group known as BIM 44058 (as well as its analogues) using the sustained-release formulation technology developed by the Group for the development of a drug used in the treatment of osteoporosis.

This licence has been granted for the entire world, with the exception of Japan (except for the manufacture), where the Group has already granted an exclusive licence concerning this compound to the Japanese group Teijin (see earlier description of the agreement). Furthermore, the Group will have the option of promoting and selling the finished product on a co-marketing basis with Radius in France. Radius is responsible for the overall development of the compound and will incur all the relevant costs. Radius will also hold the marketing authorisations and be responsible vis-à-vis the national regulatory authorities for marketing the product. The Group will also manufacture the compound until completion of the phase II trials. Subsequently, following the transfer of the technology, Radius will be responsible for manufacturing the compound and the end product marketed. Radius will then supply Teijin for the purposes of marketing the product in Japan. In August 2009 Radius presented the results of Phase II studies.

Radius shall pay the Group different fixed sums depending on the success of the various development phases and registration of the end product, as well as according to the level of sales generated by the finished product. Lastly, Radius will pay the Group royalties calculated on a *pro rata* sales basis. Radius has the option of subcontracting or sub-licensing all or part of its obligations, notably in connection with the phase III development work, subject to compliance by the sub-licencees and sub-contractors with all the terms and conditions of the agreement entered into with the Group. If it grants a sub-licence, Radius shall pay the Group a portion of the payments received from its sub-licencees. The licensing agreement will end upon the latest of (i) the expiry of the last remaining patent covering the product or (ii) the expiry of a period of ten years from the date on which the product was first sold, whichever is the later. Upon expiry of the agreement, Radius is set to benefit from a free and perpetual licence to the licensed rights.

Tercica Inc. (Brisbane, California, United States)

The Group has entered into a definitive merger agreement in June 2008 by which it has acquired the remaining approximately 44.9 million fully diluted shares of Tercica Inc. not owned by the Group for $9 per share in cash, for a total purchase price of approximately $373 million. In connection with this agreement, the Group has also committed to exercise its warrants to purchase Tercica Inc. common stock for a total exercise price of $37 million and to convert all of its outstanding convertible notes into Tercica Inc. common stock. The Group financed this transaction through a combination of existing internal financial resources.

Licensing agreements

The licensing agreements covering Somatuline® Autogel® and Increlex™ entered into in July 2006 between the Group and Tercica are maintained as intra-group agreements.

The Canadian authorities approved Somatuline® Autogel® in July 2006. In August 2007, the Food and Drug Administration (FDA) granted marketing approval for Somatuline® Autogel® under the trademark Somatuline® Depot (lanreotide) Injection 60, 90 and 120 mg in the United States for the treatment of acromegaly.

Increlex™ has granted it orphan drug exclusivity by the EMA and in August 2007, the European Commission granted marketing authorisation for Increlex® 10 mg/ml solution for injection in the European Union for the long-term treatment of growth failure in children and adolescents with severe primary insulin-like growth factor-1 deficiency.

Celera (Alameda, United States)

The Group and Celera, an Applera Corporation business, have entered into a research collaboration in November 2007 to develop biomarker and pharmacogenomic tests for growth failure patients. The initial phase of the collaboration shall focus on the discovery and characterization of genetic markers relating to this disease. Assuming the first phase of this collaboration is completed successfully, a key aim thereafter will be to develop diagnostic predictors for use in the Group's clinical trials which would potentially form the basis for commercial companion diagnostic tests for the Group's short stature therapies. The initial phase of the collaboration will be funded by the Group and any future payment will depend on success of the initial phase.

Erasmus Medical Centre (Rotterdam, The Netherlands)

During 2007, the Group has entered into and expanded a collaboration with the Erasmus Medical Centre of the University of Rotterdam (Erasmus MC) in The Netherlands. This collaboration takes the form of an assignment by Erasmus MC to the Group of an international patent application file on 13 April 2006 by Erasmus MC and which relates to the co-administration of a somatostatin analogue and a growth hormone antagonist for the treatment of acromegaly. In addition, research teams of the Group and ERINE (Erasmus Research Institute for Neuroendocrinology) established recently within the Internal Medicine Department of Erasmus MC, will collaborate to identify and progress therapeutic concepts and innovative products within the fields of endocrinology, diabetes and metabolism.

Rhythm Pharmaceuticals, Inc. (Boston, United States)

In March 2010, the Group granted Rhythm, an exclusive worldwide license for the research, development and commercialisation under Ipsen's compounds and intellectual property related to analogs of the peptide hormones – ghrelin and MSH – which regulate food intake, energy homeostasis and gastrointestinal function. Under the terms of the licence agreement, Ipsen will receive progressive payments of up to $80 million upon the achievement of certain development and commercial milestones and royalties on future sales of the products. Rhythm will continue to use Ipsen's recognised formulation expertise to develop innovative delivery systems for the peptide programs. Ipsen will also acquire 17% of equity shares in Rhythm and is granted one seat on Rhythm's board of directors.

Dicerna Pharmaceuticals, Inc. (Watertown, United States)

On 17 March 2010, the Group and Dicerna entered into an exclusive research and collaboration agreement to leverage their expertise in Dicer Substrate siRNA (DsiRNA) research and peptide engineering, the latter technology being brought into the collaboration by the Group. The two companies will develop novel conjugates of Dicerna's DsiRNA molecules and Ipsen's peptide targeting vectors in the oncology and endocrinology therapeutic areas. Each party will bear its own development costs arising out of or in connection with this collaboration. At the end of this agreement, the Group and Dicerna will assess the terms and conditions for the development of the research and intellectual property resulting from their research collaboration going forward.

1.4.1.3 Agreements in the field of neurology and botulinum toxin

Health Protection Agency (HPA) (Porton Down, United Kingdom)

The licensing agreement entered into by the Group with the HPA covers the botulinum toxin type A complex, which is the active substance in Dysport®. Pursuant to its agreement of 1994 with the HPA, the Group holds an exclusive worldwide licence to use and sell the botulinum neurotoxin type A produced by the HPA and the co-exclusive right with the HPA to manufacture this toxin using the HPA's processes. Under an additional clause signed in September 2001, the Group has built the requisite installations for the production by the Group of botulinum toxin type A, with production having started up during 2004. The Group is now free of the obligation to purchase botulinum toxin from the HPA. Pursuant to this agreement, the Group pays the HPA royalties based on revenues generated from the sale of products containing botulinum toxin type A, particularly those realised under the Dysport® brand name, together with minimum royalty clauses. The Group and HPA have extended this licence until 31 December 2036 by an amendment executed on 6 April 2007.

Medicis (Scottsdale, United States)

In March 2006, the Group entered into a development and distribution agreement with Medicis Pharmaceutical Corporation (formerly Aesthetica Ltd), a fully controlled subsidiary of Medicis, covering certain botulinum toxin formulations for aesthetic medicine in the United States, Canada and Japan under a brand name other than Dysport®, including the Reloxin® trademark. The initial expiry date of this agreement set for September 2019 was extended until 31 December 2036.

Under this agreement, Medicis finances and conducts the development programme helping to secure the registrations and approvals required to sell the products in the United States, Canada and Japan. According to the terms of this agreement, the Group files and becomes the owner of the Biologics Licence Applications for products. However, pursuant to an amendment in November 2006, the Group has made Medicis responsible for filing New Drug Applications with the FDA in the United Sates and this marketing authorisation will be owned by the Group once it has been approved.

Medicis agreed to make certain milestone payments to the Group: $90.1 million upon signature of the agreement, plus $26.5 million at certain key development milestones; $75.0 million upon approval of the product by the FDA; $2.0 million upon approval of the product in Japan; *i.e.* a total of $193.6 million. The Group will manufacture and supply the product to Aesthetica throughout the agreement and will receive from Medicis royalties and a delivery price equal to 30% of the net sales generated by Medicis.

Further to a non approval letter from FDA on the grounds that the application was not sufficiently complete to permit a substantive review received in February 2008, the Group a submitted a new BLA (Biologics Licence Application) for Reloxin® in the aesthetic indications in March 2008. On 30 April 2009, the Group announced the FDA's approval of the marketing authorisation (Biologics Licence Application) but under the unique Dysport® trademark for two separate indications, therapeutic medicine for the treatment of cervical dystonia in adults to reduce the severity of abnormal head position and neck pain, and aesthetic medicine for the temporary improvement in the appearance of glabellar lines in adults younger than 65 years of age. Ipsen markets Dysport® in the U.S. for the therapeutic indication (cervical dystonia) since November 2009, while Medicis markets Dysport® in the U.S. for the aesthetic indication (glabellar lines) since

June 2009 with a communication and risk management plan elaborated by both entities.

Galderma (Lausanne, Switzerland)

In February 2007, under the terms of this agreement, Ipsen granted Galderma Pharma S.A. a Swiss company jointly owned by Nestlé and L'Oréal, exclusive rights to develop, promote and distribute a specific formulation for the aesthetic medicine indications of its botulinum toxin type A product in the European Union, Russia (subject to an additional payment) and certain territories in Eastern Europe and Central Asia, Israel and Lebanon. In addition, the Group also granted Galderma first rights of negotiation for aesthetic medicine indications in the rest of the world, excluding the United States, Canada and Japan, as well as rights for future formulations. This agreement initially entered into with a term expiring in September 2019 was extended until December 2036.

The product is distributed under the Azzalure® trademark owned by Galderma. In February 2009, the health authorities of 15 European countries granted their approval for marketing authorisations for Azzalure® in the aesthetic indication. As of today, Azzalure® is commercialised in the United Kingdom, in France, in Germany, in Portugal, in Denmark, in Finland and in Sweden.

Ipsen and Galderma work together on the development and regulatory strategy of the product in aesthetic medicine indications. Galderma will carry out and fund any future development activity for new aesthetic indications. Ipsen owns all regulatory approvals and all data arising from development activities.

Galderma paid the Group an initial milestone of €10 million and shall pay up to an additional €20 million if certain conditions are satisfied, such as marketing authorisation and product launches on certain territories. The Group provides Galderma with the finished product at a fixed price and Galderma will pay the Group royalties based on sales, which together will represent approximately 40% of Galderma's net sales.

In December 2007, the Group also granted to Galderma exclusive rights to promote and distribute under the trademark Dysport® certain formulations of botulinum toxin in aesthetic and dermatological indications in Brazil, Argentina and Paraguay. The commercialisation of Dysport® in Brazil and Argentina in these indications has started.

Vernalis Plc (Winnersh, United Kingdom)

On 1 July 2008, the Group has finalised the acquisition of the rights under Apokyn® that Vernalis Inc. had acquired from Britannia Pharmaceuticals, a company located in the United Kingdom, and the commercial operations of Vernalis Inc. in the United States of America as well as the subscription of shares in Vernalis Plc. In this context, the Group has acquired the entire share capital of Vernalis Inc. for a total amount of $1.4 million (€0.8 million) and subscribed to 35,253,134 new ordinary shares for a total price of £0.0726 per share of Vernalis Plc for a total consideration of £2.6 million and has acquired the rights and the assets relating to the development and the commercialisation of Apokyn® for a total amount of $13.9 million (€9 million) including some commitments to conduct post-marketing studies for Apokyn® ($9.6 millions / €7 million). The joint venture project between the Group and Vernalis Plc being withdrawn, an amount of $1 million (€0.7 million) has been paid by the Group as per the agreement with Vernalis Plc. This transaction bring the Group an established and highly experienced neurology commercial team, who already market Apokyn® in the US to neurology specialty physicians, many of which are potential prescribers for Dysport®. Following the new strategy announced by the Group in June 2011, the Group entered into an agreement with Britannia end October 2011 in order to sell its assets and development and marketing rights related to Apokyn®, effective 30 November 2011. In addition, the agreement provides that following the transfer of the Group's rights to Britannia, the continuity of the commercialisation of the products to patients in the United States will be performed by Britannia through its newly appointed U.S. partner USWorldMeds as of 1 December 2011. In consideration of such transfer, Britannia paid to the Group more than the one time 2010 sales made by Ipsen in the United States. Also, as part of the agreement, the Group will complete an ongoing study to assess Tigan® and Apokyn® as part of Apokyn's post-marketing commitments. The Group's equity holding in Vernalis Plc. remains unaffected by the transfer of Apokyn® to Britannia.

Pharnext (Paris, France)

In June 2009, the Group entered into an option agreement for an exclusive research, development and marketing of drug candidates intended for the treatment of Charcot Marie-Tooth disease. According to this agreement, Ipsen has been granted an option to Pharnext's programme and subscribes to the issuing of convertible bonds. The agreement also grants the Group the right to exercise an option to purchase exclusive licensing rights on drug candidates after completion of Phase II clinical trials.

Under the terms of this agreement, Pharnext will carry out the development of innovative Pleotherapy™ based drug candidates for the treatment of Charcot Marie-Tooth disease until completion of Phase II clinical trials. Ipsen will further the development up to marketing approvals in Europe, the USA and China. In case the option is exercised, Ipsen will pay Pharnext milestone payments up to a cumulative amount of €91 million, as well as double-digit royalties on commercial net sales from 10 to 25% depending on the sales. The parties shall negotiate the payment of additional milestone payments in the event Ipsen develops the drug candidate in another indication than the Charcot Marie-Tooth disease.

Santhera Pharmaceuticals (Liestal, Switzerland)

On 2 September 2010, the Group entered into an exclusive licence agreement for the development and commercialisation of fipamezole, a first in class antagonist compound of adrenergic alpha-2 receptor currently under investigation in preparation for Phase III clinical studies in the treatment of levodopa induced dyskinesia in Parkinson's Disease. The Group was granted an exclusive licence worldwide except Japan and North America, the latter territory being granted under exclusivity licence from Santhera to Biovail (a Canadian pharmaceutical company) in 2009. The agreement provides for a sharing of clinical data between Santhera, Ipsen and Biovail to allow among others Ipsen to use the data for its

own development. Pursuant to the agreement, the Group paid to Santhera an upfront payment of €13 million. The Group will also pay to Santhera milestone payments up to €128 million upon completion of certain development, regulatory and commercial events and royalties on future net sales. On 25 October 2010, Santhera informed Ipsen that it regained all the development and commercialisation rights for North America following Biovail's decision to terminate its licence agreement with Santhera after Biovail merged with Valeant Pharmaceuticals International. Santhera is evaluating the available data to assess potential collaboration or partnership opportunities in North America. Following the return to Santhera of all the North American development and commercialisation rights of fipamezole, the Group and Santhera decided to enter into a new agreement on 24 January 2012 to allow Santhera to regain the worldwide rights over the compound. Under the newly renegotiated terms of the January 2012 agreement, Ipsen returned its exclusive development and commercialisation license rights in exchange of development milestone payments and royalties based on future partnering by Santhera with a third party as well as commercial milestone payments based on the future commercial success of fipamezole. In addition, the Group has a right of option for a worldwide license to the development program under certain conditions provided in the agreement. In the event the Group exercises its option, Santhera will receive from the Group certain development milestone payments and royalties on sales made.

Syntaxin (Oxford, United Kingdom)

In October 2011, the Group entered into a collaboration agreement with Syntaxin, a biotechnology company specialised in innovative biopharmaceutical therapies targeting cell secretion pathways, in order to research and develop new compounds in the field of botulinum neurotoxins. Under the agreement, Syntaxin will receive from the Group for the first three years of the collaboration, a technology access fee for access by the Group of Syntaxin's technology as well as full time employee support and research milestones for a total amount up to US$ 9 million. Syntaxin is also eligible to receive additional license fees and development and regulatory milestones. In addition at the time of commercialisation, Syntaxin will potentially receive over US$90 million of commercial milestones together with royalties on net sales. In consideration of such payment, the Group will have exclusive worldwide development and commercialisation rights to the programmes discovered within the scope of the collaboration.

This collaboration follows Ipsen's strategic investment in Syntaxin during Syntaxin's Series C financing round which was completed in November 2010. Ipsen owns 0.8% ordinary shares of Syntaxin and 8.9% preferred shares on a fully-diluted basis.

Onco*design* (Dijon, France)

On 5 January 2012, the Group and Onco*design*, a drug discovery company and oncology pharmacology service provider announced the execution of a collaboration agreement to discover and develop innovative LRRK2 kinase inhibitors as potential therapeutic agents against Parkinson's Disease and for potential uses in other therapeutic areas. Onco*design*'s Nanocyclix® is a proprietary medicinal chemistry technology based on a macrocyclisation process of small chemical molecules that gives access to potent and highly selective small molecule kinase inhibitors with attractive physicochemical and ADME properties. Onco*design* has identified Nanocyclix® leads against a broad range of known and unexplored kinases (notably the LRRK2 program) with potential in multiple therapeutic areas. The Group will apply its expertise in pharmaceutical R&D and translational sciences while leveraging its network of academic and medical leaders in neurosciences. Under the terms of the agreement, the Group is two exclusive options to license exclusively Onco*design*'s LRRK2 inhibitor program, notably upon successfully reaching clinical proof of concept, with worldwide development, manufacturing and commercialisation rights. Onco*design* is entitled to receive from the Group a technology access fee, funding of the program's research and early development activities, and upon exercise of the licence options, opt-in fees and additional development, regulatory and commercial milestone payments potentially totalling €115 million for the development of molecules in two or more indications, and tiered royalties on net sales.

1.4.2 Agreements in primary care

Schwabe (Karlsruhe, Germany)

The Group has longstanding links with Schwabe concerning in particular *Ginkgo biloba* extracts and EGb 761®, the active substance in Tanakan®. The relationship between the Group and Schwabe was summarised in the cooperation agreement dated 27 July 2005 concerning (i) the procurement and supply of *Ginkgo biloba* leaves, (ii) the manufacture of *Ginkgo biloba* extracts and notably EGb 761®, (iii) the patents, expertise and EGb 761® brand name and drugs containing EGb 761® extract, and (iv) research and development activities concerning the EGb 761® extract and drugs containing EGb 761®. This cooperation agreement records the fact that the Group and Schwabe hold joint shareholdings in the following companies, which form the manufacturing chain for either EGb 761® or of other plant extracts:

- **Agricultural companies:**
  - Schwabe and the Group each hold 50% of the share capital of two companies, Saint-Jean-d'Illac and Garnay located in France and the United States, respectively, which cultivate *Ginkgo biloba* trees and dry their leaves (from which EGb 761® is extracted);

– Schwabe and the Group each hold an equal percentage (37.5% or 35.75%, depending on the case) of the share capital in two companies located in the provinces of Shangdon and Jiangsu in China, the activities of which consist in buying and drying the green *Ginkgo biloba* leaves sold to Cara Partners (described below) and to Schwabe;

- **Irish companies:**

  – Schwabe and the Group each hold 50% of the partnership shares in Wallingstown Company Limited based in Cork in the Republic of Ireland, which is involved in the manufacture of EGb 761®;

  – Schwabe and the Group each hold 50% of the joint rights in Cara Partners located in Cork in the Republic of Ireland, which manufactures and sells EGb 761®. Cara Partners' partnership deed was renewed with effect from February 2003. Thereafter, the partnership deed will be considered as being for an unlimited duration, with each of the partners having the right to terminate it after observing a notice period of six months; and

- **Linnea:**

  – Schwabe and the Group each hold 50% of the share capital of Linnea, a Swiss-registered company based in Locarno, in Switzerland, and whose activities are manufacturing and selling *Ginkgo biloba* extracts other than EGb 761® and other plant extracts.

This agreement provides for exclusive procurement of the Group's *Ginkgo biloba* leaves and EGb 761® extracts from the aforementioned companies. Under the terms of the cooperation agreement, the Group and Schwabe have agreed to form a steering committee defining procedures for: (i) purchases of *Ginkgo biloba* leaves by the Irish companies and Linnea from the agricultural companies, (ii) the manufacture and supply of EGb 761® extract by the Irish companies to the Group and to Schwabe exclusively, and (iii) the storage of Ginkgo biloba leaves and extracts.

Concurrently, Schwabe, which owns the patents covering EGb 761® extract and its method of manufacture, has reserved the right to manufacture EGb 761® extract to meet its needs in the German market and granted: (i) to the Irish companies a free licence to use its patents (without the right to sub-licence them) to manufacture EGb 761® extract and to sell it exclusively to the Group and Schwabe, and (ii) to the Group a free licence to use its patents (with the right to sub-licence them to third parties) to manufacture and sell drugs based on EGb 761®. The Group's licence covering France is exclusive, and Schwabe has reserved the exclusive right to market EGb 761® extract-based drugs in Germany.

Novartis (Basle, Switzerland), Sanofi-Aventis (Strasbourg, France)

In March 2003, the Group signed a distribution agreement with Novartis concerning Nisis® (valsartan – an antagonist for the angiotensin II) and Nisisco® (a fixed combination of valsartan and hydrochlorothiazide) after having acquired the Nisis® and Nisisco® trademarks from Sanofi-Aventis. In accordance with this agreement, the Group has a co-exclusive right (together with Novartis, which retains the right to exploit the indications under the Tareg® and Cotareg® trademarks) to promote and distribute Nisis®, Nisisco® and any other improvements made to these products in France, Andorra and Monaco. During the term of the agreement, the Group has agreed to purchase certain quantities of the products from Novartis.

On 28 January 2009, the Group and Novartis entered into a second agreement relating to the co-promotion of the antihypertensive drug Exforge® in France strengthening the commitment of its French teams to the management of cardiovascular risk factor.

Braintree (Massachusetts, USA)

In September 2009, the Group signed a licensing agreement with Braintree Laboratories Inc., a US-company specialised in the development, manufacturing and marketing of specialty pharmaceuticals under which the Group purchased exclusive distribution, marketing and manufacturing rights of Braintree's proprietary formulation – BLI 800 – in colonic cleansing before colonoscopy, a diagnostic procedure for colorectal cancer screening. This agreement covers countries within the European Union, Commonwhealth of Independent States, selected Asian countries (including China) and some North African countries.

In the context of this agreement, Braintree will receive payment upon achievement of certain milestones such as product launches and commercial thresholds. Additionally Braintree will receive royalties on Ipsen's sales.

In addition, on 17 December 2010, the Group entered into a licence agreement with Braintree whereby Braintree was granted the exclusive right to develop and commercialise Diosmectite (the active ingredient of Smecta®) in the United States and Canada for the treatment of *Clostridium Difficile* infection and the associated symptoms and manifestations. The Group will receive payments from Braintree upon the occurrence of certain regulatory milestone events including the launch of the product. The Group will also receive royalties on sales made by Braintree.

Merck Sharp & Dohme Ltd (Hoddesdon, United Kingdom)

The Group signed an agreement with MSD in January 2007, for the use in France of Adrovance™, within the framework of a co-marketing agreement. This fixed association of alendronate sodium trihydrate and colecalciferol (vitamin D3) is used in the treatment of post-menopausal osteoporosis for patients at risk with low vitamin D levels. Pursuant to this 10-year agreement, the Group will market and sell this product under the name Adrovance in France which it will purchase exclusively from Merck Sharp & Dohme Ltd.

GTF (Boulogne-Billancourt, France)

In August 2007, the Group transferred to GTF Group the marketing authorisations of Ginkor Fort® for France, Monaco and Andorra as of 1 January 2008 and entered into a supply agreement for Ginkor Fort® with GTF. The Group also granted GTF the exclusive trademark license right on the Ginkor Fort® trademark with a possible assignment of those trademark rights upon final payment of the assignment price of Ginkor

Fort®. In 2010, the Group and GTF entered into a new supply agreement of the finished product for an initial period of 5 years with a possible renewal. The Group continues to market the product outside France, Monaco and Andorra.

1.4.3 Other agreements

Octagen and Emory University (Atlanta, United States)

In May 1998, Octagen concluded a worldwide exclusive licensing agreement with Emory University. This agreement covers the latter's expertise and patents and authorises Octagen to use, sell and manufacture low antigenicity products (LAP) and low immunogenicity products (LIP), notably including genes corresponding to the LAP and LIP compounds in gene therapy and protein infusion.

In September 1998, the Group acquired a shareholding in Octagen, a US biotechnology company and Octagen in turn signed a worldwide exclusive sublicensing agreement with the Group authorising the latter to use, sell and manufacture products incorporating LAPs and LIPs. In accordance with this agreement, Octagen agreed to conduct pre-clinical and clinical trials financed by Octagen and the Group agreed to fund some research activities on LAPs and LIPs for a limited period of time. The agreement stipulates that the Group will manage any project or dossier (including the payment of filing costs) and will be the owner of any registration or regulatory approval dossier. As part of the relationship between the Group and Octagen and the corresponding licensing and sub-licensing agreements, the Group has currently completed a phase II clinical trial with a compound known as OBI-1, a recombinant porcine Factor VIII (for the treatment of patients with acquired hemophilia or hemophilia A who have developed an inhibitory immune reaction to human forms of Factor VIII).

In June 2008, the Group and Octagen entered into an asset purchase agreement to acquire all its OBI-1 related assets in order to fully control its future clinical development. In consideration for this purchase, the Group made an upfront payment of $10.5 million to Octagen and $6.298 million as a second milestone payment after having obtained the authorisation to proceed with a Phase III study by Inspiration Biopharmaceuticals, Inc., to which the Group granted the right to develop and commercialise OBI-1. The Group will make future additional milestone payments contingent on the receipt of marketing approvals in the US and in Europe, potentially totalling up to $19.68 million. In addition, the Group will pay a low to mid range single digit royalty on its net sales in each country, on an upward sliding scale depending on certain sales thresholds. The Group has also redeemed its stake in Octagen.

Inspiration Biopharmaceuticals Inc. (USA)

On 20 January 2010, the Group and Inspiration Biopharmaceuticals entered into a partnership to create a world leading hemophilia franchise.

Under the terms of the agreement, the Group will exclusively sub-licence OBI-1 to Inspiration Biopharmaceuticals in exchange for $50 million in convertible notes and a 27.5% royalty on future OBI-1 sales. The Group shall manufacture and supply the OBI-1 product.

Considering the exclusive in-licensing of the Group's OBI-1 product and Inspiration's recombinant Factor IX, IB1001 (for the acute and preventive treatment of bleeding in patients with hemophilia B), Inspiration Biopharmaceuticals owns two products containing recombinant which have now entered Phase III clinical testing in 2010, as well as two earlier stage coagulation compounds for the treatment of coagulation disorders. In October 2010, the European Commission granted orphan drug status for OBI-1 for the treatment of hemophilia.

The Group made an upfront payment of $85 million in Inspiration in exchange for shares of a new class of preferred stocks constituting 20% of Inspiration fully-diluted equity and made a milestone payment of $50 million upon injection of OBI-1 to the first patient in Phase III in the form of a newly issued convertible note by Inspiration in November 2010. Additional milestone payments of $35 million in October 2011 upon IB1001 receiving MAA submission acceptance and of $25 million in November 2011 upon the initiation of the treatment of the first patient in the second Phase III pivotal clinical study of OBI-1 product, both milestones having been paid against additional new convertibles notes, bringing the Group's fully diluted share ownership position to about 40.7% in Inspiration Biopharmaceuticals. In addition, the Group will make additional future milestone payments up to $64 million for the development and commercialisation of Inspiration Biopharmaceuticals' products including OBI-1 product, will be paid to Inspiration based on the successful development of IB1001 and OBI-1. For each additional milestone payment, the Group will receive a note convertible into Inspiration equity. Assuming all obligations are converted, the Group would hold approximately 47% of Inspiration Biopharmaceuticals' fully diluted equity.

Upon certain triggering events, Ipsen would also have the ability to acquire full control of Inspiration.

End August 2011, the Group and Inspiration Biopharmaceuticals entered into a strategic partnership to create a European hemophilia commercial organisation in the form of a business unit within Ipsen's existing organisation. The Group will act as Inspiration Biopharmaceuticals' exclusive commercial agent to launch Inspiration Biopharmaceuticals' hemophilia products in Europe under Inspiration Biopharmaceuticals' brand through Ipsen's well established European commercial infrastructure and medical network.

1.5 RECENT DEVELOPMENTS AND OUTLOOK

1.5.1 Recent events

Significant events and transactions occurring between 31 December 2011 and the Board of Directors meeting on 28 February 2012:

- On 5 January 2012 – Onco*design*, a Drug Discovery company and Oncology pharmacology service provider, and Ipsen, a global specialty-driven pharmaceutical company, 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. Onco*design* and Ipsen will leverage their respective expertise to bring innovative therapeutic solutions to Parkinson patients.
- On 24 January 2012 – Santhera Pharmaceuticals and Ipsen announced that they had renegotiated their fipamezole licensing agreement. Santhera regains the worldwide rights to the development and commercialisation 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 27 January 2012 – Ipsen acknowledges the French government's decision to no longer reimburse Tanakan®, Tramisal® and Ginkogink®, presently manufactured at the industrial site of Dreux (France). This decision is linked to the French policy to reassess the reimbursement of a certain number of drugs by the French Social Security. Although Tanakan®, Tramisal® and Ginkogink® will be delisted from 1 March 2012 onwards, they can continue to be prescribed and delivered by healthcare professionals to patients in France.
- On 24 February 2012 – Active Biotech's and Ipsen's castrate resistant prostate cancer project, TASQ, will be presented at the 2^{7th} Annual EAU Congress held in Paris on 24-28 February 2012. The presentation will detail the analysis of up to three years safety data from the TASQ Phase II study in chemotherapy-naïve metastatic castrate resistant prostate cancer (CRPC).

Significant events and transactions occurring between 28 February 2012 and before the registration of this Registration Document to the *Autorité des Marchés Financiers*:

- On 29 January 2009 the Group disclosed that Biomeasure (Milford, MA, USA), an affiliate within the Ipsen Group, had been sued in Louisiana by Tulane University of New Orleans (United States) and a Tulane faculty member ("Tulane"), alleging breach of contract and/or inventor ship of some of the GLP-1 analogue patents that the Group licensed out to Roche in July 2006. The Group has examined together with its legal counsel the measures to be taken in this litigation. After examination of the respective positions of the parties, Tulane and the Group have decided to negotiate an out-of-court resolution of this matter. On 9 March 2012, the U.S. District Court of the Eastern District of Louisiana ordered that this litiagtion be dismissed as to all parties involved, subject to the parties entering into a settlement agreement within 2 months.

1.5.2 Group's Objectives

As part of the management of its business activities, the Group prepares operational and financial targets for the current and subsequent financial years. These targets take into account the decisions made to reduce public health spending described in paragraph 1.4 of note 1 of Chapter 2.1 of this registration document and currently known. These targets do not take into account the possible consequences of future decisions by public health authorities to reduce public health spending in the territories where the Group operates, notably in France and in Europe. These targets are determined at constant exchange rates and exclude any possible external growth assumptions, which may alter these parameters.

When preparing its targets, the Group's management used the same accounting rules it adopted for its IFRS-compliant financial statements.

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

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

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

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

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

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

The Group is present in certain geographical areas whose public deficit, currency or even inflation rate could be affected by the financial crisis, which could cause an erosion of the local competitiveness of Group products compared with competitors who operate in local currency, or may be detrimental to the Group's margins in these areas where the Group invoices in local currency or increase difficulties in recovering outstanding receivables from public or private actors with whom the Group conducts its business.

Furthermore, in several countries, the Group markets its drugs *via* distributors or agents: the financial robustness of these partners could be impacted by the crisis, which could subject the Group to increasing difficulties in recovering outstanding receivables. Similarly, the Group may be unable to take out sufficient insurance cover to protect itself from default of its clients in these areas. In addition, in a number of geographical areas, patients fund their own medication needs as there is no social security system. These patients could find that their financial resources are impacted by the financial crisis. Finally, in those countries which provide public or private health cover, the impact of the financial crisis could cause the funding bodies to place added pressure in order to reduce drug prices. All of the above risks could affect the Group's future capacity to achieve its financial sales objectives.

The targets summarised above are based on data, assumptions and estimates regarded as reasonable by the Group. These data, estimates and assumptions are likely to change or to be adjusted as a result of uncertainties arising notably from the economic, financial, regulatory and competitive environment. In addition, the Group's business activities and its ability to meet its targets would be affected if certain of the risk factors described in Chapter 1.1.2 of this registration document arose. Furthermore, achieving these targets is contingent upon the success of the Group's business strategy presented in section 1.1.1.3 of this registration document. Ipsen does not undertake to meet or give any guarantee that it will meet the targets presented in Chapter 1.5.2.. This forward-looking information shall not constitute any indirect profitability objectives.

(1) "Recurring adjusted": Reconciliations between results and recurring adjusted results for 2011 and 2010 are detailed in appendix 1 chapter 1.2.6.1..

2 FINANCIAL INFORMATION CONCERNING THE COMPANY'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS & LOSSES

2.1 2011 CONSOLIDATED FINANCIAL STATEMENTS

2.1.1 Consolidated income statement

(in thousands of euros)	Notes	31 December 2011	31 December 2010	31 December 2009
Sales of goods	5.2.2	1,159,819	1,100,169	1,032,807
Other revenues	5.2.4	75,090	70,129	79,576
Revenue	**5.2.1**	**1,234,909**	**1,170,298**	**1,112,383**
Cost of goods sold		(249,240)	(236,192)	(237,807)
Research and development expenses		(253,592)	(221,127)	(197,293)
Selling expenses		(425,151)	(422,811)	(396,144)
General and administrative expenses		(101,466)	(98,253)	(88,461)
Other operating income	8	17,534	61,628	6,444
Other operating expenses	8	(17,635)	(13,463)	(16,127)
Amortisation of intangible assets (*)	7.3.1	(7,821)	(11,127)	(10,525)
Restructuring costs	9	(36,540)	–	–
Impairment losses	7.4	(85,216)	(100,150)	–
Operating income	**5.1**	**75,782**	**128,803**	**172,470**
Investment income		3,786	2,242	2,703
Financing costs		(1,758)	(1,585)	(4,399)
Net financing costs	**10.1**	**2,029**	**657**	**(1,696)**
Other financial income and expense	10.2	(36,440)	(4,064)	(3,468)
Income taxes	11.1	13,343	(16,955)	(10,593)
Share of profit/loss from associated companies	16.4.5	(54,487)	(12,763)	–
Net profit from continuing operations		**227**	**95,678**	**156,713**
Net profit from discontinued operations	12	680	–	453
Consolidated net profit		**907**	**95,678**	**157,166**
– Attributable to shareholders of Ipsen		424	95,271	156,584
– Minority interests		483	407	582
Basic earnings per share, continuing operations (in €)	22.3.1	0.00	1.13	1.85
Diluted earnings per share, continuing operations (in €)	22.4.1	0.00	1.13	1.85
Basic earnings per share, discontinued operations (in €)	22.3.2	0.01	0.00	0.01
Diluted earnings per share, discontinued operations (in €)	22.4.2	0.01	0.00	0.01
Basic earnings per share (in €)	22.3.3	0.01	1.13	1.86
Diluted earnings per share (in €)	22.4.3	0.01	1.13	1.86

(*) Excluding software.

The accompanying notes form an integral part of these consolidated financial statements.

Comprehensive income statement

(in thousands of euros)	31 December 2011	31 December 2010	31 December 2009
Consolidated net profit	**907**	**95,678**	**157,166**
Other comprehensive income			
Foreign exchange differences, net of taxes	(3,457) (*)	50,822 (**)	(29)
Revaluation of financial derivatives for hedging, net of taxes	–	–	(5,563)
Share of gains and losses recorded directly to equity of associates companies, net of taxes	–	–	–
Other items, net of taxes	–	(499)	499
Total of other comprehensive income, net of tax	**(3,457)**	**50,323**	**(5,093)**
Comprehensive income	**(2,550)**	**146,001**	**152,073**
– Attributable to shareholders of Ipsen S.A.	(3,098)	145,532	151,530
– Attributable to minority investors	548	469	543

(*) Pound sterling and Yuan differences over the period in particular on opening shareholder's equity.
(**) US dollar and pound sterling differences over the period, in particular on opening shareholders' equity and the Goodwill expressed in US dollar at the closing date.

The items above are not subject to deferred taxes.

The accompanying notes form an integral part of these consolidated financial statements.

2.1.2 Consolidated balance sheets – Before allocation of net profit

(in thousands of euros)	Notes	31 December 2011	31 December 2010	31 December 2009
ASSETS				
Goodwill	13	299,545	299,105	290,236
Other intangible assets	14	135,588	166,538	236,967
Property, plant & equipment	15	271,728	282,287	251,778
Equity investments	16	12,314	7,159	3,410
Investments in associated companies	16.4	–	57,882	–
Non-current financial assets	18	2,925	2,172	3,384
Other non-current assets	18	93,979	81,643	17,778
Deferred tax assets	11.2	184,562	141,630	120,953
Total non-current assets		**1,000,641**	**1,038,416**	**924,506**
Inventories	19.2.1	117,834	112,149	102,970
Trade receivables	19.1	259,374	241,890	223,105
Current tax assets	19.1	39,126	44,655	55,966
Other current assets	19.2.2	71,400	62,917	50,575
Current financial assets	19.2.2	9	49	1,162
Cash and cash equivalents	20.2	145,007	178,118	218,584
Total current assets		**632,750**	**639,778**	**652,362**
Assets of discontinued operations		–	–	–
TOTAL ASSETS		**1,633,391**	**1,678,194**	**1,576,868**
EQUITY & LIABILITIES				
Share capital	22.1	84,227	84,196	84,128
Additional paid-in capital and consolidated reserves		929,587	894,419	784,449
Net profit for the period		424	95,271	156,584
Foreign exchange differences		(1,401)	3,304	(42,537)
Equity – attributable to shareholders of Ipsen	**22.2**	**1,012,837**	**1,077,190**	**982,624**
Attributable to minority interests		2,588	2,040	1,724
Total shareholders' equity		**1,015,425**	**1,079,230**	**984,348**
Retirement benefit obligation	6.3.3.2	19,469	16,135	13,989
Provisions	23	25,683	23,549	37,425
Bank loans	24.1	–	–	–
Other financial liabilities	24.1	16,560	15,275	12,190
Deferred tax liabilities	11.2	2,569	11,955	7,093
Other non-current liabilities	19.2.3	183,275	198,998	211,771
Total non-current liabilities		**247,556**	**265,912**	**282,468**
Provisions	23	24,464	3,665	2,621
Bank loans	24.1	4,000	4,000	4,000
Financial liabilities	24.1	5,013	3,518	4,188
Trade payables	19.1	149,805	140,671	122,647
Current tax liabilities	19.1	5,607	6,565	4,030
Other current liabilities	19.2.3	181,345	173,764	157,338
Bank overdrafts		176	190	13,183
Total current liabilities		**370,410**	**332,373**	**308,007**
Liabilities of discontinued operations		–	679	2,045
TOTAL EQUITY & LIABILITIES		**1,633,391**	**1,678,194**	**1,576,868**

The accompanying notes form an integral part of these consolidated financial statements.

2.1.3 Consolidated statement of cash flows

(in thousands of euros)	Notes	31 December 2011	31 December 2010	31 December 2009
Consolidated net profit		**907**	**95,678**	**157,166**
Net profit from discontinued operations	12	(680)	–	(453)
Share of profit/loss from associated companies	16.4.5	20,230	6,874	–
Impairment losses included in share of profit/loss from associated companies		34,257	5,889	–
Net profit from continuing operations before share from associated companies		**54,714**	**108,441**	**156,713**
Non-cash and non-operating items				
– Depreciation, amortisation, provisions	7.1	114,694	39,385	44,935
– Impairment losses	7.1	85,216	100,150	–
– Change in fair value of financial derivatives	25.5	2,185	1,436	(1,429)
– Net gains or losses on disposals of non-current assets	17	4,576	(8,669)	3,712
– Share of government grants released to profit and loss		(90)	(97)	(93)
– Foreign exchange differences		(8,408)	1,127	379
– Change in deferred taxes	11.2	(49,973)	(8,814)	(20,724)
– Share-based payment expense	6.2	4,056	10,082	8,016
– Gain or loss on sales of treasury shares		(84)	(543)	528
– Other non-cash items		194	6,005	704
Cash flow from operating activities before changes in working capital		***207,080***	***248,503***	***192,741***
– (Increase)/decrease in inventories		(5,089)	(4,702)	12,232
– (Increase)/decrease in trade receivables		(16,672)	(14,830)	(3,539)
– Increase/(decrease) in trade payables		9,421	16,811	18,390
– Net change in income tax liability		4,697	14,240	(38,487)
– Net change in other operating assets and liabilities		(23,991)	(6,113)	76,286
Change in working capital related to operating activities	19.1 (A)	***(31,634)***	***5,406***	***64,882***
NET CASH PROVIDED BY OPERATING ACTIVITIES		**175,446**	**253,909**	**257,623**
Acquisition of property, plant & equipment	15.1	(44,309)	(53,740)	(40,319)
Acquisition of intangible assets	14.1	(57,978)	(33,331)	(24,744)
Proceeds from disposal of intangible assets and property, plant & equipment		7,042	476	1,729
Acquisition of shares in non-consolidated companies	16.1 (A)	(5,720)	(5,745)	(420)
Acquisitions of shares in associated companies	16.4	–	(57,694)	–
Convertible note subscriptions	18 (A)	(45,291)	(73,200)	(2,000)
Proceeds from sales of investment securities		–	8,821	–
Payments to post-employment benefit plans	6.3.3.5	(1,962)	(2,333)	(2,235)
Impact of changes in the consolidation scope		–	–	–
Change in cash securities held for sale		–	–	–
Advances on other investment securities	18 (A)	–	–	(6,770)
Other cash flow related to investment activities	18 (A)	(2,882)	1,731	(2,476)
Deposits paid	18 (A)	(92)	89	1,473
Change in working capital related to investing activities	19.1 (B)	8,030	(10,382)	4,426
NET CASH USED BY INVESTMENT ACTIVITIES		**(143,162)**	**(225,308)**	**(71,336)**

(in thousands of euros)	Notes	31 December 2011	31 December 2010	31 December 2009
Additional long-term borrowings	24.1 (A)	–	–	–
Repayment of long-term borrowings	24.1 (B)	(291)	(334)	(151,340)
Net change in short-term borrowings	24.1 (C)	(1)	–	–
Capital increase by Ipsen		89	1,073	1,056
Treasury shares		974	(840)	(5,118)
Dividends paid by Ipsen	22.6	(66,520)	(62,273)	(58,033)
Dividends paid by subsidiaries to minority interests		–	(151)	(391)
Deposits received		14	438	1
Change in working capital related to financing activities	19.1 (C)	557	514	(943)
NET CASH USED BY FINANCING ACTIVITIES		**(65,178)**	**(61,573)**	**(214,768)**
Impact of businesses to be sold or discontinued		4	(1,472)	(1,010)
CHANGE IN CASH AND CASH EQUIVALENTS		**(32,890)**	**(34,444)**	**(29,491)**
Opening cash and cash equivalents	**20.1.1**	**177,928**	**205,401**	**237,325**
Impact of exchange rate fluctuations		(207)	6,971	(2,433)
Closing cash and cash equivalents	**20.1.2**	**144,831**	**177,928**	**205,401**

The accompanying notes form an integral part of these consolidated financial statements.

2.1.4 Statement of changes in equity

(in thousands of euros)	Share capital	Share premiums	Consolidated reserves	Treasury shares	Net profit for the period	Foreign exchange differences	Total Group equity	Minority interests	Total equity
Balance at 1 January 2011	**84,196**	**711,026**	**224,463**	**(41,070)**	**95,271**	**3,304**	**1,077,190**	**2,040**	**1,079,230**
Consolidated net profit	–	–	–	–	424	–	424	483	907
Other comprehensive income (1)	–	–	–	–	–	(3,522)	(3,522)	65	(3,457)
Consolidated net profit and other comprehensive income	**–**	**–**	**–**	**–**	**424**	**(3,522)**	**(3,098)**	**548**	**(2,550)**
Allocation of net profit from the prior period	–	–	96,454	–	(95,271)	(1,183)	–	–	–
Capital increases	31	85	(27)	–	–	–	89	–	89
Share-based payments	–	–	2,985	1,071	–	–	4,056	–	4,056
Own share purchases and disposals	–	–	(84)	974	–	–	890	–	890
Dividends	–	–	(66,520)	–	–	–	(66,520)	–	(66,520)
Other changes (2)	–	–	(195)	425	–	–	230	–	230
Balance at 31 December 2011	**84,227**	**711,111**	**257,076 (3)**	**(38,600)**	**424**	**(1,401)**	**1,012,837**	**2,588**	**1,015,425**

(1) Detailed in the note "Comprehensive income statement".
(2) This items primarily involves change in stock options and capital transactions concerning associates companies.
(3) Including the impact of the restructuring programme in the reserves.

Legal restructuring programme in 2005	3,995
Recognition in 2006 of deferred tax assets in respect of one of the items accounted for under the restructuring programme	15,205
Impact in 2007 of the change in tax rate on deferred taxes previously recorded	(2,106)
Impact of restructuring in the reserves	**17,094**

(in thousands of euros)	Share capital	Share premiums	Consolidated reserves	Treasury shares	Net profit for the period	Foreign exchange differences	Total Group equity	Minority interests	Total equity
Balance at 1 January 2010	**84,128**	**710,002**	**114,677**	**(40,230)**	**156,584**	**(42,537)**	**982,624**	**1,724**	**984,348**
Consolidated net profit	–	–	–	–	95,271	–	95,271	407	95,678
Other comprehensive income (1)	–	–	(499)	–	–	50,760	50,261	62	50,323
Consolidated net profit and other comprehensive income	**–**	**–**	**(499)**	**–**	**95,271**	**50,760**	**145,532**	**469**	**146,001**
Allocation of net profit from the prior period	–	–	161,503	–	(156,584)	(4,919)	–	–	–
Capital increases	48	1,024	–	–	–	–	1,072	–	1,072
Share-based payments	–	–	10,082	–	–	–	10,082	–	10,082
Own share purchases and disposals	–	–	(543)	(840)	–	–	(1,383)	–	(1,383)
Dividends	–	–	(62,273)	–	–	–	(62,273)	(151)	(62,424)
Other changes (2)	20	–	1,516	–	–	–	1,536	(2)	1,534
Balance at 31 December 2010	**84,196**	**711,026**	**224,463 (3)**	**(41,070)**	**95,271**	**3,304**	**1,077,190**	**2,040**	**1,079,230**

(1) Detailed in the note "Comprehensive income statement".
(2) This items primarily involves change in stock options and capital transactions with a shareholder of associates companies.
(3) Including the impact of the restructuring programme in the reserves.

Legal restructuring programme in 2005	3,995
Recognition in 2006 of deferred tax assets in respect of one of the items accounted for under the restructuring programme	15,205
Impact in 2007 of the change in tax rate on deferred taxes previously recorded	(2,106)
Impact of restructuring in the reserves	**17,094**

(in thousands of euros)	Share capital	Share premiums	Consolidated reserves	Treasury shares	Net profit for the period	Foreign exchange differences	Total Group equity	Minority interests	Total equity
Balance at 1 January 2009 (1)	**84,060**	**708,994**	**25,318**	**(35,336)**	**146,563**	**(44,567)**	**885,032**	**1,580**	**886,612**
Consolidated net profit	–	–	–	–	156,584	–	156,584	582	157,166
Other comprehensive income (2)	–	–	(5,064)	–	–	10	(5,054)	(39)	(5,093)
Consolidated net profit and other comprehensive income	**–**	**–**	**(5,064)**	**–**	**156,584**	**10**	**151,530**	**543**	**152,073**
Allocation of net profit from the prior period	–	–	144,543	–	(146,563)	2,020	–	–	–
Capital increases	48	1,008	–	–	–	–	1,056	–	1,056
Share-based payments	–	–	8,016	–	–	–	8,016	–	8,016
Own share purchases and disposals	–	–	528	(4,894)	–	–	(4,366)	–	(4,366)
Dividends	–	–	(58,033)	–	–	–	(58,033)	(391)	(58,424)
Other changes	20	–	(631)	–	–	–	(611)	(8)	(619)
Balance at 31 December 2009 (1)	**84,128**	**710,002**	**114,677 (3)**	**(40,230)**	**156,584**	**(42,537)**	**982,624**	**1,724**	**984,348**

(1) The information presented above as of 31 December 2008 has been restated to account for the purchase price accounting impact related to the Group's transaction with Tercica Inc. and Vernalis Inc.. The reconciliation to the previously disclosed equity of the consolidated balance sheet at 31 December 2008 is included in note 13.4.
(2) Detailed in the note "Comprehensive income statement".
(3) Including the impact of the restructuring programme in the reserves.

Legal restructuring programme in 2005	3,995
Recognition in 2006 of deferred tax assets in respect of one of the items accounted for under the restructuring programme	15,205
Impact in 2007 of the change in tax rate on deferred taxes previously recorded	(2,106)
Impact of restructuring in the reserves	**17,094**

2.1.5 Notes to the consolidated financial statements

Note 1 Significant events and transactions during the period and having an impact on the consolidated financial statements at 31 December 2011

1.1 Changes within Ipsen's Executive Committee

On 2 May 2011 – Ipsen announced the departures of Frédéric Babin, Executive Vice-President Human Resources, and of Stéphane Thiroloix, Executive Vice-President, Corporate Development.

On 11 May 2011 – Ipsen announced the appointment of Etienne de Blois as Executive Vice-President, Human Resources and member of the Executive Committee.

On 27 May 2011 – Ipsen announced the departure of Claire Giraut, Executive Vice-President, Chief Financial Officer, as of 1 September 2011.

On 9 June 2011 – Ipsen announced the appointment of Pierre Boulud as Executive Vice-President Strategy, Business Development and Market Access, and member of the Executive Committee.

On 30 August 2011 – Ipsen announced the appointment of two new members to the Group's Executive Committee: Nathalie Joannes, as Executive Vice-President, General Counsel, from 1 October 2011 and Susheel Surpal as Executive Vice-President, Chief Financial Officer, from 1 December 2011.

Non recurring expenses related to changes within the Executive Committee are recorded under "Other operating expenses" for €3.4 million.

1.2 Strategic review of the Group

A strategic review was initiated in late 2010 in order to define the Group's future areas of development. In this context, on 9 June 2011 the Group announced the implementation of some reorganisation and restructuring programmes:

1.2.1 Research and Development

Focus R&D on peptide and toxin technological platforms with:

- Concentration of R&D efforts on differentiated core platforms, peptides and toxins, resulting in the discontinuation of internal studies which are not related to botulinum toxin or peptides. The Group is however maintaining the OBI-1 development platform in the United States.

  In this context, on 6 June 2011, the Group announced its decision to discontinue development of Irosustat (BN 83495) in monotherapy and to assess the alternative development of Irosustat (BN 83495) in combination with other hormonal therapies. This decision has had an impact of €(1.2) million on the financial statements as at 31 December 2011.

  The new strategy has also resulted in the cessation of studies on growth hormone (Program Combo, combination of Gh and IGF-1) (see note 2.1).

- The closure of the Research and Development centre located in Barcelona, and the transfer of some of its activities to other sites.

  Following the official announcement of the closure of this site, the Group recorded non-recurring restructuring costs for an amount of €24.4 million under "Restructuring costs" in its accounts as at 31 December 2011, mainly including compensation-related personnel expenses for the early termination of employment contracts. The proposed closure of the site is outside the scope of IFRS 5 as the R&D center in Barcelona does not constitute a separate major line of business or geographical area of operations within the Group.

1.2.2 Development of the geographical location of the Group

The Group has an extensive commercial reach with drugs being marketed in 106 countries, either directly or through partners. The Group wishes to develop its geographical presence:

- On the American market, by targeting resources and investments to actively promote the growth of Dysport® and Somatuline® Depot in their current and future indications, by aligning American operations with the global organisation and by relocating commercial operations to the East Coast of the United States.

  Following the official announcement of the transfer of the San Francisco site to the East Coast, the Group recorded non-recurring costs linked with this restructuring for an amount of €10.9 million under "Restructuring costs" in its accounts as at 31 December 2011, mainly including personnel-related compensation expenses for the early termination of employment contracts;

- Invest to accelerate Pharmerging market penetration with both specialty and primary care portfolio.

1.2.3 Strategy for primary care

- Grow international primary care activities, managed directly by regions and countries,
- Actively search for a partner for the primary care commercial operations in France,
- Actively search for an acquirer to maintain and develop activities of the industrial site in Dreux (France), specialised in the packaging of oral formulations in dry forms and solutions (see note 2.1).

1.3 Partnerships

1.3.1 Active Biotech AB

On 18 April 2011 – The Group and Active Biotech announced the signature of a partnership agreement to co-develop and commercialise Tasquinimod "TASQ". A phase III clinical trial in men with metastatic castrate-resistant prostate cancer has recently been initiated by Active Biotech and patient recruitment is ongoing.

Under the terms of the agreement, Active Biotech grants the Group exclusive rights to commercialise TASQ worldwide, except for North America, South America and Japan, where Active Biotech retains all commercial and marketing rights. Both companies will co-develop TASQ for the treatment of castrate-resistant prostate cancer, with the possibility to develop TASQ in other cancer indications.

Active Biotech is responsible for conducting and financing the Phase III pivotal clinical trial and will receive up to €200 million consisting of an upfront payment of €25 million and additional payments contingent upon the achievement of clinical, regulatory and commercial milestones. In addition, the Group will pay Active Biotech progressive double-digit royalties on its net sales and will conduct and fund a European supportive study in prostate cancer patients out of its R&D budget. Eventual costs to develop TASQ in future other cancer indications will be shared.

In accordance with the Group's accounting principles and methods, the upfront payment of €25 million has been recorded as "Other intangible assets" under "Intellectual property". Furthermore, given that this right to a proprietary oncology drug in an advanced stage of development has not yet received a marketing authorisation, it has not been amortised in the accounts as at 31 December 2011.

1.3.2 Vitalogink

On 28 April 2011 – The Paris Court of Appeal invalidated the Paris Commercial Court decision of 24 January 2008 relating to the commercialisation of Vitalogink, and in favour of the arguments put forward by the Group. The Court ordered Mylan to pay the Group €17.2 million in compensation for losses incurred.

On 7 July 2011 – Mylan announced that it has submitted an appeal against this decision to the Supreme Court.

This non-recurring income is recognised in the accounts as at 31 December 2011 under "Other operating income". The Group and its advisors consider the risk that the decision announced by the Paris Court of Appeal is called into question by the Supreme Court to be low.

1.3.3 Photocure

27 September 2011 – The Group announced a partnership with Photocure, a specialty pharmaceutical company focused on photodynamic technologies in cancer and dermatology. Photocure has entered into a strategic collaboration with the Group to commercialise Hexvix®, its flagship product for the diagnosis and resection of bladder cancer, worldwide except in the United States of America and the Nordic region. The Group has a strong and well established uro-oncology franchise and will initially commercialise Hexvix® in Europe through its dedicated sales force.

The Group will pay Photocure and GE Healthcare an upfront payment of €19 million as well as manufacturing milestones to Photocure of €5 million. The Group will also pay royalties on net sales and milestones on specific sales achievements. In addition, Photocure will manufacture the product for the Group and, in 2012 and 2013 will invest with the Group in marketing and sales programs up to €3 million to drive momentum and accelerate the sales growth of Hexvix®.

GE Healthcare has held the license to market, sell and distribute Hexvix® since 2006. GE Healthcare continues to have the highest confidence in the drug, but since urology is not a core business area for the company, Photocure has renegotiated the global licensing agreement enabling it to license the marketing rights for Hexvix® to the Group and to commercialise the product directly in the US.

In accordance with the Group's accounting principles and methods, the upfront payment of €19 million and the additional amounts of €3.5 million have been recorded as "Other intangible assets" under "Intellectual property" amortised over their estimated useful life.

1.3.4 Inspiration Biopharmaceuticals Inc.

30 August 2011 – The Group and Inspiration Biopharmaceuticals Inc. announced they have entered into a strategic partnership agreement, to create a European hemophilia commercial organisation, to launch Inspiration's Biopharmaceuticals Inc. hemophilia product portfolio in Europe. Inspiration Biopharmaceuticals Inc. and the Group will work together to hire and train a highly specialised commercial team to serve as the exclusive sales organisation in Europe for all hemophilia drugs commercialised under the Inspiration Biopharmaceuticals Inc. brand. This commercial organisation will take the form of a hemophilia business unit nested within the Group existing commercial organisation.

3 October 2011 – The Group announced that its partner, Inspiration Biopharmaceuticals, Inc., has been informed that the European Medicines Agency (EMA) has validated and accepted the filing of the Marketing Authorisation Application (MAA) for Inspiration's Biopharmaceuticals Inc. IB1001, a recombinant factor IX product for the treatment and prevention of bleeding in individuals with hemophilia B. In doing so, the EMA has verified that it will begin its regulatory review process of the MAA.

The application includes safety and efficacy data from Inspiration's Biopharmaceuticals Inc. clinical program for IB1001, which was conducted in the U.S., Europe, Israel and India.

Based on this partnership, the IB1001 MAA submission acceptance for review from the EMA, leads to the subscription by the Group to a $35 million convertible note newly issued by Inspiration Biopharmaceuticals Inc..

28 November 2011 – The Group announced that its partner Inspiration Biopharmaceuticals Inc. has initiated the treatment of the first patient in the second of two pivotal studies from the OBI-1's Accur8 clinical trial program. In this newly initiated clinical study, OBI-1, an intravenous recombinant porcine factor VIII (FVIII) product, will be evaluated for the treatment of individuals with congenital hemophilia A, who have developed inhibitory antibodies (inhibitors) against their human FVIII replacement therapy.

Under the partnership agreement signed with Inspiration Biopharmaceuticals Inc. in January 2010, the initiation of this clinical study triggers the subscription by the Group to a $25 million convertible note newly issued by Inspiration Biopharmaceuticals Inc..

In accordance with the Group's accounting principles and methods, the upfront payment of $60 million (€44.3 million)

corresponding to the subscription of convertible bonds were recorded in "Other non-current assets" under "Loans and advances", considering notably the intention of conservation by the Group, the lack of trading of the Inspiration Biopharmaceuticals Inc. share and the lack of comparable and observable market data.

Elements brought to the attention of the Group on the end of the year 2011 and the beginning of the year 2012 led the Group to record impairment losses on its convertible bonds and its share of equity (see note 2.2).

1.3.5 Syntaxin

20 October 2011 – The Group and Syntaxin, a biotechnology company specialising in innovative biopharmaceutical therapies targeting cell secretion pathways, announced a global strategic collaboration to explore the discovery and development of new compounds in the field of botulinum toxins. Syntaxin and the Group will leverage their respective expertise in the field of botulinum toxin. Syntaxin will be responsible for the discovery of new therapeutic candidates and the Group will apply its skills to pharmacological, preclinical and clinical assessments of the newly discovered compounds.

Under the terms of the agreement, Syntaxin is eligible to receive technology access fee, full time employee support, and research milestones amounting up to $9 million in the first three years of the collaboration. Syntaxin is also eligible to receive additional license fees, development and regulatory milestones and potentially over $90 million of commercial milestones together with royalties on net sales. In exchange, the Group will have exclusive worldwide development and commercialisation rights to the programmes discovered within the scope of the collaboration.

This development collaboration follows the Group strategic investment in Syntaxin during the Company's Series C financing round completed in November 2010 and is the second collaboration between the two companies. The Group owns 0.8% ordinary shares of Syntaxin and 8.9% preferred share on a fully-diluted basis.

Collaboration with Syntaxin has a charge of €2.9 million in the accounts of the Group for the year ended 31 December 2011.

1.3.6 Britannia Pharmaceuticals

2 November 2011 – The Group announced that it has sold its North American development and marketing rights for Apokyn® to Britannia Pharmaceuticals indicated in the United States for the acute, intermittent treatment of hypomobility "off" episodes associated with advanced Parkinson's disease. The Group will no longer record Apokyn® sales in its accounts from 30 November 2011 onwards. For reference, 2010 sales of Apokyn® amounted to $7.9 million (€6.0 million). In turn, Britannia Pharmaceuticals will ensure continuity of supply and support of Apokyn® to patients through USWorldMeds, a US-based specialty company with a focus on neurology, who will commercialise Apokyn® in the United States as of 1 December 2011.

Britannia and Mylan Pharmaceuticals achieved US registration in for Apokyn® in 2004. In 2006, Vernalis Inc. acquired Apokyn® rights from Mylan Pharmaceuticals. In July 2008, the Group acquired the US subsidiary of Vernalis plc, and the North American rights for Apokyn®.

In the deal, Britannia Pharmaceuticals has paid more than one time the 2010 sales to the Group for the North American development and marketing rights for Apokyn®. The Group will complete an ongoing study to assess Tigan® and Apokyn® as part of the post-marketing commitments.

The loss on disposal is recognised in the accounts at 31 December 2011 in the "Other operating income and expenses", amounting to €(1.1) million.

1.4 Government measures

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

- On 4 August 2011, China announced an average retail price decrease of 14% on 82 drugs primarily targeting steroid, endocrine and central nervous system therapeutics, effective in 1 October 2011. In this process, Decapeptyl® price was in China reduced by 7.0%.
- In October 2011, Korea introduced a price volume control system, by which the price of a drug is reduced by 7.0% if its volume growth exceeds 60% year-on-year. Decapeptyl® is impacted by such measure.
- In 2010, Russia initiated the implementation of a new healthcare reform including both an Essential Drug List and the regulation of distribution channels mark-ups. The Essential Drug List has impacted the Group primary care products (mainly Smecta®, Fortrans®, Tanakan®) with average price reduction of 3.0% as of 1 January 2012.
- In January 2011, Algeria initiated the implementation of a new healthcare reform focused on setting reference pricing per therapeutic class (potential price alignment on Decapeptyl® expected in the second quarter 2012) and control or potential ban of imported products to promote local production putting Forlax® and Smecta® in 2012.
- Turkey has completed the implementation of the International Price Reference System (IPRS). Current discount required by SSK (Turkish Social Insurance) on lowest EU price translates into a 41.0% price reduction on Dysport® price and a 32.5% price reduction on Somatuline®.
- In 2011, Belgium maintained the 1% "special crisis" subsidiary tax on reimbursed drugs put in place in 2009. Additionally, the pharmaceutical industry paid an additional 2.75% subsidiary tax. New cost saving measures are under discussion: price comparison with foreign countries could be introduced in April 2012 leading to an International Price Referencing.
- As of 1 November 2011, Spain raised its tax on drug sales from 7.5% (introduced in June 2010) to 15.0% for products that have been on the market for more than 10 years and have no generic or biosimilar on the Spanish market.
- In Greece, a new reimbursement list, based on ATC classes, has been submitted and a 4.0% fee (based on 2011 sales) to remain on the reimbursement list, is implemented.

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

Note 2 Significant events in the end of the 2011 period and at the beginning of the 2012 period, having an impact on the consolidated financial statements as of 31 December 2011

2.1 Non-recurring operating impairment losses

IGF-1 Licence

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

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

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

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

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

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

Dreux industrial site tangible assets

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

Nisis®-Nisisco®

The Group also recorded €9.8 million impairment losses relating to the know-how and the brand of the primary care drug Nisis® Nisisco®, active promotion of which has been deprioritised with the arrival of generics on the market following the loss of its patent in November 2011.

Fipamezole®

Under the terms of the license agreement signed in September 2010, the Group acquired from Santhera Pharmaceuticals the rights of Fipamezole®, an adrenergic alpha-2 receptor antagonist, for territories outside the U.S., Canada and Japan, in exchange for an upfront payment of EUR 13 million. This molecule is first-in-class in the treatment of levodopa-induced dyskinesia in Parkinson's disease.

24 January 2012 – Santhera Pharmaceuticals and the Group announced that they had renegotiated their Fipamezole® licensing agreement. Santhera Pharmaceuticals regains worldwide rights to the development and commercialisation of Fipamezole®. Under the new agreement, Santhera Pharmaceuticals regains full control over the development

and commercialisation of Fipamezole®, whilst Ipsen is entitled to receive milestone and royalty payments contingent upon the occurrence of certain events. Santhera Pharmaceuticals is free to license the program to a third party whereby Ipsen is entitled to receive a percentage of any license income. In addition, the agreement includes a call option allowing Ipsen under certain circumstances to obtain an exclusive worldwide license. Should Ipsen exercise this call option, Santhera Pharmaceuticals will receive milestone and royalty payments from Ipsen.

Given the uncertainties due to future development timelines following the renegotiation of the contract with Santhera Pharmaceuticals in January 2012, the Group recognised an impairment loss of €3.1 million on the Fipamezole® license in its consolidated financial statements at 31 December 2011.

2.2 Non-recurring impairment losses on the partnership with Inspiration Biopharmaceuticals Inc. in 2011

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

During the end of the second half of 2011, Ipsen noticed an intensifying competitive environment in the rapidly changing field of hemophilia and recently identified the accelerating development timelines of potential new competitors in the market. These factors led the Group to reduce the sales forecasts of Inspiration Biopharmaceuticals Inc.. In this context, on 31 December 2011, the Group recorded on the one hand a €7.5 million non-recurring impairment loss on the intangible asset recognised within the framework of the purchase price allocation of Inspiration Biopharmaceuticals Inc. and, on the other hand, a €68.8 million impairment loss on its investment in Inspiration Biopharmaceuticals Inc., applied in priority to its share of equity for €26.8 million, and the remaining (€42.0 million) applied to the convertible bonds held on the company.

Note 3 Changes in consolidation scope

3.1 2011 period

3.1.1 Liquidation of a subsidiary

In the context of the Group's aim to streamline its legal, administrative and regulatory structure, the Group has decided to liquidate the Danish subsidiary Ipsen Scandinavia A/S, dormant company since December 2007.

This internal legal restructuring generated does not have a significant impact on the Group's consolidated income statement at 31 December 2011.

3.1.2 SAS transformation of company Sutrepa SARL

The company Sutrepa SARL was transformed in Sutrepa SAS on 7 June 2011.

3.2 2010 period

3.2.1 Merger of Tercica Inc. and Ipsen Pharmaceuticals Inc. (ex-Vernalis Inc.)

On 22 January 2010 – The Group acquired the newly issued shares of Inspiration Biopharmaceuticals Inc. corresponding to a 22% stake (after the transaction, on an non-diluted basis) (note 16.4). The Group total cash investment amounts to $84.9 million or €57.7 million (note 16.4.1). The total of the fees relating to this transaction amounts to $6 million (or €4.5 million).

3.2.2 Contributed assets

In the context of the Group's aim to streamline its legal, administrative and regulatory structure, Ipsen Developments Limited, an English subsidiary of the Group, contributed its commercial activities outside the United Kingdom to Ipsen Biopharm Limited.

This internal legal restructuring does not have an impact on the Group consolidated financial statements at 31 December 2010.

3.2.3 Liquidation of a subsidiary

In the context of the Group's aim to streamline its legal, administrative and regulatory structure, the Group has decided to liquidate the American subsidiary Porton International Inc..

This internal legal restructuring generated a cost of €4.4 million on the Group's consolidated income statement at 31 December 2010, recorded in the financial income/expense.

3.3 2009 period

3.3.1 Merger of Tercica Inc. and Ipsen Pharmaceuticals Inc. (formerly Vernalis Inc.)

The Shareholders' Meeting held on 31 December 2008 approved the merger with effect on 1 January 2009 of Tercica Inc. and Ipsen Pharmaceuticals Inc. (ex-Vernalis Inc.) and, as such, the new name of the merged entity (Tercica Inc.).

This internal legal restructuring did not have an impact on the Group consolidated financial statements at 31 December 2009.

3.3.2 Contributed assets

In the context of the Group's aim to streamline its legal, administrative and regulatory structure, Ipsen Limited, an English subsidiary of the Group, contributed the commercial activities for the United Kingdom and the corresponding assets, to Ipsen Development Limited on 1 January 2009.

This internal legal restructuring did not have an impact on the Group consolidated financial statements at 31 December 2009.

3.3.3 Creation of the company Ipsen Pharma Tunisia

The company is 100% held and controlled by the Group. It is included in the Group's consolidation scope as of 31 December 2009.

Note 4 Principles and accounting methods and declaration of conformity

Preliminary remarks:

- All amounts are expressed in thousands of euros, unless stated otherwise;
- The closing date of consolidated financial statements is 31 December of each year. Individual statements incorporated into consolidated statements are prepared at the closing date of the consolidated statements, *i.e.* 31 December, and cover the same period;
- The Group's consolidated financial statements were approved by the Board of Directors on 28 February 2012 and will be submitted for approval at the Shareholders' Meeting scheduled for 1 June 2012.

4.1 General principles and declaration of conformity

The main accounting methods used to prepare the consolidated financial statements are described below. Unless otherwise stated, these methods were used systematically for all financial years presented.

In compliance with regulation 1606/2002 adopted on 19 July 2002 by the European Parliament and the European Council, the Group's consolidated financial statements for the year ending 31 December 2011 have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union on the date of preparation. The IFRS as it was adopted by the European Union differs in certain aspects with the IFRS published by the IASB. Nevertheless, the Group ensured that the financial information for the presented periods would not have been substantially different if it had applied IFRS as it was published by the IASB.

International accounting standards include International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), as well as the interpretations issued by the Standing Interpretations Committee (SIC), and the International Financial Reporting Interpretations Committee (IFRIC).

All the texts adopted by the European Union are available on the European Commission's website: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

4.2 Changes in accounting methods and in presentation

No change in accounting methods and in presentation with an impact in the consolidated financial statements has occurred during the 2011 period.

4.3 Standards, amendments and interpretations which became applicable on 1 January 2011

The amendments and revisions of standards and interpretations which became applicable on 1 January 2011 were not required to be applied by the Group or did not have a significant impact on the consolidated financial statements on 31 December 2011. They are:

- IAS 24 revised – Related party disclosures,
- IAS 32 amended – Classification of rights issues,
- IFRS 1 amended – Exemptions from comparative IFRS 7 disclosures,
- IFRIC 14 amended – Prepayments of a minimum funding requirements,
- IFRIC 19 amended – Extinguishing financial liabilities with equity instruments,
- The other amendments to the annual procedure of IFRS improvements, published in July 2010.

4.4 Standards, amendments and interpretations adopted by the European Union and not adopted proactively by the Group

The Group did not opt for a proactive application of the standards and interpretations for which the application was not obligatory on 1 January 2011, namely:

IFRS 7 – Financial Instruments – Information to be presented in appendix applicable to the periods opened as from 1 July 2011.

The possible impact of these texts on the consolidated financial statements is currently being estimated.

4.5 Reminder of first-time application of IFRS applied by the Group

In the framework of the first-time application of IFRS in 2005, the IFRS standards as adopted by the European Union and in force as of 31 December 2005 were applied with retroactive effect as of 1 January 2004 in accordance with the provisions of IFRS 1, with the exception of the following exemptions permitted by the standard:

Business Combinations: the Group elected to use the exception provided for in IFRS 1 to not retrospectively restate business combinations prior to 1 January 2004;

Property, plant & equipment: the Group chose not to revalue property, plant & equipment at their fair value in the balance sheet produced as at 1 January 2004;

Accumulated translation reserves: the Group elected not to use the option offered by IFRS 1 to reintegrate translation reserves accumulated prior to 1 January 2004 in the consolidated reserves;

Employee benefits: the Group elected to record to equity all cumulative actuarial gains and losses at the opening IFRS balance sheet date;

Share-based payments: in accordance with the option provided by IFRS 2, for shares based payments, the Group has elected to apply this standard only to the plans that were granted after 7 November 2002 and that had not vested at 1 January 2005;

Financial instruments: despite the fact that the regulator allowed companies to apply IAS 32 and IAS 39 as of 1 January 2005, the Group applied them as of 1 January 2004.

4.6 Measurement bases used in preparing the consolidated financial statements

The consolidated financial statements have been prepared using the historical cost principle, with the exception of certain asset and liability classes in accordance with IFRS. The assets and liabilities concerned are described in the notes below.

4.7 Use of estimates

In order to prepare its financial statements, the Group is required to make certain estimates and assumptions with respect to the book value of assets and liabilities, income and expense items, and information given in the notes to the financial statements.

Management has regularly made these estimates and assumptions on the basis of its past experience and other factors deemed reasonable. Amounts appearing in subsequent financial statements may differ materially from these estimates should the assumptions change or if actual conditions are different, particularly given the severe downturn in the current economic and financial environment which may weaken some of our partners and make it difficult to estimate the future outlook.

The main material estimates made by management concern employee benefits, Goodwill, other intangible assets, deferred tax assets, derivative instruments and provisions.

4.8 Consolidation methods

Subsidiaries over which the Group exercises exclusive control are fully consolidated.

Companies controlled jointly with a limited number of outside partners are proportionately consolidated.

Companies over which the Group exercises significant influence are accounted for using the equity method.

If the accounting methods used by the subsidiaries, associated companies and joint venture companies do not comply with those used by the Group, the necessary changes are made to the financial statements of those companies to make them compatible with the Group's accounting principles, as described in note 4.1.

Investments in companies which are not consolidated even though they meet the above conditions are recognised as equity investments.

The following principles are applied in deciding whether a subsidiary should be excluded from the consolidation scope:

- companies which might have been accounted for using the equity method: the thresholds are determined by reference to the company's relative contribution to consolidated equity, results and Goodwill;
- companies which might have been wholly or proportionately consolidated: the thresholds are determined by reference to the company's relative contribution to consolidated net sales, operating income, consolidated equity and total assets.

Given the particularly exhaustive nature of the Group's consolidation scope, it has not yet been deemed necessary to define materiality thresholds.

If all these companies were consolidated, it would have no material impact on the consolidated financial statements as the exclusion of a company from the consolidation scope has, to date, never exceeded 1.5% of any of the consolidated aggregates referred to above.

4.9 Business combinations

4.9.1 Business combinations before 1 January 2010

Business combinations are accounted for using the purchase method. The cost of an acquisition is based on the fair value of the assets acquired, instruments of issued equity, and liabilities incurred or assumed at the date of the combination, to which are added the costs directly attributable to the combination.

On first-time consolidation of an exclusively controlled company, identifiable assets, liabilities and contingent liabilities are valued at their fair value in accordance with IFRS.

Fair value adjustments are included in the assets and liabilities concerned, together with any minority interests. The difference between the purchase price and the Group's share in the fair value of the underlying assets, liabilities, contingent liabilities

is treated as Goodwill (see also the note on impairment of assets). In the case of consolidated companies using the equity method, goodwill is included in the amount invested in associated companies.

When the cost of the acquisition is below the fair value of the Group's share in the assets, liabilities and contingent liabilities of the acquiree subsidiary, the difference is recognised directly in the income statement.

If the initial accounting for a business combination can only be determined provisionally, provisional values of the assets and liabilities should be adjusted within one year from the acquisition date, in accordance with IFRS 3.

4.9.2 Business combinations from 1 January 2010

Business combinations are accounted for using the purchase method. The cost of an acquisition is based on the fair value of the assets acquired, instruments of issued equity, and liabilities incurred or assumed at the date of the combination. The costs directly attributable to the combination are accounted for as expenses as part of the period during which they are incurred.

On first-time consolidation of an exclusively controlled company, identifiable assets, liabilities and contingent liabilities are valued at their fair value except exceptions specifically provided for by IFRS3 revised.

Goodwill recorded in the consolidated balance sheet is the difference between:

- the total amount of the following elements:
  - the cost of acquisition at the acquisition date;
  - the total of minority interests in the acquiree determined either at fair value at the acquisition date (full goodwill method), or on the basis of their share in the fair value of the identifiable net assets acquired and liabilities assumed (partial goodwill method). This option is open transaction by transaction;
  - and for business combinations achieved in stages, of the fair value at the acquisition date of the share held by the Group before the acquisition date;
- and the net amount of identifiable assets acquired and identifiable liabilities assumed, evaluated at their fair value at the acquisition date.

After the initial accounting, the Goodwill is tested for impairment at least once a year and whenever there is an indication that it may be impaired (see also "Impairment of assets").

In the case of investments in associates using the equity method, Goodwill is included in the amount invested in associated companies. The costs directly attributable to the combination are accounted for in the cost of acquisition price.

When the cost of the acquisition is below the fair value of the Group's share in the assets, liabilities and contingent liabilities of the acquiree, the difference is recognised directly in the income statement.

If the initial accounting for a business combination can only be determined provisionally, provisional values of the assets and liabilities should be adjusted within one year from the acquisition date, in accordance with IFRS 3 revised.

The impact of capital gains or losses and of depreciation charges and reversals recognised after 12 months of the acquisition date in relation to the values assigned to assets acquired and liabilities assumed at the time of the first consolidation is recognised prospectively, as the income of the period of change and future periods, if any, without adjusting Goodwill, for business combinations from 1 January 2010.

If the modifications to the initial accounting of the combination are due to the correction of an error, the values attributed to the acquired assets and liabilities assumed and to investments which do not give control or elements of the cost of acquisition are modified retrospectively, as if their corrected fair value had been accounted for from the acquisition date. The Goodwill must also be modified as a result and the impact of the correction of the error is recognised in the opening equity for the period of the correction of the error, in accordance with IAS 8 Accounting policies, changes in accounting estimates and errors.

4.10 Operating segments

In accordance with IFRS 8 "Operating segments", segment information reported is constructed on the basis of internal management data used for performance analysis of businesses and for the allocation of resources by the "chief operating decision maker", the Executive Committee.

An operating segment is a distinct component of the Group which is engaged in the supply of distinct products and services and who is exposed to the risks and return different from the risks and the returns of other operating segments.

The managerial organisation of the Group is based on the geography in which the Group operates and the operating segment corresponds to permanent business combinations in the corresponding countries.

Operating segments existing as on 31 December 2011 are the following:

- Major Western European countries: France, Italy, Spain, the United Kingdom and Germany;
- Rest of Europe including: all other Western and Eastern European countries;
- North America: comprising for the most part the United States;
- Rest of the world: including other countries not included in the three preceding operating segments.

4.11 Conversion of financial statements in foreign currencies

The balance sheets of subsidiaries whose functional currency is not the euro, none of which operate in hyper-inflationary economies, are translated at the exchange rates prevailing on the closing date. Their income statements, working capital

needs and statements of cash flows are translated at the average rate for the year which matches, in absence of any significant fluctuations, the prevailing exchange rate at the date of the different transactions.

Exchange differences are transferred to the cumulative translation reserve, which forms an integral part of shareholders' equity, and to minority shareholders for the non-Group share. These differences arise from:

- the impact on shareholders' equity of any difference between the rates used for the opening and closing balance sheets;
- the impact on net profit for the year of any difference between the year's average rate and closing rate.

Goodwill and fair value adjustments arising upon acquisition of a foreign entity are treated as assets and liabilities of the foreign entity. Accordingly, they are expressed in the entity's functional currency and translated at the rate prevailing on the closing date.

During consolidation, exchange differences due to the conversion of net investments in businesses abroad and of loans and other exchange instruments designated as hedging instruments for these investments are recognised in equity. When a foreign entity is disposed of, these conversion differences, initially treated as equity, are recognised in profits or losses on disposals.

4.12 Conversion of foreign currency transactions

Receivables and payables denominated in foreign currencies are initially translated at the exchange rates prevailing on the transaction date and then revalued at the closing rates prevailing on the reporting date. Any resulting gains or losses are recognised in the income statement. Concerning foreign currency transactions, they are converted at prevailing rates at the date of the transaction. The same method is applied to cash flow items.

The exchange losses and profits on foreign currency transactions for receivables, debt, transactions and cash in foreign currency are also treated as profit or loss if they are considered as eligible for fair value hedge accounting. However, if they are eligible for hedging of cash flow or net investment in a foreign-based business, they are recognised in equity.

4.13 Exchange differences with respect to intra-group transactions and cash flows

Exchange differences arising from elimination of foreign currency transactions between fully consolidated companies are transferred to the cumulative translation reserve under shareholders' equity and to minority interests for the non-Group share, to eliminate their impact on consolidated results. Exchange differences arising from foreign currency cash flow movements between fully consolidated companies are accounted for under a separate line item in the consolidated statement of cash flows.

4.14 Other intangible assets (excluding Goodwill)

Intangible assets are accounted for at cost, less cumulative amortisation and any impairment loss.

Intangible assets with a defined useful life are amortised over a period corresponding to useful lives estimated by the Group. Amortisation periods are determined on a case-by-case basis depending on the type of asset concerned.

Intangible assets with an indefinite useful life are not amortised, but tested annually for impairment (see note on Impairment of assets).

Patents are recognised as intangible assets at acquisition cost and amortised over their period of economic use, which does not exceed the period of protection.

Development expenses as defined by IAS 38 are identified as intangible assets based on the following: technical feasibility necessary for project completion, the Group's intention to complete the project, ability to use the asset, probability of future economic benefits, availability of resources and reliable evaluation of development expenses. Due to the risks and uncertainties associated with regulatory approvals and the process of research and development, the criteria are deemed to be fulfilled as soon as the marketing authorisation has been granted.

The development costs of software developed internally are identified as intangible assets as soon as they comply with the criteria defined in IAS 38. Such expenses include mainly the salaries of personnel involved in the project and the fees of external consultants. They are amortised on a straight-line basis for the duration of their useful lives.

Brands and trademarks are generally not amortised.

Software licenses are amortised on a straight-line basis for the duration of their useful lives (from 1 to 10 years).

Identified rights regarding intellectual property are amortised on a straight-line basis for the estimated duration of their useful lives which for practical purposes is often between 8 and 20 years.

Amortisation of intangible assets excluding software is presented on a separate line in the income statement. The amortisation of software is allocated to the relevant functional department.

Impairment losses on intangible assets are presented with those of property, plant and equipment and those of Goodwill on a separate line in the income statement.

The gains and losses on disposals of assets are determined by comparing disposal value with the book value of the disposed asset.

4.15 Property, plant & equipment

Property, plant and equipment items are accounted for at acquisition cost or production cost as applicable less cumulative amortisation and any impairment loss.

Subsequent costs are included in the asset's book value, or, if applicable, they are recognised as a separate asset if the future economic benefits associated with the asset are likely to go to the Group, and the cost of the asset can be measured reliably.

Amortisation is calculated on a straight-line basis over the assets' estimated useful lives as follows:

Estimated useful lives are as follows:

- Building, fixtures and fittings 10 to 50 years
- Industrial plant & equipment 5 to 10 years
- Other property, plant and equipment 3 to 10 years

Land is not amortised.

Residual values and the duration of the assets' useful lives are revised and, if applicable, adjusted at each closing.

The book value of an asset is depreciated immediately to bring it back to its recoverable amount when the asset's book value is greater than its estimated recoverable amount (see note on Impairment of assets).

Net amortisation of software and plant, property & equipment is allocated by to the relevant function in the income statement. Impairment losses on property, plant and equipment are reported together with losses on Goodwill and intangible assets on a specific line item in the income statement.

The gains and losses on disposals of assets are determined by comparing disposal value with the book value of the disposed asset.

4.16 Leases

4.16.1 Finance leases

Assets acquired under finance leases are capitalised when the lease contract transfers substantially all the risks and rewards incidental to ownership to the Group. Criteria used to assess whether a contract should be classified as a finance lease include:

- the term of the lease compared with the useful life of the asset,
- total future lease payments compared with fair value of the asset financed,
- whether or not ownership of the asset is transferred at the end of the lease term,
- existence of a purchase option favourable to the lessee,
- type of asset leased.

Leased assets capitalised as finance leases are depreciated over the shorter of their estimated useful lives or the term of the lease contract.

4.16.2 Operating leases

Operating leases are lease contracts that are not classified as finance leases. Rental payments are recorded as expenses when incurred.

4.17 Financing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualified asset are capitalised as the cost of the asset as of 1 January 2009.

Prior to 1 January 2009, financing costs are recorded as finance expenses in the period in which they are incurred.

4.18 Impairment of assets

4.18.1 Type of asset tested

Goodwill and intangible assets with an indefinite useful life (such as, for example, intangible third party rights for not yet commercialised drugs) are tested for impairment in accordance with the provisions of IAS 36 "Impairment of Assets", at least once a year and whenever there is an indication that the asset may be impaired.

Indication of impairment loss can be related namely to the success of successive phases of clinical trials, to pharmacovigilance, to patent protection, to the arrival of competing products and/or generics and the comparison of actual and forecasted sales.

Goodwill

For the purposes of impairment tests, starting from the acquisition date, Goodwill acquired under a business combination is allocated to each of the Group's cash-generating units or to each group of cash-generating units likely to benefit from the synergies arising out of the business combination.

Goodwill relating to an associate is included in the carrying amount of the investment and it is not separately recognised according to IAS 28 "Investments in Associates"; consequently, it is not tested for impairment separately according to IAS 36 "Impairment of Assets", the entire carrying amount of the investment is tested for impairment, including Goodwill.

According to paragraph 23 of IAS 28 "Investments in Associates", appropriate adjustments to the Group's share of the associate's profits or losses after acquisition are made for impairment losses concerning Goodwill and intangible assets.

Other non-current assets

Other non-current assets including tangible and financial assets, are also tested for impairment when events or changed circumstances indicate that an asset may be impaired.

4.18.2 Impairment tests – methods used by the Group

Impairment tests consist of comparing an asset's book value (Group assets, or cash-generating units) with its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use.

Value in use is the present value of the future cash flows expected to be derived from continuing use of the asset, group of assets or cash-generating unit and its ultimate disposal.

Fair value less selling costs is the amount obtainable from the sale of the asset, group of assets or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Regarding Goodwill, the Group calculates recoverable amounts of cash-generating units from their value in use. This is found from the present value of its estimated future cash flows. Cash flows are based on short-term and medium-term estimates (such as forecasts, annual budget, and four-year strategic plan) as well as forecasts of longer term by geographic area established by the Group's operating entities.

For other intangible assets, the period taken into account for estimating cash flows is based on the economic life intrinsic to each intangible asset. When the economic life is longer than Group forecasts, the terminal value is included in the calculation.

The present value of cash flows is calculated using the Group's weighted average cost of capital.

When it is not possible to estimate the recoverable amount of a particular asset, the Group determines the recoverable amount of the cash-generating unit which holds it.

When the recoverable amount of an asset (or group of assets) or a cash-generating unit (or group of units) is lower than its book value, an impairment loss is recorded on a separate line in the income statement. For the case where an impairment loss is identified for a cash-generating unit (or group of units), in priority, it is deducted from Goodwill. Impairment losses on Goodwill are not reversible.

Methods and key assumptions for impairment tests for the period ending on 31 December 2011 are presented for intangible assets of indefinite useful life and for Goodwill in notes 14.2 and 13.5 respectively.

■ 4.19 Government grants

Government grants received by the Group are treated as deferred income and recognised in the income statement over the estimated useful lives of the assets financed by the grants.

■ 4.20 Financial assets

Financial assets, excluding cash and derivative financial assets, are classified in one of the four following categories:

- financial assets held for trading;
- loans and receivables;
- held-to-maturity investments;
- financial assets available for sale.

Financial assets are classified upon initial recording according to the Group's intention at the time of acquisition.

4.20.1 Financial assets held for trading

These include assets held for the purpose of selling or repurchasing in the near term with the intention of making a profit, and assets voluntarily classified in this category. Derivative instruments are also treated as held for trading, unless they are qualified as hedges.

Such assets are measured at fair value and any changes are recorded as a change in fair value in the income statement.

Assets in this category are designated as current assets.

4.20.2 Loans and receivables

Loans and receivables are non-derivative financial assets with a payment, which is fixed or can be determined, not listed on an active market. They are included in current assets, except those that mature more than 12 months after the balance sheet closing date.

Loans and receivables are measured at amortised cost using the effective interest method.

The balance sheet value includes principal outstanding plus accrued interest. The recoverable amount of loans and advances is estimated whenever there is an indication that the asset may be impaired and at least on each reporting date. If the recoverable amount is lower than the accounting value amount, an impairment loss is recognised in the income statement.

The Group's credit risk is fairly limited in Western European countries. The Group sells to clearly identified wholesalers or directly to chemists and hospitals. These parties do not generally present a counterparty risk, but their payment terms may exceed 12 months. These are typical payment terms in the Group's sector.

On international markets, the Group often operates *via* agents or distributors, and may also be subject to geopolitical risks. The Group endeavours to limit the length of customer risks and payment terms, or takes out credit insurance or invoice discounting where available on the market.

Based on reliable default indices and the results of its monitoring and reminder procedures, the Group recognises an impairment of trade receivables which takes into account the Group's hedging instruments (Coface type credit insurance).

4.20.3 Held-to-maturity investments

These are financial assets that the Group has the intention and ability to hold to maturity. They are measured at amortised cost using the effective interest method.

The recoverable amount of held-to-maturity investments is estimated whenever there is an indication that the asset may be impaired. If the recoverable amount is lower than the book value, an impairment loss is recognised in profit and loss.

4.20.4 Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified in the before-mentioned categories. They are included in non-current assets, unless Management expects to sell them within 12 months after the balance sheet closing date.

Unrealised capital gains and losses are recognised in equity until the assets are sold, except for impairment losses, which are recognised in profit or loss.

Exchange differences on monetary assets denominated in foreign currencies are recorded to the income statement.

Exchange differences on non-monetary assets denominated in foreign currencies are recorded directly to equity.

This category mainly includes investments in non-consolidated companies and short-term investments that do not meet the definition of other categories of financial assets. They are classified under other non-current assets, current assets and cash and cash equivalents.

4.20.5 Determination of fair value

For investments in listed equity instruments, fair value is the quoted market price. For investments in unlisted equity instruments, fair value is determined by reference to recent market transactions or using a valuation technique that provides reliable estimates of prices obtained in actual market transactions.

For investments in non-consolidated and unlisted companies, fair value is based on the Group's share in each company's equity on the reporting date.

If it is not possible to reasonably estimate the fair value of an asset, it is measured at cost. These assets are tested for impairment to determine their recoverable amount.

4.21 Non-current assets held for sale and discontinued operations

A non-current asset, or group of assets and liabilities, is classified as held for sale if its book value will be recovered principally through a sale transaction rather than through continuing use. The asset must be available for immediate sale and its sale must be highly probable.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated.

An operation is classified as discontinued if it is a business which the Group has sold or is classified as held for sale and which represents a business line or a principle and distinct geographic region, is part of a specific and coordinated plan for disposal of a business line or principle and distinct geographic region or is a subsidiary acquired exclusively for resale.

4.22 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average cost method.

Net realisable value is the estimated selling price less the estimated costs necessary to make the sale.

4.23 Securities held for sale

This category includes short-term investments that do not meet the definition of cash equivalents (as per IAS 7) but which nonetheless show limited volatility. These financial assets are measured at fair value (market value) at the closing date and any changes are recognised in profit or loss.

4.24 Cash and cash equivalents

Cash includes cash on hand and demand deposits with banks.

Cash equivalents include short-term, highly liquid investments (with a maturity of less than three months) and which are subject to an insignificant risk of changes in value in the event of interest rate variations. Mutual funds and term deposits therefore meet the definition of Cash equivalents. Cash equivalents are classified as financial assets at fair value held for transactions: they are measured at fair value and any changes are recognised in the income statement. Given the nature of these assets, their fair value is generally similar to their net book value.

4.25 Stock option plans

Stock options are awarded to executive officers and some employees of the Group. As required by IFRS 2 "Share-based Payments", these options are measured at their fair value on the date of grant. The fair value is calculated with the most relevant formula regarding the settlement and the conditions of each stock-options plan ("Black and Scholes" or "Monte Carlo"). The fair value is recorded in personnel expenses (allocated by function in the income statement) on a straight-line basis over the vesting period (period from the date of grant to maturity of the plan) with a corresponding increase in equity.

At each closing date, the Group re-examines the number of options likely to become exercisable. If applicable, the impact of the review of the estimates is recognised in the income statement with a corresponding adjustment in equity.

As permitted by IFRS 2, this policy only applies to plans that were granted after 7 November 2002 and that had not vested at 1 January 2005.

4.26 Employee benefits

4.26.1 Post-employment benefits

Depending on the laws and practices of the countries in which the Group operates, employees may be entitled to compensation when they retire or to a pension following their retirement.

The liability corresponding to the employees' vested rights is covered by:

- contributions to independent organisations (insurance companies) responsible for paying the pensions or other benefits;
- balance sheet provisions.

For State-managed plans and other defined contribution plans, the Group records them as expenses when they become payable, the Group's commitment being limited to its contributions.

For defined benefit plans, the Group's liability is estimated by external actuaries using the projected unit credit method. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each unit is valued separately to obtain the final obligation.

The final amount of the liability is then discounted. The main assumptions used to calculate the liability are:

- discount rate,
- inflation rate,
- future salary increases,
- employee turnover.

The Group's liability is estimated annually for all plans.

Actuarial gains and losses may arise as a result of changes in actuarial assumptions or experience adjustments (differences between the previous actuarial assumptions and what has actually occurred) to the Group's liability or the plan's assets. These gains and losses are recognised in profit or loss using the "Corridor" method. Under this method, the amount in excess of 10% of the higher of the net liability or the fair value of the plan's assets is deferred over the remaining working lives of the employees participating in the plan.

The Group funds its post-employment liability externally, including the deferred portion of actuarial gains and losses. If the plan's assets exceed its estimated liability, a financial asset is recognised on the balance sheet, limited to the net total of:

- any unrecognised past service costs and net actuarial losses;
- and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

4.26.2 Other employee benefits

In some countries, employees are entitled to awards for long service. The Group records a provision in the balance sheet to cover its liability in this respect.

■ 4.27 Provisions

Provisions are recognised in accordance with IAS 37 to cover all liabilities to third parties likely or certain to give rise to an outflow of resources embodying economic benefits, provided the amount of the provision can be reliably estimated. These provisions are estimated on the basis of the most likely assumptions on the closing date.

In the case of restructurings, a liability is recorded as soon as the restructuring has been announced and the Group has drawn up or started to implement a detailed restructuring plan.

Provisions are discounted if the time value is material. The present value is based on current market assessments of the time value of money and the risks inherent to the liability. The provision increase resulting from the restatement at historical value is recorded as a financial expense.

■ 4.28 Financial liabilities

Loans are recorded initially at their fair value. Subsequently they are measured at amortised cost using the effective interest method. In compliance with this principle, any issue or redemption premiums are recorded as loans in the balance sheet and are amortised in net financial income/expenses over the term of the loans.

■ 4.29 Derivative financial instruments

The Group buys and sells derivative financial instruments with a view to managing and reducing its exposure to the risk of interest rate and exchange rate fluctuations. The Group deals only with first-class financial institutions. Under IAS 39, financial instruments may only be classified as hedges when the Group can demonstrate and document the effectiveness of the hedging relationship at inception and throughout the life of the hedge.

The effectiveness of the hedge is determined by reference to changes in the value of the derivative instrument and the hedged item. The ratio must remain within 80% to 125%.

Derivative financial instruments are recognised in the balance sheet at their market value on the reporting date. Changes in fair value are recorded as follows:

- cash flow hedges: the portion of the gain or loss on the financial instrument that is determined to be an effective hedge is recorded directly to equity. The ineffective portion is recorded to the income statement;
- fair value hedges and financial instruments not designated as hedges, changes in fair value are recorded to the income statement.

Market value is the price quoted by independent financial institutions.

■ 4.30 Revenue recognition

The Group's revenues are generated mainly by the sale of pharmaceutical products.

Sales are recognised when all the following conditions are met:

- there is evidence of an agreement between the parties;
- the goods have been delivered or the service provided;
- the price is fixed or can be determined.

Sales of goods are recognised when the risks and rewards of ownership have passed to the buyer. Sales of goods are valued at the fair value of the amount received or to be received if payments are deferred and have a significant impact on the calculation of fair value, the time value of future payments is included in the calculation.

Rebates and discounts granted to customers are recorded at the same time as the sale of the goods and are classified as a deduction from consolidated sales.

■ 4.31 Other revenues

Other revenues include royalties received and milestone payments received under partnership agreements and various service agreements.

Royalties received are recognised as revenues based on sales achieved by the partners and contractual royalty rates during the period.

Upfront payments are spread over the service period of the binding agreement. Milestone revenues are generally spread over the term of the contracts.

Revenues generated by various services provided are recognised as goods or services delivered to the other contracting party.

4.32 Deferred taxes

Deferred taxes are recorded on all temporary differences between the book value and tax base of assets and liabilities, and on tax losses, using the liability method.

Differences are temporary when they are expected to reverse within the foreseeable future.

Deferred tax assets arising from tax losses are recorded only if there is convincing evidence that sufficient taxable income will be available in the future.

In accordance with IAS 12 "Income Taxes", tax assets and liabilities are not discounted.

Amounts recognised in the consolidated financial statements are calculated at the level of each tax entity included in the consolidation scope.

In accordance to the updates of IAS 12, classifying the C.V.A.E. as a profit tax leads the Group to recognise from 31 December 2009 deferred taxes related to the timing differences existing at this date, with a corresponding entry of a net expense on the income statement of the period, the Finance Act having not yet been voted in 2009. The deferred tax expense is presented on the line "Income Tax". Furthermore, starting with the period 2010, the total amount of current and deferred expenses related to the C.V.A.E. will be reported on this same line.

4.33 Earnings per share

A basic earnings per share is calculated on the weighted average number of shares outstanding during the period.

The weighted average number of shares outstanding is calculated according to movements in share capital, less any treasury shares held by the Group.

Diluted earnings per share is calculated by dividing net earnings for the year attributable to equity holders of Ipsen S.A. by the weighted average number of ordinary shares outstanding plus any potentially dilutive ordinary shares not yet issued.

4.34 Treatment of changes in the consolidation scope in the cash flow statement

The net impact of the following items is identified on a separate line item in the cash flow statement:

- the amount paid or received by the Group on acquisition or disposal of consolidated companies;
- the cash held by those companies, which is added to or deducted from consolidated cash.

Note 5 Operating segments

Internal reporting provided to the "main operational decision-maker", 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 in IFRS 8, correspond to long-term groupings of countries.

At 31 December 2011, the Group's operating segments are as follows:

- Major Western European countries: France, Italy, Spain, the United Kingdom and Germany;
- Rest of Europe: which combines all of the other countries in Western Europe and those of Eastern Europe;
- North America: mainly the United States;
- Rest of the world: all countries not included in any of the above three operating segments.

5.1 Operating income by operating segment

(in thousands of euros)	31 December 2011		31 December 2010		31 December 2009	
	Amounts	% share	Amounts	% share	Amounts	% share
Major Western European countries	155,943	45%	208,410	58%	221,718	60%
Rest of Europe	118,381	34%	110,734	31%	92,419	25%
North America	(35,747)	(10)%	(59,523)	(17)%	(18,953)	(5)%
Rest of the world	106,420	31%	96,682	28%	72,637	20%
Total allocated	**344,997**	**100%**	**353,303**	**100%**	**367,821**	**100%**
Unallocated	(269,215)		(227,500)		(195,351)	
Operating income from consolidated income statement	**75,782**		**128,803**		**172,470**	

Non-allocated operating income amounted to (€269.2) million in 2011, to be compared with (€227.5) million recorded in 2010. It comprised mainly the Group's central research and developments costs for (€213.2) million in 2011 and (€195.7) million in 2010 and, to a lesser extent, unallocated general and administrative expenses. Revenues amounted to €26.6 million in 2011, stable year-on-year, compared to €26.8 million in 2010. In 2011, non-allocated operating income mainly included the non-recurring expenses related to the implementation of the strategy announced on 9 June 2011 and the changes within the Executive Committee. In 2010, the non-allocated operating income comprised €48.7 million for the accelerated recognition of the deferred revenues following Roche's decision to return taspoglutide's development rights to the Group, as well as €28.4 million non recurring impairment losses following uncertainties that had appeared in the future development timelines of some of its partnerships and some non-recurring fees relating to the change of Chairman and CEO.

5.2 Revenue

5.2.1 Revenue by operating segment

(in thousands of euros)	31 December 2011		31 December 2010		31 December 2009	
	Amounts	% share	Amounts	% share	Amounts	% share
Major Western European countries	567,534	47%	571,650	50%	573,266	54%
Rest of Europe	284,760	24%	259,572	23%	236,261	22%
North America	82,805	7%	75,744	7%	56,974	5%
Rest of the world	273,175	23%	236,567	20%	198,718	19%
Total allocated	**1,208,274**	**100%**	**1,143,533**	**100%**	**1,065,219**	**100%**
Unallocated	26,635		26,765		47,164	
Revenue from consolidated income statement	**1,234,909**		**1,170,298**		**1,112,383**	

Within "Revenue", sales of goods, co-promotion income and a portion of "Other revenues" have been allocated. However, certain "Other revenues" have not been allocated, since it does not lend itself to this type of segmentation. This is the case for milestone payment received linked with the OBI-1 agreement with Inspiration Biopharmaceuticals Inc. (€2.5 million in 2011 and €2.4 million in 2010), or even the rebilling of research and development costs and more specifically those recognised in relation with the agreements signed with Inspiration Biopharmaceuticals Inc. (€21.3 million in 2011 and €15.0 million in 2010).

5.2.2 Sales of goods by operating segment

(in thousands of euros)	31 December 2011		31 December 2010		31 December 2009	
	Amounts	% share	Amounts	% share	Amounts	% share
Major Western European countries	542,047	47%	550,434	50%	554,653	54%
Rest of Europe	279,590	24%	255,087	23%	234,280	23%
North America	65,706	6%	59,477	7%	45,678	4%
Rest of the world	272,476	23%	235,171	20%	198,196	19%
Sales of goods from consolidated income statement	**1,159,819**	**100%**	**1,100,169**	**100%**	**1,032,807**	**100%**

At 31 December 2011, 2010 and 2009, no customer exceeds 10.0% of sales of goods.

5.2.3 Sales by therapeutic areas and by products

(in thousands of euros)	31 December 2011	31 December 2010	31 December 2009
Oncology	284,962	270,166	250,511
of which Décapeptyl®	*283,645*	*270,166*	*250,510*
Endocrinology	264,391	244,496	202,569
of which Somatuline®	*188,372*	*170,012*	*139,960*
Nutropin®	*50,851*	*48,380*	*40,418*
Increlex®	*25,168*	*26,104*	*20,978*
Neurology	210,093	189,625	169,463
of which Dysport®	*204,606*	*183,675*	*163,837*
Apokyn®	*5,487*	*5,950*	*5,626*
Speciality Care	**759,446**	**704,287**	**622,543**
Gastroenterology	193,656	181,814	183,286
of which Smecta®	*102,287*	*101,276*	*100,477*
Forlax®	*41,391*	*38,884*	*45,575*
Cognitive disorders	96,369	96,410	107,989
of which Tanakan®	*96,369*	*96,410*	*107,989*
Cardiovascular	62,150	70,572	73,121
of which Nisis® et Nisisco®	*45,920*	*55,058*	*55,878*
Ginkor®	*12,743*	*12,106*	*12,035*
Other pharmaceutical products	16,303	15,187	15,666
of which Adrovance®	*12,795*	*11,507*	*11,863*
Primary care	**368,478**	**363,982**	**380,062**
Total drug sales	**1,127,924**	**1,068,269**	**1,002,605**
Drug-related sales	**31,895**	**31,899**	**30,202**
Group Sales	**1,159,819**	**1,100,169**	**1,032,807**

5.2.4 Other revenues

(in thousands of euros)	31 December 2011	31 December 2010	31 December 2009
Royalties received (1)	9,056	6,178	41,216
Milestone payments – Licenses (2)	26,060	33,601	27,906
Rebilled research and development expenses (3)	22,922	18,835	705
Co-promotion income (3)	17,052	11,515	9,749
Other revenues from consolidated income statement	**75,090**	**70,129**	**79,576**

(1) Royalties received amounted to €9.1 million in 2011, up €2.9 million year-on-year driven by the increase in royalties paid by Medicis, Galderma and Menarini.
(2) Milestone payments relating to licensing agreements amounted to €26.1 million, down €7.5 million compared with December 2010 mainly composed from the partnerships with Medicis, Galderma, Recordati, Menarini and Inspiration Biopharmaceuticals Inc.. This decrease is mainly related to the termination in 2011 of milestones payments relating to taspoglutide, after the restitution of product rights to the Group in February 2011.
(3) Other revenues amounted to €40.0 million in 2011 compared with €30.3 million a year earlier. Other revenues include rebilling expenses of industrial development for OBI-1, for €20.3 million, as part of the agreements signed with Inspiration Biopharmaceuticals Inc., together with revenues relating to the Group's co-promotion and co-marketing agreements in France.

5.3 Balance sheet items by operating segment (based on location of assets)

(in thousands of euros)	31 December 2011					
	Major Western European countries	Rest of Europe	North America	Rest of the world	Eliminations	Total
Goodwill (*)	143,819	18,708	110,525	26,493	–	299,545
Property, plant & equipment	185,418	49,907	26,241	10,162	–	271,728
Inventories	48,144	33,612	5,021	31,056	–	117,834
Trade receivables	244,180	39,706	41,516	33,328	(99,355)	259,374
Total segment assets	**621,561**	**141,933**	**183,303**	**101,039**	**(99,355)**	**948,481**
Trade payables	183,081	17,991	6,628	41,460	(99,355)	149,805
Total segment liabilities	**183,081**	**17,991**	**6,628**	**41,460**	**(99,355)**	**149,805**

(*) See note 13.

(in thousands of euros)	31 December 2010					
	Major Western European countries	Rest of Europe	North America	Rest of the world	Eliminations	Total
Goodwill (*)	143,819	18,708	110,067	26,511	–	299,105
Property, plant & equipment	201,964	47,709	22,741	9,873	–	282,287
Inventories	74,794	27,262	5,446	4,647	–	112,149
Trade receivables	219,786	38,331	40,289	22,924	(79,439)	241,890
Total segment assets	**640,363**	**132,010**	**178,543**	**63,955**	**(79,439)**	**935,431**
Trade payables	174,810	12,797	5,628	26,875	(79,439)	140,671
Total segment liabilities	**174,810**	**12,797**	**5,628**	**26,875**	**(79,439)**	**140,671**

(*) See note 13.

(in thousands of euros)	31 December 2009					
	Major Western European countries	Rest of Europe	North America	Rest of the world	Eliminations	Total
Goodwill (*)	143,819	18,708	101,223	26,486	–	290,236
Property, plant & equipment	182,878	40,383	19,118	9,399	–	251,778
Inventories	81,589	33,434	5,243	10,759	(28,055)	102,970
Trade receivables	209,372	35,507	30,741	15,830	(68,345)	223,105
Total segment assets	**617,658**	**128,032**	**156,325**	**62,474**	**(96,400)**	**868,089**
Trade payables	146,475	20,386	4,338	19,873	(68,425)	122,647
Total segment liabilities	**146,475**	**20,386**	**4,338**	**19,873**	**(68,425)**	**122,647**

(*) See note 13.

5.4 Other information

(in thousands of euros)	31 December 2011					
	Major Western European countries	Rest of Europe	North America	Rest of the world	Unallocated	Group
Capital expenditures	(29,631)	(6,933)	(6,630)	(1,115)	(57,978)	(102,287)
Net depreciation, amortisation and provisions (excluding financial and current assets)	(40,229)	(3,651)	(11,371)	(1,327)	(10,348)	(66,926)
Share-based payment expenses with no impact on cash flow	–	–	–	–	(4,056)	(4,056)

(in thousands of euros)	31 December 2010					
	Major Western European countries	Rest of Europe	North America	Rest of the world	Unallocated	Group
Capital expenditures	(36,848)	(10,692)	(5,132)	(1,068)	(33,331)	(87,071)
Net depreciation, amortisation and provisions (excluding financial and current assets)	(29,827)	(4,289)	8,058	(1,353)	(11,127)	(38,538)
Share-based payment expenses with no impact on cash flow	–	–	–	–	(10,082)	(10,082)

(in thousands of euros)	31 December 2009					
	Major Western European countries	Rest of Europe	North America	Rest of the world	Unallocated	Group
Capital expenditures	(28,027)	(6,366)	(3,609)	(2,317)	(24,744)	(65,063)
Net depreciation, amortisation and provisions (excluding financial and current assets)	(23,748)	(2,288)	231	(1,453)	(15,371)	(42,629)
Share-based payment expenses with no impact on cash flow	–	–	–	–	(8,016)	(8,016)

Note 6 Employees

6.1 Headcount

Group headcount as at end 2011 was 4,479 employees (as compared to 4,489 at end 2010 and 4,428 at end 2009).

The average headcount in 2011 was 4,484 (as compared to 4,456 in 2010 and 4,353 in 2009).

Changes in Group headcount by function over the period were as follows:

Function	31 December 2011	31 December 2010	31 December 2009
Sales	1,991	1,931	1,833
Production	944	968	1,103
Research and Development	881	943	892
Administration	663	647	600
Total headcount	**4,479**	**4,489**	**4,428**

A geographical breakdown of employee headcount is as follows:

Geographical region	31 December 2011	31 December 2010	31 December 2009
Major Western European countries	2,562	2,705	2,679
Rest of Europe	685	675	658
North America	374	343	346
Rest of the world	858	766	745
Total headcount	**4,479**	**4,489**	**4,428**

6.2 Employee expenses

Employee expenses which are included in the cost of goods sold, selling, general and administrative expenses and research and development expenses include the following items:

(in thousands of euros)	31 December 2011	31 December 2010	31 December 2009
Wages and salaries	(272,668)	(252,262)	(228,876)
Employer's social security contributions and payroll taxes	(95,666)	(94,654)	(84,874)
Sub-total	**(368,334)**	**(346,916)**	**(313,750)**
Employee benefit expenses (note 6.3.3.4)	**(3,454)**	**(4,755)**	**(4,235)**
Annual accounting expenses associated with share-based payments (note 6.4)	(3,912)	(10,029)	(7,672)
Social security contributions on share-based payments	(144)	(53)	(344)
Share-based payment expenses sub-total	**(4,056)**	**(10,082)**	**(8,016)**
Employee profit-sharing	(12,857)	(12,411)	(7,849)
Total	**(388,701)**	**(374,164)**	**(333,850)**

The average rate of employer's social security contributions and payroll taxes in 2011 was 35.1% of gross payroll (as compared to 37.5% in 2010 and 37.1% in 2009).

The Group's French companies have an employee profit-sharing agreement as required by law. Employees may invest their entitlement in either an interest-bearing savings account with the company or a collective investment fund managed by a financial institution.

On 22 June 2010, a profit-sharing agreement was set up in addition to the previous agreement. This profit-sharing agreement complements the first one in case the latter does not reach 12.5% of gross payroll and its amount must be comprised between 0% and 4.5% of gross payroll. The total of both agreements is capped at 12.5% of gross payroll. According to the assessment of the expected fulfilment of the objectives of this profit sharing agreement, the impact recorded in the consolidated financial statements at 31 December 2011 is 3.5% of gross payroll.

Within the Group, an agreement was signed on 26 October 2011 planning the attribution of a share profit bonus payed in additionnal profit-sharing. In order to share fairly the added value and according to the law of July 28, 2011, a share profit

bonus, also called "dividend bonus", is established in the companies of more than 50 employees since dividends paid in 2011 are in increase compared to the average of previous both exercises. For the Group subsidiaries except France, an exceptional bonus was also awarded. The impact in the consolidated accounts at 31 December 2011 is about €4 million.

6.3 Employee benefits

6.3.1 Benefit plans

6.3.1.1 Retirement benefit obligations

In some countries, the Group's employees are eligible for supplementary pension payments paid annually to retirees, or to lump sum retirement allowances paid on retirement. The main countries concerned are France, the United Kingdom, Ireland, Spain and Italy. In France, a limited number of employees also benefit from a supplementary pension plan.

The Group provides these benefits *via* either defined contribution or defined benefit plans.

Under defined contribution plans, the Group has no obligation other than to pay the agreed contributions, with the corresponding expense charged to income for the year.

6.3.2 Other long-term benefits

The Group also pays out bonuses intended to reward employees based on length of service. These long service awards relate mainly to the Group's employees in France.

6.3.3 Measurement and recognition of liabilities

The Group's liabilities related to employee benefits are calculated by an external actuary using the assumptions that are applicable in the relevant countries.

Discount rates are determined by reference to a market rate based on bonds issued by first class issuers. The main benchmark index used is the iBoxx Corporate AA for the Eurozone and the United Kingdom.

Assumptions with regard to staff turnover and mortality rates are specific to each country.

Some liabilities are covered by financial assets held in funds invested with insurance companies (plan assets).

Future rates of return on plan assets are determined by multiplying the weighted average value of each asset class (money market, equities, bonds, property and other) by its expected return. The expected return on each asset class depends on the level of risk associated with that asset class.

Surplus plan assets are recognised in the balance sheet under "Non-current financial assets".

Unfunded liabilities and plan deficits are recognised in the balance sheet under "Retirement benefit obligations".

6.3.3.1 Assumptions used

The main actuarial assumptions applied as at 31 December 2011 are as follows:

	Europe (excluding UK)	United Kingdom	Asia, Pacific and Africa
Average discount rate	4.62%	4.95%	8.75%
Expected average return on plan assets	4.70%	5.41%	6.00%
Expected average return on reimbursement rights	N/A	N/A	N/A
Expected gross salary increases	Varies by age	3.80%	8.25%
Future pension increases	N/A	1.80%	N/A
Employees' average remaining working life (years)	17.81	14.00	9.50

The main actuarial assumptions applied as at 31 December 2010 are as follows:

	Europe (excluding UK)	United Kingdom	Asia, Pacific and Africa
Average discount rate	4.38%	5.25%	7.25%
Expected average return on plan assets	4.85%	6.31%	6.00%
Expected average return on reimbursement rights	N/A	N/A	N/A
Expected gross salary increases	Varies by age	5.30%	9.75%
Future pension increases	N/A	3.30%	N/A
Employees' average remaining working life (years)	18.16	14.80	9.34

The main actuarial assumptions applied as at 31 December 2009 are as follows:

	Europe (excluding UK)	United Kingdom	Asia, Pacific and Africa
Average discount rate	4.58%	5.55%	8.50%
Expected average return on plan assets	5.73%	6.41%	6.00%
Expected average return on reimbursement rights	N/A	N/A	N/A
Expected gross salary increases	Varies by age	5.30%	9.75%
Future pension increases	N/A	3.30%	N/A
Employees' average remaining working life (years)	18.23	14.80	9.34

6.3.3.2 Breakdown of retirement benefit obligations reported as liabilities

(in thousands of euros)	31 December 2011	31 December 2010	31 December 2009
Post-employment benefits	**15,494**	**12,143**	**10,331**
– Pension plans	15,494	12,143	10,331
– Other plans	–	–	–
Other long-term benefits	**3,981**	**3,992**	**3,658**
Total	**–** **19,475**	**–** **16,135**	**–** **13,989**

6.3.3.3 Reconciliation of balance sheet assets and liabilities

	31 December 2011			
	Post-employment benefits		Other long-term benefits	Total benefits
(in thousands of euros)	Pension plans	Other plans		
Breakdown of net balance sheet amount				
– Present value of funded liabilities	60,829	–	–	60,829
– Present value of unfunded liabilities	2,718	–	3,981	6,699
Present value of liabilities sub-total	**63,547**	**–**	**3,981**	**67,528**
Fair value of plan assets	34,712	–	–	34,712
Net liabilities (a)	**28,835**	**–**	**3,981**	**32,816**
Unrecognised items				
– Unrecognised past service costs	200	–	–	200
– Net unrecognised actuarial losses (gains)	16,066	–	–	16,066
– Restricted plan assets		–	–	–
– Specific asset items restated		–	–	–
Total unrecognised items (b)	**16,266**	**–**	**–**	**16,266**
Net liability (a – b)	**12,569**	**–**	**3,981**	**16,550**
Amounts recognised in the balance sheet				
Retirement benefit obligation	15,494	–	3,981	19,475
Non-current financial assets	2,925	–	–	2,925
Net liability	**12,569**	**–**	**3,981**	**16,550**
Experience adjustments				
to commitments	211	–	(303)	(92)
to plan assets	(2,202)	–	–	(2,202)
Adjustments due to changes in assumptions				
to commitments	(3,127)	–	(96)	(3,223)

(in thousands of euros)	31 December 2010			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Breakdown of net balance sheet amount				
– Present value of funded liabilities	61,950	–	(123)	61,827
– Present value of unfunded liabilities	1,380	–	4,115	5,495
Present value of liabilities sub-total	**63,330**	**–**	**3,992**	**67,322**
Fair value of plan assets	33,667	–	–	33,667
Net liabilities (a)	**29,663**	**–**	**3,992**	**33,655**
Unrecognised items				
– Unrecognised past service costs	710	–	–	710
– Net unrecognised actuarial losses (gains)	18,982	–	–	18,982
– Restricted plan assets	–	–	–	–
– Specific asset items restated	–	–	–	–
Total unrecognised items (b)	**19,692**	**–**	**–**	**19,692**
Net liability (a – b)	**9,971**	**–**	**3,992**	**13,963**
Amounts recognised in the balance sheet				
Retirement benefit obligation	12,143	–	3,992	16,135
Non-current financial assets	2,172	–	–	2,172
Net liability	**9,971**	**–**	**3,992**	**13,963**
Experience adjustments				
to commitments	99	–	(137)	(38)
to plan assets	432	–	–	432
Adjustments due to changes in assumptions				
to commitments	3,400	–	2	3,402

(in thousands of euros)	31 December 2009			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Breakdown of net balance sheet amount				
– Present value of funded liabilities	57,634	–	123	57,757
– Present value of unfunded liabilities	1,196	–	3,535	4,731
Present value of liabilities sub-total	**58,830**	**–**	**3,658**	**62,488**
Fair value of plan assets	34,381	–	–	34,381
Net liabilities (a)	**24,449**	**–**	**3,658**	**28,107**
Unrecognised items				
– Unrecognised past service costs	1,011	–	–	1,011
– Net unrecognised actuarial losses (gains)	16,490	–	–	16,490
– Restricted plan assets	–	–	–	–
– Specific asset items restated	–	–	–	–
Total unrecognised items (b)	**17,501**	**–**	**–**	**17,501**
Net liability (a – b)	**6,948**	**–**	**3,658**	**10,606**
Amounts recognised in the balance sheet				
Retirement benefit obligation	10,331	–	3,658	13,989
Non-current financial assets	3,383	–	–	3,383
Net liability	**6,948**	**–**	**3,658**	**10,606**
Experience adjustments				
to commitments	587	–	(125)	462
to plan assets	1,084	–	–	1,084
Adjustments due to changes in assumptions				
to commitments	7,361	–	216	7,577

(in thousands of euros)	31 December 2008			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Breakdown of net balance sheet amount				
– Present value of funded liabilities	45,603	–	218	45,821
– Present value of unfunded liabilities	1,111	–	3,154	4,265
Present value of liabilities sub-total	**46,714**	**–**	**3,372**	**50,086**
Fair value of plan assets	30,493	–	29	30,522
Net liabilities (a)	**16,221**	**–**	**3,343**	**19,564**
Unrecognised items				
– Unrecognised past service costs	1,914	–	–	1,914
– Net unrecognised actuarial losses (gains)	9,930	–	–	9,930
– Restricted plan assets	–	–	–	–
– Specific asset items restated	–	–	–	–
Total unrecognised items (b)	**11,844**	**–**	**–**	**11,844**
Net liability (a – b)	**4,377**	**–**	**3,343**	**7,720**
Amounts recognised in the balance sheet				
Retirement benefit obligation	8,187	–	3,343	11,530
Non-current financial assets	3,810	–	–	3,810
Net liability	**4,377**	**–**	**3,343**	**7,720**
Experience adjustments				
to commitments	41	–	(48)	(7)
to plan assets	(7,293)	–	2	(7,291)
Adjustments due to changes in assumptions				
to commitments	(2,755)	–	(69)	(2,824)

(in thousands of euros)	31 December 2007			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Breakdown of net balance sheet amount				
– Present value of funded liabilities	48,893	–	250	49,143
– Present value of unfunded liabilities	1,378	–	3,019	4,397
Present value of liabilities sub-total	**50,271**	**–**	**3,269**	**53,540**
Fair value of plan assets	39,949	–	28	39,977
Net liabilities (a)	**10,322**	**–**	**3,241**	**13,563**
Unrecognised items				
– Unrecognised past service costs	2,247	–	–	2,247
– Net unrecognised actuarial losses (gains)	5,323	–	–	5,323
– Restricted plan assets	–	–	–	–
– Specific asset items restated	–	–	–	–
Total unrecognised items (b)	**7,570**	**–**	**–**	**7,570**
Net liability (a – b)	**2,752**	**–**	**3,241**	**5,993**
Amounts recognised in the balance sheet				
Retirement benefit obligation	6,797	–	3,241	10,038
Non-current financial assets	4,045	–	–	4,045
Net liability	**2,752**	**–**	**3,241**	**5,993**
Experience adjustments				
to commitments	(976)	–	(25)	(1,001)
to plan assets	(1,053)	–	2	(1,051)
Adjustments due to changes in assumptions				
to commitments	(5,640)	–	(148)	(5,788)

6.3.3.4 Reconciliation of income statement expenses

(in thousands of euros)	31 December 2011			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Current service costs	4,749	–	474	5,223
Employee contributions	(207)	–	–	(207)
Interest expense	2,975	–	178	3,153
Expected return on plan assets	(1,745)	–	–	(1,745)
Expected return on specific assets items	–	–	–	–
Recognised past service costs	187	–	–	187
Recognised actuarial losses (gains)	932	–	(399)	533
Losses (gains) on curtailments and settlements	(2,282)	–	–	(2,282)
Change in asset ceiling	–	–	–	
Total net plan expenses	**4,609**	**–**	**253**	**4,862**
– of which – Operating expenses	3,379	–	75	3,454
– of which – Net interest expense	1,230	–	178	1,408

(in thousands of euros)	31 December 2010			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Current service costs	4,142	–	536	4,678
Employee contributions	(197)	–	–	(197)
Interest expense	3,080	–	168	3,248
Expected return on plan assets	(2,126)	–	–	(2,126)
Expected return on specific assets items	–	–	–	–
Recognised past service costs	286	–	–	286
Recognised actuarial losses (gains)	721	–	(137)	584
Losses (gains) on curtailments and settlements	(547)	–	(49)	(596)
Change in asset ceiling	–	–	–	–
Total net plan expenses	**5,359**	**–**	**518**	**5,877**
– of which – Operating expenses	4,405	–	350	4,755
– of which – Net interest expense	954	–	168	1,122

(in thousands of euros)	31 December 2009			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Current service costs	3,313	–	386	3,699
Employee contributions	(177)	–	–	(177)
Interest expense	2,915	–	183	3,098
Expected return on plan assets	(1,840)	–	–	(1,840)
Expected return on specific assets items	–	–	–	–
Recognised past service costs	333	–	–	333
Recognised actuarial losses (gains)	350	–	90	440
Losses (gains) on curtailments and settlements	39	–	(99)	(60)
Change in asset ceiling	–	–	–	–
Total net plan expenses	**4,933**	**–**	**560**	**5,493**
– of which – Operating expenses	3,858	–	377	4,235
– of which – Net interest expense	1,075	–	183	1,258

6.3.3.5 Movements in net liability recognised in the balance sheet

(in thousands of euros)	31 December 2011			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Opening net liability	**9,972**	**–**	**3,992**	**13,964**
Exchange differences	21	–	8	29
Changes in consolidation scope	–	–	–	–
Charge for the year (note 6.3.3.4)	4,609	–	253	4,862
Transfers to (from) plan assets	–	–	–	–
Employer's contributions to plan assets	(1,962)	–	–	(1,962)
Reimbursement of excess employer's contributions to plan assets	–	–	–	–
Benefits paid from reimbursement rights	(71)	–	(272)	(343)
Benefits paid from internal reserve	–	–	–	–
Specific asset items recognised as expenses	–	–	–	–
Change in asset ceilings	–	–	–	–
Other	–	–	–	–
Closing net liability	**12,569**	**–**	**3,981**	**16,550**

(in thousands of euros)	31 December 2010			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Opening net liability	**6,948**	**–**	**3,658**	**10,606**
Exchange differences	20	–	83	103
Changes in consolidation scope	–	–	–	–
Charge for the year (note 6.3.3.4)	5,359	–	518	5,877
Transfers to (from) plan assets	–	–	–	–
Employer's contributions to plan assets	(2,333)	–	–	(2,333)
Reimbursement of excess employer's contributions to plan assets	–	–	–	–
Benefits paid from reimbursement rights	(23)	–	(264)	(287)
Benefits paid from internal reserve	–	–	–	–
Specific asset items recognised as expenses	–	–	–	–
Change in asset ceilings	–	–	–	–
Other	–	–	(3)	(3)
Closing net liability	**9,971**	**–**	**3,992**	**13,963**

(in thousands of euros)	31 December 2009			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Opening net liability	**4,378**	**–**	**3,343**	**7,721**
Exchange differences	21	–	11	32
Changes in consolidation scope	–	–	–	–
Charge for the year (note 6.3.3.4)	4,933	–	560	5,493
Transfers to (from) plan assets	–	–	–	–
Employer's contributions to plan assets	(2,235)	–	–	(2,235)
Reimbursement of excess employer's contributions to plan assets	–	–	–	–
Benefits paid from reimbursement rights	–	–	–	–
Benefits paid from internal reserve	(148)	–	(260)	(408)
Specific asset items recognised as expenses	–	–	–	–
Change in asset ceilings	–	–	–	–
Other	(1)	–	4	3
Closing net liability	**6,948**	**–**	**3,658**	**10,606**

6.3.3.6 Movements in defined benefit plan obligations

(in thousands of euros)	31 December 2011			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Opening balance	**63,330**	**–**	**3,992**	**67,322**
Exchange differences	257	–	8	265
Changes in consolidation scope	–	–	–	–
Current service cost	4,749	–	474	5,223
Social security contributions on service cost	–	–	–	–
Interest expense	2,975	–	178	3,153
Settlements/curtailments	(3,865)	–	–	(3,865)
Benefits paid from plan assets	(858)	–	–	(858)
Benefits paid from reimbursement rights	–	–	–	–
Benefits paid from internal reserve	(71)	–	(272)	(343)
Actuarial gains and losses generated in the period	(2,916)	–	(399)	(3,315)
Past service cost generated in the period	(54)	–	–	(54)
Transfers	–	–	–	–
Other	–	–	–	–
Closing balance	**63,547**	**–**	**3,981**	**67,528**

(in thousands of euros)	31 December 2010			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Opening balance	**58,830**	**–**	**3,658**	**62,488**
Exchange differences	518	–	81	599
Changes in consolidation scope	–	–	–	–
Current service cost	4,142	–	536	4,678
Social security contributions on service cost	–	–	–	–
Interest expense	3,082	–	168	3,250
Settlements/curtailments	(531)	–	(49)	(580)
Benefits paid from plan assets	(6,185)	–	–	(6,185)
Benefits paid from reimbursement rights	–	–	–	–
Benefits paid from internal reserve	(23)	–	(264)	(287)
Actuarial gains and losses generated in the period	3,499	–	(135)	3,364
Past service cost generated in the period	–	–	–	–
Transfers	–	–	–	–
Other	–	–	(3)	(3)
Closing balance	**63,330**	**–**	**3,992**	**67,322**

(in thousands of euros)	31 December 2009			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Opening balance	**46,714**	**–**	**3,372**	**50,086**
Exchange differences	343	–	10	353
Changes in consolidation scope	–	–	–	–
Current service cost	3,313	–	386	3,699
Social security contributions on service cost	–	–	–	–
Interest expense	2,915	–	183	3,098
Settlements/curtailments	(81)	–	(100)	(181)
Benefits paid from plan assets	(1,606)	–	(28)	(1,634)
Benefits paid from reimbursement rights	–	–	–	–
Benefits paid from internal reserve	(148)	–	(260)	(408)
Actuarial gains and losses generated in the period	7,948	–	91	8,039
Past service cost generated in the period	(570)	–	–	(570)
Transfers	–	–	–	–
Other	2	–	4	6
Closing balance	**58,830**	**–**	**3,658**	**62,488**

6.3.3.7 Movements in plan assets

(in thousands of euros)	31 December 2011			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Opening balance	**33,667**	**–**	**–**	**33,667**
Exchange differences	191	–	–	191
Changes in consolidation scope	–	–	–	–
Contributions by plan participants	207	–	–	207
Expected return on plan assets	1,745	–	–	1,745
Settlements/curtailments	–	–	–	–
Transfers to (from) plan assets	–	–	–	–
Employer's contributions to plan assets	1,962	–	–	1,962
Reimbursement of excess employer's contributions to plan assets	–	–	–	–
Benefits paid from plan assets	(858)	–	–	(858)
Gains and losses generated in the period	(2,202)	–	–	(2,202)
Past service cost generated in the period	–	–	–	–
Closing balance	**34,712**	**–**	**–**	**34,712**

The actual return on plan assets is composed of "expected return on plan assets" and "gains and losses generated during the year" is €(457) thousand.

(in thousands of euros)	31 December 2010			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Opening balance	**34,382**	**–**	**–**	**34,382**
Exchange differences	383	–	–	383
Changes in consolidation scope	–	–	–	–
Contributions by plan participants	197	–	–	197
Expected return on plan assets	2,126	–	–	2,126
Settlements/curtailments	–	–	–	–
Transfers to (from) plan assets	–	–	–	–
Employer's contributions to plan assets	2,333	–	–	2,333
Reimbursement of excess employer's contributions to plan assets	(6,185)	–	–	(6,185)
Benefits paid from plan assets	–	–	–	–
Gains and losses generated in the period	432	–	–	432
Past service cost generated in the period	–	–	–	–
Closing balance	**33,667**	**–**	**–**	**33,667**

The actual return on plan assets is composed of "expected return on plan assets" and "gains and losses generated during the year" is €2,558 thousand.

(in thousands of euros)	31 December 2009			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Opening balance	**30,493**	**–**	**29**	**30,522**
Exchange differences	294	–	–	294
Changes in consolidation scope	–	–	–	–
Contributions by plan participants	177	–	–	177
Expected return on plan assets	1,840	–	–	1,840
Settlements/curtailments	(136)	–	–	(136)
Transfers to (from) plan assets	–	–	–	–
Employer's contributions to plan assets	2,235	–	–	2,235
Reimbursement of excess employer's contributions to plan assets	–	–	–	–
Benefits paid from plan assets	(1,606)	–	(29)	(1,635)
Gains and losses generated in the period	1,084	–	–	1,084
Past service cost generated in the period	–	–	–	–
Closing balance	**34,381**	**–**	**–**	**34,381**

The actual return on plan assets is composed of "expected return on plan assets" and "gains and losses generated during the year" is €2,924 thousand.

6.3.3.8 Breakdown of plan assets

A breakdown of plan assets as at 31 December 2011, 2010 and 2009 is as follows:

(in thousands of euros)	31 December 2011			
	Equities	Bonds	Other [1]	Total
Europe (excluding UK)	9,324	15,454	1,336	26,114
United Kingdom	4,734	3,470	219	8,423
Asia, Pacific and Africa	140	35	–	175
Total	**14,198**	**18,959**	**1,555**	**34,712**

(1) Property, cash and other.

(in thousands of euros)	31 December 2010				31 December 2009			
	Equities	Bonds	Other [1]	Total	Equities	Bonds	Other [1]	Total
Europe (excluding UK)	10,345	13,523	1,659	25,527	10,540	14,348	2,829	27,717
United Kingdom	4,584	3,159	215	7,958	4,142	2,172	129	6,443
Asia, Pacific and Africa	146	36	–	182	177	44	–	221
Total	**15,075**	**16,718**	**1,874**	**33,667**	**14,859**	**16,564**	**2,958**	**34,381**

(1) Property, cash and other.

6.4 Share-based payments

• Mayroy S.A.

Since 1999, the Board of Directors of Mayroy S.A. (Ipsen S.A.'s parent company) has granted share options to some employees, senior executives and corporate officers of the Group at an agreed exercise price (see note 6.4.1).

Holders of Mayroy S.A. share options will be given a put option over the Mayroy shares they obtain when they exercise their options. Mayroy shares issued and sold back to Mayroy S.A. will be exchanged for shares in Ipsen S.A. plus a cash balance.

• Ipsen

On **14 November 2005,** the Board of Directors of Ipsen established a new share option plan for the same category of beneficiaries (see note 6.4.2) and a bonus share plan for senior executives (see note 6.4.3).

On **12 December 2006,** the Board of Directors of Ipsen also granted the members of the Executive Committee and executives of French and foreign subsidiaries a share option plan as described (see note 6.4.2). The Board of Directors also granted bonus shares to senior executives (see note 6.4.3).

On **30 May 2007,** the Board of Directors of Ipsen established a share option plan for new members of the Executive Committee and one employee (see note 6.4.2), as well as granting bonus shares to new members of the Executive Committee (see note 6.4.3).

On **12 December 2007,** the Board of Directors of Ipsen decided to include new members of the Executive Committee in the existing share option plan (see note 6.4.2). On the same date, the Board of Directors granted bonus shares to some members of the Executive Committee (see note 6.4.3).

On **29 September 2008,** the Board of Directors granted share options (see note 6.4.2) and bonus shares (see note 6.4.3) free of any performance conditions to some executives of French and foreign subsidiaries and a new member of the Executive Committee.

On **22 January 2009,** the Board of Directors of Ipsen granted bonus shares to employees meeting both of the following conditions: Group employees on permanent or fixed-term employment contracts or executives and corporate officers fulfilling the duties set out in Article L. 225-197-1, II of the French Commercial Code within one of the Group's companies, and who had been with the Group for at least three months (see note 6.4.3).

On **27 February 2009,** the Board of Directors of Ipsen granted bonus shares to the Company's Chairman and Chief Executive and the members of the Executive Committee (see note 6.4.3).

On **30 March 2009,** the Board of Directors of Ipsen granted share options (see note 6.4.2) and bonus shares (see note 6.4.3) to some employees of its American subsidiaries Biomeasure Inc. and Tercica Inc..

On **10 November 2009,** the Board of Directors of Ipsen granted share options (see note 6.4.2) to a new member of the Executive Committee and bonus shares (see note 6.4.3) to that new member of the Executive Committee and the Company's Chairman and Chief Executive.

On **31 March 2010,** the Board of Directors granted share options and bonus shares to Company's Chairman and Chief Executive to members of the Executive Committee and certain beneficiaries of the Group subsidiaries. The conditions of this plan are described in note 6.4.3.

On **30 June 2011,** the Board of Directors of Ipsen granted share options and bonus shares to Company's Chairman and Chief Executive, to members of the Executive Committee and to some beneficiaries of its American subsidiaries, and also some bonus shares to certain beneficiaries of other Group subsidiaries. The conditions of this plan are described in note 6.4.3.

The annual charge for all share-based payments can be broken down as follows:

(in thousands of euros)	31 December 2011	31 December 2010	31 December 2009
Share option plans granted by Mayroy S.A. (note 6.4.1.3)	–	–	136
Share option plans granted by Ipsen (note 6.4.2.2)	2,413	6,747	5,197
Bonus shares (note 6.4.3.2)	1,499	3,282	2,339
Total	**3,912**	**10,029**	**7,672**

6.4.1 Share option plans granted by the parent company Mayroy S.A.

6.4.1.1 Details of share option plans

	PLANS										
	Before 7 November 2002			After 7 November 2002							
	1a	1b	1c	1d	3a	2a	2b	2c (Tr. 1)	2c (Tr. 2)	2c (Tr. 3)	3b
Grant date by Board of Directors	10/11/ 1999	31/05/ 2000	03/10/ 2001	18/12/ 2003	13/02/ 2004	05/12/ 2002	18/12/ 2003	25/03/ 2004	25/03/ 2004	25/03/ 2004	22/07/ 2004
Vesting date	10/11/ 2004	31/05/ 2005	03/10/ 2005	18/12/ 2007	13/02/ 2008	05/12/ 2006	31/12/ 2007	31/12/ 2009	31/12/ 2008	31/12/ 2009	22/07/ 2008
Plan expiration date	10/11/ 2009	31/05/ 2010	03/10/ 2011	18/12/ 2013	13/02/ 2014	05/12/ 2012	31/12/ 2013	25/03/ 2014	25/03/ 2014	25/03/ 2014	22/07/ 2014
Number of options granted	20,000	6,150	24,025	3,500	15,750	2,760	2,760	7,360	2,760	2,760	250
Share entitlement per option	27	27	27	25	25	27	27	27	27	27	25
Exercise price	€11.28	€11.28	€12.03	€27.20	€27.20	€24.44	€24.44	€24.44	€24.44	€24.44	€27.20
Performance condition	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

6.4.1.2 Change in number of options outstanding

Changes in the number of outstanding options under all plans are as follows:

(in number of options)	31 December 2011	31 December 2010	31 December 2009
Opening balance	**25,850**	**33,325**	**37,120**
Options granted	–	–	–
Options exercised	(420)	(7,350)	(3,595)
Options cancelled	(250)	–	(200)
Options expired	–	(125)	–
Closing balance	**25,180**	**25,850**	**33,325**

Breakdown of closing balance:

(in number of options)	31 December 2011	31 December 2010	31 December 2009
Plans before 7 November 2002			
1a	–	–	–
1b	–	–	775
1c	–	420	1,920
Plans after 7 November 2002			
1d	–	–	3,000
3a	6,530	6,780	8,980
2a	2,760	2,760	2,760
2b	2,760	2,760	2,760
2c (Tr. 1)	7,360	7,360	7,360
2c (Tr. 2)	2,760	2,760	2,760
2c (Tr. 3)	2,760	2,760	2,760
3b	250	250	250
TOTAL	**25,180**	**25,850**	**33,325**

6.4.1.3 Valuation of plans

In accordance with the principles set out in note 4.25, plans granted after 7 November 2002 are valued as follows:

	Plans after 7 November 2002								
(in thousands of euros)	1d	3a	2a	2b	2c (Tr. 1)	2c (Tr. 2)	2c (Tr. 3)	3b	TOTAL
Opening valuation	1,020	4,532	783	772	2,112	777	792	73	**10,861**
2011 charge	–	–	–	–	–	–	–	–	**–**
2010 charge	–	–	–	–	–	–	–	–	**–**
2009 charge	–	–	–	–	99	–	37	–	**136**

Main assumptions	Plans after 7 November 2002							
	1d	3a	2a	2b	2c (Tr. 1)	2c (Tr. 2)	2c (Tr. 3)	3b
Valuation method used	"Black and Scholes" revised							
Value of shares at grant date	€27.20	€27.20	€24.44	€24.44	€24.44	€24.44	€24.44	€27.20
Exercise price	€27.20	€27.20	€24.44	€24.44	€24.44	€24.44	€24.44	€27.20
Expected volatility	40%	40%	40%	40%	40%	40%	40%	40%
Average life of option	7.0 years	7.0 years	7.0 years	7.0 years	7.9 years	7.4 years	7.9 years	7.0 years
Turnover	0%	0%	0%	0%	0%	0%	0%	0%
Discount rate	4.1%	3.8%	4.3%	4.1%	3.6%	3.6%	3.6%	4.0%
Fair value per option	**€11.66**	**€11.51**	**€10.51**	**€10.36**	**€10.63**	**€10.43**	**€10.63**	**€11.61**

6.4.2 Share option plans granted by Ipsen

6.4.2.1 Details of share option plans

	PLANS													
	Plan dated 14 Nov. 2005	Plan no. 1 dated 12 December 2006			Plan no. 2 dated 12 December 2006				Plan dated 30 May 2007	Plan dated 12 December 2007				Plan dated 29 Sept. 2008
		Tr.A	Tr.B	Tr.C	2.1	2.2	2.3	2.4	1 A.	Tr.A	Tr.B	Tr.C	Tr.D	1 A.
Grant date by Board of Directors	06/12/2005	12/12/2006	12/12/2006	12/12/2006	12/12/2006	12/12/2006	12/12/2006	12/12/2006	30/05/2007	12/12/2007	12/12/2007	12/12/2007	12/12/2007	29/09/2008
Vesting date	06/12/2009	12/12/2010	12/12/2011	12/12/2012	12/12/2010	12/12/2010	12/12/2010	12/12/2010	31/05/2011	12/12/2011	12/12/2011	12/12/2012	12/12/2012	29/09/2012
Plan expiration date	06/12/2015	12/12/2018	12/12/2018	12/12/2018	12/12/2018	12/12/2018	12/12/2013	12/12/2016	31/05/2017	12/12/2017	12/12/2017	12/12/2017	12/12/2017	29/09/2018
Number of options granted	327,000	266,666	266,666	266,668	42,000	28,500	7,500	21,500	55,000	26,666	53,334	26,666	53,334	226,200
Share entitlement per option	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Exercise price	€22.20	€33.21	€35.86	€38.73	€29.88	€33.21	€29.88	€29.88	€39.06	€38.27	€38.27	€41.33	€41.33	€34.68
Valuation method used	"Black and Scholes" revised													
Value of shares at grant date	€22.20	€36.14	€36.14	€36.14	€36.14	€36.14	€36.14	€36.14	€39.13	€41.35	€41.35	€41.35	€41.35	€31.45
Expected volatility (*)	35%	35%	35%	35%	35%	35%	35%	35%	31%	29%	29%	29%	29%	30%
Average life of option	7	8	8.5	9	8	8	5.5	7	7	7	7	7.5	7.5	7
Discount rate (**)	3.14%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	4.39%	4.25%	4.25%	4.25%	4.25%	4.03%
Dividends (***)	Variable	Variable	Variable	Variable	Variable	Variable	Variable	Variable	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Performance condition	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fair value per option	**€8.34**	**€16.39**	**€16.00**	**€16.78**	**€17.42**	**€16.39**	**€15.07**	**€16.59**	**€13.75**	**€14.80**	**€14.80**	**€14.14**	**€14.14**	**€9.54**

(*) Expected volatility has been determined in light of historic volatility calculated using Ipsen share prices from the date on which the shares were first quoted, *i.e.* 6 December 2005.
(**) The discount rate corresponds to the interest rate on a risk-free zero-coupon bond *(i.e.* a Government bond) with a maturity equal to the life of the option and in the currency of the exercise price.
(***) The dividend rate has been determined on the basis of dividend distributions since the date on which Ipsen shares were first quoted, *i.e.* 6 December 2005.

	PLANS								
	Plan dated 30 March 2009	Plan dated 10 Nov. 2009	Plan dated 31 March 2010					Plan dated 30 June 2011	
			1.1	1.2	1.3	1.4	1.5	1.1	1.2
Grant date by Board of Directors	30/03/2009	10/11/2009	31/03/2010	31/03/2010	31/03/2010	31/03/2010	31/03/2010	30/06/2011	30/06/2011
Vesting date	30/03/2013	10/11/2013	31/03/2014	31/03/2014	31/03/2014	31/03/2014	31/03/2012	30/06/2015	30/06/2013
Plan expiration date	30/03/2019	10/11/2019	31/03/2018	31/03/2018	31/03/2018	31/03/2018	31/03/2018	30/06/2019	30/06/2019
Number of options granted	148,300	12,000	121,180	123,280	54,330	22,570	40,710	189,703	16,005
Share entitlement per option	1	1	1	1	1	1	1	1	1
Exercise price	€26.40	€34.74	€36.64	€36.64	€36.64	€36.64	€36.64	€25.01	€25.01
Valuation method used	"Black and Scholes" revised		Monte Carlo		"Black and Scholes" revised			"Black and Scholes" revised	
Value of share at grant date	€28.00	€35.37	€36.16	€36.16	€36.16	€36.16	€36.16	€24.46	€24.46
Expected volatility (*)	33%	33%	32%	32%	32%	32%	32%	31%	31%
Average life of option	7	7	6	6	6	6	5	6	5
Discount rate (**)	3.13%	3.03%	2.62%	2.62%	2.62%	2.62%	2.35%	2.90%	2.72%
Dividends (***)	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Performance condition	N/A	N/A	yes	yes	no	no	no	yes	no
Fair value per option	**€10.00**	**€12.11**	**€10.69**	**€10.69**	**€10.71**	**€10.71**	**€9.74**	**€7.12**	**€6.48**

(*) Expected volatility has been determined in light of historic volatility calculated using Ipsen share prices from the date on which the shares were first quoted, *i.e.* 6 December 2005.
(**) The discount rate corresponds to the interest rate on a risk-free zero-coupon bond (*i.e.* a Government bond) with a maturity equal to the life of the option and in the currency of the exercise price.
(***) The dividend rate has been determined on the basis of dividend distributions since the date on which Ipsen shares were first quoted, *i.e.* 6 December 2005.

6.4.2.2 Valuation of plans

	PLANS												
	Plan dated 14 Nov. 2005	Plan no. 1 dated 12 December 2006			Plan no. 2 dated 12 December 2006				Plan dated 30 May 2007	Plan dated 12 December 2007			
		Tr.A	Tr.B	Tr.C	2.1	2.2	2.3	2.4	1 A.	Tr.A	Tr.B	Tr.C	Tr.D
Opening valuation	2,727	4,371	4,267	4,475	732	467	90	379	756	592	592	566	565
2011 charge	–	–	–	–	–	–	–	–	78	148	148	142	141
2010 charge	–	1,010	986	1,035	127	84	28	65	189	148	148	142	141
2009 charge	461	1,011	987	1,035	54	46	17	55	189	148	148	141	141

	PLANS											TOTAL
	Plan dated 29 Sept. 2008	Plan dated 30 March 2009	Plan dated 10 Nov. 2009	Plan dated 31 March 2010					Plan dated 30 June 2011			
	1 A.			1.1	1.2	1.3	1.4	1.5	1.1	1.2	1.3	
Opening valuation	2,158	1,482	145	1,295	1,317	582	242	397	1,351	1,672	104	**31,324**
2011 charge	419	43	36	–	712	126	51	109	110	62	88	**2,413**
2010 charge	466	299	36	1,295	248	105	46	149	–	–	–	**6,747**
2009 charge	504	255	5	–	–	–	–	–	–	–	–	**5,197**

6.4.2.3 Change in number of options outstanding

Changes in the number of outstanding options under all plans are as follows:

(number of options)	31 December 2011	31 December 2010	31 December 2009
Opening balance	**1,919,440**	**1,625,563**	**1,561,900**
Options granted	205,708	362,070	160,300
Options exercised	(4,000)	(48,323)	(47,577)
Options cancelled	(70,200)	(19,870)	(49,060)
Options expired	–	–	–
Closing balance	**2,050,948**	**1,919,440**	**1,625,563**

6.4.3 Bonus share plans

On **14 November 2005** and **12 December 2006,** the Board of Directors granted a total of 23,000 and 18,000 bonus shares to the Company's Chairman and Chief Executive and some senior executives respectively, contingent upon the Group's achievement of certain performance conditions (sales, consolidated margin, net operating income, etc.).

The performance conditions associated with the bonus share plan dated 14 November 2005 were met in 2007 for beneficiaries who were French tax residents (*i.e.* 18,500 bonus shares). Accordingly, on 12 December 2007, the Board of Directors allotted these bonus shares, resulting in an increase in the Company's share capital of the same amount through incorporation of reserves. Similarly, on 14 December 2009, the Board of Directors allotted shares under the bonus share plan dated 14 November 2005 for beneficiaries who were foreign tax residents (*i.e.* 4,500 shares), resulting in an increase in the Company's share capital of the same amount through incorporation of reserves.

The performance conditions linked to the bonus share plan dated 12 December 2006 were met in 2008. Accordingly, on 12 December 2008, the Board of Directors allotted 16,500 bonus shares, resulting in an increase in the Company's share capital of the same amount through incorporation of reserves.

On **30 May 2007,** the Board of Directors granted a total of 8,000 bonus shares to new members of the Executive Committee. No performance conditions were attached to these shares, which will be allotted at the end of a vesting period of two years.

On 4 June 2009, the Board of Directors noted that the vesting period had expired on 30 May 2009, and recorded the allotment of these 8,000 bonus shares, resulting in an increase in the Company's share capital of the same amount through incorporation of reserves.

On **12 December 2007,** the Board of Directors granted a total of 27,000 bonus shares to some members of the Executive Committee. These shares will be allotted at the end of a vesting period of two years, subject to performance conditions (sales, consolidated margin, net operating income, etc.), with the exception of 1,000 shares which are not subject to any performance conditions specific to either the Group or the market. On 14 December 2009, the Board of Directors noted the expiry of the vesting period and/or the fulfillment of the performance conditions and allotted the 24,000 bonus shares. The capital has been consequently increased through incorporation of reserves for €8,000, the outstanding shares (16,000) have been delivered to beneficiaries the same day. On **15 December 2011,** the Board of Directors noted the expiry of the vesting period and allotted the 1,000 bonus shares. The capital has been consequently increased by the creation of 1,000 shares.

On **29 September 2008,** the Board of Directors granted 33,100 bonus shares to beneficiaries who were French and foreign tax residents. No performance conditions specific to either the Group or the market were attached to these shares, which will be allotted at the end of a vesting period of two years for French tax residents and four years for foreign tax residents.

On **22 January 2009,** the Board of Directors granted 99,540 bonus shares to employees meeting both of the following conditions: Group employees on permanent or fixed-term employment contracts or executives and corporate officers fulfilling the duties set out in Article L. 225-197-1, II of the French Commercial Code within one of the Group's companies, and who had been with the Group for at least three months. These shares will be allotted at the end of a vesting period of two years for French tax residents and four years for foreign tax residents, and are not subject to any performance conditions specific to either the Group or the market.

On **27 February 2009,** the Board of Directors granted 29,000 bonus shares to the Company's Chairman and Chief Executive and the members of the Executive Committee, contingent upon the Group's achievement of certain performance conditions (sales, consolidated margin, net operating income, etc.).

On **30 March 2009,** the Board of Directors granted 148,300 share options and 24,730 bonus shares to some employees of its American subsidiaries Biomeasure Inc. and Tercica Inc., subject to minimum length of service criteria (four years) but not to any performance conditions specific to either the Group or the market.

On **10 November 2009,** the Board of Directors granted 13,500 bonus shares to a new member of the Executive Committee and the Company's Chairman and Chief Executive, subject to minimum length of service criteria (two years) and, for the Chairman and Chief Executive, market conditions (stock market performance of groups comparable to Ipsen) except for 2,500 bonus shares. On **15 December 2011,** the Board of Directors noted the expiration of the vesting period and allotted the 2,500 bonus shares. The capital has been consequently increased by the creation of 2,500 shares.

On **31 March 2010,** the Board of Directors granted:

- 4,490 bonus shares to the Chairman and Chief Executive Officer,

- 13,750 bonus shares to members of the Executive Committee,
- 29,110 bonus shares to beneficiaries of its American subsidiaries and,
- 46,920 bonus shares to certain beneficiaries of other Group subsidiaries.

These attributions are subject to length of service criteria, and, for the Chairman and Chief Executive Officer and members of the Executive Committee to market performance conditions. For the bonus shares, for beneficiaries who are French tax residents, the vesting period is 2 years with a 2 years lockup period ; for beneficiaries who are foreign tax residents, the vesting period is 4 years.

In the context of the change of Chairman and Chief Executive Officer in 2010, the Group recorded an expense of €1.3 million for share options and bonus shares, corresponding to the accelerated recognition of the residual fair value of these share-based payments, spread linearly over the vesting period.

On **30 June 2011,** the Board of Directors granted:

- 121,180 share options and 4,490 bonus shares to the Chairman and Chief Executive Officer,
- 68,523 share options and 22,841 bonus shares to members of the Executive Commitee,
- 16,005 share options and 15,755 bonus shares to beneficiaries of its American subsidiaries,
- 112,820 bonus shares to certain beneficiaries of other Group subsidiaries.

These attributions are subject to lenght of service criteria. Moreover, the attributions due to the Chairman and Chief Executive Officer and to the members of the Executive Committe are subject to quantitative and qualitative performance conditions based on sales evolution and to the achievment of strategic objectives defined by the Board of Directors.

The share options attributed to beneficiaries of American subsidiaries are exercisable at the conclusion of a 2 years period as from the attribution date. For the bonus shares attributed to beneficiaries of American subsidiaries, the vesting period is 2 years and the shares are delivered to the beneficiaries at the conclusion of a 2 more years period.

For the bonus shares, concerning the beneficiaries who are French tax residents, the vesting period is 2 years with a 2 years lockup period. For beneficiaries who are foreign tax residents, except the United States of America, the vesting period is 4 years.

6.4.3.1 Details of Ipsen bonus share plans

	Plan dated 14 Nov. 2005	Plan dated 12 Dec. 2006	Plan dated 30 May 2007	Plan dated 12 Dec. 2007		Plan dated 29 Sept. 2008		Plan dated 22 Jan. 09		Plan dated 27 Feb. 09		Plan dated 30 Mar. 2009	Plan dated 10 Nov. 2009	
Number of bonus shares	23,000	18,000	8,000 (*)	26,000	1,000 (*)	19,800 (*)	13,300 (*)	54,870 (*)	44,670 (*)	26,000 (*)	3,000 (*)	24,730 (*)	11,000	2,500 (*)
Vesting period (in years)	2 (**)	2 (**)	2 (**)	2 (**)	2 (**)	2 (**)	(***) 4	2 (**)	4 (***)	2 (**)	4 (***)	4 (***)	2 (**)	2 (**)
Dividend payout rate	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Employee 2 year interest rate	4.00%	4.75%	4.80%	5.30%	5.30%	5.52%	–	5.85%	–	5.85%	–	–	2.04%	2.04%
2 year interest rate	2.80%	3.73%	4.39%	4.07%	4.07%	3.56%	–	1.79%	–	1.54%	–	–	1.35%	1.35%
2 year forward rate	2.80%	3.68%	4.39%	4.27%	4.27%	4.07%	–	3.24%	–	3.32%	–	–	3.24%	3.24%
4 year interest rate	–	–	–	–	–	–	3.81%	–	2.51%	–	2.43%	2.46%	–	–
Cost of non-transferability of shares	2.50%	2.01%	0.77%	1.93%	1.93%	2.71%	–	4.83%	–	4.69%	–	–	3.38%	3.38%
Cost of dividends lost	2.80%	2.87%	2.85%	2.86%	2.86%	2.88%	5.66%	2.93%	5.73%	2.93%	5.73%	5.73%	2.94%	2.94%
Reduction rate	5.00%	4.82%	3.60%	4.74%	4.74%	5.51%	5.66%	7.62%	5.73%	7.48%	5.73%	5.73%	6.21%	6.21%
Value of shares of grant date before reduction	€22.20	€33.21	€39.13	€41.35	€41.35	€31.45	€31.45	€32.28	€32.28	€30.19	€30.19	€28.00	€35.37	€35.37
Fair value of bonus shares	**€21.09**	**€31.61**	**€37.72**	**€39.39**	**€39.39**	**€29.72**	**€29.67**	**€29.82**	**€30.43**	**€27.93**	**€28.46**	**€26.40**	**€33.17**	**€33.17**

(*) Bonus shares free of any performance conditions specific to the Group or the market.
(**) Beneficiaries who are French tax residents.
(***) Beneficiaries who are not French tax residents.

	Plan dated 31 March 2010					Plan dated 30 June 2011			
	1.1	1.2	1.3	1.4	1.5	1.1	1.2	1.3	1.4
Number of bonus shares	4,490 (*)	13,750 (*)	29,340 (*)	17,580 (*)	29,110 (*)	27,331	68,030 (*)	44,790 (*)	15,755 (*)
Vesting period (in years)	2	2	2 (**)	4 (***)	4 (***)	2 (**)	2 (**)	4 (***)	2 (***)
Dividend payout rate	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Employee 2 year interest rate	4.72%	4.72%	4.72%	1.96%	1.96%	4.48%	4.48%	–	4.48%
2 year interest rate	0.98%	0.98%	0.98%	0.98%	0.98%	1.71%	1.71%	–	1.71%
2 year forward rate	2.95%	2.95%	2.95%	–	–	3.14%	3.14%	–	3.14%
4 year interest rate	–	–	–	1.96%	1.96%	–	–	2.42%	–
Cost of non-transferability of shares	3.32%	3.32%	3.32%	–	–	2.53%	2.53%	–	2.53%
Cost of dividends lost	2.95%	2.95%	2.95%	5.76%	5.76%	2.93%	2.93%	5.73%	2.93%
Reduction rate	6.17%	6.17%	6.17%	5.76%	5.76%	5.38%	5.38%	5.73%	5.38%
Value of shares of grant date before reduction	€36.16	€36.16	€36.16	€36.16	€36.16	€24.46	€24.46	€24.46	€24.46
Fair value of bonus shares	**€31.18**	**€31.18**	**€33.92**	**€34.07**	**€34.07**	**€23.14**	**€23.14**	**€23.06**	**€23.14**

(*) Bonus shares free of any performance conditions specific to the Group or the market.
(**) Beneficiaries who are French tax residents.
(***) Beneficiaries who are not French tax residents.

6.4.3.2 Valuation of Ipsen bonus share plans

(in thousands of euros)	Plan dated 14 Nov. 05	Plan dated 12 Dec. 2006	Plan dated 30 May 07	Plan dated 12 Dec. 2007	Plan dated 29 Sept. 2008		Plan dated 22 Jan. 09		Plan dated 27 Feb. 09	Plan dated 30 Mar. 2009	Plan dated 10 Nov. 09
Opening valuation	485 (*)	569 (*)	302 (*)	1,064 (*)	588 (*)	395 (**)	1,643 (*)	1,359 (**)	811 (*)	653 (**)	448 (*)
2011 charge	–	–	–	–	37	92	26	242	(731)	19	36
2010 charge	–	–	–	–	348	55	713	285	408	131	380
2009 charge	–	–	63	512	168	113	733	284	323	112	31

(*) Beneficiaries who are French tax residents.
(**) Beneficiaries who are not French tax residents.

(in thousands of euros)	Plan dated 31 March 2010					Plan dated 30 June 2011			Total
	1.1	1.2	1.3	1.4	1.5	1.1	1.2	1.3	
Opening valuation	140	429	995	599	992	633	936	365	**13,405**
2011 charge	–	242	452	138	236	158	506	46	**1,499**
2010 charge	140	161	360	113	187	–	–	–	**3,281**
2009 charge	–	–	–	–	–	–	–	–	**2,339**

Note 7 Depreciation, amortisation, provisions and impairment losses

7.1 Net depreciation, amortisation, provisions and impairment losses recorded as operating expenses

(in thousands of euros)	31 December 2011	31 December 2010	31 December 2009
Intangible assets	(14,802)	(17,335)	(15,371)
Property, plant & equipment	(30,553)	(28,987)	(27,892)
Total fixed assets	**(45,355)**	**(46,322)**	**(43,263)**
Other non-current assets	–	–	–
Total non-current assets [A]	**(45,355)**	**(46,322)**	**(43,263)**
Retirement benefit obligations	(3,255)	(4,463)	(3,831)
Provisions [1]	(18,316)	12,247	4,465
Total provisions [B]	**(21,571)**	**7,784**	**634**
Total net charge excluding current assets C = [A+B]	**(66,926)**	**(38,538)**	**(42,629)**
Inventories	(7,132)	4,345	(5,600)
Trade receivables and other current assets [2]	(1,384)	(3,584)	(878)
Total current assets	**(8,516)**	**761**	**(6,478)**
Total	**(75,442)**	**(37,777)**	**(49,107)**
Impairment losses on Goodwill, intangible assets and property, plant and equipment [3]	(85,216)	(100,150)	–
TOTAL	**(160,658)**	**(137,927)**	**(49,107)**

(1) See note 23.
(2) See note 19.1
(3) See notes 7.4 and 13.

Depreciations, reversals and any losses in trade receivables related to sales of drugs recognised in the Group's accounts came to €6.7 million during the year.

7.2 Depreciation, amortisation and impairment losses included in the cash flow statement

The following table shows the amount of depreciation, amortisation and impairment losses added back to determine cash flow from operating activities:

(in thousands of euros)	31 December 2011	31 December 2010	31 December 2009
Operating – excluding current assets (note 7.1 – C)	(66,926)	(38,538)	(42,629)
Financial	(1,892)	(4,989)	(2,306)
Taxes	(3,910)	4,142	–
Depreciation and amortisation before impairment and excluding current assets	**(72,728)**	**(39,385)**	**(44,935)**
Impairment losses included in operating income (note 7.4)	(85,216)	(100,150)	(2,306)
Impairment losses included in financial income (note 10.2)	(41,966)	–	–
Impairment losses	**(127,182)**	**(100,150)**	**–**

7.3 Net depreciation and amortisation expense on tangible and intangible assets

(in thousands of euros)	31 December 2011	31 December 2010	31 December 2009
Net depreciation and amortisation expense – property plant and equipment & software	(37,534)	(35,195)	(32,738)
Net depreciation and amortisation expense – other intangible assets	(7,821)	(11,127)	(10,525)
Total (note 7.1 – A)	**(45,355)**	**(46,322)**	**(43,263)**

7.3.1 Net depreciation and amortisation charges – other intangible assets (excluding software)

This item includes depreciation and amortisation related to intangible assets, with the exception of software.

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

7.3.2 Breakdown of net depreciation and amortisation charges – property, plant and equipment and software

(in thousands of euros)	31 December 2011	31 December 2010	31 December 2009
Cost of goods sold	(14,741)	(14,774)	(16,560)
Research and development expenses	(7,873)	(7,094)	(6,580)
Selling expenses	(889)	(973)	(1,177)
General and administrative expenses	(14,032)	(12,354)	(8,421)
Total	**(37,535)**	**(35,195)**	**(32,738)**

7.4 Impairment losses

7.4.1 2011 period

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

IGF-1 license

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

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

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

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

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

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

Dreux industrial site tangible assets

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

Nisis®-Nisisco® and Fipamezole®

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

- On the one hand the know-how and the brand of the primary care drug Nisis®-Nisisco®, active promotion of which has been deprioritised with the arrival of generics on the market following the loss of its patent in November 2011.
- On the other hand on Fipamezole® due to uncertainties associated with future development timelines following the renegotiation of the contract with Santhera Pharmaceuticals in January 2012.

7.4.2 2010 period

As at 31 December 2010, the Group recorded non-recurrent impairment losses of €100.2 million.

In October 2006, the Group had acquired from Tercica Inc. the development and commercialisation rights for Increlex® worldwide, except the United States, Japan, Canada, the Middle East and Taiwan. Consequently to the acquisition of Tercica in October 2008, the Group gained full access to this molecule (IGF-I). In the last 12 months, major changes have affected the pharmaceutical environment, in particular in the United States. These changes accelerated during the last few

months of 2010, with the occurrence of difficulties, for some patients, to obtain reimbursement by payers of some of the drugs they had been prescribed. In the view of an increasing rate of reimbursement denials and increasing difficulties in supporting patients securing reimbursement, the Group decided to reduce the development and commercial prospects of IGF-I. The Group thus recorded in its 2010 accounts a non-recurring impairment loss of €71.7 million relating to IGF-I.

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

Note 8 Other operating income and expenses

Other operating income amounted to €17.5 million in 2011, compared with €61.6 million a year earlier. In 2011, the other operating income is composed of a non-recurring income of €17.2 million following the enforceable court judgement relating to the trade dispute between the Group and Mylan (see note 1.3.2). In 2010, the other operating income was mainly composed on the one hand of a non-recurring income of €48.7 million for the accelerated recognition of the deferred revenues following Roche's decision – announced on 2 February 2011 – to return Taspoglutide's development rights to the Group, and on the other hand of the write-back of a €11.3 million contingent liability in connection with Tercica Inc. buyout because the Group judged the event unlikely to arise.

Other operating expenses amounted to €17.6 million in 2011, compared with €13.5 million for the same period in 2010. In 2011, the other operating expenses are mainly comprised non-recurring costs resulting from the implementation of the new strategy announced on 9 June 2011 from changes within the Executive Committee (see note 1.1) and from the disposal of the North American development and marketing rights for Apokyn®. In 2010, the other operating expenses comprised of non-recurring fees and change of Chairman and CEO. In 2011, as well as 2010, the other operating expenses included some costs related to the Group's Headquarters'costs.

The other operating income and expenses amounted to €(9.7) million in 2009, and were related to the integration of the Group's North American subsidiaries.

Note 9 Restructuring cost

In 2011, the Group recorded €36.5 million in non-recurring restructuring costs as part of the strategy announced on 9 June 2011, mainly corresponding to the close down of Research and Development of the Barcelona site for €24.4 million (see note 1.2.1) and the transfer to the East coast of the Group's North American subsidiary for €10.9 million (see note 1.2.2).

In 2010 and 2009, the Group did not record any restructuring costs.

Note 10 Financial income/(expense)

10.1 Net financing costs

(in thousands of euros)	31 December 2011	31 December 2010	31 December 2009
Proceeds from sales of short-term investments	1,358	654	1,840
Financial income on rate option	–	–	40
Total income from financial assets held for trading	**1,358**	**654**	**1,880**
Other financial income	2,428	1,588	823
Total income from loans and receivables	**2,428**	**1,588**	**823**
Investment income	**3,786**	**2,242**	**2,703**
Interest on debt	(517)	(597)	(3,476)
Interest on employee profit sharing fund	(581)	(685)	(551)
Total expenses on financial liabilities measured at amortised cost	**(1,098)**	**(1,282)**	**(4,027)**
Financial expenses on rate option	(660)	(303)	(372)
Total expenses on financial assets held for trading	**(660)**	**(303)**	**(372)**
Financing costs	**(1,758)**	**(1,585)**	**(4,399)**
Net financing cost	**2,029**	**657**	**(1,696)**

The net financing cost amounted to €2 million in 2011 mainly comprising the interests recorded on the four convertible bonds issued by Inspiration Biopharmaceuticals Inc. and subscribed by the Group.

10.2 Other financial income and expense

(in thousands of euros)	31 December 2011	31 December 2010	31 December 2009
Changes in fair value of warrant and conversion options	–	–	–
Exchange differences on fair value of warrant and conversion options	–	–	–
Other exchange differences	7,186	(3,221)	(1,083)
Income and expenses on financial assets and liabilities at fair value	**7,186**	**(3,221)**	**(1,083)**
Impairment of investments in non-consolidated companies	(564)	(1,348)	(197)
Impairment of other financial assets	(42,041)	–	(62)
Income and expenses on available-for-sale financial assets	**(42,605)**	**(1,348)**	**(259)**
Financial income on employee benefits (note 6.3.3.4)	1,746	2,126	1,840
Interest on employee benefits (note 6.3.3.4)	(3,154)	(3,248)	(3,098)
Other financial income and expenses	386	1,627	(868)
Total other financial income and expense	**(36,440)**	**(4,064)**	**(3,468)**

The other financial income and expenses amounted to (€36.4) million in 2011 versus (€4.1) million in 2010.

In 2011, the Group booked a €42.0 million non-recurring impairment loss on the four convertible bonds issued by Inspiration Biopharmaceuticals Inc. and subscribed by the Group (see note 16), and partially offset by a €7.2 million positive foreign exchange impact mainly related to the revaluation of these four convertible bonds issued by Inspiration Biopharmaceuticals Inc. in US Dollars. Over the same period in 2010, the foreign exchange impact resulted in a loss of (€3.2) million. In 2010, the financial income comprised notably a non-recurrent profit recorded on the divestment of the Group's shares in PregLem Holding S.A..

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

Note 11 Income taxes

11.1 Tax expense

11.1.1 Breakdown of the tax expense

(in thousands of euros)	31 December 2011	31 December 2010	31 December 2009
Current tax	(36,630)	(25,769)	(31,317)
Deferred tax	49,973	8,814	20,724
Income taxes	**13,343**	**(16,955)**	**(10,593)**

11.1.2 Effective tax rate

(in thousands of euros)	31 December 2011	31 December 2010	31 December 2009
Net profit from continuing operations	227	95,678	156,713
Share of profit/loss from associated companies	(54,487)	(12,763)	–
Profit from continuing operations before the share in results of associated companies	**54,714**	**108,441**	**156,713**
Income taxes	13,343	(16,955)	(10,593)
Pre-tax profit from continuing operations before the share in results of associated companies	**41,371**	**125,396**	**167,306**
Effective tax rate	**(32.3)%**	**13.5%**	**6.3%**

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

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

Moreover, the positive impact of the Group's geographic footprint in countries benefiting from a lower tax rate than in France is emphasized by the strong decrease of the consolidated income before tax in 2011.

Yet, the effective tax rate has been negatively impacted this year by the 5% temporary increase of corporate income tax rate due in France for fiscal years 2011 and 2012, which triggers a 3-point increase of the Group's tax rate. Excluding the operating, financial and fiscal non-recurring items, the Group's effective tax rate amounted to 19.7% in 2011, compared with 17.2% in 2010.

11.1.3 Reconciliation between the effective and nominal tax expense

The following table shows the reconciliation between the effective and nominal tax expense based on pre-tax profit from continuing operations taxed at the standard French rate of 34.43% for the three years presented:

(in thousands of euros)	31 December 2011	31 December 2010	31 December 2009
Pre-tax profit from continuing operations before the share in results of associated companies	41,371	125,396	167,306
Group tax rate	34.43%	34.43%	34.43%
Nominal tax expense	**(14,244)**	**(43,174)**	**(57,603)**
(Increase)/decrease in tax expense arising from:			
– Tax credits (1)	25,290	25,862	26,153
– Tax abatements	–	538	6,418
– Non-recognition of tax impact on certain losses during the year	(64)	(1,645)	(85)
– Use of tax losses not recognised as deferred tax assets	203	164	278
– Recognition of net deferred tax assets (1)	(570)	(15,890)	620
– Other permanent differences (2)	2,729	17,190	13,626
Effective tax income / (expense)	**13,343**	**(16,955)**	**(10,593)**

(1) The change in this item is mainly explained by the reduction of the carrying amount of deferred tax assets €(15.2) million in 2010 notably due to the application of local limitation rules affected by the IGF-1's lowerer development and commercialisation forecasts.

(2) The other permanent differences in 2011 include:
- €9.5 million related to differences in tax rates applied to foreign subsidiaries,
- €3.6 million related the reduced tax rate on royalty in France,
- €(10.4) million loss related to other permanent differences (including non-tax deductibility of advertising tax and sales-based contributions for €(0.4) million, the recognition as income tax of corporate value-added (*Cotisation sur la Valeur Ajoutée des Entreprises* or CVAE) for €(4,7) million and the 5% temporary increase of corporate income tax rate due in France in 2011 for €(1.2) million).

The other permanent differences in 2010 include:
- €12.4 million related to differences in tax rates applied to foreign subsidiaries,
- €13.6 million related the reduced tax rate on royalty in France, highlighted in 2010 for €9.2 million by the accelerated recognition of deferred revenue (see note 8) corresponding to the milestone payments concerning the development of taspoglutide whose license was granted to Roche after its announcement to discontinue its development,
- €(8.8) million loss related to other permanent differences (including non-tax deductibility of advertising tax and sales-based contributions for €(2.2) million and the recording of corporate value-added for €(3.7) million).

The other permanent differences in 2009 include:
- €13.4 million related to differences in tax rates applied to foreign subsidiaries,
- €2.7 million related to the reduced tax rate on royalties in France,
- €(2.5) million loss related to other permanent differences (including the non-deductibility of advertising tax and the CN/AM contribution for €(1.9) million).

11.2 Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities in 2011 can be broken down as follows:

(in thousands of euros)	31 December 2010	Movements during the year					31 December 2011
		Exchange differences	Changes in consolidation scope	Deferred taxes recorded directly to equity	Income statement Income / Expense	Other movements (*)	
Deferred tax assets	141,630	2,530	–	–	49,721	(9,319)	184,562
Deferred tax liabilities	(11,955)	(185)	–	–	252	9,319	(2,569)
Net assets/(liabilities)	**129,675**	**2,345**	**–**	**–**	**49,973**	**–**	**181,993**

(*) The other movements correspond to the net deferred tax position of English entities, as they are eligible for the "Group Relief".

A significant portion of the Group's deferred tax assets/liabilities are related to the American subsidiary, Tercica Inc., based on the subsidiary's tax loss carryforwards and temporary differences as well as those concerning the intangible asset IGF-1 recognised for the license in relation to the allocation of the goodwill of Tercica Inc.. At 31 December 2011 the Group recorded non-recurrent impairment losses particularly related to IGF-1's lowerer development and commercialisation forecasts and the uncertainty regarding IGF-1 supply (see note 2.1) resulting in the reduction of €18.9 million in deferred tax liabilities. The change in Tercica Inc. deferred tax assets linked to temporary differences over the period amounts to €9.6 million. The review of the deferred tax assets conducted by the Group did not indicate an additional risk that certain tax loss carryforwards would expire within the time frame of their potential use.

In addition, the announcement of the delisting of Tanakan®, Tramisal® and Ginkogink®, which are currently manufactured at the industrial site of Dreux and the details regarding the potential deal of the site (see note 2.1), led the Group to reassess the value of the Dreux tangible and intangible assets and record a non-recurring impairment loss, resulting in the posting of €9.0 million deferred tax assets.

As at 31 December 2011, unrecognised deferred tax assets amounted to €45.6 million. This amount mainly relates to the unrecognised R&D tax credits of Ipsen Pharma S.A. (Spain) and Biomeasure Inc. for €36.6 million and €7 million, respectively. The R&D tax credit generated each year by both companies cannot be fully used and based on their projected earnings, the Group is not in a position to determine that such tax credits may utilised be used. Therefore, the deferred tax assets were not recognised.

Changes in deferred tax assets and liabilities in 2010 can be broken down as follows:

(in thousands of euros)	31 December 2009	Movements during the year				31 December 2010
		Exchange differences	Changes in consolidation scope	Deferred taxes recorded directly to equity	Income statement Income / Expense	
Deferred tax assets	120,953	7,414	–	6	13,257	141,630
Deferred tax liabilities	(7,093)	(419)	–	–	(4,443)	(11,955)
Net assets/(liabilities)	**113,860**	**6,995**	**–**	**6**	**8,814**	**129,675**

A significant portion of deferred tax assets of the Group results from losses of American subsidiaries generated before or since their acquisition. The utilisation of these deferred tax assets is slated for future use that makes them sensitive to assumptions of development of net sales and profits.

At 31 December 2010 the Group recorded non-recurrent impairment losses particularly related to IGF-1's lowerer development and commercialisation forecasts resulting in the reduction of €29.9 million in deferred tax liabilities. Given these forecasts the Group was also brought to write down the carrying value of certain deferred tax assets for €(15.2) million corresponding to losses and carried forward tax credits for which the future expected profits do not allow the Group to use them before their tax local limitation.

As at 31 December 2010, unrecognised deferred tax assets amounted to €44.3 million. This amount mainly relates to the unrecognised R&D tax credits of Ipsen Pharma S.A. (Spain) and Biomeasure Inc. for €34.4 million and €5.7 million, respectively. The R&D tax credit generated each year by both companies cannot be fully used and based on their projected earnings, the Group is not in a position to determine that such tax credits may utilised be used. Therefore, the deferred tax assets were not recognised.

Changes in deferred tax assets and liabilities in 2009 can be broken down as follows:

(in thousands of euros)	31 December 2008 (*)	Movements during the year					31 December 2009
		Exchange differences	Changes in consolidation scope	Deferred taxes recorded directly to equity	Income statement Income / Expense	Exchange differences	
Deferred tax assets	98,343	(853)	–	1,155	22,308	–	120,953
Deferred tax liabilities	(5,296)	(213)	–	–	(1,584)	–	(7,093)
Net assets/(liabilities)	**93,047**	**(1,066)**	**–**	**1,155**	**20,724**	**–**	**113,860**

(*) The information presented above as at 31 December 2008 has been restated to account for the purchase price accounting impact related to the Group's transaction with Tercica Inc. and Vernalis Inc.. The reconciliation to the previously disclosed consolidated balance sheet as at 31 December 2008 is included in note 13.4.

The changes shown under "Income statement Income/ Expense" include changes during the year in Tercica Inc.'s deferred tax assets of €20.8 million based on the subsidiary's losses carried forward and temporary differences on the intangible asset recognised corresponding to the value of products licensed by Tercica Inc.. Qualification of the C.V.A.E. (assessment on the added value of Companies) as an income tax has led the Group to recognise deferred tax liabilities related to existing temporary differences, which represented a total of €0.7 million at 31 December 2009.

As at 31 December 2009, unrecognised deferred tax assets amounted to €39.5 million. This amount mainly relates to the unrecognised R&D tax credits of Ipsen Pharma S.A. (Spain) and Biomeasure Inc. for €30.7 million and €5.5 million respectively. The R&D tax credit generated each year by both companies cannot be fully used and based on their projected earnings. The Group is not in a position to determine that such tax credits will effectively be used. Therefore, the deferred tax assets were not recognised.

Note 12 Net profit/loss from discontinued operations

(in thousands of euros)	31 December 2011	31 December 2010	31 December 2009
– Operating income/(expense)	–	–	130
– Financial income/(expense)	–	–	333
– Taxes	680	–	(10)
Net profit / loss from discontinued operations	**680**	**–**	**453**

Note 13 Goodwill

13.1 Net Goodwill carried in the balance sheet

Changes in Goodwill in 2011 can be broken down as follows:

(in thousands of euros)	31 December 2010	Movements during the year				31 December 2011
		Increases	Decreases	Changes in consolidation scope	Exchange differences	
Gross Goodwill	307,710	–	–	–	606	308,316
Impairment losses	(8,605)	–	–	–	(166)	(8,771)
Net Goodwill	**299,105**	**–**	**–**	**–**	**440**	**299,545**

Gross Goodwill shown on the balance sheet at 31 December 2011 resulted from:

- €135.3 million arising on the Group's structuring between 1998 and 2004 as a result of the Group's acquisition of SCRAS and its subsidiaries and €53.5 million arising on the acquisition of BB et Cie;
- €8.8 million arising on the acquisition of Sterix Ltd in 2004, which was fully impaired at the time of the business combination;
- €0.2 million arising on the acquisition of Beaufour Ipsen Farmaceutica LTA in 2007;
- €3.5 million arising on the acquisition of Vernalis Inc. on 1 July 2008 and €159.2 million arising on the acquisition of Tercica Inc. on 16 October 2008, transactions which generated residual goodwill in the amount of €110.5 million.

Changes in Goodwill in 2010 can be broken down as follows:

(in thousands of euros)	31 December 2009	Movements during the year				31 December 2010
		Increases	Decreases	Changes in consolidation scope	Exchange differences	
Gross Goodwill	298,403	–	–	–	9,307	307,710
Impairment losses	(8,167)	–	–	–	(438)	(8,605)
Net Goodwill	**290,236**	**–**	**–**	**–**	**8,869**	**299,105**

Gross Goodwill shown on the balance sheet at 31 December 2010 resulted from:

- €135.3 million arising on the Group's structuring between 1998 and 2004 as a result of the Group's acquisition of SCRAS and its subsidiaries and €53.5 million arising on the acquisition of BB et Cie;
- €8.6 million arising on the acquisition of Sterix Ltd in 2004, which was fully impaired at the time of the business combination;
- €0.2 million arising on the acquisition of Beaufour Ipsen Farmaceutica LTA in 2007;
- €3.5 million arising on the acquisition of Vernalis Inc. on 1 July 2008 and €159.2 million arising on the acquisition of Tercica Inc. on 16 October 2008, transactions which generated residual Goodwill in the amount of €110.1 million.

Changes in Goodwill in 2009 can be broken down as follows:

(in thousands of euros)	31 December 2008 (*)	Movements during the year				31 December 2009
		Increases	Decreases	Changes in consolidation scope	Exchange differences	
Gross Goodwill	298,564	–	–	–	(161)	298,403
Impairment losses	(7,748)	–	–	–	(419)	(8,167)
Net Goodwill	**290,816**	**–**	**–**	**–**	**580**	**290,236**

(*) The information presented above as at 31 December 2008 has been restated to account for the purchase price accounting impact related to the Group's transaction with Tercica Inc. and Vernalis Inc.. The reconciliation to the previously disclosed consolidated balance sheet as at 31 December 2008 is included in note 13.4.

Gross Goodwill shown on the balance sheet at 31 December 2009 resulted from:

- €135.3 million arising on the Group's structuring between 1998 and 2004 as a result of the Group's acquisition of SCRAS and its subsidiaries and €53.5 million arising on the acquisition of BB et Cie;
- €7.8 million arising on the acquisition of Sterix Ltd in 2004 which was fully impaired at the time of the business combination;
- €0.2 million arising on the acquisition of Beaufour Ipsen Farmaceutica LTA in 2007;
- €3.5 million arising on the acquisition of Vernalis Inc. on 1 July 2008 and €159.2 million arising on the acquisition of Tercica Inc. on 16 October 2008, transactions which generated residual Goodwill in the amount of €101.2 million.

13.2 Tercica Inc. & Vernalis Inc. Goodwill generated after allocation (2009)

(in thousands of euros)	Tercica Inc.	Vernalis Inc.	Total
Cash paid	(241,296)	(1,566)	(242,862)
Direct costs relating to the acquisition	(6,688)	(872)	(7,560)
Conversion/exercise of the financial instruments	(99,106)	–	(99,106)
Elimination of reciprocal transactions	19,411	–	19,411
Total acquisition cost	**(327,679)**	**(2,438)**	**(330,117)**
Share of net assets and liabilities acquired	168,474	(1,080)	167,394
Goodwill generated at 31 December 2008	**(159,205)**	**(3,518)**	**(162,723)**
Measurement at fair value of the share of net assets/liabilities acquired (note 13.4)	61,088	101	61,189
Other	(269)	–	(269)
Goodwill generated after allocation	**(98,386)**	**(3,417)**	**(101,803)**

In 2009, the finalisation of the accounting for the business combinations resulting from the acquisition of Vernalis Inc. and Tercica Inc. led the Group to:

- revalue the intangible assets recognised at the time of the acquisition of Tercica Inc. in October 2006 corresponding to the fair value of the products licensed by Tercica Inc. and not recognised in the company's assets on the transaction date;
- revalue Tercica Inc.'s inventories at their selling price less costs of disposal, costs to complete and a reasonable margin to offset the purchaser's marketing effort based on the margin determined for similar work-in-progress and finished products and on depreciation of free samples;
- recognise a contingent liability related to a milestone to be paid by Tercica Inc. under a license agreement with a third party;
- recognise deferred tax assets based on the historical carry-over losses and temporary differences of Tercica Inc. and Vernalis Inc..

13.3 Breakdown of assets and liabilities acquired

	100% of Tercica Inc.			100% of Vernalis Inc.		
(in thousands of euros)	Fair value	Net book value	Change	Fair value	Net book value	Change
Assets						
Goodwill	22,385	–	22,385	–	–	–
Intangible assets	149,486	79,738	69,748 (*)	12	12	–
Property, plant & equipment	1,163	1,163	–	391	391	–
Financial assets	413	413	–	31	31	–
Deferred tax assets	104,247	57,201	47,046 (*)	688	587	101 (*)
Receivables	3,822	3,822	–	290	290	–
Inventories	18,707	18,633	74 (*)	336	336	–
Cash and cash equivalents	70,294	70,294	–	730	730	–
Total assets	**370,517**	**231,264**	**139,253**	**2,478**	**2,377**	**101**
Liabilities						
Deferred tax liabilities	60,997	31,674	29,323 (*)	–	–	–
Other liabilities	1,242	1,242	–	15	15	–
Bank overdrafts	10,451	10,451	–	3,442	3,442	–
Total liabilities	**72,690**	**43,367**	**29,323**	**3,457**	**3,457**	**–**
Contingent liabilities recognised	**7,371**	**–**	**7,371 (*)**	**–**	**–**	**–**
Net assets (liabilities)	**290,456**	**187,898**	**102,558**	**(979)**	**(1,080)**	**101**

(*) See note 13.4.

13.4 Reconciliation between the published balance sheet at 31 December 2008 and the balance sheet at 31 December 2008 after final allocation of goodwill related to Tercica Inc. and Vernalis Inc.

(in thousands of euros)	Reported as of 31 Dec. 2008	Allocation							31 Dec. 2008 after allocation
		Licenses	Inventories	Contingent liabilities	Carry-over losses Temporary differences	Total	Other	Impact on 2008 4th quarter profit	
ASSETS									
Goodwill	351,736	(31,085)	(33)	3,301	(33,372)	**(61,189)**	269	–	290,816
Other intangible assets	163,911	69,748	–	–	–	**69,748**	–	(724)	232,935
Property, plant & equipment	237,860	–	–	–	–	**–**	–	–	237,860
Equity investments	2,650	–	–	–	–	**–**	–	–	2,650
Non-current financial assets	3,810	–	–	–	–	**–**	–	–	3,810
Other non-current assets	8,039	–	–	–	–	**–**	–	–	8,039
Deferred tax assets	111,439	–	1,395	2,948	42,804	**47,147**	(60,332)*	89	98,343
Total non-current assets	**879,445**	**38,663**	**1,362**	**6,249**	**9,432**	**55,706**	**(60,063)**	**(636)**	**874,453**
Inventories	115,944	–	74	–	–	**74**	–	(236)	115,782
Trade receivables	217,845	–	–	–	–	**–**	–	–	217,845
Current tax assets	49,509	–	–	–	–	**–**	–	–	49,509
Other current assets	63,652	–	–	–	–	**–**	(269)	–	63,383
Current financial assets	2,528	–	–	–	–	**–**	–	–	2,528
Cash and cash equivalents	239,584	–	–	–	–	**–**	–	–	239,584
Total current assets	**689,062**	**–**	**74**	**–**	**–**	**74**	**(269)**	**(236)**	**688,631**
Assets of discontinued operations	1,333	–	–	–	–	**–**	–	–	1,333
TOTAL ASSETS	**1,569,840**	**38,663**	**1,436**	**6,249**	**9,432**	**55,780**	**(60,332)**	**(871)**	**1,564,417**
LIABILITIES									
Share capital	84,060	–	–	–	–	**–**	–	–	84,060
Additional paid-in capital and consolidated reserves	680,216	10,764	11	(1,121)	9,432	**19,086**	(326)	–	698,976
Net profit for the period	147,164	–	–	–	–	**–**	–	(601)	146,563
Exchange differences	(44,535)	–	–	–	–	**–**	–	(32)	(44,567)
Equity – attributable to shareholders of Ipsen	**866,905**	**10,764**	**11**	**(1,121)**	**9,432**	**19,086**	**(326)**	**(633)**	**885,032**
Minority interests	1,580	–	–	–	–	**–**	–	–	1,580
Total shareholders' equity	**868,485**	**10,764**	**11**	**(1,121)**	**9,432**	**19,086**	**(326)**	**(633)**	**886,612**
Retirement benefit obligation	11,530	–	–	–	–	**–**	–	–	11,530
Provisions	27,181	–	–	7,371	–	**7,371**	–	187	34,739
Bank loans	148,941	–	–	–	–	**–**	–	–	148,941
Other financial liabilities	13,803	–	–	–	–	**–**	–	–	13,803
Deferred tax liabilities	36,404	27,898	1,425	–	–	**29,323**	(60,006)*	(425)	5,296
Other non-current liabilities	142,560	–	–	–	–	**–**	–		142,560
Total non-current liabilities	**380,419**	**27,898**	**1,425**	**7,371**	**–**	**36,694**	**(60,006)**	**(238)**	**356,869**
Provisions	8,952	–	–	–	–	**–**	–	–	8,952
Bank loans	4,000	–	–	–	–	**–**	–	–	4,000
Financial liabilities	4,346	–	–	–	–	**–**	–	–	4,346
Accounts payable	103,835	–	–	–	–	**–**	–	–	103,835
Current tax liabilities	36,315	–	–	–	–	**–**	–	–	36,315
Other current liabilities	156,345	–	–	–	–	**–**	–	–	156,345
Bank overdrafts	2,259	–	–	–	–	**–**	–	–	2,259
Total current liabilities	**316,052**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**316,052**
Liabilities of discontinued operations	4,884	–	–	–	–	**–**	–	–	4,884
TOTAL LIABILITIES	**1,569,840**	**38,663**	**1,436**	**6,249**	**9,432**	**55,780**	**(60,332)**	**(871)**	**1,564,417**

(*) Presentation of a net deferred tax position.

13.5 Impairment of Goodwill

For the purposes of impairment tests, goodwill is allocated to the cash-generating units defined by the Group. The cash-generating units identified for the allocation and performance of impairment tests related to goodwill correspond to the operating segments.

Thus, goodwill related to the Group's structuring between 1998 and 2004 was allocated to the "Major Western European countries", "Rest of Europe" and "Rest of the world" operating segments in proportion to the sales generated as of the effective historical date of the business combination (1999), and Goodwill related to the acquisition of Vernalis Inc. and Tercica Inc. in the second half of 2008 was allocated to the "North America" operating segment.

The recoverable value of the respective cash-generating units corresponds to the value in use based on the discounting of the related estimated future cash flows. These cash flows are based on short-term and medium-term estimates (such as forecasts, annual budget, and four-year strategic plan) as well as more long-term estimates by geographic area established by the Group's operating entities.

Test for impairment are established by the Group as of 30 September.

The book value of the respective cash-generating units and the key assumptions are shown below:

(in millions of euros)	Major Western European countries	Rest of Europe	Rest of the world	North America	Total
Net book value at 30 September 2011					
Goodwill	144	19	26	108	297
Net underlying assets	276	146	146	24	592
Total	**420**	**165**	**172**	**132**	**889**
Perpetuity growth rate	**0%**	**0%**	**0%**	**2.0%**	**–**
Discount rate	**9.0%**	**9.0%**	**9.0%**	**12.0%**	**–**

Tests were performed to assess the sensitivity of the recoverable amount to changes in certain actuarial assumptions, primarily to the discount rate (range +/- 1%) and to the perpetuity growth rate (range +/- 0.5%). The implementation of those sensitivity tests would not lead to record significant impairment charges.

A change in the discount rate for the "Major Western European countries" cash-generating unit, representing a key assumption in these estimates, to 1.4 time its present value, would result in a book value equal to the value in use.

A change in the discount rate for the "Rest of Europe" cash-generating unit, representing a key assumption in these estimates, to 3.1 time its present value, would result in a book value equal to the value in use.

A change in the discount rate for the "Rest of the world" cash-generating unit, representing a key assumption in these estimates, to 1.9 time its present value, would result in a book value equal to the value in use.

A change in the discount rate for the "North America" cash-generating unit, representing a key assumption in these estimates, to 2.2 time its present value, would result in a book value equal to the value in use.

At 31 December 2011, 2010 and 2009, no impairment loss related to goodwill was recorded.

The impairment loss previously recorded concerned only the goodwill arising on the acquisition of Sterix Ltd.

The book value of the respective cash-generating units and the key assumptions are shown below:

(in millions of euros)	Major Western European countries	Rest of Europe	Rest of the world	North America	Total
Net book value at 30 September 2010					
Goodwill	144	19	26	110	299
Net underlying assets	262	156	124	105	647
Total	**406**	**175**	**150**	**215**	**946**
Perpetuity growth rate	**0%**	**0%**	**0%**	**2.0%**	**–**
Discount rate	**9.0%**	**9.0%**	**9.0%**	**10.7%**	**–**

A change in the discount rate for the "Major Western European countries" cash-generating unit, representing a key assumption in these estimates, to 1.8 time its present value, would result in a book value equal to the value in use.

A change in the discount rate for the "Rest of Europe" cash-generating unit, representing a key assumption in these estimates, to 1.8 time its present value, would result in a book value equal to the value in use.

A change in the discount rate for the "Rest of the world" cash-generating unit, representing a key assumption in these estimates, to 2.4 time its present value, would result in a book value equal to the value in use.

A change in the discount rate for the "North America" cash-generating unit, representing a key assumption in these estimates, to 1.3 time its present value, would result in a book value equal to the value in use.

Note 14 Other intangible assets

14.1 Movements

Movements in 2011 can be broken down as follows:

(in thousands of euros)	31 December 2010	Movements during the year					31 December 2011
		Increases	Decreases	Change in consolidation scope	Exchange differences	Other movements	
Intellectual property	345,179	54,246	(10,732)	–	1,743	8,689	399,125
Intangible assets in progress	2,267	2,024	(15)	–	1	(1,829)	2,448
Advance payments	5,086	1,707	(400)	–	–	(2,191)	4,202
Gross assets	**352,532**	**57,978**	**(11,147)**	**–**	**1,744**	**4,669**	**405,775**
Amortisation	(73,297)	(14,802)	1,146	–	(620)	(4,476)	(92,049)
Impairment losses	(112,698)	(61,690)	422	–	(4,172)	–	(178,138)
Net assets	**166,538**	**(18,514)**	**(9,580)**	**–**	**(3,048)**	**193**	**135,588**

Movements in "Intellectual property" are mainly due to the recognition of the upfront payment of €25 million to Active Biotech as part of the partnership to co-develop and commercialise Tasquinimod "TASQ" (see note 1.3.1) and also the payment of €22.5 million as part of the partnership with Photocure to commercialise Hexvix® (see note 1.3.3).

Movements in "Advance payments" and "Intangible assets in progress" mainly include capital expenditure related to the renewal of the Group's information systems.

"Amortisation" includes the addition during the period for the intangible asset related to the IGF-1 license recognised in the final allocation of Tercica Inc.'s goodwill in the amount of €3.1 million.

Movements in "Impairment losses" are detailed in notes 14.2 and 14.3.

Movements in 2010 can be broken down as follows:

(in thousands of euros)	31 December 2009	Movements during the year					31 December 2010
		Increases	Decreases	Change in consolidation scope	Exchange differences	Other movements	
Intellectual property	291,716	30,212	(317)	–	16,612	6,956	345,179
Intangible assets in progress	4,638	1,250	(56)	–	1	(3,566)	2,267
Advance payments	7,699	1,869	–	–	–	(4,482)	5,086
Gross assets	**304,053**	**33,331**	**(373)**	**–**	**16,613**	**(1,092)**	**352,532**
Amortisation	(53,807)	(17,335)	201	–	(2,356)	–	(73,297)
Impairment losses	(13,279)	(100,150)	–	–	(1,238)	1,969	(112,698)
Net assets	**236,967**	**(84,154)**	**(172)**	**–**	**13,019**	**877**	**166,538**

Movements in "Intellectual property" include payments in the framework of partnerships in particular with Debiopharm (6-month sustained-release formulation of Decapeptyl®), Inspiration Biopharmaceuticals Inc. (OBI-1) and Gtx Inc. (toremifene).

Movements in "Advance payments" and "Intangible assets in progress" mainly include capital expenditures related to the renewal of the Group's information systems.

"Amortisation" includes the addition during the period for the intangible asset related to the license recognised at the time of the final allocation of Tercica Inc.'s goodwill in the amount of €8.0 million.

Movements in "Impairment losses" are detailed in notes 14.2 and 14.3.

Movements in 2009 can be broken down as follows:

(in thousands of euros)	31 December 2008 (*)	Movements during the year					31 December 2009
		Increases	Decreases	Change in consolidation scope	Exchange differences	Other movements	
Intellectual property	278,731	10,774	(9,875)	–	(1,674)	13,760	291,716
Intangible assets in progress	1,014	3,607	–	–	–	17	4,638
Advance payments	10,650	10,363	–	–	–	(13,314)	7,699
Gross assets	**290,395**	**24,744**	**(9,875)**	**–**	**(1,674)**	**463**	**304,053**
Amortisation	(40,840)	(15,371)	1,887	–	517	–	(53,807)
Impairment losses	(16,620)	–	3,428	–	(56)	(31)	(13,279)
Net assets	**232,935**	**9,374**	**(4,560)**	**–**	**(1,214)**	**432**	**236,967**

(*) The information presented above as of 31 December 2008 has been restated to account for the purchase price accounting impact related to the Group's transaction with Tercica Inc. and Vernalis Inc.. The reconciliation to the previously disclosed consolidated balance sheet as at 31 December 2008 is included in note 13.4.

Movements in gross assets include:

- Certain payments made under the co-promotion contract in France with Novartis for the Exforge® antihypertensive drug, those made to obtain market approval of the six-month formulation of Decapeptyl® in France, and those made under the partnership agreement signed with Pharnext.
- Certain advance payments made and capital expenditures relating to the Group's information technology projects.
- The disposal of intangible assets upon the termination of one of the Group's partnerships.

"Amortisation" includes the addition during the period for the intangible asset related to the license IGF-1 recognised at the time of the final allocation of Tercica Inc.'s goodwill in the amount of €8.8 million (see note 13.2).

"Impairment losses" include a reversal of the impairment charge against the distribution rights for a product licensed by the Group upon the termination of the respective agreement.

14.2 Impairment tests on intangible assets with an indefinite useful life

14.2.1 2011 period

At 31 December, 2011 the Group had 4 intangible assets with a total book value of €41.0 million before taking into account potential impairment losses. They are: rights acquired for pharmaceutical specialties in oncology, neurology and haematology in an advanced phase of development which have not yet obtained market approval and were therefore not amortised in accordance with the Group's accounting principles (note 4.14).

The Group recognised a €9.8 million impairment loss on the know-how and the brand of the primary care drug Nisis Nisisco®, active promotion of which has been deprioritised with the arrival of generics on the market following the loss of its patent in November 2011. The Group also reviewed the indefinite useful life of the brand to be amortised over a two-year period. Accordingly, the asset has been reallocated to intangible assets with finite useful life at 31 December 2011.

In addition, the Group recorded a €3.2 million complementary impairment loss on Fipamezole® due to uncertainties associated with future development timelines following the renegotiation of the contract with Santhera Pharmaceuticals.

The brand and the know-how of Nisis®-Nisisco® are allocated to the Group following operating segment "Main countries of Western Europe"; the other assets being progress, they are not yet assigned to an operating segment.

14.2.2 2010 period

At 31 December, 2010 the Group had 4 intangible assets with a total book value of €63.4 million before taking into account potential impairment losses. They are:

1. rights acquired for pharmaceutical specialties in oncology, neurology and haematology in an advanced phase of development which have not yet obtained market approval and were therefore not amortised in accordance with the Group's accounting principles (see note 4.14);
2. rights (trademarks and know-how) for a product co-marketed by the Group with a partner pursuant to an agreement signed in 2003.

For these 4 intangible assets, the recoverable amount corresponds to the value in use based on estimated expected future cash flows taking into account:

- short-term and medium-term estimates (such as forecasts, annual budget, and four-year strategic plan) as well as more long-term estimates established by the Group's operating entities,
- the useful life of the pharmaceutical specialties. When it exceeds the time horizon of the Group's forecasts, a terminal value is used,
- discount rate (weighted average cost of capital determined by the Group).

On 31 December 2010, the Group recognised impairment losses of €28.4 million due to major uncertainties that have recently surfaced in future development milestones of its

partnerships in oncology and neurology. At 31 December 2009, the Group did not recorded impairment losses on this type of intangible assets.

Concerning rights acquired for pharmaceutical specialties in haematology, the Group has not recorded impairment losses at 31 December 2010 and 2009. Changes in the discount rate representing a key assumption in the estimates to 2 times its present value, would result in a book value of this intangible asset equals to the value in use.

Concerning rights for the product co-marketed, the Group has not recorded impact losses at 31 December 2010 and 2009. Future changes in net sales representing a key assumption in these estimates, a decrease in this parameter of more than 36% would result in a book value of this intangible asset equals to the value in use.

14.3 Impairment test on intangible assets with a definite useful life

14.3.1 2011 period

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

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

In 2008, the company Lonza moved its production site from Baltimore to Hopkinton. Following this transfer, Lonza received in the second half of the year 2011 a warning letter from the Food and Drug Administration (FDA) regarding the Hopkinton plant, where IGF-1 has been manufactured since 2008. Lonza implemented an action plan in order to respond to the FDA's observations. The follow-up inspection and its result are expected before the end of the first half of 2012.

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

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

The Group also recognised an impairment loss on the Dreux intangible assets for an amount of 1.5 million euros (note 15.1).

14.3.2 2010 period

At December 31, 2010, the Group had identified an impairment loss on the IGF-1 intangible asset. Major changes had affected the pharmaceutical environment, in particular in the United States, with the occurrence of difficulties, for some patients, to obtain reimbursement by payers of some of the drugs they had been prescribed. In the view of an increasing rate of reimbursement denials and increasing difficulties in supporting patients securing reimbursement, the Group decided to reduce the development and commercial prospects of IGF-I. The Group thus recorded in its 2010 accounts a non-recurring impairment loss of €71.7 million relating to the IGF-I intangible asset.

As of 30 June 2010, the Group identified potential indication of impairment on the IGF-1 intangible asset related to a delay in generating sales compared to the latest forecasts, and in this regards, performed an impairment test. The test performed for this asset did not demonstrate that this asset had to be impaired as of 30 June 2010.

14.3.3 2009 period

On 31 December 2009, while performing impairment tests, the Group identified a possible impairment indication on the IGF-1 intangible asset related to a delay in generating sales compared to launch forecasts. A specific test for this asset showed that impairment was not necessary at 31 December 2009.

14.4 Breakdown of intangible assets by asset type

(in thousands of euros)	31 December 2011			31 December 2010			31 December 2009		
	Gross value	Amortisation & Impairment	Net value	Gross value	Amortisation & Impairment	Net value	Gross value	Amortisation & Impairment	Net value
Brands and trademarks	21,394	(11,037)	10,357	21,394	(8,885)	12,509	21,394	(8,882)	12,512
Licenses	289,948	(203,422)	86,526	250,834	(141,761)	109,073	210,509	(27,425)	183,084
Patents	9,273	(8,701)	573	4,592	(3,869)	723	4,592	(3,719)	873
Know-how	8,498	(8,402)	96	8,491	(922)	7,569	8,324	(922)	7,402
Software	68,892	(38,144)	30,748	58,908	(30,142)	28,766	44,137	(23,943)	20,194
Purchased goodwill	185	(183)	2	185	(183)	2	1,987	(1,985)	2
Other intangible assets	936	(289)	647	779	(232)	547	773	(210)	563
Intangible assets in progress	2,448	(9)	2,439	2,260	–	2,260	4,638	–	4,638
Advance payments	4,202	–	4,202	5,089	–	5,089	7,699	–	7,699
Total	**405,775**	**(270,185)**	**135,588**	**352,532**	**(185,994)**	**166,538**	**304,053**	**(67,086)**	**236,967**
Of which impairment losses		*(178,138)*			*(112,698)*			*(13,279)*	

Impairment losses at 31 December 2011 mainly include brands and trademarks for €(11) million, licenses for €(155.9) million, patents for €(1.5) million, know-how for €(8.2) million, softwares for €(1.5) million and purchased goodwill for €(0.2) million.

Impairment losses at 31 December 2010 mainly include brands and trademarks for €(8.9) million, licenses for €(101.2) million, patents for €(1.5) million, know-how for €(0.9) million and purchased goodwill for €(0.2) million.

Impairment losses at 31 December 2009 mainly include brands and trademarks for €(8.9) million, patents for €(1.5) million, know-how for €(0.9) million and purchased goodwill for €(2.0) million.

Net intangible assets with indefinite useful life is 37.8 million euros in 2011. They involve rights acquired for pharmaceutical specialties in advanced stage of development that have not yet obtained authorization on the market, and are classified as "License". These assets are ongoing, they are not yet assigned to an operational segment.

Indefinite useful life intangible assets respectively represent €37.8 million in 2011, 43.5 in 2010 and 53 in 2009.

Note 15 Property, plant & equipment

15.1 Breakdown by asset type

Breakdown of movements by asset type in 2011:

(in thousands of euros)	31 December 2010	Movements during the year					31 December 2011
		Increases	Decreases	Changes in consolidation scope	Exchange differences	Other movements	
Land	16,771	–	(3)	–	67	1,214	18,049
Buildings	177,230	4,126	(1,249)	–	1,299	8,713	190,119
Plant & equipment	228,767	5,662	(4,598)	–	1,948	3,199	234,978
Other assets	102,843	4,137	(7,231)	–	181	812	100,742
Assets in progress	86,606	30,065	(1)	–	1,247	(15,543)	102,374
Advance payments	798	319	–	–	2	(798)	321
Gross property, plant & equipment	**613,015**	**44,309**	**(13,081)**	**–**	**4,744**	**(2,403)**	**646,583**
Depreciation	(330,728)	(30,553)	10,879	–	(2,216)	1,416	(351,202)
Impairment losses	–	(23,548)	–	–	–	(105)	(23,653)
Depreciation and impairment losses	**(330,728)**	**(54,101)**	**10,879**	**–**	**(2,216)**	**1,311**	**(374,855)**
Net property, plant & equipment	**282,287**	**(9,791)**	**(2,203)**	**–**	**2,528**	**(1,093)**	**271,728**

Investments in property, plant and equipment represented €44.3 million and consisted mainly of investments necessary for the maintenance of the Group's production equipment as well as investments in capacity at the Wrexham and Signes sites and equipment for investments the Group's Research and Development sites.

In addition, in line with its new strategy presented on June 2011, the Group announced that it is actively searching for a purchaser to maintain and develop business at the Dreux industrial site, specialised in the production of pharmaceutical packaging pouches, solutions, pills and capsules. Negotiations are in progress with potential purchasers. However, at 27 January 2012, the Group acknowledged the French Government's decision to no longer reimburse, starting on 1 March 2012, Tanakan®, Tramisal® and Ginkogink®, which are currently manufactured at the site. This announcement, in addition to the details regarding the potential deal, led the Group to reassess the value of the Dreux tangible and intangible assets in its accounts and record non-recurring impairment losses of €23.5 million and €1.5 million on its tangible and intangible assets, respectively.

Breakdown of movements by asset type in 2010:

(in thousands of euros)	31 December 2009	Movements during the year					31 December 2010
		Increases	Decreases	Changes in consolidation scope	Exchange differences	Other movements	
Land	16,462	2	–	–	211	96	16,771
Buildings	165,123	4,228	(41)	–	3,220	4,700	177,230
Plant & equipment	206,395	6,859	(2,136)	–	6,792	10,857	228,767
Other assets	95,953	6,262	(4,057)	–	1,537	3,148	102,843
Assets in progress	66,738	36,049	(55)	–	2,835	(18,961)	86,606
Advance payments	1,806	340	–	–	3	(1,351)	798
Gross property, plant & equipment	**552,477**	**53,740**	**(6,289)**	**–**	**14,598**	**(1,511)**	**613,015**
Depreciation	(300,659)	(29,027)	5,988	–	(7,032)	2	(330,728)
Impairment losses	(40)	–	40	–	–	–	–
Depreciation and impairment losses	**(300,699)**	**(29,027)**	**6,028**	**–**	**(7,032)**	**2**	**(330,728)**
Net property, plant & equipment	**251,778**	**24,712**	**(261)**	**–**	**7,567**	**(1,509)**	**282,287**

Investments in property, plant and equipment represented €53.7 million and consisted mainly of investments necessary for the maintenance of the Group's production equipment as well as investments in capacity especially within the new secondary manufacturing unit of Dysport® at the Wrexham site and equipment for investments the Group's Research and Development sites.

Breakdown of movements by asset type in 2009:

(in thousands of euros)	31 December 2008	Movements during the year					31 December 2009
		Increases	Decreases	Changes in consolidation scope	Exchange differences	Other movements	
Land	16,483	6	–	–	(32)	5	16,462
Buildings	149,310	1,855	(322)	–	–	14,280	165,123
Plant & equipment	191,936	4,817	(886)	–	2,293	8,235	206,395
Other assets	92,733	4,419	(3,948)	–	306	2,443	95,953
Assets in progress	63,226	27,132	(340)	–	1,750	(25,030)	66,738
Advance payments	157	2,090	–	–	(1)	(440)	1,806
Gross property, plant & equipment	**513,845**	**40,319**	**(5,496)**	**–**	**4,316**	**(507)**	**552,477**
Depreciation	(275,977)	(27,860)	4,313	–	(1,118)	(18)	(300,659)
Impairment losses	(8)	(40)	8	–	–	–	(40)
Depreciation and impairment losses	**(275,985)**	**(27,900)**	**4,321**	**–**	**(1,118)**	**(18)**	**(300,699)**
Net property, plant & equipment	**237,860**	**12,419**	**(1,175)**	**–**	**3,198**	**(525)**	**251,778**

Increases in property, plant & equipment were mainly related to investments made in the United Kingdom at the Wrexham site for a new secondary manufacturing unit for Dysport® and on the Dublin site to increase production capacity as well as replacement investments in Ireland.

15.2 Breakdown of property, plan & equipment, net of depreciation by currency

The breakdown by currency of property, plant & equipment, net of depreciation is as follows:

(in thousands of euros)	31 December 2011	31 December 2010	31 December 2009
Euro	141,357	156,505	140,251
US dollar	26,240	22,740	19,118
Pound sterling	91,545	90,838	81,543
Swiss franc	2,504	2,412	1,931
Yuan Ren-Min-Bi	9,521	9,330	8,494
Other currencies	561	462	441
Total	**271,728**	**282,287**	**251,778**

Note 16 Equity investments

16.1 Movements

Movements in 2011 can be broken down as follows:

(in thousands of euros)	31 December 2010	Movements during the year					31 December 2011
		Acquisitions and increases	Disposals	Changes in consolidation scope	Exchange differences	Other movements	
		(A)	(B)	(C)	(D)	(E)	
Investments in non-consolidated companies	30,600	5,720	–	–	218	62	36,600
Depreciation and impairment losses	(23,441)	(564)	–	–	(218)	(62)	(24,286)
Net book value (available-for-sale financial assets)	**7,159**	**5,156**	**–**	**–**	**–**	**–**	**12,314**

The movement recorded in equity investments corresponds to the recognition on the balance sheet of the Group's irrevocable commitment to call for capital from the Innobio and Biodiscovery venture capital funds.

Movements include a provision for €(0.4) million related to the share capital of Vernalis Plc. taking into account the prolonged decline of the market price of these shares.

Movements in 2010 can be broken down as follows:

(in thousands of euros)	31 December 2009	Movements during the year					31 December 2010
		Acquisitions and increases	Disposals	Changes in consolidation scope	Exchange differences	Other movements	
		(A)	(B)	(C)	(D)	(E)	
Investments in non-consolidated companies	24,431	5,745	(153)	–	577	–	30,600
Depreciation and impairment losses	(21,021)	(1,847)	–	–	(573)	–	(23,441)
Net book value (available-for-sale financial assets)	**3,410**	**3,898**	**(153)**	**–**	**4**	**–**	**7,159**

Movements mainly include equity investments by the Group in certain companies in the framework of its partnerships. The disposals correspond to share capital in PregLem Holding S.A., sold by the Group to Gédéon Richter.

Movements in 2009 can be broken down as follows:

(in thousands of euros)	31 December 2008	Movements during the year					31 December 2009
		Acquisitions and increases	Disposals	Changes in consolidation scope	Exchange differences	Other movements	
		(A)	(B)	(C)	(D)	(E)	
Investments in non-consolidated companies	23,423	420	–	–	557	31	24,431
Depreciation and impairment losses	(20,773)	302	–	–	(550)	–	(21,021)
Net book value (available-for-sale financial assets)	**2,650**	**722**	**–**	**–**	**6**	**31**	**3,410**

Movements include the reversal of a provision for €0.5 million related to the share capital of Vernalis Plc. measured at fair value (market price) at 31 December 2009. This reversal was recorded as "Other items" in the comprehensive income statement.

16.2 Breakdown of equity investments

Equity investments are investments in companies in which the Group owns either:

- under 20% of the share capital, or
- more than 20% of the share capital, but which are not consolidated as they are not material.

(in thousands of currency units)	Registered office	% of voting rights held	NBV of investments (euros)			Company financial data 2011 [2] (in local currency)			Interest in equity (euros)
			31 Dec. 2011	31 Dec. 2010	31 Dec. 2009	Local currency	Equity	Net profit for the year	
Vernalis Plc.	Winnersh (UK)	10%	318	768	1,714	GBP	31,146	(19,659)	3,630
Technopolis Gie	Paris	27%	306	306	306	EUR	–	–	–
Montana Ltd.	Cork (Irl)	50%	–	–	–	EUR	–	–	–
Linnea Inc.	PA (USA)	50%	–	–	–	USD	25	1	–
Lu Yuan Ginkgo Company Ltd.	Tancheng (China)	37%	–	–	482	RMB	6,018	(931)	273
Funxional Therapeutics Ltd	Cambridge (UK)	8%	–	–	–	GBP	(8,273)	(2,814)	(539)
Pizhou Zhong Da Ginkgo Leaves Co. Ltd.	Pizhou (China)	36%	–	–	284	RMB	4,454	(652)	192
PregLem SA [1]	Plan les Ouates (CH)	–	–	–	153	CHF	–	–	–
Spirogen Ltd	Isle of Wight (UK)	18%	–	–	–	GBP	(1,092)	(54)	(233)
Specwood Ltd.	London (UK)	100%	(12)	(11)	(11)	GBP	–	–	–
Pothold Ltd.	London (UK)	100%	–	–	–	GBP	–	–	–
Petersfield Ltd	Hong Kong (HK)	50%	32	32	31	HKD	5,068	520	250
Socapharma SAS	Paris	100%	–	–	–	EUR	(7)	(7)	(7)
Ancelab SAS	Paris	100%	–	–	–	EUR	(7)	(7)	(7)
Bio discovery 3	CA (USA)	–	2,001	351	201	USD	N/A	N/A	N/A
Inno Bio	Paris	–	4,760	874	250	EUR	N/A	N/A	N/A
Olisapharm SAS	Paris	100%	40	–	–	EUR	31	(9)	31
Naiapharm SAS	Paris	100%	10	–	–	EUR	4	(6)	4
Liampharm SAS	Paris	100%	10	–	–	EUR	4	(6)	4
Jusypharm SAS	Paris	100%	10	–	–	EUR	4	(6)	4
Rythm Pharmaceuticals Inc.	Boston (USA)	18%	48	48	–	USD	11,525	(6,385)	1,619
Syntaxin	Abingdon (UK)	11%	4,791	4,791	–	GBP	–	–	–
Total			**12,314**	**7,159**	**3,410**				

(1) Shares disposed on 11 October 2010.
(2) Lastest data avalaible to date.

16.3 Information on non-consolidated companies

The following table shows aggregate data for non-consolidated companies (at 100%):

At 31 December 2011:

(in thousands of euros)	Sales	Operating income	Net profit	Equity	Total assets
Companies over 50% owned	–	(41)	(41)	29	70
Companies 50% owned	1,446	52	49	518	537
Companies less than 50% owned	17,716	(25,053)	(30,698)	36,236	63,430
Total	**19,162**	**(25,042)**	**(30,690)**	**36,783**	**64,037**

At 31 December 2010:

(in thousands of euros)	Sales	Operating income	Net profit	Equity	Total assets
Companies over 50% owned	–	–	–	–	–
Companies 50% owned	2,016	23	26	468	667
Companies less than 50% owned	15,375	(26,021)	(27,789)	18,173	61,813
Total	**17,391**	**(25,998)**	**(27,763)**	**18,641**	**62,480**

At 31 December 2009:

(in thousands of euros)	Sales	Operating income	Net profit	Equity	Total assets
Companies over 50% owned	–	–	–	–	–
Companies 50% owned	2,998	(121)	50	455	987
Companies less than 50% owned	8,055	(16,271)	(21,032)	42,755	81,690
Total	**11,053**	**(16,392)**	**(20,982)**	**43,210**	**82,677**

16.4 Investments in associated companies

At 31 December 2011 and 2010, investments in associated companies solely concerning the acquisition by the Group of 22% in share capital of Inspiration Biopharmaceuticals Inc..

16.4.1 Acquisitions of shares in associated companies

At 31 December 2011, no investment in associated companies has been made.

At 31 December 2010, the amount of €57.7 million "Investments in associated companies" in the consolidated statement of cash flows is the balance paid by the Group in connection with the acquisition of Inspiration Biopharmaceuticals Inc. shares.

At 31 December 2009, the Group had already paid €6.8 million ($10 million) for this operation, which was recorded in "Other non-current assets" under "Other financial assets" (see note 18).

16.4.2 Calculation of Goodwill

Goodwill in relation to the investment in the share capital of Inspiration Biopharmaceuticals Inc. is as follows:

(in thousands of euros)	31 December 2010
Purchase price of Inspiration Biopharmaceuticals Inc. shares paid in 2009	6,770
Prepayment on shares	**6,770**
Balance of the purchase price of Inspiration Biopharmaceuticals Inc. shares paid in 2010	53,164
Direct costs relating to the acquisition	4,530
Balance of the purchase price	**57,694**
Total acquisition cost	**64,464**
Share of assets and liabilities at fair value	41,728
Goodwill	**22,736**

16.4.3 Carrying value of investments in associated companies in the balance sheet

The carrying value of investments in associated companies at 31 December 2011 and 2010 is as follows:

(in thousands of euros)	31 December 2011	31 December 2010
Share of fair value of acquired assets and liabilities assumed in Inspiration Biopharmaceuticals Inc.	41,728	41,728
Goodwill	22,736	22,736
Share value at transaction date	**64,464**	**64,464**
Share in the previous years income, restatements and exchange differences	(6,582)	–
Share value as at 1 January 2011	**57,882**	**64,464**
Share in the period's income	(54,487)	(12,763)
Consolidation restatements	–	1,320
Share-based payments	43	218
Exchange differences	(3,438)	4,643
Carrying value of investments in associated companies	**–**	**57,882**

16.4.4 Financial assets and liabilities at fair value

The application of the "purchase" method has led the Group to recognise an intangible asset in the accounts of the acquired company, corresponding to the value of the product IB 1001 in Phase III of development and not recognised as an asset in Inspiration Biopharmaceuticals Inc. at the date of the transaction.

The value of this intangible asset recognised in the accounts of Inspiration Biopharmaceuticals Inc. at fair value, amounted to €142.3 million net of deferred taxes. The share acquired by Ipsen comes to $44.2 million (€31.4 million).

16.4.5 Shares of profit/loss from associated companies

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

During the end of the second half of 2011, Ipsen noticed an intensifying competitive environment in the rapidly changing field of hemophilia and recently acknowledged the accelerating development timelines of the main competitors in the market. These factors led the Group to reduce the sales forecasts of Inspiration Biopharmaceuticals Inc.. In this context, on 31 December 2011, the Group recorded on the one hand a €7.5 million non-recurring impairment loss on the intangible asset recognised within the framework of the purchase price allocation in Inspiration Biopharmaceuticals Inc.'s accounts and, on the other hand, a €68.8 million impairment loss on its investment in Inspiration Biopharmaceuticals Inc., applied in priority to its share of loss of Inspiration Biopharmaceuticals Inc. for €26.8 million, and the remaining (€42.0 million) applied to the convertible bonds held on the company.

Hence, the Group recorded a €54.5 million expense in 2011, representing, on the one hand, its 22% share of loss of Inspiration Biopharmaceuticals Inc., *i.e.* €20.2 million, and on the other hand, the €34.3 million non-recurring loss mentioned above.

In 2010, the Group recorded an expense of €12.8 million representing its 22% stake of Inspiration Biopharmaceuticals Inc.'s net loss or €8.3 million accounted into the Group's accounts since January 2010 under the equity method, a non-recurring net loss of €5.9 million further to the depreciation of an underlying asset, resulting from an increase in discount rate of its future cash flows, as well as a €1.4 million income consequent to the purchase price allocation.

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

Note 17 Profit on disposal of fixed assets

(in thousands of euros)	31 December 2011	31 December 2010	31 December 2009
Capital (gains) or losses on disposals of intangible assets	2,714	24	3,034
Capital (gains) or losses on disposals of property, plant & equipment	2,049	(24)	678
Capital (gains) or losses on disposals of equity investments	(187)	(8,669)	–
Total	**4,576**	**(8,669)**	**3,712**

In 2011, capital gains or losses on disposals of assets mainly include the disposal of Apokyn rights and tangible asset disposal in Spain related to the Research and Developpment site closure (see note 1.2.1).

In 2010, capital gains or losses on disposals of assets mainly include the disposal of PregLem Holding S.A. shares.

Note 18 Other non-current assets

Other non-current assets in 2011 can be broken down as follows:

(in thousands of euros)	31 December 2010	Cash flows related to investing activities	Cash flows related to financing activities	
		(A)	(B)	
Conversion option of the convertible bonds	–	–	–	
Warrants	–	–	–	
Derivative instruments recorded at fair value	**–**	**–**	**–**	
Net assets of post-employment benefit plans [1]	2,172	–	–	
Non-current financial assets (financial assets at fair value)	**2,172**	**–**	**–**	
Convertible bonds [2]	74,184	45,291	–	
Liquidity agreement [3]	1,229	843	–	
Loans – non-consolidated companies	152	–	–	
Other financial assets [4]	2,108	2,039	–	
Deposits	3,970	92	–	
Other non-current assets (Loans, receivables and other) [5]	**81,643**	**48,265**	**–**	

(1) Employee benefits (note 6.3.3.3).
(2) Changes in convertible bonds are due to:
- the subscription of the convertible bonds issued by Inspiration Biopharmaceuticals Inc. to the Group (note 1.3.4),
- the depreciation of the Inspiration Biopharmaceuticals Inc. convertible bonds (note 10.2), in the fair value change in profit and loss,
- the revaluation in euros of the Inspiration Biopharmaceuticals Inc. convertible bonds issued in US dollars, in the other movements.

Other non-current assets in 2010 can be broken down as follows:

(in thousands of euros)	31 December 2009	Cash flows related to investing activities	Cash flows related to financing activities	
		(A)	(B)	
Conversion option of the convertible bonds	–	–	–	
Warrants	–	–	–	
Derivative instruments recorded at fair value	**–**	**–**	**–**	
Net assets of post-employment benefit plans [1]	3,384	–	–	
Non-current financial assets (financial assets at fair value)	**3,384**	**–**	**–**	
Convertible bonds [2]	2,000	72,184	–	
Liquidity agreement [3]	2,898	(1,669)	–	
Loans – non-consolidated companies	151	–	–	
Other financial assets [4]	8,329	954	–	
Deposits	4,400	(89)	–	
Other non-current assets (Loans, receivables and other) [5]	**17,778**	**71,380**	**–**	

(1) Employee benefits (see note 6.3.3.3).
(2) Changes in convertible bonds are mainly due to the subscription of the convertible bonds issued by Inspiration Biopharmaceuticals Inc. to the Group.
(3) Changes are due to the liquidity agreement with Natexis Bleichroder, a subsidiary of Natixis, signed in February 2007 and automatically renewed thereafter.

Movements during the year							31 December 2011
	Change in plan assets	Reclassification of derivatives	Fair value changes in profit and loss	Discounting	Exchange differences	Other movements	
	(C)	(D)	(E)	(F)	(G)	(H)	
		–	–	–	–	–	–
		–	–	–	–	–	–
		–	**–**	**–**	**–**	**–**	**–**
	1,704	–	(952)	–	1	–	2,925
	1,704	**–**	**(952)**	**–**	**1**	**–**	**2,925**
	–	–	(41,966)	–	–	6,066	83,575
	–	–	–	–	–	–	2,072
	–	–	–	–	–	(75)	77
	–	–	–	–	1	(197)	3,951
	–	–	–	70	13	159	4,304
	–	**–**	**(41,966)**	**70**	**14**	**5,953**	**93,979**

(3) Changes are due to the liquidity agreement with Natexis Bleichroder, a subsidiary of Natixis, signed in February 2007 and automatically renewed thereafter.
(4) Changes in other financial assets are mainly due to the accrued interests on the convertible bonds issued by Inspiration Biopharmaceuticals Inc. to the Group.
(5) Impairments in the item "Loans and receivables", except convertibles bonds (note 10.2), were immaterial and therefore not reported. The fair value of loans and receivables corresponds to the value reported in the balance sheet (value at the transaction date and then tested for impairment on each reporting date).

Movements during the year							31 December 2010
	Change in plan assets	Reclassification of derivatives	Fair value changes in profit and loss	Discounting	Exchange differences	Other movements	
	(C)	(D)	(E)	(F)	(G)	(H)	
		–	–	–	–	–	–
		–	–	–	–	–	–
		–	**–**	**–**	**–**	**–**	**–**
	(1,227)	–	–	–	15	–	2,172
	(1,227)	**–**	**–**	**–**	**15**	**–**	**2,172**
	–	–	–	–	–	–	74,184
	–	–	–	–	–	–	1,229
	–	–	–	–	1	–	152
	–	–	–	67	64	(7,306)	2,108
	–	–	–	–	10	351	3,970
	–	**–**	**–**	**67**	**75**	**(7,657)**	**81,643**

(4) At 31 December 2009, the Group paid €6.7 million ($10 million) for its equity investment in Inspiration Biopharmaceutical Inc. shares, transferred to the acquisition cost of the shares as of 31 December 2010 (see note 16.4.2).
(5) Impairments in the item "Loans and receivables" were immaterial and therefore not reported. The fair value of loans and receivables corresponds to the value reported in the balance sheet (value at the transaction date and then tested for impairment on each reporting date).

Other non-current assets in 2009 can be broken down as follows:

(in thousands of euros)	31 December 2008	Cash flows related to investing activities	Cash flows related to financing activities	
		(A)	(B)	
Conversion option of the convertible bonds	–	–	–	
Warrants	–	–	–	
Derivative instruments recorded at fair value	**–**	**–**	**–**	
Net assets of post-employment benefit plans (1)	3,810	–	–	
Non-current financial assets (financial assets at fair value)	**3,810**	**–**	**–**	
Convertible bonds (2)	–	2,000	–	
Liquidity agreement (3)	1,454	1,444	–	
Loans – non-consolidated companies	156	108	–	
Other financial assets (4)	1,474	7,629	–	
Deposits	4,955	(1,473)	–	
Other non-current assets (Loans, receivables and other) (5)	**8,039**	**9,708**	**–**	

(1) Employee benefits (see note 6.3.3.3).
(2) Changes in convertible bonds are mainly due to the Group subscription to Pharnext's issuance of convertible bonds.
(3) Changes are due to the liquidity agreement with Natexis Bleichroder, a subsidiary of Natixis, signed in February 2007 and automatically renewed thereafter.

Note 19 Working capital items

■ 19.1 Movements

Movements during 2011 can be broken down as follows:

(in thousands of euros)	31 December 2010	Change in w/cap related to operating activities	Change in w/cap related to investing activities	
		(A)	(B)	
Inventories	112,149	5,089	–	
Trade receivables	241,890	16,672	–	
Current tax assets	44,655	(5,664)	–	
Other current assets (see note 19.2.2)	62,917	12,390	(5,049)	
Loans and receivables (1)	**461,611**	**28,487**	**(5,049)**	
Current financial assets (see note 19.2.2)	49	–	–	
Financial assets held for trading (2)	**49**	**–**	**–**	
Trade payables	(140,671)	(9,421)	–	
Current tax liabilities	(6,565)	967	–	
Other current liabilities (see note 19.2.3)	(173,764)	21,430	(2,981)	
Other non-current liabilities (see note 19.2.3)	(198,998)	(9,829)	–	
Interest on other financial liabilities (see note 24.1 (D))	(612)	–	–	
Financial liabilities measured at amortised cost (3)	**(520,610)**	**3,147**	**(2,981)**	
Total	**(58,950)**	**31,634**	**(8,030)**	

(1) Impairment of "Loans and receivables" are not reported due to their immaterial nature. The fair value of "Loans and receivables" corresponds to the value reported in the balance sheet (value at the transaction date and then tested for impairment on each reporting date).
(2) Fair value of financial assets held for trading corresponds to their market value.
(3) The carrying amount of financial liabilities measured at amortised cost is deemed to be a reasonable estimation of fair value.

The changes in other non-current liabilities are due in part to the recording of "deferred income" of the payments received. Within the framework of the partnership agreements with Medicis, Galderma, Menarini and Inspiration Biopharmaceuticals Inc., the milestone payments received by the Group for these contracts are recognised on a straight line basis over the life of the contracts. The portion unrecognised as income is recorded as "other non-current liabilities" if realised after 12 months and in "other current liabilities" if realised within one year.

Movements during the year						31 December 2009
Change in plan assets	Reclassification of derivatives	Fair value changes in profit and loss	Discounting	Exchange differences	Other movements	
(C)	(D)	(E)	(F)	(G)	(H)	
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	**–**	**–**	**–**	**–**	**–**
(435)	–	–	–	9	–	3,384
(435)	**–**	**–**	**–**	**9**	**–**	**3,384**
–	–	–	–	–	–	2,000
–	–	–	–	–	–	2,898
–	–	–	–	–	(113)	151
–	–	–	–	5	(779)	8,329
–	–	–	65	–	853	4,400
–	**–**	**–**	**65**	**5**	**(39)**	**17,778**

(4) Changes in other financial assets are mainly due to the advance against securities of $10 million (€6.7 million) given by the Group under the partnership between the Group and Biopharmaceuticals Inc..

(5) Impairments in the item "Loans and receivables" were immaterial and therefore not reported. The fair value of loans and receivables corresponds to the value reported in the balance sheet (value at the transaction date and then tested for impairment on each reporting date).

Movements during the year					31 December 2011
Change in w/cap related to financing activities	Changes in consolidation scope	Exchange differences	Fair value changes in profit and loss	Other movements	
(C)	(D)	(E)	(F)	(G)	
–	–	791	–	(195)	117,834
–	–	659	–	153	259,374
–	–	135	–	–	39,126
111	–	647	–	384	71,400
111	**–**	**2,232**	**–**	**342**	**487,734**
–	–	–	(40)	–	9
–	**–**	**–**	**(40)**	**–**	**9**
–	–	(686)	–	973	(149,805)
–	–	(9)	–	–	(5,607)
(252)	–	1,062	–	(26,840)	(181,345)
–	–	(1,719)	–	27,271	(183,275)
(416)	–	–	–	430	(598)
(668)	**–**	**(1,352)**	**–**	**1,834**	**(520,630)**
(557)	**–**	**880**	**(40)**	**2,176**	**(32,887)**

The Group was led to recognise additional impairment losses on certain Greek, Spanish, Italian and Portuguese public hospitals accounts receivables respectively up to €1.6 million, €0.7 million, €0.4 million and €1.5 million, mainly due to significant delays in payment.

The portion of the past due into the total trade receivables in gross value correspond to €66.6 million at 31 December 2011.

(in thousands of euros)	Trade receivables – gross value	Trade < 3 months	Trade from 3 to 6 months	Trade from 6 to 12 months	Trade > 12 months
2011	66,577	20,527	16,747	14,404	14,899

Movements during 2010 can be broken down as follows:

(in thousands of euros)	31 December 2009	Change in w/cap related to operating activities	Change in w/cap related to investing activities	
		(A)	(B)	
Inventories	102,970	4,702	–	
Trade receivables	223,105	14,830	–	
Current tax assets	55,966	(11,442)	–	
Other current assets (see note 19.2.2)	50,575	10,236	(764)	
Loans and receivables (1)	**432,616**	**18,326**	**(764)**	
Current financial assets (see note 19.2.2)	1,162	–	–	
Financial assets held for trading (2)	**1,162**	**–**	**–**	
Trade payables	(122,647)	(16,811)	–	
Current tax liabilities	(4,030)	(2,798)	–	
Other current liabilities (see note 19.2.3)	(157,338)	8,206	11,146	
Other non-current liabilities (see note 19.2.3)	(211,771)	(12,329)	–	
Interest on other financial liabilities (see note 24.1 (D))	(667)	–	–	
Financial liabilities measured at amortised cost (3)	**(496,453)**	**(23,732)**	**11,146**	
Total	**(62,675)**	**(5,406)**	**10,382**	

(1) Impairment of "Loans and receivables" are not reported due to their immaterial nature. The fair value of "Loans and receivables" corresponds to the value reported in the balance sheet (value at the transaction date and then tested for impairment on each reporting date).
(2) Fair value of financial assets held for trading corresponds to their market value.
(3) The carrying amount of financial liabilities measured at amortised cost is deemed to be a reasonable estimation of fair value.

The changes in other non-current liabilities are due in part to the recording of deferred income on the payments received within the framework of the partnership agreements with Medicis, Recordati, Galderma, Roche, Menarini and Inspiration Biopharmaceuticals Inc.. The income generated by these contracts is recognised on a straight line basis over the life of the contracts, the portion unrecognised as income is recorded as "Other non-current liabilities" if realised after 12 months, and in "Other current liabilities" if realised within 12 months.

Moreover, concerning the partnership with Roche, the latter informed the Group on 31 January 2011 of its decision to return taspoglutide leading to the accelerated recognition in 2010 of deferred revenues under this agreement, consisting of milestone payments related to the development of taspoglutide for a non-recurring, non-cash profit of €48.7 million.

Movements during 2009 can be broken down as follows:

(in thousands of euros)	31 December 2008 (*)	Change in w/cap related to operating activities	Change in w/cap related to investing activities	
		(A)	(B)	
Inventories	115,782	(12,232)	–	
Trade receivables	217,845	3,539	–	
Current tax assets	49,509	6,121	–	
Other current assets (see note 19.2.2)	63,383	(9,793)	(1,976)	
Loans and receivables (1)	**446,519**	**(12,365)**	**(1,976)**	
Current financial assets (see note 19.2.2)	2,528	–	–	
Financial assets held for trading (2)	**2,528**	**–**	**–**	
Trade payables	(103,835)	(18,390)	–	
Current tax liabilities	(36,315)	32,366	–	
Other current liabilities (see note 19.2.3)	(156,345)	24,480	(2,450)	
Other non-current liabilities (see note 19.2.3)	(142,560)	(90,973)	–	
Interest on other financial liabilities (see note 24.1 (D))	(2,669)	–	–	
Financial liabilities measured at amortised cost (3)	**(441,724)**	**(52,517)**	**(2,450)**	
Total	**7,323**	**(64,882)**	**(4,426)**	

(*) The information presented above as at 31 December 2008 has been restated to account for the purchase price accounting impact related to the Group's transaction with Tercica Inc. and Vernalis Inc.. The reconciliation to the previously disclosed consolidated balance sheet as at 31 December 2008 is included in note 13.4.

Movements during the year					31 December 2010
Change in w/cap related to financing activities	Changes in consolidation scope	Exchange differences	Fair value changes in profit and loss	Other movements	
(C)	(D)	(E)	(F)	(G)	
–	–	4,442	–	35	112,149
–	–	3,957	–	(2)	241,890
–	–	131	–	–	44,655
1	–	969	–	1,900	62,917
1	**–**	**9,499**	**–**	**1,933**	**461,611**
–	–	3	(1,116)	–	49
–	**–**	**3**	**(1,116)**	**–**	**49**
–	–	(1,715)	–	502	(140,671)
–	–	(408)	–	671	(6,565)
(103)	–	(4,528)	–	(31,147)	(173,764)
–	–	(6,900)	–	32,002	(198,998)
(412)	–	–	–	467	(612)
(515)	**–**	**(13,551)**	**–**	**2,495**	**(520,610)**
(514)	**–**	**(4,049)**	**(1,116)**	**4,428**	**(58,950)**

The Group was led to post impairment losses on certain Greek, Spanish, Italian and Portuguese accounts receivables for respectively €1.9 million, €0.4 million, €2.8 million and €0.2 million resulting from notably significant delays for paying from states organisation in these countries.

The portion of the past due into the total trade receivables in gross value correspond to €78.9 million at 31 December 2010.

(in thousands of euros)	Trade receivables – gross value	Trade < 3 months	Trade from 3 to 6 months	Trade from 6 to 12 months	Trade > 12 months
2010	78,907	36,702	11,310	13,809	17,086

Movements during the year					31 December 2009
Change in w/cap related to financing activities	Changes in consolidation scope	Exchange differences	Fair value changes in profit and loss	Other movements	
(C)	(D)	(E)	(F)	(G)	
–	–	119	–	(699)	102,970
–	–	1,818	–	(97)	223,105
–	–	336	–	–	55,966
(226)	–	297	–	(1,110)	50,575
(226)	**–**	**2,570**	**–**	**(1,906)**	**432,616**
–	–	5	(1,371)	–	1,162
–	**–**	**5**	**(1,371)**	**–**	**1,162**
–	–	(704)	–	282	(122,647)
–	–	(81)	–	–	(4,030)
(171)	–	(1,069)	–	(21,783)	(157,338)
–	–	(3,530)	–	25,292	(211,771)
1,340	–	–	–	662	(667)
1,169	**–**	**(5,384)**	**–**	**4,453**	**(496,453)**
943	**–**	**(2,809)**	**(1,371)**	**2,547**	**(62,675)**

(1) Impairment of "Loans and receivables" are not reported due to their immaterial nature. The fair value of "Loans and receivables" corresponds to the value reported in the balance sheet (value at the transaction date and then tested for impairment on each reporting date).
(2) Fair value of financial assets held for trading corresponds to their market value.
(3) The carrying amount of financial liabilities measured at amortised cost is deemed to be a reasonable estimation of fair value.

The changes in other non-current liabilities are due in part to the recording of deferred income on the payments received within the framework of the partnership agreements with Medicis, Recordati, Galderma, Roche and Menarini. The income generated by these contracts is recognised on a straight line basis over the life of the contracts, the portion unrecognised as income is recorded as "Other non-current liabilities" if realised after 12 months, and in "Other current liabilities" if realised within 12 months.

The portion of the past due into the total trade receivables in gross value correspond to €60.3 million at 31 December 2009.

(in thousands of euros)	Trade receivables – gross value	Trade < 3 months	Trade from 3 to 6 months	Trade from 6 to 12 months	Trade > 12 months
2009	60,313	24,630	11,811	9,954	13,918

19.2 Breakdown

19.2.1 Inventories

(in thousands of euros)	31 December 2011	31 December 2010	31 December 2009
Raw materials and supplies	36,978	41,746	34,595
Work in progress	32,543	23,321	13,803
Finished goods	48,313	47,082	54,572
Stocks nets	**117,834**	**112,149**	**102,970**

19.2.2 Other current assets and current financial assets

(in thousands of euros)	31 December 2011	31 December 2010	31 December 2009
Advance payments to suppliers	8,292	8,506	7,795
Receivables related to the sale of non-current assets	18	5,067	5,192
VAT recoverable	22,820	21,293	17,683
Other assets	27,344	13,431	7,383
Prepayments	12,926	14,620	12,522
Total current assets (loans and receivables) (1)	**71,400**	**62,917**	**50,575**
Derivative financial instruments	9	49	1,162
Total current financial assets (financial assets held for trading) (2)	**9**	**49**	**1,162**

(1) Impairment of "Loans and receivables" were immaterial and therefore not reported. The fair value of loans and receivables corresponds to the value reported in the balance sheet (value at the transaction date and then tested for impairment on each reporting date).
(2) Fair value of financial assets held for trading corresponds to their market value.

19.2.3 Other current and non-current liabilities

(in thousands of euros)	31 December 2011	31 December 2010	31 December 2009
VAT payable	13,061	10,853	9,220
Other current tax liabilities	5,330	7,895	5,634
Employment-related liabilities	91,953	85,849	69,981
Amounts due to non-current asset suppliers	18,839	15,950	26,496
Other liabilities	22,588	25,221	16,915
Deferred income	29,574	27,996	29,092
Total other current liabilities (financial liabilities measured at amortised cost)	**181,345**	**173,764**	**157,338**
Non-current deferred income	183,275	198,998	211,771
Total other non-current liabilities (financial liabilities measured at amortised cost) (1)	**183,275**	**198,998**	**211,771**

(1) The carrying amount of financial liabilities measured at amortised cost is deemed to be a reasonable estimation of fair value.

Changes in other non-current liabilities and other current liabilities are broken down in note 19.1.

Note 20 Cash and cash equivalents

20.1 Net cash and cash equivalents

20.1.1 Opening net cash and cash equivalents

(in thousands of euros)	Consolidated balance sheet at 1 January 2011	Consolidated balance sheet at 1 January 2010	Consolidated balance sheet at 1 January 2009
Cash and cash equivalents – assets	178,118	218,584	239,584
Bank overdrafts – liabilities	(190)	(13,183)	(2,259)
Opening net cash and cash equivalents	**177,928**	**205,401**	**237,325**

20.1.2 Closing net cash and cash equivalents

(in thousands of euros)	Consolidated balance sheet at 31 December 2011	Consolidated balance sheet at 31 December 2010	Consolidated balance sheet at 31 December 2009
Cash and cash equivalents – assets	145,007	178,118	218,584
Bank overdrafts – liabilities	(176)	(190)	(13,183)
Closing net cash and cash equivalents	**144,831**	**177,928**	**205,401**

20.2 Cash and cash equivalents

At 31 December 2011, 2010, and 2009 the Group's cash and cash equivalents on-hand included the following:

(in thousands of euros)	31 December 2011	31 December 2010	31 December 2009
Financial assets held for trading – French SICAV/Euro money market UCITS – Certificates of deposit (with a maturity date of less than 3 months)	92,292 –	127,256 –	177,730 –
Loans and receivables: – Interest-bearing deposits	414	412	598
Cash	52,301	50,450	40,256
Cash and cash equivalents	**145,007**	**178,118**	**218,584**

The short-term investments include investments in monetary mutual funds (mostly money market UCITS or similar funds) which are carried at fair value (market value).

Short-term investments held at 31 December 2011 are saleable immediately, subject to 24 hours' notice maximum. No interest-bearing deposits held at 31 December 2011 matured later than the end of January 2012.

Note 21 Liquidity risk and counterparty risk

The Group's policy is to diversify its business counterparties so as to avoid the risks associated with excessive concentration and to make a qualitative decision in choosing these counterparties. In addition, the Group monitors the credit risks associated with the financial instruments in which it invests and limits its investments according to the credit rating of its business counterparties. These funds are managed by the Group and are mainly invested in money-market UCITS. The Group invests its surpluses in short-term money-market financial instruments negotiated with counterparties whose credit ratings are at least A-1 (Standard & Poors) and P-1 (Moody's).

Note 22 Consolidated equity

22.1 Share capital

At 31 December 2011, Ipsen's share capital was comprised of 84,226,573 shares each with a nominal value of €1, including 57,365,810 with double voting rights compared with 84,196,213 shares each with a nominal value of €1, including 57,352,046 with double voting rights at 31 December 2010 and compared with 84,127,760 shares with a nominal value of €1, including 61,380,230 with double voting rights at 31 December 2009.

The changes were as follows:

- For 2011, the definitive allocation of 22,860 bonus shares in connection with the plan dated 22 January 2009 for French tax resident beneficiaries at the end of the vesting period, the definitive allocation of 2,500 bonus shares in connection with the plan dated 10 November 2009, the definitive allocation of 1,000 bonus shares to a foreign tax resident and after the achievement of requisite performance conditions, and the vesting period in connection with the plan dated 12 December 2007 and the exercising of 4,000 stock options as part of the 14 November 2005 stock option plan for which the vesting date is 6 December 2009.
- For 2010, the definitive allocation of 18,600 bonus shares under the 29 September 2008 plan for French tax resident beneficiaries at the end of the vesting period (see note 6.4.3), the definitive allocation of 30 bonus shares under the 22 January 2009 plan upon the death of a French tax resident beneficiary (see note 6.4.3), the definitive allocation of 1,500 bonus shares under the 12 December 2006 for a foreign tax resident beneficiary at the end of the vesting period and at the exercising of 48,323 options under the stock options plan of 14 November 2005 for which the vesting date was 6 December 2009 (see note 6.4.2).
- For 2009, the definitive allocation of 4,500 bonus shares under the stock options plan of 14 November 2005 for foreign tax residents beneficiaries at the end of the vesting period (see note 6.4.3), of 8,000 bonus shares under the 30 May 2007 plan at the end of the vesting period (see note 6.4.3), of 8,000 bonus shares under the 12 December 2007 plan after the achievement of requisite performance conditions and at the end of the vesting period (see note 6.4.3) and at the exercising of 47,577 options between 7 December and 31 December 2009 under the stock options plan of 14 November 2005 for which the vesting date was 6 December 2009 (see note 6.4.2).

22.2 Equity attributable to Ipsen shareholders

The following is a breakdown of the various components of consolidated equity including retained earnings per period:

(in thousands of euros)	31 December 2011	31 December 2010	31 December 2009
Ipsen share capital	84,227	84,196	84,128
Share premium	29,809	29,809	29,809
Issue premium	681,303	681,219	680,194
Ipsen statutory reserve	44,686	44,686	44,686
Other Ipsen reserves	153,188	153,214	153,235
Other consolidated reserves and retained earnings	19,624	84,066	(9,428)
Total	**1,012,837**	**1,077,190**	**982,624**

22.3 Basic earnings per share

A basic earnings per share is calculated on the weighted average number of shares outstanding during the year (see note 4.33).

Movements in the number of outstanding shares over the three periods reported are shown in note 22.5.

22.3.1 Basic earnings per share, continuing operations

		31 December 2011	31 December 2010	31 December 2009
Basic earnings per share continuing operations – attributable to Ipsen shareholders (in thousands of euros) (note 2.1.1)	(a)	(256)	95,271	156,131
Average number of shares outstanding during the year	(b)	84,512,079	84,379,443	84,303,607
Basic earnings per share continuing operations (in euros)	**(a) / (b)**	**–**	**1.13**	**1.85**

22.3.2 Basic earnings per share discontinued operations

		31 December 2011	31 December 2010	31 December 2009
Basic earnings per share, continuing operations – attributable to Ipsen shareholders (in thousands of euros) (note 2.1.1)	(a)	680	–	453
Average number of shares outstanding during the year	(b)	84,512,079	84,379,443	84,303,607
Basic earnings per share, discontinued operations (in euros)	**(a) / (b)**	**0.01**	**–**	**0.01**

22.3.3 Basic earnings per share

		31 December 2011	31 December 2010	31 December 2009
Basic earnings per share – attributable to Ipsen shareholders (in thousands of euros) (note 2.1.1)	(a)	424	95,271	156,584
Average number of shares outstanding during the year	(b)	84,512,079	84,379,443	84,303,607
Basic earnings per share (in euros)	**(a) / (b)**	**0.01**	**1.13**	**1.86**

22.4 Diluted earnings per share

Stock options plans

The Mayroy stock option plans granted by the company Mayroy are not dilutive.

The stock option plan granted by Ipsen on 14 December 2005 is dilutive at 31 December 2011, 31 December 2010 and 31 December 2009. In addition to year 2009, the stock option plans of 30 March 2009 and of 12 December 2006 (slice 1.1, 2 and 3) are dilutive too.

All the stock options plans were relutive at 31 December 2011, except for the plan of 14 November 2005 but could be potentially dilutive in case of the future appreciation of the market price of Ipsen.

There were no share transactions occurred after 31 December 2011 that would have significantly modify the number of shares used in calculating the earnings per share and the diluted earnings per share.

Bonus shares

At 31 December 2011, the bonus shares for the 12 December 2007 (foreign tax residents beneficiaries), for the 29 September 2008 (Foreign tax residents beneficiaries), 22 January 2009 (French and foreign tax residents beneficiaries), 30 March 2009 (foreign tax residents beneficiaries), 10 November 2009 plans (French tax residents beneficiaries), 31 March 2010 plan (French and foreign tax residents beneficiaries excluding Executive Committee) and 30 June 2011 (French and foreign tax residents beneficiaries), which are free of performance conditions are included in the calculation of the average weighted number of shares for basic earnings per share and are therefore included in the diluted earnings.

The bonus shares for the plans of 10 November 2009 and 31 March 2010 related to the change of Chairman for which the allocation became definitive for the 2010 business year owing to the achievement of corresponding performance conditions and/or the end of the vesting period, are included in the calculation of the average weighted number of shares for basic earnings per share are therefore included the in diluted earnings.

The allotment of bonus shares for the 31 March 2010 (for 13,750 bonus shares) and 30 June 2011 (for 27,331 bonus shares) are contingent upon the Group's achievement of certain conditions and/or market conditions and therefore these shares are not included in the diluted earnings.

At 31 December 2010, the bonus shares for the 29 September 2008 (French and foreign tax residents beneficiaries), 22 January 2009 (French and foreign tax residents beneficiaries), 30 March 2009 (foreign tax residents beneficiaries), 10 November 2009 plans (French tax residents beneficiaries – for 2,500 bonus shares) and 31 March 2010 plan (French and foreign tax residents beneficiaries – 74,900 bonus shares) which are free of performance conditions are included in the calculation of the average weighted number of shares for basic earnings per share and are therefore included in the diluted earnings.

The allotment of bonus shares for the 27 February 2009 (for 18,000 bonus shares) and 31 March 2010 (for 13,750 bonus shares) are contingent upon the Group's achievement of certain conditions and/or market conditions and therefore these shares are not included in the diluted earnings.

Finally, the bonus shares for the plans of 12 December 2006 (foreign tax residents beneficiaries), 27 February 2009 (change of Chairman), 10 November 2009 (change of Chairman) and 31 March 2010 (change of Chairman) for which the allocation became definitive for the 2010 business year owing to the achievement of corresponding performance conditions and/or the end of the vesting period, are included in the calculation of the average weighted number of shares for basic earnings per share are therefore included the in diluted earnings.

The adjustment presented corresponds to the retroactive impact as of 1 January 2010 exercising of options in 2011 concerning the stock options plan of 14 November 2005 and the bonus shares plans of 12 December 2007 (foreign tax residents beneficiaries).

At 31 December 2009, the bonus shares for the 29 September 2008 (French and foreign tax residents beneficiaries), 22 January 2009 (French and foreign tax residents beneficiaries), 30 March 2009 (foreign tax residents beneficiaries) and 10 November 2009 plans (French tax residents beneficiaries – for 2,500 bonus shares) which are free of performance conditions are included in the calculation of the average weighted number of shares for basic earnings per share and are therefore included in the diluted earnings.

The allotment of bonus shares for the 27 February 2009 (French and foreign tax residents beneficiaries) and 10 November 2009 plans (French tax residents beneficiaries – for 11,000 bonus shares) are contingent upon the Group's achievement of certain conditions and/or market conditions and therefore these shares were not included in the diluted earnings.

The adjustment presented corresponds to the retroactive impact as of 1 January 2009 of the exercising of options in 2011 and 2010 concerning, the achievement of conditions and/or the end of the vesting period of the stock options plan of 14 November 2005 and the bonus shares plans of 12 December 2006 (foreign tax residents beneficiaries), 22 January 2009 (French tax resident deceased beneficiary), and 10 November 2009 (change of Chairman).

22.4.1 Diluted earnings on continuing operations

		31 December 2011	31 December 2010	31 December 2009
Diluted earnings on continuing operations – attributable to Ipsen shareholders (in thousands of euros) (note 2.1.1)	(a)	(256)	95,271	156,131
Average number of shares outstanding during the year	(b)	84,524,434	84,428,051	84,329,880
Diluted earnings on continuing operations – attributable to Ipsen shareholders (in euros)	**(a) / (b)**	**–**	**1.13**	**1.85**

22.4.2 Diluted earnings per share, discontinued operations

		31 December 2011	31 December 2010	31 December 2009
Diluted earnings on discontinued operations – attributable to Ipsen shareholders (in thousands of euros) (note 2.1.1)	(a)	680	–	453
Average number of shares outstanding during the year	(b)	84,524,434	84,428,051	84,329,880
Diluted earnings on discontinued operations – attributable to Ipsen shareholders (in euros)	**(a) / (b)**	**0.01**	**–**	**0.01**

22.4.3 Diluted earnings per share

		31 December 2011	31 December 2010	31 December 2009
Diluted earnings – attributable to Ipsen shareholders (in thousands of euros) (note 2.1.1)	(a)	424	95,271	156,584
Average number of shares outstanding during the year	(b)	84,524,434	84,428,051	84,329,880
Diluted earnings – attributable to Ipsen equity holders (in euros)	**(a) / (b)**	**0.01**	**1.13**	**1.86**

22.5 Weighted average number of shares outstanding

22.5.1 Weighted average number of shares outstanding to calculate basic earnings per share

22.5.1.1 Weighted average number of shares at 31 December 2011

	31 December 2011
Number of ordinary shares at 31 December 2010	**84,196,213**
Treasury shares (weighted average number)	16,141
Impact of bonus shares – 12 December 2007 plan – Foreign tax residents beneficiaries (1) – without performance conditions	1,000
Impact of bonus shares – 29 September 2008 plan – Foreign tax residents beneficiaries (1) – without performance conditions	10,300
Impact of bonus shares – 22 January 2009 plan – French tax residents beneficiaries (1) – without performance conditions	22,860
Impact of bonus shares – 22 January 2009 plan – French tax residents beneficiaries (1) – without performance conditions	34,740
Impact of bonus shares – 30 March 2009 plan – Foreign tax residents beneficiaries (1) – without performance conditions	14,440
Impact of bonus shares – 10 November 2009 plan – French tax residents beneficiaries (1) – Change of Chairman	11,000
Impact of bonus shares – 10 November 2009 plan – French tax residents beneficiaries (1) – without performance conditions	2,500
Impact of bonus shares – 31 March 2010 plan – French tax residents beneficiaries (1) – Change of Chairman	4,490
Impact of bonus shares – 31 March 2010 plan – Foreign tax residents beneficiaries except United-States (1) – without performance conditions	43,280
Impact of bonus shares – 31 March 2010 plan – Foreign tax residents beneficiaries (United-States) (1) – without performance conditions	24,760
Impact of bonus shares – 30 June 2011 plan – French tax residents beneficiaries (1) – without performance conditions	72,240
Impact of bonus shares – 22 January 2009 plan – Foreign tax residents beneficiaries (1) – without performance conditions	54,115
Impact of options exercised between 1 January and 30 June 2011 – Stock option plan of 14 November 2005 (2)	4,000
Weighted average number of shares outstanding at 31 December 2011	**84,512,079**

(1) See notes 6.4.3 and 22.4.
(2) See notes 6.4.2 and 22.4.

22.5.1.2 Weighted average number of shares at 31 December 2010

	31 December 2010 (adjusted)	31 December 2010
Number of ordinary shares at 31 December 2009	**84,127,760**	**84,127,760**
Treasury shares (weighted average number)	(47,450)	(47,450)
Impact of bonus shares – 12 December 2006 plan – Foreign tax residents beneficiaries [1] – performance conditions achieved	1,500	1,500
Impact of bonus shares – 29 September 2008 plan – Foreign tax residents beneficiaries [1] – without performance conditions	10,300	11,550
Impact of bonus shares – 29 September 2008 plan – French tax residents beneficiaries [1] – without performance conditions	18,600	18,600
Impact of bonus shares – 22 January 2009 plan – French tax residents beneficiaries [1] – without performance conditions	49,530	49,530
Impact of bonus shares – 22 January 2009 plan – French tax resident deceased beneficiary [1] – without performance conditions	30	30
Impact of bonus shares – 22 January 2009 plan – Foreign tax residents beneficiaries [1] – without performance conditions	34,740	44,670
Impact of bonus shares – 27 February 2009 plan – French tax residents beneficiaries [1] – Change of Chairman	–	11,000
Impact of bonus shares – 30 March 2009 plan – Foreign tax residents beneficiaries [1] – without performance conditions	14,440	21,040
Impact of bonus shares – 10 November 2009 plan – French tax residents beneficiaries [1] – Change of Chairman	11,000	11,000
Impact of bonus shares – 10 November 2009 plan – French tax residents beneficiaries [1] – without performance conditions	2,500	2,500
Impact of bonus shares – 31 March 2010 plan – French tax residents beneficiaries [1] – Change of Chairman	4,490	4,490
Impact of bonus shares – 31 March 2010 plan – French tax residents beneficiaries [1] – without performance conditions	43,280	45,790
Impact of bonus shares – 31 March 2010 plan – Foreign tax residents beneficiaries [1] – without performance conditions	24,760	29,110
Impact of options exercised between 1 January and 31 December 2010 – Stock option plan of 14 November 2005 [2]	48,323	48,323
Adjustment [2]	251,698	–
Weighted average number of shares outstanding at 31 December 2010	**84,595,502**	**84,379,443**

(1) See notes 6.4.3 and 22.4.
(2) See notes 6.4.2 and 22.4.

22.5.1.3 Weighted average number of shares at 31 December 2009

	31 December 2009 (adjusted)	31 December 2009
Number of ordinary shares at 31 December 2008	**84,059,683**	**84,059,683**
Treasury shares (weighted average number)	(1,023)	(1,023)
Impact of bonus shares – 14 November 2005 plan – Foreign tax residents beneficiaries [1] – performance conditions achieved	4,500	4,500
Impact of bonus shares – 30 May 2007 plan – French tax residents beneficiaries [1] – without performance conditions	8,000	8,000
Impact of bonus shares – 12 December 2007 plan – French tax residents beneficiaries([1] – without performance conditions	1,000	1,000
Impact of bonus shares – 12 December 2007 plan – French tax residents beneficiaries [1] – with performance conditions	8,000	24,000
Impact of bonus shares – 29 September 2008 plan – Foreign tax residents beneficiaries [1] – without performance conditions	10,300	13,300
Impact of bonus shares – 29 September 2008 plan – French tax residents beneficiaries [1] – without performance conditions	18,600	19,800
Impact of bonus shares – 22 January 2009 plan – French tax residents beneficiaries [1] – without performance conditions	49,530	54,870
Impact of bonus shares – 22 January 2009 plan – Foreign tax residents beneficiaries [1] – without performance conditions	34,740	44,670
Impact of bonus shares – 30 March 2009 plan – Foreign tax residents beneficiaries [1] – without performance conditions	14,440	24,730
Impact of bonus shares – 10 November 2009 plan – French tax residents beneficiaries [1] – without performance conditions	2,500	2,500
Impact of options exercised between 7 December and 31 December 2009 – stock options plan of 14 November 2005 [3]	47,577	47,577
Adjustment [4]	244,112	–
Weighted average number of shares outstanding at 31 December 2009	**84,501,959**	**84,303,607**

(1) See notes 6.4.3 and 22.4.
(2) Balance through incorporation of reserves.
(3) See notes 6.4.2 and 22.4.
(4) See note 22.4.

22.5.2 Weighted average number of shares outstanding to calculate diluted earnings per share

22.5.2.1 Weighted average number of shares at 31 December 2011

	31 December 2011
Weighted average number of shares outstanding at 31 December 2011 used to determine the basic earnings per share	84,512,079
Dilutive effect of stock options	12,355
Weighted average number of shares outstanding at 31 December 2011	**84,524,434**

22.5.2.2 Weighted average number of shares at 31 December 2010

	31 December 2010 (adjusted)	31 December 2010
Weighted average number of shares outstanding at 31 December 2010 used to determine the basic earnings per share	84,595,502	84,379,443
Dilutive effect of stock options	48,608	48,608
Weighted average number of shares outstanding at 31 December 2010	**84,644,110**	**84,428,051**

22.5.2.3 Weighted average number of shares at 31 December 2009

	31 December 2009 (adjusted)	31 December 2009
Weighted average number of shares outstanding at 31 December 2009 used to determine the basic earnings per share	84,501,959	84,303,607
Dilutive effect of stock options	26,273	26,273
Weighted average number of shares outstanding at 31 December 2009	**84,528,232**	**84,329,880**

22.6 Dividends paid

Dividends paid by Ipsen are as follows:

	December 2011	December 2010	December 2009
Dividend payout (in euros)	66,519,380	62,273,344	58,032,925
Number of shares on the payment date	83,149,225	83,031,125	82,904,179
Dividend per share (in euros)	0.80	0.75	0.70

Note 23 Provisions

23.1 Movements

Movements in 2011 can be broken down as follows:

(in thousands of euros)	31 December 2010	Movements during the year						31 December 2011
		Changes in consolidation scope	Charges	Reversals		Exchange differences	Other movements	
				Applied	Released			
Business and operating risks	1,389	–	33	(391)	–	1	–	1,032
Legal risks	19,613	–	13,787	(3,621)	(7,321)	1	–	22,459
Restructuring	124	–	21,759	–	–	698	–	22,581
Other	6,088	–	1	(18)	(2,004)	8	–	4,075
Total provisions	**27,214**	**–**	**35,580**	**(4,030)**	**(9,325)**	**708**	**–**	**50,147**
– of which current	3,665	–	22,774	(1,877)	(794)	696	–	24,464
– of which non-current	23,549	–	12,806	(2,153)	(8,531)	12	–	25,683

At 31 December 2011, provisions can be broken down as follows:

Business and operating risks

These provisions include certain risks of an economic nature reflecting the costs that the Group could be brought to bear to resolve various disagreements of commercial origin whose individual impact is limited.

Legal risks

These provisions include:

- €13.3 million for the risk of tax reassessment in the Group's various subsidiaries and additional taxes which the Group may be required to pay;
- €4.1 million for costs that the Group may incur related to corporate litigation;
- €5.1 million for various other legal risks.

Restructuring costs

These provisions corresponding to restructuring costs as part of the strategic review implemented by the Group in 2011: the closure of the Barcelona Research and Development site for a total of €11.4 million (see note 1.2.1) and the transfer of the American site from the West Coast to the East Coast for a total of €11.2 million (see note 1.2.2).

Other

Under the grouping of all sites on the new Paris headquarters in Boulogne-Billancourt in 2008, a provision of €3.8 million was accounted for covering the difference in rents for the areas not used by the Group between the estimated market price based on the sublease actually signed and the amounts owed by the Group under its lease contract.

The maturity dates of the above-mentioned provisions cannot be determined at this time. If a maturity date may be reasonably ascertained for material cases, investors are informed within the framework of the Group's financial disclosures.

Movements in 2010 can be broken down as follows:

(in thousands of euros)	31 December 2009	Movements during the year						31 December 2010
		Changes in consolidation scope	Charges	Reversals		Exchange differences	Other movements	
				Applied	Released			
Business and operating risks	9,598	–	274	(171)	(9,293)	355	626	1,389
Legal risks	24,421	–	8,359	(7,037)	(6,144)	–	14	19,613
Restructuring	293	–	–	(193)	–	–	24	124
Other	5,734	–	456	(120)	–	–	18	6,088
Total provisions	**40,046**	**–**	**9,089**	**(7,521)**	**(15,437)**	**355**	**682**	**27,214**
– of which current	2,621	–	2,767	(1,950)	(153)	355	25	3,665
– of which non-current	37,425	–	6,322	(5,571)	(15,284)	–	657	23,549

At 31 December 2010, provisions can be broken down as follows:

Business and operating risks

These provisions concern business risks that the Group may incure to resolve various commercial disputes with a limited individual impact. As 1 January 2010, these provision were composed of a contingent liability within the framework of the final allocation of goodwill related to the takeover of Tercica Inc. (see note 13.2) for €8.2 million, withdrawn at 31 December 2010 because the necessary conditions for payment are considered to be hard to be achieved by the Group.

Legal risks

These provisions include:

- €12.6 million, for the risk of tax reassessment in the Group's various subsidiaries and additional taxes which the Group may be required to pay ;
- €3.7 million for costs that the Group may incur related to corporate litigation;
- €3.3 million for various other legal risks.

Restructuring costs

These provisions correspond to restructuring costs related to the Group's North American acquisitions.

Other

Under the grouping of all sites on the new Paris headquarters in Boulogne-Billancourt in 2008, a provision of €5.8 million was accounted for covering the difference in rents for the areas not used by the Group between the estimated market price based on the sublease actually signed and the amounts owed by the Group under its lease contract.

The maturity dates of the above-mentioned provisions cannot be determined at this time. If a maturity date may be reasonably ascertained for material cases, investors are informed within the framework of the Group's financial disclosures.

Movements in 2009 can be broken down as follows:

(in thousands of euros)	31 December 2008 (*)	Movements during the year						31 December 2009
		Changes in consolidation scope	Charges	Reversals		Exchange differences	Other movements	
				Applied	Released			
Business and operating risks	10,290	–	960	(142)	(1,329)	–	(181)	9,598
Legal risks	27,811	–	6,106	(4,407)	(5,299)	209	1	24,421
Restructuring	3,085	–	–	(2,792)	–	–	–	293
Other	2,505	–	3,335	(108)	–	–	2	5,734
Total provisions	**43,691**	**–**	**10,401**	**(7,449)**	**(6,628)**	**209**	**(178)**	**40,046**
– of which current	8,952	–	1,699	(5,521)	(2,504)	–	(5)	2,621
– of which non-current	34,739	–	8,702	(1,928)	(4,124)	209	(173)	37,425

(*) The information presented above as at 31 December 2008 has been restated to account for the purchase price accounting impact related to the Group's transaction with Tercica Inc. and Vernalis Inc.. The reconciliation to the previously disclosed consolidated balance sheet as at 31 December 2008 is included in note 13.4.

At 31 December 2009, provisions can be broken down as follows:

Business and operating risks

These provisions are for the recognition of a contingent liability within the framework of the final allocation of goodwill related to the takeover of Tercica Inc. (see note 13.2) for €8.2 million as well as business risks that the Group may incur to resolve various commercial disputes with a limited individual impact.

Legal risks

These provisions include:

- €17.4 million for the risk of tax reassessment in the Group's various subsidiaries and additional taxes which the Group may be required to pay;
- €2.5 million for costs that the Group may incur related to corporate litigation;
- €4.5 million for various other legal risks.

Restructuring costs

These provisions correspond to restructuring costs related to the Group's North American acquisitions.

Other

These provisions are mainly for charges related to premises remaining vacant.

The maturity dates of the above-mentioned provisions cannot be determined at this time. If a maturity date may be reasonably ascertained for material cases, investors are informed within the framework of the Group's financial disclosures.

23.2 Impact on consolidated income in 2011

(in thousands of euros)	Charges	Released	Net impact
Operating income	31,670	(9,325)	26,255
Other financial income and expense	–	–	–
Tax	3,910	–	–
Net income (Expense [+] / Income[–])	**35,580**	**(9,325)**	**26,255**

23.3 Impact on consolidated income in 2010

(in thousands of euros)	Charges	Released	Net impact
Operating income	9,089	(17,957)	(3,828)
Other financial income and expense	–	2,520	(2,520)
Net income (Expense [+] / Income[–])	**9,089**	**(15,437)**	**(6,348)**

23.4 Impact on consolidated income in 2009

(in thousands of euros)	Charges	Released	Net impact
Operating income	9,612	(6,628)	2,984
Other financial income and expense	789	–	789
Net income (Expense [+] / Income[–])	**10,401**	**(6,628)**	**3,773**

Note 24 Bank loans and financial liabilities

24.1 Movements

Movements in bank loans and other financial liabilities between 31 December 2010 and 31 December 2011 are as follows:

(in thousands of euros)	31 December 2010	Additions	Repayments	
		(A)	(B)	
Credit lines and bank loans	–	–	–	
Other financial liabilities	15,275	14	–	
Non-current financial liabilities (measured at amortised cost) (1)	**15,275**	**14**	**–**	
Credit lines and bank loans	4,000	–	–	
Other financial liabilities	2,632	–	(291)	
Current financial liabilities (measured at amortised cost) (1)	**6,632**	**–**	**(291)**	
Derivative financial instruments (see note 25.5)	886	–	–	
Current financial liabilities (financial liabilities measured at fair value) (2)	**886**	**–**	**–**	
Current financial liabilities	**7,518**	**–**	**(291)**	
Total	**22,793**	**14**	**(291)**	

(1) The amount reported as financial liabilities as valued at amortised cost is considered to be a reasonable estimation of fair value.
(2) Fair value corresponds to the market value.

At 31 December 2011, the Group can draw to a maximum of €150 million as part of the multicurrency and multi borrower credit line incurred by the Group in June 2008. This contract includes financial "covenants" to be respected, based on ratios calculated based on the Group's consolidated accounts, totally respected at 31 December 2011:

Movements in bank loans and other financial liabilities between 31 December 2009 and 31 December 2010 are as follows:

(in thousands of euros)	31 December 2009	Additions	Repayments	
		(A)	(B)	
Credit lines and bank loans	–	–	–	
Other financial liabilities	12,190	438	(291)	
Non-current financial liabilities (measured at amortised cost) (1)	**12,190**	**438**	**(291)**	
Credit lines and bank loans	4,000	–	–	
Other financial liabilities	3,622	–	(43)	
Current financial liabilities (measured at amortised cost) (1)	**7,622**	**–**	**(43)**	
Derivative financial instruments (see note 25.5)	566	–	–	
Current financial liabilities (financial liabilities measured at fair value) (2)	**566**	**–**	**–**	
Current financial liabilities	**8,188**	**–**	**(43)**	
Total	**20,378**	**438**	**(334)**	

(1) The amount reported as financial liabilities as valued at amortised cost is considered to be a reasonable estimation of fair value.
(2) Fair value corresponds to the market value.

At December 31 2010 the Group can draw to a maximum of €225 million as part of the multicurrency and multi borrower credit line incurred by the Group in June 2008. This contract includes financial "covenants" to be respected, based on ratios calculated based on the Group's consolidated accounts, totally respected at 31 December 2010:

	Net change in short-term borrowings	Net change in interest	Change in fair value	Movements	Change in consolidation scope	Exchange differences	31 December 2011
	(C)	(D)	(E)	(F)	(G)	(H)	
	–	–	–	–	–	–	–
	–	427	–	844	–	–	16,560
	–	**427**	**–**	**844**	**–**	**–**	**16,560**
	–	–	–	–	–	–	4,000
	–	(11)	–	(348)	–	–	1,982
	–	**(11)**	**–**	**(348)**	**–**	**–**	**5,982**
	–	–	2,145	–	–	–	3,031
	–	**–**	**2,145**	**–**	**–**	**–**	**3,031**
	–	**(11)**	**2,145**	**(348)**	**–**	**–**	**9,013**
	–	**416**	**2,145**	**496**	**–**	**–**	**25,573**

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

At 31 December 2011, there was no drawing concerning this credit line.

	Net change in short-term borrowings	Net change in interest	Change in fair value	Movements	Change in consolidation scope	Exchange differences	31 December 2010
	(C)	(D)	(E)	(F)	(G)	(H)	
	–	–	–	–	–	–	–
	–	23	–	2,915	–	–	15,275
	–	**23**	**–**	**2,915**	**–**	**–**	**15,275**
	–	–	–	–	–	–	4,000
	–	389	–	(1,336)	–	–	2,632
	–	**389**	**–**	**(1,336)**	**–**	**–**	**6,632**
	–	–	320	–	–	–	886
	–	**–**	**320**	**–**	**–**	**–**	**886**
	–	**389**	**320**	**(1,336)**	**–**	**–**	**7,518**
	–	**412**	**320**	**1,579**	**–**	**–**	**22,793**

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

At 31 December 2010, there was no drawing concerning this credit line.

Movements in bank loans and other financial liabilities between 31 December 2008 and 31 December 2009 are as follows:

(in thousands of euros)	31 December 2008	Additions	Repayments	
		(A)	(B)	
Credit lines and bank loans	148,941	–	(150,000)	
Other financial liabilities	13,803	1	(1,334)	
Non-current financial liabilities (measured at amortised cost) (1)	**162,744**	**1**	**(151,334)**	
Credit lines and bank loans	4,000	–	–	
Other financial liabilities	4,335	–	(6)	
Current financial liabilities (measured at amortised cost) (1)	**8,335**	**–**	**(6)**	
Derivative financial instruments (see note 25.5)	11	–	–	
Current financial liabilities (financial liabilities measured at fair value) (2)	**11**	**–**	**–**	
Current financial liabilities	**8,346**	**–**	**(6)**	
Total	**171,090**	**1**	**(151,340)**	

(1) The amount reported as financial liabilities as valued at amortised cost is considered to be a reasonable estimation of fair value.
(2) Fair value corresponds to the market value.

Within the framework of the credit line taken in June 2008 to finance acquisitions in the US and general business needs, in 2009 the Group repaid the €150 million drawn in 2008. The corresponding interest amounted to €2.5 million in the 2009 period.

Therefore, at 31 December 2009, the Group benefits from a credit line limited at €262.5 million.

The Group respected the ratios for the three periods presented below:

(in thousands of euros)		December 2011	December 2010	December 2009
Net debt	(I)	(122,289)	(156,907)	(186,155)
Equity – attributable to Group shareholders	(II)	1,012,837	1,077,190	982,624
EBITDA	(III)	236,643	253,053	221,577
Net debt to equity	**(I)/(II)**	**(0.12)**	**(0.15)**	**(0.19)**
Net debt to EBITDA	**(I)/(III)**	**(0.52)**	**(0.62)**	**(0.84)**

	Net change in short-term borrowings	Net change in interest	Change in fair value	Movements	Change in consolidation scope	Exchange differences	31 December 2009
	(C)	(D)	(E)	(F)	(G)	(H)	
	–	–	–	1,059	–	–	–
	–	322	–	(602)	–	–	12,190
	–	**322**	**–**	**457**	**–**	**–**	**12,190**
	–	–	–	–	–	–	4,000
	–	(1,662)	–	955	–	–	3,622
	–	**(1,662)**	**–**	**955**	**–**	**–**	**7,622**
	–	–	555	–	–	–	566
	–	**–**	**555**	**–**	**–**	**–**	**566**
	–	**(1,662)**	**555**	**955**	**–**	**–**	**8,188**
	–	**(1,340)**	**555**	**1,412**	**–**	**–**	**20,378**

24.2 Breakdown by maturity

At 31 December 2011, 2010 and 2009 the Group only held lines of credit (see note 24.1).

24.3 Breakdown by currency

The Group's financial liabilities by currency can be broken down as follows:

	31 December 2011		31 December 2010		31 December 2009	
(in thousands of euros)	Amount	%	Amount	%	Amount	%
Euro	22,542	100%	21,907	100%	19,812	100%
US dollar	–	–	–	–	–	–
Swiss franc	–	–	–	–	–	–
Total	**22,542**	**100%**	**21,907**	**100%**	**19,812**	**100%**
Derivative financial instruments	**3,031**		**886**		**566**	
Total financial liabilities (note 24.1)	**25,573**		**22,793**		**20,378**	

24.4 Collateralised debt

At 31 December 2011, 2010 and 2009, the Group did not provide any collateral.

Note 25 Derivative financial instruments

25.1 Interest rate risk

At 31 December 2011, 2010 and 2009, there are no derivative financial instruments in the framework of the hedging of interest rate risk.

25.2 Exchange rate risk

25.2.1 Operational exchange rate risk

The Group uses derivative instruments to manage its operational exchange rate risk. Invoices issued by its subsidiaries in foreign currencies are hedged against exchange rate risk principally through forward currency contracts matching the invoice amounts. This hedging mainly includes currency futures purchases matching the invoice amounts.

	Fair value of items recognised in the balance sheet (in thousands of currency units)									Change of market value at 31 Dec. 2011
	USD	CHF	RON	PLN	EUR	RUB	HUF	GBP	CZK	
Forward currency contracts matching invoice amounts	81,629	1,929	19,260	20,571	–	1,170,962	451,359	(105,153)	16,550	(2,179)
Other forward contracts	950	–	–	–	850	–	–	–	–	(6)
Total	**82,579**	**1,929**	**19,260**	**20,571**	**850**	**1,170,962**	**451,359**	**(105,153)**	**16,550**	**(2,185)**

25.2.2 Exposure to exchange rate risk

In 2011 and 2010 respectively, approximately 61.0%, and 64.0% of the Group's consolidated sales were generated in the euro zone. A 10% increase or decrease of the US dollar and the pound sterling against the euro (the two main currencies in which the Group operates) would only impact sales by plus or minus 1.0% and the operating income by plus or minus 5.0% for each of these two years. This impact was calculated for companies with the euro as their functional currency, but which generate sales in other currencies, and companies whose functional currency is not the euro and which generate sales in that same currency.

Potential exchange rate risk exposure is estimated by each subsidiary and, where necessary, transferred to the Group's specialised teams for appraisal. Exchange rate hedging transactions carried out on behalf of subsidiaries and the management of intragroup exchange rate risk are centralised within the Group's treasury department which mainly uses traditional hedging instruments (OTC transactions, Futures, foreign exchange swaps, multi currency credit lines).

Regarding fluctuations on invoices, the Group hedges the majority of its subsidiaries' trade receivables (micro-hedging on invoices) to cover exchange rate variations.

The hedging relationship between the hedging instruments contracted by the Group for its exposure to exchange rate risk and the hedging instruments related to invoicing in currencies other than the euro does not qualify as hedge accounting in the spirit of IAS 39. As a result, changes in value are recorded as financial income/expense. As an exception, a cash flow hedging relationship was documented in the spirit of IAS 39 during 2008 for forward purchases of currency to cover future purchases of raw materials, as indicated in the changes in consolidated equity in 2008. In 2009, this relationship was recovered.

25.3 Other derivative instruments

At 31 December 2011, 2010 and 2009, the derivative instruments are related to forward instruments to hedge against exchange rate risks on trade receivables (see notes 25.2.1 and 25.2.2).

25.4 Derivative financial instruments reported in the balance sheet

Derivative financial instruments reported in the balance sheet at 31 December 2011, 2010 and 2009:

(in thousands of euros)	31 December 2011		31 December 2010		31 December 2009	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Market value of currency instruments (notes 19.2.2 and 24.1)	9	3,031	49	886	1,162	566
Total	**9**	**3,031**	**49**	**886**	**1,162**	**566**

25.5 Derivative financial instruments reported in the statement of cash flows

At 31 December 2011, 2010 and 2009 changes in fair value in profit and loss on derivative financial instruments were as follows:

(in thousands of euros)	31 December 2011	31 December 2010	31 December 2009
Changes in the fair value of exchange derivative financial instruments (Assets) – (note 19.1 – F)	40	1,116	1,371
Changes in the fair value of exchange derivative financial instruments (Liabilities) – (note 24.1 – E)	2,145	320	555
Net changes in fair value in profit and loss of derivative financial instruments	**2,185**	**1,436**	**1,926**
Change in value of forward currency purchases to hedge future raw materials purchases documented in a cash flow hedging relationship as per IAS 39 (note 25.2.2)	–	–	(3,355)
Total	**2,185**	**1,436**	**(1,429)**

Note 26 Information on joint ventures

26.1 Balance sheet items

26.1.1 Balance sheet at 31 December 2011

(in thousands of euros)	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Companies				
Cara Partners	9,773	8,960	317	4,816
Garnay Inc.	1,345	357	64	48
Linnea S.A.	2,511	14,806	1,064	3,232
Portpirie Unlimited Company	–	1	–	–
Perechin Unlimited Company	(15)	3	–	1
Saint-Jean d'Illac S.C.A.	1,956	119	105	166
Wallingstown Company	1,284	6,327	–	351
Wallingstown Company Ltd	(61)	33	2	10
Total	**16,793**	**30,606**	**1,552**	**8,624**

26.1.2 Balance sheet at 31 December 2010

(in thousands of euros)	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Companies				
Cara Partners	8,847	5,668	208	8,840
Garnay Inc.	2,635	390	41	(520)
Linnea S.A.	(232)	14,218	1,137	3,061
Perechin Unlimited Company	–	1	–	–
Portpirie Unlimited Company	(9)	3	–	(17)
Saint-Jean d'Illac S.C.A.	(11)	161	91	20
Wallingstown Company	1,451	7,398	–	4,470
Wallingstown Company Ltd	(40)	34	1	(67)
Total	**12,642**	**27,873**	**1,478**	**15,793**

26.1.3 Balance sheet at 31 December 2009

(in thousands of euros)	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Companies				
Cara Partners	9,488	6,321	418	9,425
Garnay Inc.	1,062	2,172	–	29
Linnea S.A.	2,027	11,644	1,037	4,819
Perechin Unlimited Company	–	10	–	1
Portpirie Unlimited Company	–	1	–	–
Saint-Jean d'Illac S.C.A.	2,210	94	88	2,213
Wallingstown Company	1,563	7,247	171	4,275
Wallingstown Company Ltd	–	52	1	8
Total	**16,350**	**27,541**	**1,715**	**20,770**

26.2 Income statement items

26.2.1 Income statement at 31 December 2011

(in thousands of euros)	Sales	Operating expenses	Share of net profits
Companies			
Cara Partners	1,747	(5,258)	3,673
Garnay Inc.	94	(850)	38
Linnea S.A.	16,855	(15,101)	1,104
Portpirie Unlimited Company	–	–	–
Perechin Unlimited Company	–	(1)	(2)
Saint-Jean d'Illac S.C.A.	135	(1,286)	(40)
Wallingstown Company	7,736	(5,254)	2,538
Wallingstown Company Ltd	–	(68)	(1)
Total	**26,567**	**(27,818)**	**7,310**

26.2.2 Income statement at 31 December 2010

(in thousands of euros)	Sales	Operating expenses	Share of net profits
Companies			
Cara Partners	2,075	3,646	5,547
Garnay Inc.	274	(64)	134
Linnea S.A.	15,003	(13,844)	693
Perechin Unlimited Company	–	(1)	(2)
Portpirie Unlimited Company	–	–	(1)
Saint-Jean d'Illac S.C.A.	353	(370)	(15)
Wallingstown Company	8,155	(3,170)	4,984
Wallingstown Company Ltd	–	11	6
Total	**25,860**	**(13,792)**	**11,346**

26.2.3 Income statement at 31 December 2009

(in thousands of euros)	Sales	Operating expenses	Share of net profits
Companies			
Cara Partners	1,873	(6,409)	5,969
Garnay Inc.	301	(776)	123
Linnea S.A.	13,536	(12,536)	530
Perechin Unlimited Company	–	(1)	(2)
Portpirie Unlimited Company	–	–	–
Saint-Jean d'Illac S.C.A.	317	(1,213)	(49)
Wallingstown Company	7,925	(2,728)	5,222
Wallingstown Company Ltd	–	(191)	(1)
Total	**23,952**	**(23,854)**	**11,792**

Note 27 Information on associated companies

The information shown below corresponds to the financial statements of Inspiration Biopharmaceuticals Inc. established in accordance with US GAAP (for amounts taken at 100%).

Within the framework of the review of these accounts established in US GAAP, the Group didn't identify any significant difference with the IFRS rules.

	31 December 2011			
(in thousands of dollars)	Assets	Liabilities	Sales	Net income
Inspiration Biopharmaceuticals Inc.	96,905	193,227	–	(97,278)
Total	**96,905**	**193,227**	**–**	**(97,278)**

	31 December 2010 (1)			
(in thousands of dollars)	Assets	Liabilities	Sales	Net income
Inspiration Biopharmaceuticals Inc.	115,118	114,439	–	(83,056)
Total	**115,118**	**114,439**	**–**	**(83,056)**

(1) Information presented since the transaction date that is over 11 months.

Note 28 Information on related parties

28.1 Director and Executive compensation

- The total compensation paid in 2011 to Board members and members of the Executive Committee amounted to €8.6 million, of which €2.0 million paid to the Board of Directors and €6.6 million paid to the members of Executive Committee.
- The pension and similar benefits for Board members and members of the Executive Committee amounted to €6.7 million at 31 December 2011, amounting to a total of €1.1 million for the Board of Directors and €5.6 million for the members of the Executive Committee.
- The Board of Directors determined the compensation scheme of the Chairman related to his corporate mandate with a targeted bonus subject to performance conditions. The Chairman benefits from the company's current complementary retirement benefits. In addition, the Board is committed, under certain conditions, to pay a departure package equal to twenty four months of his fixed compensation within the framework of his corporate mandate.

28.2 Transactions with related parties

28.2.1 Income statement at 31 December 2011

(in thousands of euros)	Revenues	Operating expenses	Charges to provisions and losses on uncollectable loans
Parent company	–	–	–
Non-consolidated subsidiaries	–	–	–
Joint ventures (1)	4,203	(12,509)	–
Associated companies (3)	21,296	–	–
Companies over which the Group's executive officers exercise significant influence (2)	–	(63)	–
Total	**25,499**	**(12,572)**	**–**

(1) The Group's relationship with Schwabe was summarised in the cooperation agreement signed on 27 July 2005 concerning:
- the sourcing and supply of *Ginkgo Biloba* leaves;
- the production of *Ginkgo Biloba* extract;
- patents, know-how and the EGb 761® brand name;
- research and development activities concerning the EGb 761® extract and drugs containing the EGb 761® extract.

This contract is recognition of the fact that the Group and Schwabe have joint shareholdings in the following companies, which form the production chain for either the EGb 761® or for other plant extracts:
- 50.0% of the share capital in the companies Saint Jean d'Illac, Garnay Inc. and Linnea;
- 50.0% of the partnership shares of Wallingstown Company Ltd;
- 50.0% of the joint rights of Cara Partners;
- 37.5% and 35.75% of the share capital in two Chinese companies which are responsible for buying and drying the green *Ginkgo Biloba* leaves.

(2) Rent due by a number of the Group's companies to real estate holdings owned by certain Group Directors.
(3) Transactions with Inspiration Biopharmaceuticals Inc..

28.2.2 Income statement at 31 December 2010

(in thousands of euros)	Revenues	Operating expenses	Charges to provisions and losses on uncollectable loans
Parent company	–	–	–
Non-consolidated subsidiaries	12	–	–
Joint ventures (1)	25,860	(13,792)	(15)
Associated companies (3)	15,042	–	–
Companies over which the Group's executive officers exercise significant influence (2)	–	(185)	–
Total	**40,914**	**(13,977)**	**(15)**

(1) (2) See note 28.2.1.
(3) Transactions with Inspiration Biopharmaceuticals Inc..

28.2.3 Income statement at 31 December 2009

(in thousands of euros)	Revenues	Operating expenses	Charges to provisions and losses on uncollectable loans
Parent company	–	–	–
Non-consolidated subsidiaries	112	(936)	–
Joint ventures (1)	5,203	(17,227)	–
Companies over which the Group's executive officers exercise significant influence (2)	–	(199)	–
Total	**5,315**	**(18,362)**	**–**

(1) (2) See note 28.2.1.

28.2.4 Balance sheet at 31 December 2011

(in thousands of euros)	Loans/Receivables	Trade receivables	Bank loans/Debt	Trade payables
Parent company	–	–	–	–
Non-consolidated subsidiaries	–	–	–	–
Joint ventures [1]	7,344	1,315	103	3,138
Associated companies [3]	83,575	13,018	–	–
Companies over which the Group's executive officers exercise significant influence [2]	–	–	–	19
Total gross	**90,919**	**14,333**	**103**	**3,157**
Provisions for doubtful accounts receivables	–	–	–	–
Total (net of write-offs)	**90,919**	**14,333**	**103**	**3,157**

(1) (2) See note 28.2.1.
(3) Transactions with Inspiration Biopharmaceuticals Inc..

28.2.5 Balance sheet at 31 December 2010

(in thousands of euros)	Loans/Receivables	Trade receivables	Bank loans/Debt	Trade payables
Parent company	–	–	–	–
Non-consolidated subsidiaries	–	17	–	–
Joint ventures [1]	854	5,385	13,805	2,605
Associated companies [3]	72,184	4,166	–	–
Companies over which the Group's executive officers exercise significant influence [2]	–	–	–	78
Total gross	**73,038**	**9,568**	**13,805**	**2,683**
Provisions for doubtful accounts receivables	–	–	–	–
Total (net of write-offs)	**73,038**	**9,568**	**13,805**	**2,683**

(1) (2) See note 28.2.1.
(3) Transactions with Inspiration Biopharmaceuticals Inc..

28.2.6 Balance sheet at 31 December 2009

(in thousands of euros)	Loans/Receivables	Trade receivables	Bank loans/Debt	Trade payables
Parent company	–	–	–	–
Non-consolidated subsidiaries	–	26	–	–
Joint ventures [1]	6,842	1,314	2,078	916
Companies over which the Group's executive officers exercise significant influence [2]	–	–	–	60
Gross value	**6,842**	**1,340**	**2,078**	**976**
Provisions for doubtful accounts receivables	–	–	–	–
Total (net of write-offs)	**6,842**	**1,340**	**2,078**	**976**

(1) (2) See note 28.2.1.

28.2.7 Off-balance sheet commitments

This item includes rent commitments to companies over which executive officers of the Group exercise significant influence. The total amount of future rent payments due in respect of these rented premises amounts to €0.1 million at 31 December 2011.

Note 29 Commitments and contingent liabilities

29.1 Operating commitments

- Within the framework of its business, particularly operations and strategic development that lead to partnerships, the Group regularly enters into agreements that may result, subject to the completion of certain events, to potential financial commitments.

29.1.1 Operating commitments given

- As part of its key agreements in oncology, the Group could make milestone payments for a cumulative amount of €177.7 million related to the success of development and marketing phases and royalties on sales.
- As part of its key agreements in endocrinology, the Group could make milestone payments for a cumulative amount of $20 million and €12 million related to the success of development and marketing phases and royalties on sales.
- As part of its key agreements in neurology, the Group could make milestone payments for a cumulative amount of €95 million and $99 million related to the success of development and marketing phases and royalties on sales. In the framework of a license agreement; the Group has issued a Comfort letter for one of the Group's subsidiaries.
- As part of its key agreements in hematology, the Group could make milestone payments for a cumulative amount of $83.7 million related to the success of development and marketing phases and royalties on sales. In the framework of a service agreement, the Group has granted a guarantee for supporting the solvency of one of the Group's subsidiaries for a limited amount of $25 million.
- As part of its key agreements in primary care, the Group could make milestone payments for a cumulative amount of €3.7 million related to the success of development and marketing phases and royalties on sales.

29.1.2 Operating commitments received

- As part of its key agreements in oncology, the Group could receive milestone payments for a cumulative amount of €15 million related to the success of development and marketing phases and royalties on sales.
- As part of its key agreements in endocrinology, the Group could receive milestone payments for a cumulative amount of €35 million related to the success of development and marketing phases and royalties on sales.
- As part of its key agreements in neurology, the Group could receive a cumulative amount sum of $2 million related to the success of development and marketing phases and royalties on sales.
- As part of its other key agreements, the Group could receive milestone payments for a cumulative amount of $80 million, €80 million and CHF19.5 million related to the success of development and marketing phases and royalties on sales.

29.2 Financial commitments

In the framework of insuring itself against the risks to which it's exposed, since 2006 Ipsen S.A. has subscribed to a worldwide third-party liability insurance policy. The insurance company itself is reinsured up to the first €10 million for any potential claim made to the captive reinsurance company Ipsen Ré, a wholly-owned subsidiary of the Group. To cover this financial commitment, the Group has issued a €10 million bank guarantee to the insurer as of 1 March 2006 up to 31 December 2006, renewable on tacit understanding for one-year periods. This bank guarantee has been renewed up to 31 December 2009 for the amount of €5 million. In addition to this financial commitment, Ipsen issued a letter of parent company guarantee payable upon first demand in favour of Ipsen Ré in May 2007 for a maximum of €10 million which was reduced to €7.5 million during 2008 and to €5 million during 2009. In addition to this commitment, Ipsen issued a letter of parent company guarantee payable upon first demand in favour of Ipsen Ré in October 2008 for a maximum of €10 million which was reduced to €7.5 million in 2009. Finally, a letter of parent company guarantee payable upon first demand in favour of Ipsen Ré was issued in January of 2009 for the amount of €10 million. The total of these commitments amounted to €27.5 million at 31 December 2009 versus €22.5 million at 31 December 2008.

For 2010, all letters of parent company guarantee issued in previous years were cancelled to leave only a single letter of guarantee payable on first demand of €10 million per claim and automatically renewable per year it will expire on 31 December 2013. The bank guarantee issued for 2006 and renewed for the amount of up to €5 million in 2009 was also cancelled. Therefore, the financial commitments for 2010 come to €10 million.

For 2011, a second on-demand guarantee letter for €10 million per claim and per year has been issued.

In the framework of its partnerships with public organisms, the Group have provided guaranties granted by financial institutions, in case of non respect of its contractual commitments for a cumulative amount of €15.9 million.

Finally, all of the Swiss subsidiary real estate (see note 31.2) is subject to a 3.55 million Swiss francs security as a guarantee for a 10 million Swiss francs credit line that has not been drawn in 2011.

29.3 General risks

- The Group has implemented a tax pool in France for all of Group companies which operate in this country and which meet the legal requirements. That system provides for various penalty provisions when entities leave the tax Group, mentioned here for information purposes.
- Foreign currency hedges on operational transaction were not material at year-end.
- Discounted bills outstanding were not material at year-end.
- Counterparty risk: the Group's policy is to diversify its business counterparties so as to avoid the risks associated with excessive concentration. In addition, the Group manages credit risks related to financial instruments through the use of leading counterparties.
- Country risks: given the geographical breakdown of its sales and its marketing policy, the Group exposure to country risks is limited.

29.4 Other commitments

29.4.1 Capital expenditure commitments

Future Group expenditures resulting from investment commitments amounted to €13 million at 31 December 2011 and were split as follows:

Type of assets	Maturity			Total
(in millions of euros)	2012	2013	Beyond	
Industrial assets	4.4	–	–	**4.4**
Research and development assets	7.5	0.9	–	**8.4**
Other assets	0.2	–	–	**0.2**
Total	**12.1**	**0.9**	**–**	**13.0**

29.4.2 Commitments related to rental agreements

The total amount of future rental payments related to property leases in process amounted to €99.7 million at 31 December 2011 (*versus* €106.9 million at 31 December 2010 and €96.8 million at 31 December 2009).

Due dates are as follows:

(in millions of euros)	31 December 2011	31 December 2010	31 December 2009
Less than one year	22.7	20.8	16.1
From one to five years	74.9	76.8	63.0
Over five years	1.8	9.3	17.7
Total	**99.4**	**106.9**	**96.8**

Commitments related to rental agreements mainly include the head offices in Boulogne where the Paris sites were grouped together (€68.6 million at 31 December 2011).

The total amount of future rental payments to be received related to property leases (mainly head offices in Boulogne) in process amounted to €15.1 million at 31 December 2011 (versus €16.5 million at 31 December 2010 and €5.9 million at 31 December 2009).

(in millions of euros)	31 December 2011	31 December 2010	31 December 2009
Less than one year	2.6	1.8	0.7
From one to five years	12.5	13.6	3.9
Over five years	–	1.1	1.3
Total	**15.1**	**16.5**	**5.9**

29.4.3 Risk of acceleration of borrowings

The Group's exposure to this risk is described in note 24.1.

As of 31 December 2011, no commitments and no contingent liability had been contracted that could significantly affect the assessment of the consolidated financial statements.

Note 30 Post closing events with no impacts in the consolidated financial statements as of 31 December 2011

5 January 2012 – Oncodesign, a drug discovery company and oncology pharmacology service provider, and the Group a global specialty-driven pharmaceutical company, 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. Oncodesign and the Group will leverage their respective expertise to bring innovative therapeutic solutions to Parkinson patients.

27 January 2012 – The Group acknowledges the French Government's decision to no longer reimburse Tanakan®, Tramisal® and Ginkogink®, presently manufactured at the industrial site of Dreux (France). This decision is linked to the French policy to reassess the reimbursement of a certain number of drugs by the French Social Security. Although Tanakan®, Tramisal® and Ginkogink® will be delisted from 1 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% (expected full year impact) in France in 2012. This estimate is based on the decrease of sales following the delisting of veinotonics in 2008.

Note 31 Consolidation scope

The table below shows the following information for all companies included in the consolidation scope:

- Country of incorporation;
- Place of registered office (State of incorporation for US companies);
- At each year end, the percentage of voting rights and share capital held (those percentages differ where the Group's holding is indirect and held through companies over which it does not have 100% control).

List of companies included in the consolidation scope at 31 December 2011, 31 December 2010 and 31 December 2009

31.1 Fully consolidated companies

Name and legal form	Country	Registered office	31 December 2011		31 December 2010		31 December 2009	
			% voting rights	% interest	% voting rights	% interest	% voting rights	% interest
Ipsen S.A. (Parent company)	France	Boulogne (92)	100	100	100	100	100	100
Beaufour S.r.l.	Italy	Milan	100	100	100	100	100	100
BB et Cie S.A.S.	France	Boulogne (92)	100	100	100	100	100	100
Beaufour-Ipsen Industrie S.A.S.	France	Dreux (28)	100	100	100	100	100	100
Beaufour Ipsen Farmaceutica LTDA	Brazil	São Paulo	100	100	100	100	100	100
Ipsen Korea Ltd	Korea	Seoul	100	100	100	100	100	100
Ipsen Mexico S. DE R.L. de C.V.	Mexico	Mexico	100	100	100	100	100	100
Beaufour-Ipsen (Tianjin) Pharmaceutical Co. Ltd	China	Tianjin	96	96	96	96	96	96
Biomeasure Inc.	USA	Massachusetts	100	100	100	100	100	100
Elsegundo Ltd	Ireland	Cork	100	100	100	100	100	100
Institut de produits de synthèse et d'extraction naturelle (Ipsen) AB	Sweden	Kista	100	100	100	100	100	100
Institut für Pharmazeutische und Klinische Forshung GmbH (Intersan)	Germany	Ettlingen	100	100	100	100	100	100
Ipsen E.P.E.	Greece	Athens	80	80	80	80	80	80
Ipsen Ltd	UK	London	100	100	100	100	100	100
Ipsen N.V.	Belgium	Gand	100	100	100	100	100	100
Ipsen S.p.A.	Italy	Milan	100	100	100	100	100	100
Ipsen OOO	Russia	Moscow	100	100	100	100	100	100
Ipsen Pty Ltd	Australia	Glen Waverley	100	100	100	100	100	100
Ipsen Biopharm Ltd	UK	Wrexham	100	100	100	100	100	100
Ipsen Developments Ltd	UK	London	–	–	100	100	100	100
Ipsen Farmaceutica B.V.	Netherlands	Hoofddorp	100	100	100	100	100	100
Ipsen Innovation S.A.S.	France	Les Ulis (91)	100	100	100	100	100	100
Ipsen Pharma S.A.S.	France	Boulogne (92)	100	100	100	100	100	100
Ipsen Pharma Biotech S.A.S.	France	Signes (83)	100	100	100	100	100	100
Ipsen Pharma GmbH	Germany	Ettlingen	100	100	100	100	100	100
Ipsen Pharma S.A.	Spain	Barcelona	100	100	100	100	100	100
Ipsen Pharmaceuticals Ltd	Ireland	Dublin	100	100	100	100	100	100
Ipsen Pharmaceuticals Inc.	USA	New Jersey	–	–	–	–	–	–
Ipsen Poland LLC	Poland	Warsaw	100	100	100	100	100	100
Ipsen Pharma Tunisie S.A.R.L.	Tunisia	Tunis	100	100	100	100	100	100
Ipsen Produtos Farmaceuticos S.A.	Portugal	Lisbon	100	100	100	100	100	100
Ipsen Ré S.A.	Luxembourg	Luxembourg	100	100	100	100	100	100
Ipsen Scandinavia A/S (1)	Denmark	Copenhagen	–	–	100	100	100	100
Ipsen Manufacturing Ireland Ltd	Ireland	Dublin	100	100	100	100	100	100
Porton International Inc.	USA	Delaware	–	–	–	–	100	100
Suraypharm S.A.R.L.	France	Boulogne (92)	100	100	100	100	100	100
Sterix Ltd	UK	London	100	100	100	100	100	100
Sutrepa S.A.R.L.	France	Boulogne (92)	100	100	100	100	100	100
Tercica Inc.	USA	San Francisco	100	100	100	100	100	100

(1) Liquidation of the company (see note 3.1.1).

31.2 Proportionally consolidated companies

Name and legal form	Country	Registered office	31 December 2011		31 December 2010		31 December 2009	
			% voting rights	% interest	% voting rights	% interest	% voting rights	% interest
Cara Partners	Ireland	Cork	50	50	50	50	50	50
Garnay Inc.	USA	South Carolina	50	50	50	50	50	50
Linnea S.A.	Switzerland	Riazzino	50	50	50	50	50	50
Perechin Unlimited Company	Ireland	Cork	50	50	50	50	50	50
Portpirie Unlimited Company	Ireland	Cork	50	50	50	50	50	50
Saint-Jean d'Illac S.C.A.	France	Boulogne (92)	50	50	50	50	50	50
Wallingstown Company	Ireland	Cork	50	50	50	50	50	50
Wallingstown Company Ltd	Ireland	Cork	50	50	50	50	50	50

31.3 Companies accounted for under the equity method

Name and legal form	Country	Registered office	31 December 2011		31 December 2010		31 December 2009	
			% voting rights	% interest	% voting rights	% interest	% voting rights	% interest
Inspiration Biopharmaceuticals Inc.	USA	California	22	22	22	22	–	–

2.1.6 Statutory Auditors' Report

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.
The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.
This report also includes information relating to the specific verification of information given in the Group's management report.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Ipsen S.A.

Registered office: 65, Quai Georges Gorse – 92650 Boulogne-Billancourt Cedex

Statutory auditors' report on the consolidated financial statements

Year ended 31 December 2011

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2011, on:

- the audit of the accompanying consolidated financial statements of Ipsen S.A.;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material

misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2011 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

2. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code *(Code de commerce)*, we bring to your attention the following matters:

- **Asset impairment**

Goodwill and assets with an indefinite useful life are tested for impairment on each reporting date and non-current assets are tested for impairment when there is an indication that the asset may be impaired, using the methods described in note 4.18 to the consolidated financial statements. We reviewed the method of testing for impairment, together with the cash flow forecasts and assumptions used and verified that the disclosure provided in notes 2, 7.4, 13.5, 14.2, 14.3, 15.1, 16.4.5 and 18 to the consolidated financial statements is appropriate.

- **Retirement benefit obligation**

Note 4.26 to the consolidated financial statements describes the method of measuring post-employment and other long term benefits. These liabilities have been measured by independent actuaries. We reviewed the data used, assessed the assumptions made and verified that the information disclosed in note 6.3 to the consolidated financial statements is appropriate.

- **Deferred tax**

Note 4.32 to the consolidated financial statements describes the method of measuring and accounting for deferred tax assets. We reviewed the data used, assessed the assumptions made and verified that the information disclosed in note 11.2 to the consolidated financial statements is appropriate.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris La Défense and Neuilly-sur-Seine, on the 28 February 2012

The Statutory Auditors

French original signed by

KPMG Audit	Deloitte & Associés
A division of KPMG S.A.	
Philippe Grandclerc	Fabien Brovedani
Partner	*Partner*

3 CORPORATE GOVERNANCE AND LEGAL INFORMATION

3.1 CORPORATE GOVERNANCE

3.1.1 Presentation of the Board of Directors and Executive Committee

The Company is governed by a Board of Directors. The Board of Directors determines the Company's business strategic and oversees its implementation. Subject to the powers expressly attributed to Shareholders' Meetings and within the limits of the Company's corporate purpose, the Board of Directors is competent to consider any issues concerning the Company's effective performance and, through its deliberations, guides the Company's affairs.

3.1.1.1 Rules of functioning

Members of the Board of Directors

Subject to the derogations provided for by law, the Board of Directors is comprised of a minimum of three and a maximum of eighteen members, appointed by Ordinary Meetings of shareholders.

Directors must each own at least one share in the Company. If, on the day of appointment, a director does not own the number of shares required, or if, during the term of office, he or she ceases to own the required number, the director shall be deemed to have resigned from his or her position unless the situation is remedied within the statutory period of six months.

In the event of a vacancy due to the death or resignation of one or several directors, the Board of Directors may take provisional appointments between two General Meetings, subject to legal provisions. However, if the number of directors in office falls below the legal minimum, the remaining directors in post or, failing them, the Statutory Auditors, shall immediately convene an Ordinary Shareholders' Meeting to appoint a sufficient number of members to the Board. Temporary appointments made by the Board of Directors are subject to ratification by the next Shareholders' Meeting. If the temporary appointments are not ratified by the Shareholders' Meeting, the decisions taken and acts performed by the temporarily appointed directors, or to which they have contributed, shall nonetheless remain valid. A director appointed to replace another shall only hold that position for the remaining term of his or predecessor.

Directors are appointed for a four-year term. Exceptionally and exclusively in order to enable the staggered renewal of directors' terms of office to be implemented and maintained, Ordinary Shareholders' Meetings shall be able to elect one or several directors for one year, two years or three years.

The number of Directors who have reached the age of 70 years old shall not be more than one-third of the number of directors in office. When this age limit is exceeded, the oldest member of the Board shall be deemed to have resigned at the end of the first upcoming Ordinary Shareholders' Meeting.

A director's appointment ends after the Ordinary Shareholders' Meeting ruling on the financial statements for the previous financial year and held in the year in which the term of that director expires. Outgoing Directors remain eligible for re-election.

Chairman of the Board of Directors

The Board of Directors shall elect a Chairman from among its members but exclusively from individuals. The period of appointment cannot exceed that of the individual's appointment as a director. The Chairman may be re-elected and may be dismissed by the Board of Directors at any time.

In the event of temporary incapacity or death of the Chairman, the Board of Directors may delegate the duties of Chairman to a director, for a limited but renewable period in the event of temporary incapacity, or until the election of a new Chairman in the event of death.

The Chairman chairs the Board's meetings and organises and manages its works, on which he or she reports to the Shareholders' Meeting and implements its decisions. The Chairman also oversees the operations of the Company's various internal bodies to ensure that they function properly and that the Directors are able to fulfil their duties.

The Board of Directors may also, from among its individuals members, appoint a Vice-Chairman, who chairs Board meetings in the absence of the Chairman's exceptional absence. In the absence of a Chairman, Board meetings by the oldest of the directors present.

Meetings of the Board of Directors

The Board of Directors meets at least once per quarter at the Company's head office or in any other place indicated in the notice of meeting. Directors may take part in meetings by any means allowed by law, the Articles of association and the internal regulations of the Board of Directors.

The Board of Directors meets as often as required in the interests of the Company, at he request of the Chairman.

In addition, if the Board has not met for over two months, a group a directors constituting at least one third of the Board's members, and the Chief Executive Officer if this position is separate from the Chairman, may draft an agenda and ask the Chairman to convene a meeting. The Chairman is bound to accede such requests.

If the Chairman fails to convene such a meeting, and only in this event, the Chief Executive Officer, or a Deputy chief Executive Officer, or at least two directors, may convene a meeting of the Board of Directors and draft the agenda.

Notices of meetings may be issued by any written means (letter, fax, telex or electronic mail), and must be issued at least fifteen days in advance, except in an emergency, in which case the notice may be issued by any means and must be sent at least by the day before the meeting. However, notices may be issued verbally and immediately if all directors agree.

An attendance register is kept, which is signed by all directors participating in the meeting of the Board of Directors.

Quorum and majority

The Board of Directors shall only validly deliberate if, at least, half of its members are present. Decisions are adopted by a

majority vote of the directors present or represented. In the event of a split, the Chairman holds a casting vote.

Directors attending meetings *via* videoconferencing or other telecommunications means are deemed to be present for the purposes of calculating the quorum and majority, within the limits and under the conditions provided for by law. This option cannot be used in the case of the decisions provided for by Articles L.232-1 and L.233-16 of the French Commercial Code.

Powers of the Board of Directors

The Board is responsible for defining and implementing the Company's business orientations.

Subject to the powers expressly attributed to Shareholders' Meetings and within the limits of the Company's corporate purpose, the Board of Directors is competent to consider any issues concerning the proper running and operation of the Company, and may take any deliberations.

With respect to third parties, the Company is bound by the Board of Directors' acts even where these are *ultra vires* the Company's corporate object, unless the Company proves that the third party knew or should have known that the act was *ultra vires* given the circumstances, it being specified that the sole publication of the Company's Articles of association is not sufficient to constitute such proof.

The Board of Directors shall carry out such controls and verifications.

All Directors shall receive proper information to fulfil their duties, and may obtain any documents they consider necessary from the Company's general management.

Internal Regulations

By decisions dated 22 January 2009 and 11 October 2010, the Board of Directors amended its Internal Regulations adopted on 12 December 2007, the purpose of which is to define the role and rules of functioning of the Board, in accordance with legal provisions, the Articles of association and rules of corporate governance applicable to listed companies. The main provisions of the Board of Directors Internal Regulations are described below.

Role of the Board of Directors

Responsible for governing the Company, in accordance with legal provisions and the Articles of association, the Board of Directors:

- regularly reviews the strategic objectives and guidelines of the Company and Group, its investments, asset sales or internal restructuring projects and the Group's general human resources policy, and in particular its policy concerning employees compensation, profit-sharing and incentive schemes. It conducts an annual performance appraisal of the Company's senior executives and is consulted on new senior executive recruitments;
- approves acquisitions or transfers of equity interests or assets, as well as research, development, industrial or commercial partnerships, alliances or co-operation agreements, and more generally all transactions or commitments likely to have a material impact on the Group's financial position, business operations or strategic objectives;
- is informed by its Chairman and its committees of all material events concerning the Group's and the Company's business, financial structure and cash position;
- is responsible for the good information of the shareholders and the public, in particular through its supervision and control of the information issued by the Company. In this respect, it defines the Company's communications policy, in particular concerning the frequency of publication of financial information relating to the Group;
- ensures that the Company has reliable procedures for identifying, assessing and monitoring its liabilities and risks, including off-balance sheet liabilities, together with an appropriate internal control system.

Members of the Board of Directors

Each director shall devote the appropriate time and attention to his or her duties and is required to attend meetings of the Board and any committees of which he or she is a member. The annual report indicates directorships, managerial and supervisory positions held by Directors as well as the level of attendance of each member at committees and Board meetings.

The Board is comprised of members appointed for their skills and experience regarding the activity of the Company and the Group.

A Director is deemed to be independent if he or she satisfies the following criteria on the date of the assessment:

- be neither employee, executive officer, nor closely related to an executive officer of a Group entity or an entity controlling the Company within the meaning of Article L.233-3 of the French Commercial Code;
- be neither executive officer, nor closely related to an executive officer of a company in which a Group entity holds an executive office, either directly or indirectly;
- be neither a client, supplier or significant service provider of the Group, nor a member of a company that is a client, supplier or significant service provider of the Group;
- (i) do not represent a shareholder that owns, (ii) are not members of an entity that directly or indirectly owns, and (iii) do not directly or indirectly own, more than five percent of the Company's share capital or voting rights.

The meaning of executive officer and close relationship with an executive officer are defined in Article L.621-18-2 of the French Monetary and Financial Code.

The Board shall examine, at least once a year, which Directors satisfy these independence criteria, and presents its conclusions to the shareholders (i) at each General Meeting called to approve the financial statements, and (ii) at General Meetings called to elect new Directors or ratify Directors appointed by the Board.

Directors may attend training sessions on specific areas of the Company, its business activities and industrial sector, arranged on the Company's own initiative or at the request of the Board of Directors.

Before accepting office, Directors should familiarise themselves with any general or specific obligations imposed upon them. In particular, they should acquaint with legal

provisions governing the Company, its Articles of association and all the provisions of the Board Internal Regulations which apply to them.

Directors have a duty to report to the Board any existing or potential conflicts of interest between them and the Company or the Group and must abstain, where the transaction involved is not a normal business agreement concluded at normal conditions, from the deliberation of the Board.

Directors are required to contribute to the determination of the Company's and Group's strategic objectives, and to exercise control over their implementation. They should exercise careful and effective oversight of the Company's and Group's management.

Directors have a general duty of discretion as regards the deliberations of the Board and its committees. The same applies to all non-public information and documents provided to them at meetings or otherwise in the context of their functions on the Board or its committees, or in the context of participation in their deliberations. This duty of discretion does not end with the term of office.

Directors undertake to comply with all stock market regulations designed to prevent any market abuse prejudicial to the interests or image of the Company or the Group.

Directors shall not engage in transactions in the shares of companies in respect of which they have insider information which is likely to influence the price of such shares.

The Company informs the Directors of any new obligation and duty on a regular basis.

Functioning of the Board of Directors

The Board of Directors meets at least once a quarter at the Company's registered office or at any other place stipulated in the notice of meeting.

Directors may take part in meetings by any means permitted by law, the Company's Articles of association or the internal regulations of the Board of Directors.

The Vice-Chairman of the Board, when such a position has been elected, assists the Chairman in his/her mission of organisation and management of the works of the Board. He/she participates in the preparation of the meetings in coordination with the Chairman and, as such, is consulted by the latter in the preparation of the agenda. With the Chairman, they review the documents and information to be made available to the other Directors before the sending of the notices of meetings.

Once a year, the Board discusses its functioning in an executive session without the presence of the Chairman of the Board, the Chief Executive Officer and the members of the executive management.

This executive session is prepared by the Appointments and Governance Committee in coordination with the Vice-Chairman of the Board of Directors or a Director specially appointed for such purpose.

The Board may call in an outside consultant to conduct an appraisal.

Means of the Board

The Board of Directors may establish temporary or permanent specialised committees which are comprised of at least three members and of a maximum of six Directors and appoints the Chairman of such committees. These committees report on their works and submit their recommendations and proposals to the Board.

In order to maintain effective and prudent control over the Company's and Group's operations, the Board may call upon the Group's senior executives for assistance. It may request any reports, documents and research prepared by the Group and may commission any external technical reports at the Company's expense, subject to the usual confidentiality undertakings. To this respect, and together with the individual directors' information right provided for by legal provisions and the Articles of association, the Vice-Chairman of the Board, acting on behalf of all Directors, may request from the Chairman of the Board, where this person also acts as Chief Executive Officer, any information, document which communication would be necessary in order for the other Directors to accomplish their duties in accordance with the laws and regulations.

The Directors may, together or individually, consult the Group's senior executives for advice on any matters, after advising the Chairman of the Board, and may meet senior executives without the Chairman being present.

In the same conditions, Directors may, together or individually, ask the Chairman for any information that appears to them to be necessary, provided this does not breach any confidentiality rules.

The Directors receive any relevant information, and in particular a monthly report, press reviews and financial research reports.

They also receive regular information regarding any change in corporate governance regulations.

Executive management

In accordance with the legal provisions, the executive management of the Company is the responsibility either of the Chairman of the Board of Directors, who then serves as Chairman and Chief Executive Officer, or of another person appointed by the Board of Directors who then serves as Chief Executive Officer. The Board of Directors is responsible for electing one of these two options for a period which may not be less than one year.

The Chief Executive Officer

Appointment and removal

Where the Board of Directors decides to split the roles of Chairman of the Board and Chief Executive Officer, it shall appoint the Chief Executive Officer, fix his term of office and determine any restrictions on his powers.

The Chief Executive Officer may be removed at any time by the Board of Directors. If the Chief Executive Officer is not the Chairman, his removal may give rise to damages if there were no proper grounds for the decision.

The Chief Executive Officer is subject to the provisions of Article L.225-94-1 of the French Commercial Code on simultaneously holding of terms of office as chief executive officer, member of management board, sole managing director, director or member of the supervisory board of *sociétés anonymes* having their registered offices in France.

If the Chairman is also the Chief Executive Officer, the provisions concerning the Chief Executive Officer also apply to him.

Powers

The Chief Executive Officer has the widest powers to act at all times and in all circumstances in the name of the Company, within the limits of the Company's corporate purpose and subject to those powers expressly conferred by law to Shareholders' Meetings and to the Board of Directors.

The Chief Executive Officer represents the Company with respect to third parties. The Company is bound by the Chief Executive Officer's acts even if the acts are *ultra vires* the corporate purpose, unless the Company can prove that the third party knew the act was *ultra vires* or could not fail to have known this given the circumstances, on the understanding that the mere publication of the Company's Articles of association is not sufficient to constitute such proof.

Deputy Chief Executive Officers

Upon proposal of the Chief Executive Officer, the Board of Directors may appoint one or more persons to assist him, who shall have the title of Deputy Chief Executive Officer.

The maximum number of Deputy Chief Executive Officers is set at five.

The scope and term of the powers granted to Deputy Chief Executive Officers are determined by the Board of Directors and the Chief Executive Officer.

With respect to third parties, Deputy Chief Executive Officers have the same powers as the Chief Executive Officer.

Deputy Chief Executive Officers may be removed by the Board of Directors at any time upon proposal of the Chief Executive Officer.

If the Chief Executive Officer ceases to exercise or is prevented from exercising his duties, the Deputy Chief Executive Officers will remain in office until a new Chief Executive Officer is appointed, unless the Board of Directors decides otherwise.

Board Committees

Common rules to all committees

In accordance with the provisions of its internal regulations, the Board of Directors may establish temporary or permanent specialised committees which are comprised of at least three members and of a maximum of six Directors and appoints the Chairman of such committees. These committees report on their works and submit their recommendations and proposals to the Board.

Committee members are personally appointed from among Directors for the duration of their term of office as Director. They shall not appoint a proxy to attend meetings on their behalf. They may be replaced or removed at any time by the Board of Directors. Their term of office is renewable. A Director may be a member of several committees. The Chairman of each committee is appointed by the Board of Directors among members of the committee.

Subject to any specific rules applicable to them, each committee determines the frequency of its meetings. Meetings are held at the Company's registered office or at any other place stipulated by its Chairman, who also convenes meetings and draws up the agenda.

Meetings can only take place if at least half of the members of a committee are present. Members may take part in meetings by any means allowed by law or by the Articles of association.

The Chairman of a committee may invite all the members of the Board of Directors or any other person to attend one or more of its meetings in a consultative capacity. The sole committee members may vote on items on the agenda.

Minutes of each committee meeting are prepared by the secretary of the Board of Directors, under the responsibility of the committee's Chairman. The minutes are circulated to all committee members. The Chairman reports to the Board of Directors on the committee's work under the terms and conditions determined by the Board.

Committees make proposals and recommendations and give opinions in their field of expertise. For this purpose, they may conduct or commission any external reports or research to assist them in their work, at the Company's expense. Committees report on their work to each meeting of the Board of Directors.

When necessary, committees determine their other rules and procedures. They periodically ensure that their rules and procedures enable them to assist the Board to make valid decisions on subjects within their remit, and they can propose changes to the Board internal regulations.

The Board of Directors has set up four permanent committees: a Strategic Committee, an Audit Committee, a Compensation Committee and an Appointments and Governance Committee.

The Strategic Committee

The Strategic Committee is comprised of at least three and no more than six Directors, including the Chairman of the Board. It is chaired by a Director who is not responsible for general management of the Company.

The role of the Strategic Committee is to:

- review all strategic issues affecting the Company and the Group with regard to research and development, industrial, commercial and financial matters, and alliances and partnerships of all types;
- review any major investment, asset sale, restructuring, alliance or partnership projects;
- submit reports, proposals and recommendations on all issues falling within its scope of responsibility.

The Strategic Committee meets at least four times a year. Meetings are convened by the Committee's Chairman.

The Strategic Committee may call upon the Group's senior executives for assistance. It may request sight of any internal reports, documents and research drawn up by the Group and commission any external technical reports at the Company's expense, subject to the usual confidentiality undertakings.

The Audit Committee

The Audit Committee is comprised of at least three members, two of who are independent according to the abovementioned

criteria set forth by the internal regulations. They are appointed among the Directors other than the Chairman of the Board. At least one of the two independent Directors selected must have particular expertise in financial or accounting matters. The Board appoints the Chairman of the Committee from among its members. The Committee's Chairman is also independent according to the Company's independence criteria.

The role of the Audit Committee is to:

- evaluate the accounting policies used to prepare the parent company and consolidated financial statements, and to review and evaluate the basis for consolidation and the relevance of accounting methods applied to the Group;
- monitor the financial information follow-up process;
- examine the annual and interim financial statements, together with budgets and forecasts, prior to their presentation to the Board of Directors;
- monitor the control of annual financial statements and, if necessary, of consolidated financial statements by the Statutory Auditors;
- control the quality of and compliance with procedures, and to evaluate information received from management, internal committees and internal and external auditors;
- monitor the efficacy of internal control and risk management systems;
- supervise the appointment and reappointment of the Statutory Auditors, to satisfy itself of their independence, to form an opinion on the amount of their fees and to submit the results of its work to the Board of Directors;
- examine the scope and approach of audit selected by the Statutory Auditors on the consolidated financial statements, including the material risks and the main identified uncertainties;
- review the details and appropriateness of the fees paid by the Company and the Group to the Statutory Auditors and to ensure that those fees and the services referable thereto are not such as to affect their independence;
- examine the annual statement of significant litigation.

The Audit Committee meets at least four times a year. Meetings are convened by the Committee's Chairman.

In connection with its duties, the Audit Committee is responsible for:

- submitting proposals to the Board of Directors concerning the appointment, fees and replacement of the Company's Statutory Auditors;
- reviewing with management and the Statutory Auditors the quarterly, half-yearly and annual financial statements, the Group's accounting principles and methods, its auditing principles and methods and internal control systems, its risk management systems, the analyses and reports relating to financial reporting, the accounting policies and communications between management and the Company's Statutory Auditors;
- examining and controlling rules and procedures concerning conflicts of interest, management expenses and the identification and measurement of key financial risks, together with the application thereof, and submitting its assessment to the Board of Directors on an annual basis;
- on an annual basis, examining, controlling and assessing the independence of the Statutory Auditors, audit procedures, any difficulties encountered and the measures taken to resolve them, and supervising the internal audit function;
- more generally, examining, controlling and assessing any matters likely to affect the accuracy and fairness of the financial statements.

The Audit Committee may request any information it deems necessary or useful, and may call upon anyone it deems necessary or useful for assistance.

The Appointments and Governance Committee

The Appointments and Governance Committee is comprised of three Directors other than the Chairman of the Board. The Chairman of the Appointments Committee is appointed by the Board of Directors from among the members of the Committee.

The role of the Appointments and Governance Committee is to:

- make any proposals to the Board concerning the re-election, replacement or appointment of new Directors;
- give an opinion on the appointment or replacement of the Chief Executive Officer and Deputy Chief Executive Officers if required;
- prepare, with the Vice-Chairman of the Board or a Director specially appointed for this purpose, the annual executive session of the Board of Directors regarding its functioning in the absence of the Chairman of the Board, the Chief Executive Officer and the executive team;
- to give an opinion on the independent members of the Board of Directors.

The Appointments and Governance Committee meets at least twice a year. Meetings are convened by the Committee's Chairman or at the request of the Chairman of the Board of Directors.

The Compensation Committee

The Compensation Committee is comprised of three members including two who are independent according to the abovementioned criteria set forth by the internal regulations. They are appointed from among the Directors other than the Chairman of the Board. The Chairman of the Committee is appointed by the Board of Directors from among the members of the Committee.

The role of the Compensation Committee is to:

- make proposals to the Board of Directors on all components of the compensation paid to the Group's company officers, members of executive management and senior executives;
- be informed of the appointment of key members of executive management other than the Chief Executive Officer, and on the determination of, and any changes to, all components of their compensation;
- give an opinion on the amount and distribution of Directors' fees;

- make recommendations to the Board of Directors on the Group's compensation policies and employee savings plans, employee share ownership, stock options and bonus shares or any other similar compensation.

The Chairman of the Board may be asked to take part in the Committee's work, except where it concerns his own compensation.

The Compensation Committee meets at least twice a year. Meetings are convened by the Committee's Chairman, or at the request of the Chairman of the Board.

3.1.1.2 Composition of the Board of Directors

The Board of Directors is currently comprised of eleven members, four of which are independent.

Individual information concerning the Directors is presented in the section 3.1.1.3 "Main activities of the Board members".

In 2011, the Board of Directors met twelve times. The attendance rate amounted to 89%.

List of the Directors in exercise as at 31 December 2011

Name	Function	Age	Date of first appointment and last renewal	End of term of office (*)	Member of a Committee
Marc de Garidel	Chairman and Chief Executive Officer	54	11/10/2010 with effect as at 22 November 2010 27/05/2011	ASM 2015	Strategic Committee
Antoine Flochel	Vice-Chairman and Director	47	30/08/2005 27/05/2011	ASM 2013	Compensation Committee (Chairman) Strategic Committee
Anne Beaufour	Director	48	30/08/2005 27/05/2011	ASM 2014	Appointments and Governance Committee (Chairperson) Strategic Committee
Henri Beaufour	Director	47	30/08/2005 27/05/2011	ASM 2015	Strategic Committee (Chairman)
Hervé Couffin (a)	Director	60	30/08/2005 27/05/2011	ASM 2014	Appointments and Governance Committee Strategic Committee
Gérard Hauser (a)	Director	70	14/12/2005 27/05/2011	ASM 2013	Compensation Committee
Pierre Martinet (a)	Director	62	19/09/2005 27/05/2011	ASM 2014	Audit Committee
René Merkt (b)	Director	78	19/09/2005 27/05/2011	ASM 2012	–
Yves Rambaud (a)	Director	77	30/08/2005 27/05/2011	ASM 2012	Audit Committee (Chairman) Compensation Committee
Klaus-Peter Schwabe (b)	Director	70	30/08/2005 27/05/2011	ASM 2013	–
Christophe Vérot	Director	51	27/05/2011	ASM 2015	Audit Committee Appointments and Governance Committee

(*) The Company has implemented staggered terms of office in 2011, which explains the different maturity dates.
(a) Independent Director.
(b) Director of non-French nationality.

The Board of Directors held on 27 May 2011 decided to renew **Marc de Garidel** as Chairman for the duration of his term as a Director, *i.e.*, until the Shareholders' Meeting to be held in 2015 to approve the 2014 financial statements.

Antoine Flochel was appointed Vice-Chairman of the Board of Directors at the Board Meeting held on 27 May 2011 for the duration of his term as a Director, *i.e.*, until the Shareholders' Meeting to be held in 2013 to approve the 2012 financial statements.

Anne Beaufour and **Henri Beaufour** are brother and sister. There are no other family relationships among the other members of the Company's Board of Directors.

Upon proposal of the Appointments and Governance Committee, the Board of Directors, at its meeting held on 28 February 2012, considered that **Hervé Couffin, Gérard Hauser, Pierre Martinet** and **Yves Rambaud** are independent Directors within the meaning of the Board internal regulations described in section 3.1.1.1 of this registration document.

For the purposes of their office, Directors are domiciled at the Company's registered office.

To Company's best knowledge and as at the date of the present Annual Report, during the past five years, none of the Directors of the Company has been:

- convicted of fraud, charged with any other offence or had any official public disciplinary action taken against them by statutory or regulatory authorities;
- implicated in a bankruptcy, receivership or liquidation as an executive officer or director;
- disqualified from acting as a board member, senior executive or supervisory board member or from participating in the management of a listed company.

3.1.1.3 Main activities of the Board members

Marc de Garidel

Chairman and Chief Executive Officer

Member of the Strategic Committee

Born on 16 March 1958, French nationality

Marc de Garidel graduated from the École Spéciale des Travaux Publics (France's leading Civil Engineering School) and obtained a business degree at Thunderbird School of Global Management (Arizona, USA).

Marc de Garidel started his career in 1983 with the Eli Lilly pharmaceutical Group. He held various roles, mainly Finance related, firstly in France, then in the United States and finally in Germany.

In 1995, he joined Amgen, the American biotech Group, as Vice-President, Finance and Treasury for Europe. In 1998, he was appointed at Amgen's headquarters in California as Vice-President, Corporate Controller and Chief Accounting Officer.

In 2000, Marc de Garidel was offered the role of Vice-President, General Manager for France, in charge of general management of Amgen France. In 2006, he was appointed Vice-President, Southwestern Europe (France, Spain, Belgium, and Portugal). In 2007 and until recently, Marc de Garidel's responsibilities were expanded to the entire Southern region. This region includes Southern European markets as well as emerging markets such as MEA and Latin America. With this position, Marc de Garidel runs the largest region within Amgen International, with sales of more than $1.5bn.

Marc de Garidel holds a teaching position at École Centrale de Paris and ESSEC Business School since 2008 and is *"Chevalier de la Légion d'Honneur"*.

As at 31 December 2011, Marc de Garidel directly owned 100 shares and 100 voting rights of the Company.

Positions currently held:

Ipsen Group:
- Ipsen Pharma SAS, Chairman
- Suraypharm SAS, Chairman

Others:
- Promethera, Non-executive Chairman
- TcLand, Director
- Protein'Expert, Director
- G5, Chairman
- European Biopharmaceutical Enterprises, Chairman

Positions previously held that expired during the last five years:
- Biotech Committee of the Leem (Les Entreprises de Médicament)
- European Biopharmaceutical Enterprises, Vice-Chairman

Antoine Flochel

Director and Vice-Chairman of the Board of Directors

Chairman of the Compensation Committee and member of the Strategic Committee

Born on 23 January 1965, French nationality

Antoine Flochel is currently legal manager of Financière CLED (Belgium) and Vice-Chairman of the Company's Board of Directors. He is a managing director and chairman of the board of Mayroy and director of Beech Tree. He worked for Coopers & Lybrand Corporate Finance (now PricewaterhouseCoopers Corporate Finance) from 1995 to 2005 and was a partner in 1998. Antoine Flochel is a graduate of the Paris Institut des Etudes Politiques (institute of political studies), holds a law degree and a postgraduate degree in economics of the Paris Dauphine University, as well as an MSc in finance from the London School of Economics.

As at 31 December 2011, Antoine Flochel directly owned 3,000 shares and 3,000 voting rights of the Company. Mr Flochel is the legal manager of VicJen Finance SARL which held 2,000 shares and 4,000 voting rights as at the same date.

Positions currently held:
- Mayroy SA (Luxembourg), Director
- Mayroy SA (Luxembourg), Managing Director and Chairman of the Board
- Beech Tree SA (Luxembourg), Director
- Blue Hill Participations SARL (Luxembourg), Legal Manager
- Financière CLED SPRL (Belgium) (ex-VicJen Investissements), Legal Manager
- VicJen Finance SARL (France), Legal Manager
- SCI Financière CLED (France), Legal Manager
- New Challenger SAS (France), Member of the Supervisory Board

Positions previously held that expired during the last five years:
- Baigo Capital GmbH (Germany), Member of the Advisory Board
- PwC Corporate Finance (France), Partner
- Financière Althea IV SAS (France), Advisor
- Beavan Somua Fund (Guernsey), Director

Anne Beaufour

Director

Chairperson of the Appointments and Governance Committee and member of the Strategic Committee

Born on 8 August 1963, French nationality

Anne Beaufour holds a bachelor's degree in geology (University of Paris Orsay). As at 31 December 2011, Mrs. Anne Beaufour held directly 1 share and 2 voting rights of the Company. Mrs Anne Beaufour is the shareholder of several companies, as described in section 3.2.3.1, which directly and/or indirectly hold shares of the Company.

Positions currently held:
- Mayroy (Luxembourg), Managing Director
- Beech Tree (Luxembourg), Chairperson of the Board of Directors
- Highrock SARL (Luxembourg), Legal Manager
- Bluehill Participations S.à.r.l. (Luxembourg), Legal Manager

Positions previously held that expired during the last five years:
- FinHestia (Luxembourg), Legal Manager

Henri Beaufour

Director

Chairman of the Strategic Committee

Born on 6 January 1965, French nationality

Henri Beaufour holds a bachelor of arts degree (Georgetown, University Washington DC, United States). As at 31 December 2011, Mr. Henri Beaufour held directly 1 share and 2 voting rights of the Company. Mr. Beaufour is the shareholder of several companies, as described in section 3.2.3.1, which directly and/or indirectly hold shares of the Company.

Positions currently held:
- Mayroy SA (Luxembourg), Director
- Beech Tree (Luxembourg), Director

Positions previously held that expired during the last five years:
- Camilia Holding (Luxembourg), Legal Manager
- FinHestia (Luxembourg), Legal Manager
- Bluehill Participations & Cie S.C.A (Luxembourg), Member of the Advisory Board

Hervé Couffin

Director

Member of the Appointments and Governance Committee and the Strategic Committee

Born on 26 October 1951, French nationality

Hervé Couffin is Chairman of Callisto, a consultancy advising management teams on LBOs, and he is Chairman of the Supervisory Board of Mersen and sits on the board of directors of Antargaz. From 1998 to 2004, he was a member of the executive committee and senior partner at PAI Partners. Previously, he worked for Paribas for a period of 15 years. Hervé Couffin is a graduate of the École Polytechnique and a member of the prestigious Corps des Mines of elite French engineers.

As at 31 December 2011, Hervé Couffin directly held 1,201 shares and 2,402 voting rights of the Company.

Positions currently held:
- Callisto SAS (France), Chairman
- HC Conseil SARL (France), Managing partner
- HC Conseil (on Antargaz Board of Directors), Permanent representative
- Compagnie Franco-Tunisienne des Pétroles (Tunisia), Director
- Mersen (ex-Carbone Lorraine) (France), Chairman of the Supervisory Board

Positions previously held that expired during the last five years:
- Carbone Lorraine (France), Director
- Bouygues Telecom (France), Advisor
- Mayroy (Luxembourg), Director
- Gerflor (France), Director
- PAI Partners (France), Member of the Executive Committee
- Neuf Cegetel (France), Director
- Neuf Cegetel (France), Censor

Gérard Hauser

Director

Member of the Compensation Committee

Born on 29 October 1941, French nationality

Gérard Hauser has been Chairman and CEO of Nexans from 2001 to 2009. Before becoming a member of the executive committee of Alcatel and taking up the responsibility for its Cables and Components sector in 1996, he held various offices in the Pechiney group. From 1975 to 1996 he was Director of primary metal sales, Chairman and CEO of Pechiney World Trade and then of Pechiney Rhénalu and finally Senior Executive Vice-President of American National Can and member of the executive committee of the group. Gérard Hauser is a graduate of the IEP (institute of political studies) in Paris. He was lecturer at the IEP. Gérard Hauser is also director of Alstom and Technip.

As at 31 December 2011, Gérard Hauser directly held 3,180 shares and 5,861 voting rights of the Company.

Positions currently held:
- Alstom (France), Director
- Technip (France), Director
- Stromboli, Chairman of the Supervisory Board
- Delachaux (France), Director
- Mecaplast (Monaco), Director

Positions previously held that expired during the last five years:
- Nexans (France), Director
- Faurecia (France), Director
- Aplix (France), Director
- Electro Banque (France), Director

Pierre Martinet

Director

Member of the Audit Committee

Born on 2 December 1949, French nationality

Pierre Martinet joined the Group in September 2005 as a Director. In 1974, Pierre Martinet started his career in Rothschild Bank. In 1993, he joined Old Town SA (previously Exor group) where he has held several managing positions, in particular in Sequana (ex Worms & Cie) until 2007. He is still managing Director of Old Town. From 1990 to 1992, he was a member of Perrier's executive team. From 1986 to 1990, he participated in the management of investment funds at Paribas Technology, then at Pallas Venture, of which he was a co-founder. Previously, he worked at Cartier as general secretary from 1977 to 1985. Pierre Martinet is a graduate of the Paris ESC business school and of the Columbia Graduate School of Business.

As at 31 December 2011, Pierre Martinet directly held 2,132 shares and 4,264 voting rights of the Company.

Positions currently held:
- Old Town SA (Luxembourg), Managing Director

- Banijay Entertainment (France), Member of the Supervisory Board
- Cushman & Wakefield (USA), Director
- Cartier SA (France), Member of the Supervisory Board
- Greysac SAS (France), Director
- Almacantar (Luxembourg), Director

Positions previously held that expired during the last five years:
- IFIL France SAS (France), Chairman
- Arjo Wiggins Appleton (Great Britain), Chairman and Director
- Arjo Wiggins (Great Britain), Member of the Supervisory Board
- Exor (United States of America), Director and Vice-Chairman
- Exor Finance Ltd, Director
- Antalis International, Member of the Supervisory Board
- Sequana Capital, Director - Deputy Chief Executive Officer
- Financière de Construction de Logement SAS (France), Chairman
- Adriatique B.V. (Hollande), Director

René Merkt

Director

Born on 15 October 1933, Swiss nationality

René Merkt was called to the Bar of Geneva in 1955. He specialises in business law and financial issues. René Merkt is currently the director of several companies. René Merkt is a graduate of the University of Geneva and holds the Bellot medal for 50 years' professional service as a lawyer.

As at 31 December 2011, René Merkt directly held 32,825 shares and 35,491 voting rights of the Company.

Positions currently held:
- A. Dewavrin Fils, Brig-Glls (Switzerland), Director
- Asunpar S.A., Geneva (Switzerland), Director
- Canon S.A., Geneva (Switzerland), Director
- COGES Corraterie Gestion SA, Geneva (Switzerland), Director
- De Wey & Cie S.A., Fribourg (Germany), Director
- Eden Holding S.A., Montreux (Switzerland), Director
- Exbasa S.A., Geneva (Switzerland), Director
- Fimaser Invest S.A., Geneva (Switzerland), Director
- Homic S.A., Geneva (Switzerland), Director
- Hôtels Intercontinental, Geneva (Switzerland), Director
- Inyourmind Music S.A., Fribourg (Switzerland), Director
- Matt Fashion S.A., Geneva (Switzerland), Director
- Mafsa S.A., Villars s/ Ollon (Switzerland), Director
- Park Plaza Hôtel A.G., Zurich (Switzerland), Director
- Participante S.A., Fribourg (Switzerland), Director
- Renalco S.A., Geneva (Switzerland), Director
- S.I. Grands Espaces, Crans (Switzerland), Director
- Sisley S.A., Bachenbülach (Switzerland), Director
- S.A. Hôtelière Montreux (Switzerland), Director
- Société de Gestion Fiduciaire S.A, Geneva (Switzerland), Director
- Villa Toscane Holding S.A., Montreux (Switzerland), Director

Positions previously held that expired during the last five years:
- Assor S.A., Geneva (Switzerland), Director
- Bruxinter S.A., Geneva (Switzerland), Director
- Cie Aramayo S.A., Geneva (Switzerland), Director
- Etrea S.A., Meyrin, Geneva (Switzerland), Director
- Fitral S.A., Geneva (Switzerland), Director
- Gerber & Goldschmidt A.G., Zoug (Switzerland), Director
- GIV Gesellschaft für Industrie, Geneva (Switzerland), Director
- Galderma Pharma S.A., Lausanne (Switzerland), Director
- Holcos S.A., Geneva (Switzerland), Director
- Italfarmaco S.A., Fribourg (Switzerland), Director
- L'Oréal Suisse S.A., Geneva (Switzerland), Director
- L'Oréal Produits de luxe Suisse S.A., Renens (Switzerland), Director
- Laboratoires de spécialités scientifiques sérums et vaccins, S.A., Meyrin, Geneva (Switzerland), Director
- Mining & Chemical Products S.A., Geneva (Switzerland), Director
- Novagraaf Intern. S.A., Vernier, Geneva (Switzerland), Director
- OM Pharma, Meyrin, Genève (Switzerland), Director
- Welding Engineers Ltd, Genève (Switzerland), Director

Yves Rambaud

Director

Chairman of the Audit Committee and member of the Compensation Committee

Born on 5 February 1935, French nationality

Yves Rambaud was Chairman and Chief Executive Officer of Eramet from 1991 to 2002. He also participated in the management of Le Nickel from 1971 to 1991. Yves Rambaud is a graduate of the École Polytechnique and the École des Mines de Paris.

As at 31 December 2011, Yves Rambaud directly held 1,401 shares and 2,802 voting rights of the Company.

Positions currently held:
Géodis (France), Director

Positions previously held that expired during the last five years:
- Société Métallurgique Le Nickel SLN (France), Director
- Mayroy (Luxembourg), Director

Klaus-Peter Schwabe

Director

Born on 30 July 1941, German nationality

Dr. Klaus Peter Schwabe is the Chairman of Dr. Willmar Schwabe Familienstiftung, the holding company for Dr. Willmar Schwabe GmbH & Co. KG since 1993. From 1976 to 1993, he was chief operating officer at Dr. Willmar Schwabe GmbH & Co. KG, where he began his career as research and development manager. Dr. Klaus Peter Schwabe studied pharmacy and biochemistry. He holds a PhD in biochemistry. He has also received management training.

As at 31 December 2011, Klaus-Peter Schwabe directly held 1 share and 2 voting rights of the Company. Mr Schwabe is the legal manager of Finvestan SARL which held, at the same date, 187,923 shares and 375,846 voting rights of the Company.

Positions currently held:
- Mayroy (Luxembourg), Director
- FinHestia SARL (Luxembourg), Legal manager
- Finvestan SARL (Luxembourg), Legal manager
- Luisenhof GmbH (Germany), Legal manager
- Carolabad Immobiliengesellschaft (Germany), Legal manager

Positions previously held that expired during the last five years:
- Wallingstown Company Ltd (Ireland), Legal manager
- Extracta Beteiligungs GmbH (Germany), Legal manager
- Irexan Verwaltungs GmbH (Germany), Legal manager
- Dr W. Schwabe Familienstiftung (Germany), Chairman
- Dr Schwabe Pharma Verwaltungs GmbH (Germany), Legal manager
- A. Marggraf Arzneimittel GmbH (Germany), Legal Manager

Christophe Vérot

Director

Member of the Audit Committee and the Appointments and Governance Committee

Born on 23 July 1960, French nationality

From 1985 to 1988, Mr. Christophe Vérot was an auditor at Price Waterhouse. From 1988 to 1991, he was a consultant at SIAR, a Scandinavian consultancy firm on strategy. Since 1991, Mr. Vérot has a consultancy activity in Corporate Finance then Valuation & Economics within PwC where he is a partner since 1995. Mr. Christophe Vérot is the author of several articles and publications on merger and acquisitions and valuation methods. Mr. Vérot is a graduate of the ESSEC.

As at 31 December 2011, Christophe Vérot directly held 1,500 shares and 1,500 voting rights of the Company.

Positions currently held:
- PwC Investissements SAS, Chairman
- PwC Corporate Finance SAS, Member of the Board of Directors

Positions previously held that expired during the last five years:
- PwC Actuariat Conseil, Chairman

3.1.1.4 Conflicts of interests and service contracts

Conflicts of interest involving Directors and Executive Officers

Dr. Klaus Peter Schwabe, Director, is also Chairman of Dr. Willmar Schwabe Familienstiftung, the holding company of the Schwabe group. The Group has entered into various agreements and has shareholdings in joint ventures with the Schwabe group. These agreements and holdings are described in sections 3.2.3.3 and 1.4.2 of this registration document. These ties were forged in compliance with the applicable provisions of law and to the Company's knowledge, there is no conflict of interest with Dr. Klaus Peter Schwabe as a result of these operations.

To the Company's best knowledge and as at the date of publication of the present annual report:

- there is no other matter likely to give rise to a conflict of interest between the duties of the members of the Board of Directors vis-à-vis the Company and their personal interests and other duties;
- there is no further undertaking or agreement with shareholders, clients, suppliers or other parties pursuant to which one of the members of the Board of Directors of the Company has been appointed as director;
- the persons indicated in section 3.1.1.2 of this registration document have not entered into any agreement restricting the sale of their shareholding in the Company.

Service contracts with members of the Company's governing bodies

On the date of registration of this registration document, the Company is not aware of any service contract between the Company or any of its subsidiaries and any of the members of the Board of Directors or of the executive management.

Loans and guarantees granted to members of the Board

No loan or guarantee has been granted by the Company to any member of its Board of Directors or its executive management.

3.1.1.5 Assessment of the functioning of the Board

The Internal Regulations of Board of Directors provides for an annual debate, through a session without the presence of the Chairman of the Board, the Chief Executive Officer and senior executives. This meeting is prepared by the Appointments and Governance Committee, in cooperation with the Vice-Chairman of the Board or a Director specifically appointed for this purpose. The Committee may, on this occasion, request that an assessment be carried out by an external consultant.

A formal assessment of the Board of Directors' operations was carried out, by Mr. Hervé Couffin, an independent Director, under the aegis of the Appointments and Governance Committee. This assessment was conducted via a questionnaire sent to every member of the Board. The conclusions of this assessment were presented and debated during the Board of Directors meeting held on 26 February 2010. Said conclusions emphasised the highly satisfactory manner in which the Board and its specialised committees operate, with respect to the information provided to directors as well as debates within the Board and the effective contribution of each Director. They also highlighted the improvements achieved during the last two years. In addition, a few items regarding possible further improvements were also suggested.

A debate dedicated to the Board of Directors' operations during financial year 2011 was conducted during the meeting of the Board of Directors held on 19 January 2012, without the presence of the Chairman and the members of the Executive Committee. It concluded that Directors are generally satisfied with the manner in which the Board and its Committees operate. Additional recommendations have been made regarding the preparation and conduct of Boards' meetings for their implementation in 2012.

3.1.1.6 Executive Committee

The Group has an Executive Committee which is responsible for managing the Company's day-to-day operations and for coordinating the Group's various scientific, legal, financial, commercial and strategic actions.

The Executive Committee is also responsible for establishing consistent management policies throughout the Group and for assisting the Chairman of the Board of Directors in implementing the Board's decisions.

3.1.1.6.1 Composition

The members of the Executive Committee are:

Name	Function	Date of entry in the Group
Marc de Garidel	Chairman and Chief Executive Officer	2010
Claude Bertrand	Executive Vice-President Research and Development, Chief Scientific Officer	2009
Etienne de Blois	Executive Vice-President Human Resources	1982
Pierre Boulud	Executive Vice-President Corporate Strategy	2002
Éric Drapé	Executive Vice-President Technical Operations	2007
Christophe Jean	Executive Vice-President Operations	2002
Nathalie Joannes	Executive Vice-President Corporate Counsel	2011
Susheel Surpal	Executive Vice-President Finance	2011

There are no family relationships between the members of the Executive Committee, nor with the members of the Board.

To the Company's best knowledge and as at the date of publication of the present Annual Report, over the last five years, none of the members of the Executive Committee have been:

- convicted of fraud, charged with any other offence or had any official public disciplinary action taken against them by statutory or regulatory authorities;
- implicated in a bankruptcy, receivership or liquidation as an executive officer or director;
- disqualified from acting as a board member, senior executive or supervisory board member or from participating in the management of a listed company.

The members of the Executive Committee, except Mr. Marc de Garidel, hold employment contracts with the Company. There are no other agreements or service contracts entered into between the Company or one of its subsidiaries and one of the members of the Executive Committee.

3.1.1.6.2 Presentation of each member of the Executive Management

Marc de Garidel

Refer to section 3.1.1.3 of the present registration document.

Claude Bertrand

Executive Vice-President, Research and Development, Chief Scientific Officer

Claude Bertrand joined the Company in November 2009. Claude Bertrand has a PhD in pharmacy, a Master in Pharmacology, a PhD from the University of Strasbourg and a post doc from the University of San Franscisco under the supervision of Pr. Jay A. Nadel. Claude Bertrand started his carreer in Novartis (previously Ciba-Ceigy) in Basel (Switzerland). Then, he moved to the Inflammatory Disease Unit at Roche (Palo Alto, California) where he developed, in particular, the pharmacology platform for breathing diseases. In 1999, he was recruited as Director of Biology R&D of Pfizer in France and member of the management team of Pfizer Global R&D. Since 2004, Claude Bertrand was R&D Vice-President, then R&D Senior Vice-President of AstraZeneca where he was responsible of Respiratory and Inflammation diseases area.

Positions currently held:

Ipsen Group:
- Ipsen Pharma SAS (France), Managing Director
- Ipsen Innovation SAS (France), Managing Director

Other:
- Splicos, Director
- ARIIS *(Alliance pour la Recherche et l'Innovation des Industries de Santé)*, Chairman

Etienne de Blois

Executive Vice-President, Human Resources

Etienne de Blois joined the Group in 1982. Etienne de Blois graduated from the Institute of Political Sciences in Paris and from the Executive MBA-CPA of HEC School of Management in Paris. He spent most of his career in international operations, especially in Asia, in Spain and in France. From 1987 to 1992, based in Kuala Lumpur, Malaysia, he developed the Group's activities in Asia. From 1995 to 2001, Etienne de Blois led Ipsen's activities in Spain, prior to joining the French subsidiary as General Manager in 2001. In May 2011, Etienne de Blois was appointed Executive Vice-President, Human Resources.

Positions currently held:

Ipsen Group:
- Ipsen Pharma SAS (France), Managing Director

Pierre Boulud

Executive Vice-President, Corporate Strategy

Pierre Boulud joined the Group in 2002. Pierre Boulud started his career in Bossard Consultants during two years, then in the Boston Consulting Group during five years. Since 2002, he has held several senior positions within the Ipsen Group, in particular the management of the Spanish subsidiary and the management of the Strategic Marketing. Pierre Boulud is graduated from the École Supérieure des Sciences Économique et Commerciales (ESSEC).

In June 2011, Pierre Boulud was appointed Executive Vice-President, Corporate Strategy, in charge of Business

Development, Alliance Management, Market Access, Competitive Intelligence and Scientific Information and Strategic Planning.

Positions currently held:

Ipsen Group:
- Ipsen Pharma SAS (France), Managing Director
- Ipsen Pharma SA (Spain), Director

Eric Drapé

Executive Vice-President, Technical Operations

Eric Drapé joined the Group in May 2007. In 1990, he joined Novo Nordisk, where he served as Senior Vice-President of Quality of International Operations and as Senior Vice-President of the strategic site Chartres (France). Since 2004, he was Senior Vice-President in charge of the Production Division of diabetes finished products. Eric Drapé completed his Doctorate in Pharmacy in 1986 at Université Paris XI and his DESS (post-graduate diploma) in analytical control of drugs in 1987. He also received his MBA in 1999 from the Copenhagen Business School / Scandinavian International Management Institute of Copenhagen. Since 2007, Eric Drapé is a member of European Advisory Board of FM Global.

Positions currently held:

Ipsen Group:
- Ipsen Pharma SAS (France), Managing Director
- Ipsen Biopharm Ltd (UK), Director
- Ipsen Manufacturing Ireland Ltd (Ireland), Director

Christophe Jean

Executive Vice-President, Operations

Christophe Jean joined the Group in September 2002. He is a member of the Executive Committee in charge of Group's medical and commercial activities across the world and of franchises.

Christophe Jean graduated from the Harvard Business School. He started his career in the pharmaceutical industry in Ciba-Geigy where he held several positions in marketing and international management in Europe and Latin America. He was then appointed Vice-President, International Finance and Information Technology and a member of the International Pharmaceutical Executive Committee in Basel, position he held after the merge of Ciba-Geigy and Sandoz (to create Novartis) until his appointment as Head of the Pharmaceutical division for Europe, Middle East and Africa in 1997. In 2000, he joined the Pierre Fabre group as Chairman and Chief Executive Officer of pharmaceutical activities.

Positions currently held:

Ipsen Group:
- Ipsen Pharma SAS (France), Managing Director

Other:
- Exonhit Therapeutics (France), Member of the Supervisory Board

Nathalie Joannes

Executive Vice-President, General Counsel

Nathalie Joannes joined the Company in October 2011. From 1989 to 2001, Nathalie Joannes worked at Monsanto Company (St Louis, USA and Brussels, Belgium), notably as Assistant General Counsel in the United States. In 2001, she joined Serono International as Group General Counsel, then Cardinal Health International (Switzerland) in 2007 where she served as General Counsel, International. Since 2008, she served as Senior Vice-President and Chief European Counsel at Genzyme B.V. (Amsterdam). Nathalie Joannes is a member of the New York Bar, and a graduate from the University of Pennsylvania Law School (Philadelphia – 1985) and the University of Liege (Belgium – 1984).

Positions currently held:

Ipsen Group:
- Ipsen Pharma SAS (France), Managing Director

Susheel Surpal

Executive Vice-President, Finance

Susheel Surpal joined the Company in December 2011. Throughout his career, Susheel Surpal served mainly as Financial Director, from 1985 to 1994 at EDS, then at Sodexo as European Financial Director, before his appointment as Corporate Controller (1999-2000), then Corporate Controller and Senior Vice-President at the BIC group. In 2003, Susheel Surpal joined the BEL group as Corporate Financial Director. Since 2009, Susheel Surpal was member of the Executive Committee and Financial Director of LABCO (European leader of medical diagnostics). He is graduate from the Queen's University of Belfast (Ireland) and fellow of the Institute of Chartered Management Accountants (FCMA – London).

Positions currently held:

Ipsen Group:
- Ipsen Pharma SAS (France), Managing Director

3.1.1.7 Transactions on Company's shares

Definition of blackout periods

The Company complies with the recommendations of the *Autorité des marchés financiers* and the AFEP-MEDEF Code. Accordingly, purchases and sales of Company securities, or financial instruments, are prohibited during the periods running from the date on which executive officers and other persons with a similar status as well as any other person who has access to privileged information on a regular or occasional basis have knowledge of precise information about business conditions or prospects, which, if it were disclosed, could have a material impact on the share price to the date on which this information is disclosed. Moreover, such trades are also banned during a period of:

- 30 calendar days prior to the day on which the Company's annual and interim financial statements are released, including that day, and
- 15 calendar days prior to the day on which quarterly financial statements are released and including that day.

The Company draws up and releases, at the beginning of every year, a timetable that defines the periods during which trading in Company securities is prohibited and stipulating that the indicated periods do not rule out the possibility of other blackout periods resulting from knowledge of precise information that directly or indirectly concerns Ipsen, which, if it were disclosed, could have a material impact on Ipsen's share price.

Transactions on Company's securities carried out in 2011

Pursuant to Article 223-26 of the General Regulations of the *Autorité des marchés financiers*, the table below sets out transactions on Company's securities carried out in 2011 and as at the date of this registration document by directors and senior executives, and any person related to them, as such transactions were notified to the Company and the *Autorité des marchés financiers*:

	Purchases			Sales		
	Date	Number	Average weighted price	Date	Number	Average weighted price
Christophe Vérot Director	8 July 2011	1,500	€24.75			
Individuals related to Christophe Jean, member of the Executive Committee				7 November 2011	5,600	€22.29
				1 December 2011	4,800	€21.23

3.1.2 Reports of the Chairman and the Statutory Auditors

3.1.2.1 Report of the Chairman of the Board of Directors on the composition and preparation and organisation of the work of the Board and on internal control and risk management procedures

The present report will be presented to the Combined Shareholders' Meeting to be held on 1 June 2012, in accordance with the provisions of Article L.225-37 of the French Commercial Code. It has been prepared with the assistance of the Executive management, the office of the Company Secretary, the Internal Audit and the Risks Management departments and has been presented to the Audit Committee prior to its approval by the Board of Directors held on 28 February 2012 and sent to the Statutory Auditors.

Ipsen is a *société anonyme* with a Board of Directors, where the offices of Chairman of the Board and Chief Executive Officer have not been separated.

Information described in the present Report relating to the preparation and organisation of the work of the Board of Directors, and the internal control and risk management procedures implemented by the Company and the Ipsen Group relate to the financial year ended 31 December 2011.

3.1.2.1.1 Preparation and organisation of the work of the Board of Directors – Corporate governance

Corporate governance Code

The Company refers to the AFEP/MEDEF corporate governance Code of April 2010. In accordance with the provisions of Article L.225-37 of the French Commercial Code, the Report of the Chairman sets out the provisions of the AFEP/MEDEF Code which have not been applied, as well as the reasons.

The Company does not apply the AFEP/MEDEF recommendations concerning:

- the independence criteria of the Board members (see 3.1.1.1). The AFEP/MEDEF criterion relating to the fact of not having been a member of the Board of the Company for more than 12 years is not taken into account as one of the independence criteria, the Board estimating that it is not relevant;
- the Directors' fees. Due to the involvement of the Directors and in particular the high attendance rate, the Board of Directors has not instituted a variable part of attendance in the rules of allocation and payment of the Directors' fees.

The Board of Directors

Composition

The Board of Directors is currently comprised of 11 members, including one woman, Mrs. Anne Beaufour. Two of its members are non-French nationals: Mr. René Merkt, of Swiss nationality and Mr. Klaus-Peter Schwabe, of German nationality.

In view of the Board director mandates expiring, in particular in 2012, the Appointments and Governance Committee will propose candidates aimed at reinforcing the presence of women within the Board in order to comply with the AFEP-MEDEF recommendation dated April 19, 2010 and the provisions of the law dated January 27, 2011 relating to the equal representation of women and men within boards of directors.

Among the members of the Board, four Directors, Messrs. Pierre Martinet, Gérard Hauser, Hervé Couffin and Yves Rambaud are independent Directors as defined by the Board's internal regulations and in accordance with the independence criteria described in the latter. These criteria are:

- be neither employees, executive officers, nor closely related to an executive officer of a Group entity or an entity controlling the Company within the meaning of Article L.233-3 of the French Commercial Code;
- be neither executive officers, nor closely related to an executive officer of a company in which a Group entity holds an executive office, either directly or indirectly;
- be neither a client, supplier or significant service provider of the Group, nor a member of a company that is a client, supplier or significant service provider of the Group;

- (i) do not represent a shareholder that owns, (ii) are not members of an entity that directly or indirectly owns, and (iii) do not directly or indirectly own, more than five percent of the Company's share capital or voting rights.

Individual information concerning the Directors of the Company and in particular the list of their terms of office are presented in section 3.1.1.3 of the registration document.

Meetings of the Board of Directors

In the course of 2011, the Board of Directors met 12 times. The average attendance rate at the meetings amounted 89% for 2011.

The Statutory Auditors of the Company were convened to the Board meetings held to approve the annual and half-year financial statements.

Works of the Board in 2011

In 2011, the Board of Directors discussed, among other things, the following matters:

- concerning financial statements and financial situation: review and approval of the 2010 annual and consolidated financial statements, the 2011 interim financial statements, examination of the management forecast documents, 2011 budget and preliminary 2012 budget;
- concerning strategy and development: examination and follow-up of the Group partnership and development projects;
- concerning compensation: examination of the compensation of the Chairman and Chief Executive Officer, grant of stock subscription options and bonus shares to the Chairman and Chief Executive Officer and employees of the Group;
- concerning organisation and functioning of the Board of Directors: assessment of the functioning of the Board of Directors;
- concerning the Shareholders' Meeting: examination and approval of the report of the Chairman of the Board of Directors on preparation and organisation of the work of the Board and on internal control and risk management procedures, convening of the Shareholders' Meeting dated 27 May 2011;
- the policy regarding equal employment and wage within the Company and the application of the principle of balanced representation of women and men in the Board of Directors.

Conditions of preparation of the works of the Board – Confidentiality

Members of the Board of Directors receive all appropriate information and necessary documents required for them to perform their duties and responsibilities and prepare their deliberations. Prior to any meeting, they may request any reports, documents and research prepared by the Group and may commission any external technical reports at the Company's expense.

To this respect, and together with the individual directors' information right provided for by legal provisions and the Articles of association, the Vice-Chairman of the Board, acting on behalf of all Directors, may request from the Chairman of the Board, where this person also acts as Chief Executive Officer, any information, document which communication would be necessary in order for the other Directors to accomplish their duties in accordance with the laws and regulations.

The Board of Directors is informed of any significant event or transaction concerning the company by its Chairman on an ongoing basis and by the use of any necessary means.

The Board of Directors may have access to the Group's main senior executives, whether directors or not. The Directors may, together or individually, consult the Group's senior executives for advice on any matters, after advising the Chairman of the Board, and may meet senior executives without the Chairman being present.

The Board of Directors is a collective body; its deliberations bind all of its members. Members of the Board of Directors, as well as any other person participating to its meetings, are bound by strict obligations of confidentiality and discretion with respect to any information disclosed to them by the Company in connection with the Board and Committee deliberations which is of a confidential nature or which is presented as such by the Chairman of the Board of Directors.

Organisation and functioning of the Committees of the Board of Directors

The Board of Directors has set up four permanent committees: a Strategic Committee, an Audit Committee, an Appointments and Governance Committee and a Compensation Committee.

The Strategic Committee

The Strategic Committee is comprised of at least three and no more than six Directors, including the Chairman of the Board. It is chaired by a Director who is not the director who assume the general management of the Company.

The Strategic Committee is currently comprised of five members, one of whom is independent having regards to the independence criteria referred to above. Its members are: Henri Beaufour (Chairman), Anne Beaufour, Hervé Couffin (independent member), Antoine Flochel and Marc de Garidel.

The role of the Strategic Committee is:

- to review all strategic issues affecting the Company and the Group with regard to research and development, industrial, commercial and financial matters, and alliances and partnerships of all types;
- to review any major investment, asset sale, restructuring, alliance or partnership projects;
- to submit reports, proposals and recommendations on all issues falling within its scope of responsibility.

The Strategic Committee meets at least four times a year. Meetings are convened by the Committee's Chairman.

The Strategic Committee may call upon the Group's senior executives for assistance. It may request sight of any internal reports, documents and research drawn up by the Group and commission any external technical reports at the Company's expense, subject to the usual confidentiality undertakings.

In the course of 2011, the Strategic Committee met four times. All its members were present. Its activities particularly involved the examination and review of the Group's partnership and development strategy.

The Audit Committee

The Audit Committee is comprised of at least three members, two of whom are independent according to the abovementioned criteria set forth by the internal regulations. They are appointed among the Directors other than the Chairman of the Board. At least one of the two independent Directors selected must have particular expertise in financial or accounting matters. The Board appoints the Chairman of the Committee from among its members. The Committee's Chairman is also independent according to the Company's independence criteria.

The Audit Committee is currently comprised of three members two of whom are independent. Its members are: Yves Rambaud (Chairman), Pierre Martinet (independent member) and Christophe Vérot.

In accordance with the terms of Article L.823-19 of the French Commercial Code at least one member of the Audit Committee must be independent and have finance or accounting expertise. Messrs Yves Rambaud and Pierre Martinet fulfil the independence and financial and accounting criteria given their professional experience as described in 3.1.1.3 of the registration document.

The role of the Audit Committee is to:

- evaluate the accounting policies used to prepare the parent company and consolidated financial statements, and to review and evaluate the basis for consolidation and the relevance of accounting methods applied to the Group;
- monitor the financial information follow-up process;
- examine the annual and interim financial statements, together with budgets and forecasts, prior to their presentation to the Board of Directors;
- monitor the legal control of annual financial statements and, if necessary, of consolidated financial statements by the Statutory Auditors;
- control the quality of and compliance with procedures, and to evaluate information received from management, internal committees and internal and external auditors;
- monitor the efficacy of internal control and risk management systems;
- supervise the appointment and reappointment of the Statutory Auditors, to satisfy itself of their independence, to form an opinion on the amount of their fees and to submit the results of its work to the Board of Directors;
- examine the scope and approach of audit selected by the Statutory Auditors on the consolidated financial statements, including the material risks and the main identified uncertainties;
- review the details and appropriateness of the fees paid by the Company and the Group to the Statutory Auditors and to ensure that those fees and the services referable thereto are not such as to affect their independence;
- examine the annual statement of significant litigation.

The Audit Committee meets at least four times a year. Meetings are convened by the Committee's Chairman.

In connection with its duties, the Audit Committee is responsible for:

- submitting proposals to the Board of Directors concerning the appointment, fees and replacement of the Company's Statutory Auditors;
- reviewing with management and the Statutory Auditors the quarterly, half-yearly and annual financial statements, the Group's accounting principles and methods, its auditing principles and methods and internal control systems, its risk management systems, the analyses and reports relating to financial reporting, the accounting policies and communications between management and the Company's Statutory Auditors;
- examining and controlling rules and procedures concerning conflicts of interest, management expenses and the identification and measurement of key financial risks, together with the application thereof, and submitting its assessment to the Board of Directors on an annual basis;
- on an annual basis, examining, controlling and assessing the independence of the Statutory Auditors, audit procedures, any difficulties encountered and the measures taken to resolve them, and supervising the internal audit function;
- more generally, examining, controlling and assessing any matters likely to affect the accuracy and fairness of the financial statements.

The Audit Committee may request any information it deems necessary or useful, and may call upon anyone it deems necessary or useful for assistance.

The Company refers to the AMF recommendation dated 22 July 2010 on the report of Audit Committees.

During the course of 2011, the Audit Committee met six times. The attendance rate amounted to 94%. The Statutory Auditors were present at meetings regarding the review of annual and interim financial statements. The Committee heard, in particular, the Statutory Auditors, the Chief Financial Officer, the Deputy Chief Financial Officer, the Group Controller, the Head of Internal Audit and the Head of Risk Management. Its activities primarily involved the review of the 2010 annual and consolidated financial statements, the 2011 interim financial statements, the 2011 budget and the 2012 preliminary budget, the renewal of a Statutory Auditor and the appointment of a new alternate Statutory Auditor, the review of the report of the Chairman of the Board of Directors on preparation and organisation of the work of the Board and on internal control and risk management procedures, the review of the 2010 internal audit report, the 2011 internal audit plan and the Group's internal control procedures.

The Appointments and Governance Committee

The Appointments and Governance Committee is comprised of three Directors other than the Chairman of the Board. The Chairman of the Appointments and Governance Committee is appointed by the Board of Directors from among the members of the Committee.

The Appointments and Governance Committee is currently comprised of three members one of whom is independent having regards to the independence criteria referred to above. Its members are: Anne Beaufour (Chairperson), Hervé Couffin (independent member) and Christophe Vérot.

The role of the Appointments and Governance Committee is to:

- make any proposals to the Board concerning the re-election, replacement or appointment of new Directors;
- give an opinion on the appointment or replacement of the Chief Executive Officer and Deputy Chief Executive Officers if required;
- prepare, with the Vice-Chairman of the Board of Directors or a Director specially appointed for this purpose, the annual executive session of the Board of Directors regarding its method of operation, in the absence of the Chairman of the Board, the Chief Executive Officer and the executive team;
- give an opinion on the independent members of the Board of Directors.

The Appointments and Governance Committee meets at least twice a year. Meetings are convened by the Committee's Chairman or at the request of the Chairman of the Board of Directors.

During the course 2011, the Appointments and Governance Committee met two times. All its members were present. Its activities primarily involved the assessment of the organisation and functioning of the Board of Directors and the selection of a new director.

The Compensation Committee

The Compensation Committee is comprised of three members including two who are independent according to the abovementioned criteria set forth by the internal regulations. They are appointed from among the Directors other than the Chairman of the Board. The Chairman of the Committee is appointed by the Board of Directors from among the members of the Committee.

The Compensation Committee is currently comprised of three members two of whom are independent having regards to the independence criteria referred to above. Its members are: Antoine Flochel (Chairman), Gérard Hauser and Yves Rambaud (independents members).

The role of the Compensation Committee is:

- to make proposals to the Board of Directors on all components of the compensation paid to the Group's company officers, members of executive management and senior executives;
- to be informed of the appointment of key members of executive management other than the Chief Executive Officer, and on the determination of, and any changes to, all components of their compensation;
- to give an opinion on the amount and distribution of Directors' fees;
- to make recommendations to the Board of Directors on the Group's compensation policies and employee savings plans, employee share ownership, stock options and bonus shares or any other similar compensation.

The Chairman of the Board may be asked to take part in the Committee's work, except where it concerns his own compensation.

The Compensation Committee meets at least twice a year. Meetings are convened by the Committee's Chairman, or at the request of the Chairman of the Board.

During the course of 2011, the Compensation Committee met twice. All its members were present. Its activities primarily involved the examination of the compensation of the Chairman and Chief Executive Officer and members of the Executive Committee, the stock options and bonus shares grants policy, the review of the Group's succession plans, the stock subscription options and bonus shares plans granted to the Chairman and Chief Executive Officer and certain Group's employees.

Assessment of the works of the Board of Directors

The Internal Regulations of Board of Directors provides for an annual debate, through a session without the presence of the Chairman of the Board, the Chief Executive Officer and senior executives. This meeting is prepared by the Appointments and Governance Committee, in cooperation with the Vice-Chairman of the Board or a director specifically appointed for this purpose. The Committee may, on this occasion, request that an assessment be carried out by an external consultant.

A formal assessment of the Board of Directors' operations was carried out, by Mr. Hervé Couffin, an independent director, under the aegis of the Appointments and Governance Committee. This assessment was conducted via a questionnaire sent to every member of the Board. The conclusions of this assessment were presented and debated during the Board of Directors meeting held on 26 February 2010. Said conclusions emphasised the highly satisfactory manner in which the Board and its specialised committees operate, with respect to the information provided to directors as well as debates within the Board and the effective contribution of each Director. They also highlighted the improvements achieved during the last two years. In addition, a few items regarding possible further improvements were also suggested.

A debate dedicated to the Board of Directors' operations during financial year 2011 was conducted during the meeting of the Board of Directors held on 19 January 2012, without the presence of the Chairman and the members of the Executive Committee. It concluded that directors are generally satisfied with the manner in which the Board and its Committees operate. Additional recommendations have been made regarding the preparation and conduct of Boards' meetings for their implementation in 2012.

Internal Regulations of the Board of Directors

The Board of Directors adopted its Internal Regulations, which mainly in particular provides for the following:

- role, functioning and means of the Board of Directors,
- independence criteria of the Directors,
- duties of the Directors,
- permanent Committees of the Board of Directors.

The Internal Regulations of the Board of Directors are presented in section 3.1.1.1 of the registration document for 2011.

3.1.2.1.2 Company's executive management and restrictions on the powers of the Chief Executive Officer

The Board of Directors decided not to separate the functions of Chairman of the Board and Chief Executive Officer. Moreover, no restrictions were placed on the powers of the Chairman and Chief Executive Officer.

The Chairman and Chief Executive Officer have the widest powers to act in the name of the Company in any circumstances. He exercises these powers within the limits of its corporate object and subject to those powers expressly reserved by law to General Meetings of Shareholders and to the Board of Directors. He represents the Company in its dealings with third parties.

3.1.2.1.3 Principles and rules governing the compensation of Directors and Company officers

Directors' fees

In accordance with the terms and provisions of the Articles of association and the internal regulations, the Board of Directors distributes this compensation between its members in its discretion taking into account, in particular, the membership of the Board, the Committees and any mission that may be entrusted to the Directors.

Within the global limit of €900,000 approved by the Combined Shareholders' Meeting held on 19 September 2005 (until new decision), the directors' fees are allocated as follows: each member of the Board of Directors receives a director's fee of €35,000 for a full year of service. The Vice-Chairman of the Board of Directors receives an additional fee of €50,000 for a full year of service. The members of Committees of the Board receive a director's fee of €15,000 for a full-year of service. The Chairmen of the Appointments and Governance Committee and the Strategic Committee receive an additional director's fee of €20,000 for a full year of service. The Chairmen of the Audit Committee and Compensation Committee receive, for a full year of service, an additional director's fee of €35,000.

The Board of Directors at its meeting held on 10 November 2009 decided, as of 2010, an increase of €5,000 of the director's fee of Board member and of €5,000 per director member of a committee. Directors' fees are paid on a half-year basis.

The amounts of directors' fees paid for 2011 to each Director is presented in section 3.1.3 of the registration document.

Compensation of company officers

The compensation policy with regard to company officers and their individual compensation are decided by the Board of Directors upon proposal of the Compensation Committee, in the absence of the company officers concerned. The Board of Directors also refers to the AFEP/MEDEF recommendations on the compensation paid to executive officers of listed companies.

This policy covers all aspects of the fixed, variable and exceptional compensation, and of the benefits of any nature, paid by the Company. It is decided not only on the basis of the work carried out, the results obtained and the responsibility assumed, but also having regard to the practices of comparable companies and the compensation of the Company's other senior executives.

The compensation paid to Company officers is structured as follows:

- fixed compensation, subject to re-evaluation by the Board of Directors according to the Company's market position;
- variable compensation, linked to the Group's overall performance and to the achievement of Company officers' personal targets. This variable part is adjusted so as to represent about half of total compensation;
- the benefit of the additional pension plan existing within the Group;
- benefits in kind.

The individual elements of Marc de Garidel's compensation, Chairman and Chief Executive Officer, as well as the criteria decided for the variable compensation are described in section 3.1.3.2 of the registration document.

Stock options and bonus shares

Grant policy

Company officers benefit from stock option plans and bonus shares under plans approved by the Board of Directors upon proposal of the Compensation Committee, the characteristics of which are described in 3.1.3.3 of the registration document.

At its meeting held on 10 November 2009, the Board of Directors set the maximum number of options and bonus shares that may be granted to the Chairman and Chief Executive Officer at 20% of the global grant volume.

At its meeting held on 30 June 2011, the Board of Directors approved the implementation of a stock subscription options plan for 205,708 options, representing 0,24% of the share capital and a bonus shares plan for 155,906 shares representing 0,18% of the share capital.

The number of stock options granted to Mr Marc de Garidel, Chairman and Chief Executive Officer, amounted to 121,180 options representing 0.14% of the share capital. The number of bonus shares granted in 2011 to Marc de Garidel amounted to 4,490 bonus shares representing 0.005% of the share capital.

The grants of options and the final acquisition of the bonus shares granted are subject to performance conditions, for the Chairman and Chief Executive Officer as well as for the members of the Executive Committee, which are based, for the 2011 grant, on revenues and the achievement of certain strategic objectives defined by the Board of Directors.

The stock options and bonus shares plans are described in sections 3.1.3.3 and 3.2.2.3 of the registration document.

Retention policy

In accordance with the provisions of Article L.225-185 and L.225-197-1 of the French Commercial Code, the Board of Directors at its meeting held on 12 December 2007, set the retention policy for the Chairman and Chief Executive Officer for stock options and bonus shares granted since 2007. This policy has been confirmed by the Board of Directors held on June 30, 2011. The Board decided that the Chairman and Chief Executive Officer must retain, until the end of his term of office, a number of shares equivalent to 20% of the net capital gain that would be realised upon the sale of the shares

resulting from the exercise of his stock options or from the bonus shares.

Particular terms governing the exercise of options

The Board has set the periods preceding the publication of interim and annual financial statements and sales figures during which it is not permitted to exercise options, and has established the following procedure:

- the dates of the closed periods for each financial year are communicated at the beginning of each year;
- outside closed periods, the Group appoints an officer who must be consulted to ensure that no insider information is held.

Payments, benefits and compensation granted to Company officers upon termination or change of their functions

Marc de Garidel, Chairman and Chief Executive Officer, benefits from a severance payment clause, due in the event of the termination of his term of office or change of his functions on terms identical to those adopted by the Board on 27 February 2009 and compliant with the recommendations of the AFEP/MEDEF Code:

- a payment due only in the event of a forced departure associated with a change of control or strategy,
- in an amount equal to 24 months' remuneration in respect of his term of office,
- which includes the amount due in respect of any non-compete obligation, if applicable, and
- payment of which is subject to a performance condition (maintenance of the Group's recurring operational profit margin) over the 3 years preceding the departure, with a minimum threshold (12.5% for 2011)

Pension commitment

The Chairman and Chief Executive Officer benefits from the additional pension commitment existing within the Company, which involves the payment on retirement, subject to a minimum 5-years service, of a pension calculated by reference to the number of years of service within the Group, applied at a rate of 0.6% per year to the part of the total gross compensation (including bonuses)below 8 times the Annual Social Security Ceiling (the "PASS" for 2011 being €35,342) and at a rate of 1% to the part of compensation in excess of 8 times the PASS, applied to the compensation for the last 36 months in office, in accordance with the decision of the Board of Directors dated 11 October 2010.

3.1.2.1.4 Participation in Shareholders' Meetings

Each shareholder has the right to attend Shareholders' Meetings and to participate in the deliberations personally or by proxy, regardless of the number of shares owned, upon proof of shareholder status being provided.

The right to participate in Shareholders' Meetings is subject to the shares being registered in an account in the name of the shareholder or of the financial intermediary acting on the shareholder's behalf, at midnight, Paris time, on the third business day preceding the date of the General Meeting, either in the registered share accounts kept by the Company or in the bearer share accounts kept by the authorised intermediary. Registration of bearer shares must be established by a certificate of investment issued by the authorised intermediary.

In accordance with the terms of Article 26.1 of the Articles of association, each shareholder has a voting right equal to the number of shares he/she holds or represents in all Shareholders' Meetings.

A double voting right is attached to any ordinary fully paid-up share which is owned under the registered form by the same shareholder for at least two years. The double voting rights shall automatically end with its conversion to the form of bearer share, as well as its transfer of ownership unless in cases provided for by law.

Pursuant to the terms of Article 11.3 of the Articles of association, the voting right attached to shares below to the usufruct holder in Ordinary Shareholders' Meetings and to the bare owner in Extraordinary Shareholders' Meetings.

3.1.2.1.5 Information likely to have an impact in the event of a take over bid

The information likely to have an impact in the event of a take over bid are described in section 3.2.3.5 of the registration document for 2011.

3.1.2.1.6 Internal control and Risk management

The following report describes the framework put in place by Ipsen in terms of Internal Control and Risk Management. The Group aims at improving continuously its internal control and risk management environment and at complying with the *"Cadre de Référence"* issued by the AMF.

This report has been prepared by the Internal Audit Department with the assistance of the departments that play a central role in the internal control framework, in particular, Quality, Ethics and Compliance and Risk Management.

Objectives and Components

Risk management objectives are to:

- Create and preserve the value, assets and reputation of the Company,
- Secure decisions and processes to reach the Company's objectives by taking into account risk factors,
- Ensure consistency between actions and Company's values to limit risk exposure,
- Mobilise employees around a shared vision of the Company's main risks and around the specific risks in their own area of activity,
- Improve patient health and quality of life by providing effective therapeutic solutions for unmet medical needs,
- Protect the Company's employees and the environment.

Internal control is defined and implemented by executive management and Group employees to provide shareholders, Directors and executive officers with reasonable assurance about the achievement of the following objectives:

- Compliance with all applicable laws and regulations,
- Implementation of the instructions and directives provided by the Executive Committee,

- Effectiveness of the Company's internal processes, notably those aiming at protecting the Company's assets,
- Reliability of financial data and, more generally of all data included in published statements.

The Group's internal control rules apply to all subsidiaries of the Company under exclusive control within the meaning of IFRS.

The main internal control components that are further developed in this report are as follows:

- an organisation that gives a clear definition of responsibilities, with competent and adequate resources using appropriate Information systems, procedures, processes, tools and rules,
- reliable and relevant **information management** enabling every employee, whatever his/her level to fulfil his/her responsibilities,
- a **risk management framework,**
- **control activities** aiming at monitoring risks and securing objectives,
- a **regular review and assessment** of the internal control framework.

3.1.2.1.6.1 Organisation

General framework

Ipsen regularly **adapts its organisation** to follow the evolution of operational and strategic goals, as was the case with the new IPSEN UP organisation, implemented in November 2011. As part of the IPSEN UP project, governance rules and principles of the main operational committees have been reviewed (and, for new committees, defined) and communicated internally.

The development of **human resources** processes aims at supporting management and any staff member in adapting to changes implemented.

The implementation of state-of-the-art **information systems,** and a strong informatics governance contribute to physical and logical data security and to the quality of available data for improvement of business management: in 2011, major achievements have been reached in this respect with the last major subsidiaries being rolled out in the common ERP and the implementation of a common HR information system.

At the same time, the Group is setting up **operational methods and procedures** dedicated to relevant processes. Local management is in charge of applying, adapting and supplementing, if necessary, Group procedures. In 2008, an operational excellence function was created to focus on the analysis and improvement of the Group's operational processes. Its objective is to generate significant productivity benefits through a manufacturing and process optimisation method called "Lean Six Sigma".

Finally, **Risk management, Internal audit and Ethics & Compliance departments constant collaboration** at various levels and on various subjects is an important consistency factor for internal control.

Operational Committees

Executive Committee

The Executive Committee, in order to fulfil its mission as stated in section 3.1.1.6, has the following range of responsibilities:

- Set the Group **Strategy and Performance** planning and monitoring,
- Follow up on **financials and performance forecasts,**
- Manage and coordinate scientific, commercial, industrial, legal and financial actions of the Group,
- **Arbitrate/decide** on operational levers and resource allocation in line with Group decision-making framework, especially through the planning sequence,
- **Decide/arbitrate in case of escalation** from others Boards on key projects or major deviations,
- **Set targets** for divisions and functions,
- **Provide information and recommendations** on subjects concerning the Group Strategy and business activities to the Board of Directors,
- Assess the situation relating **to key management and scientists** as regards the Group reliance on key individuals,
- **Ensure consistency in Group management** and implementation of decisions made by the Board of Directors.

The Executive Committee's functioning has also been clearly defined. An annual self-assessment session is held to ensure continuous improvement. Each Executive Committee member has set up his/her own Committee.

Product Management Committees

The following committees are in charge of leading a product through the various stages of development, registration and marketing.

The R&D Operational Board, headed by the R&D EVP decides on key stage gates until Proof of Concept.

The Franchise Operational Board, chaired by Franchise heads, decides on key Post-Proof of Concept stage gates.

The Operations Committee, headed by the Group Vice-President Operations, coordinates Franchises, Regions and Countries and drives business performance and key operations projects.

These three committees work in strong coordination in order to ensure that the value chain is optimised at each stage of the product life cycle. They are supported by technical committees.

Intellectual Property Supervision Committee (IPSC) is in charge Ipsen patent management. Chaired by the IP VP, it makes decisions related to Group's patent families and makes sure relevant stakeholders are updated on relevant information regarding patents.

Ethics & Compliance

In 2005, the Group has implemented a "Code of Ethical Conduct in business" governing all Group employees. Concomitantly, the Executive Committee has put in place an Ethics Committee independent of the Group's hierarchy to give employees who so desire a facility for notifying the committee

of any matter or presumed irregularity or infringement of the Code of Ethical Conduct. The Ethics Committee has the power to investigate matters reported to it and presents its conclusions directly to the Group's Executive Committee.

In 2010 were created the positions of Chief Compliance Officer, reporting directly into the Chairman and of Ethics and Compliance Director, reporting into the Chief Compliance Officer.

In 2011 the Global Ethics and Compliance Department was set up with the objective to design and implement the Ipsen Ethics and Compliance Programme that will ensure that Ipsen business practices conform to applicable laws and regulations as well as to ethical business principles endorsed by the Group and will promote a culture of integrity and transparency.

Risk Management organisation

The following organisation supports the framework described in section 3.1.2.1.6.3.

Insurance and Risk Management department

Reporting to the CFO, the Insurance and Risk Management department role is to:

- provide technical support to the Group's operational departments in mapping risks and managing the associated documentation;
- identify and reduce risk exposure especially in terms of product liability, as mentioned in 1.1.2.3.5.7, environmental issues (1.1.2.5.2) and production facilities (1.1.2.5.3); support the implementation of relevant prevention plans and monitor local action plans implemented;
- arbitrate on whether residual risks should be transferred to insurance companies;
- negotiate and assess the Group's insurance policies and manage the risks, as described in 1.1.2.6 of this document;
- manage insurance claims.

Risk Management network

Risk management also relies on a network of correspondents in charge of the roll-out and consistency of risk management whether at an operating entity level ("Risk Management Coordinators") or at a transversal process level ("Corporate Risk owners").

Risk Committee

In 2010, the Group implemented a "Risk Committee" that includes employees representing various Group functions and reports to the Executive Committee. Its mission is to coordinate risk management activities within the Group, to analyse available information related to main identified risks and to report those risks to the Executive Committee. Whenever necessary, the Risk Committee can be extended to *ad hoc* members.

Quality and Safety

Quality function

The Group has one Global Quality function reporting to the EVP Technical Operations, supporting the research, development, manufacturing and distribution activities across the product life cycle.

Its role is to establish and enforce a global quality management system that complies with good laboratory practices ("GLP"), good clinical practices ("GCP"), good manufacturing practice ("GMP") and good distribution practices ("GDP"), for products in clinical development and those that are already registered.

In addition, each manufacturing plant and development unit has a Quality department responsible for controlling the conformity of operations, systems and products. These plants have their own auditing and performance measurement protocols, adapted according to the Group's reference systems, and report functionally to Global Quality.

Quality Management system

The Ipsen Group Quality Management System is described in the Group Quality Manual which:

- Gives an overview of Ipsen Quality System.
- Defines the policies and procedures used at Ipsen to ensure that our products and services meet both the regulatory requirements and our business objectives in a consistent, economical and reliable manner.
- Is supported by corporate and division Quality Standards and Procedures which are intended to establish and communicate the minimum requirements that all pharmaceutical divisions of Ipsen must meet to ensure that all regulations and related procedures established by the Group and required by external authorities are properly applied.
- Is intended for use by all Ipsen employees as well as distributors and other external bodies such as third party contractors.

This Quality Manual is updated to comply with the evolutions in internal customers' needs and respective regulations and standards and to ensure continual improvement of the quality system.

Pharmacovigilance

As a pharmaceutical Company, pharmacovigilance is a key function. As part of the Corporate Research and Development Division, the Pharmacovigilance department reports to the SVP Chief Medical Officer. Its objective is to monitor and assess undesirable side effects resulting from the use of products being developed and marketed by the Group.

The Pharmacovigilance department also ensures that the Group meets its regulatory obligations in respect of the following three activities in all territories where it operates by:

- gathering information on undesirable side effects and any other related information reported to the Company;
- registering, assessing and using that information for preventive purposes and signal detection;
- conducting any research and other work concerning safety in drug use.

Quality & Safety Evaluation Board (QSEB)

The QSEB is co-chaired by the SVP Chief Medical Officer and the SVP Global Quality. Its role is central in ensuring a systematic achievement of level of Product Quality and Safety

in accordance with regulations and dossier commitments, and patient needs as it:

- Overviews the quality and safety of Ipsen products and the compliance of the relevant Ipsen functions with legal and regulatory requirements related to the quality and safety of Ipsen products.
- Decides or proposes corrective and preventive actions.
- Ensures, through Emergency Response QSEB Meetings, the resolution of issues identified by Quality functions, Site Quality Councils and Global Pharmacovigilance, and the reporting of such, as appropriate, to the Executive Committee, including the Chief Executive Officer (CEO).
- Ensures that issues and resulting recommendations are presented to the Executive Committee, such that its members are fully aware of quality and safety issues, the risks involved and the plans established to correct them.
- Provides Executive Committee with periodic evaluations of the quality and safety status of the company's products.
- Promotes a culture of Quality and Safety for the Company's products.

Expenditures and Cash control financial framework

Authorisation of capital expenditure

This procedure is designed to assess the appropriateness of capital expenditure plans independently from the budget and forecasting process, and to obtain the information and authorisations required to commit expenditures. For each capital project a summary is prepared to document the decision making process either at each relevant stage of approval.

This procedure is implemented on all manufacturing and R&D sites in the Group.

Financial authorisation

The financial authorisation procedure lays down the commitment levels authorised for operational managers and the list of managers authorised to enter into commitments.

Financing and Treasury

The Group has a centralised cash management system to ensure optimum protection of its financial assets and adequate liquidity. Exchange rate and interest rate risk exposures are managed by the Group's Treasury department, which structures the financial positions to the Group's operational and financial activities. The cash position is evaluated weekly and reported to the Executive Committee. Detailed performances are reported monthly.

A Treasury charter is regularly updated to adapt the Group's investment policy, in particular the products and counter-parties authorised, to the financial markets evolution.

3.1.2.1.6.2 Information management

Reliable and relevant information, provided to the right people at the right time is a key element in the internal control and risk management.

Information on Risk management and Insurance

An annual performance report is made to the Executive Committee covering the risk management actions, based on their assessment, the claims and insurance premiums trends, and policy renewal. Operational and finance management are informed annually of existing coverage and procedures.

Information on Audit findings and conclusions

Internal Audit reports are communicated as mentioned in section 3.1.2.1.6.4.

Information on products Quality and Safety

Information on product Quality and Safety is ensured by the Quality and Safety functions as presented in paragraph 3.1.2.1.6.1.

Financial information

The Group Finance Division is responsible for internal control over financial reporting by:

- preparing consolidated financial statements for the Group in accordance with the applicable laws and regulations;
- managing the budgeting and forecasting processes;
- reviewing the Group's performance and any variance against forecasts and providing the Executive Committee with the relevant Key Performance Indicators to support the Strategy implementation;
- reviewing periodical management reporting for each of the Group's entities;
- managing fiscal affairs and overseeing any matters relating to company law for all Group subsidiaries;
- ensuring effective treasury management and financing for all Group subsidiaries;
- controlling the integrity of financial reporting.

Preparation of consolidated financial statements

The Group accounting Department centralises information reported by the Finance department of each subsidiary and produces consolidated financial statements for the Group.

- The financial statements reported by each subsidiary are analyzed before consolidation.
- The financial statements are reconciled with the management indicators monitored by the financial control department

As part of its responsibility for producing consolidated financial statements, the Group's Accounting Department draws up accounting manuals, management reporting packages (together with the Group's financial control department) and the chart of accounts to be used for preparing the Group's financial statements, to ensure that all Group subsidiaries produce consistent information that complies with the Group's accounting policies.

It also verifies that the financial and accounting information reported externally by the Group is fair and comprehensive.

Since 2006, the Group has progressively implemented an ERP system in its main administrative, research or commercial entities. The new system is contributing to the optimisation of financial processes and activity management. In 2011, this system was deployed in the main sites and the Group is planning to continue extending its geographical coverage in the years to come.

Periodic letter of representation

At the end of each quarter, the finance department and general manager of each Group company are required to confirm in writing, at the request and in the terms set out by the Group's executive management that the financial statements and the operational processes comply with all applicable laws and regulations and with the Group Code of Ethical Conduct.

External Communications committees

The Financial Communications Planning Committee (FCPC) prepares the information released in regular financial communications and formulates and updates drafts submitted for the Executive Committee's approval. It is required by the finance department to participate in drafting and validating the main documents and publications used by the Group in its relations with the markets.

The permanent members of this committee, which is overseen by the Chief Financial Officer, represent the Group's principal functions.

The Corporate Disclosure Committee meets as required to prepare communications and statements for the Executive Committee related to unforeseen events, which could potentially have a significant impact on the value of Ipsen shares.

Financial controlling

Financial Controlling is organised on the basis of the Group's business activities. The Financial Controlling department issues instructions for preparing budgets and forecasts and controls the quality of information received in both the monthly reporting and closing and as part of the Group's budget, forecasts and plan preparation.

The Financial Controlling department analyses the Group's actual performance and variances against forecasts and identifies and quantifies the risks and opportunities involved in budget and forecast information. It also advises the operational Group managers on financial matters.

3.1.2.1.6.3 Risk Management framework

The Risk Management framework described hereafter has been defined in line with elements described in the COSO II standard (Committee of Sponsoring Organisations of the Treadway Commission) and leans on the *"Cadre de Référence de l'AMF"*.

Risk Management Components

The "Group Risk Management Policy Statement and Framework" sets up common objectives and terminology, defines roles & responsibilities, and documents approaches to risk identification, assessment, prioritisation, treatment and monitoring.

The Risk Management organisation is described in section 3.1.2.1.6.1.

Risk identification and analysis

Risks are identified and analysed through a risk mapping process using, for each of the entities concerned, assessments of the risk impact and likelihood and the existing control effectiveness.

Risk mapping is planned to cover all Group critical entities and processes. It was initiated in 2006 in most of the Group's industrial sites as a first step and has been regularly extended since to cover now most entities.

In March 2011, the Executive Committee defined and approved a first "Corporate Level risk map" thus providing the upper layer of the risk management analysis.

Risk factors

Ipsen's main risk factors are described in chapter 1.1.2 of this registration document.

Risk action plans

For each risk in each entity, an employee has been designated to follow up on risk and, when relevant on corrective action plan. The process and all related information are coordinated by the Group's Insurance and Risk Management department.

Financial Risk Management

Financial risk management hedges the following risks:

- Foreign exchange risk:

  The potential exposure to foreign exchange risk is first estimated by entities then transmitted to the Group treasury department. The hedging operations are realised on behalf of subsidiaries and the intragroup foreign exchange risk management is operated centrally with standard hedging tools.

  In the light of receivable flows, the Group policy is to essentially hedge its subsidiary customers' significant receivables (micro-hedging upon orders) to eliminate the effect of currency rate changes. In the light of purchasing flows, the Group might hedge some of the annual purchases on the basis of budgets with the same kind of tools.

  In accordance with its treasury charter, investment of the Group's excess cash is mainly limited to Euro products with the exception of specific operations that might require to keep other currencies.

- Rate risk:

  Due to its positive treasury position and its current non exposure to net debt the Group has not set up a hedging operation on rate risks in 2011.

- Counterpart and liquidity risk:

  Within the scope of its activities, the Finance Department makes forecasts regarding the Group's application of funds and resources and implements financial instruments aligned with these forecasts, which are duly submitted to and approved by the Board of Directors. As at 31 December 2011 the Group had a net positive cash position. This cash position is mainly centralised and the selection of investment options is carried out by the Treasury Department in pursuance of a formalised charter which defines:

  – treasury management objectives;

  – the criteria of this management in terms of asset allocation and risk diversification;

  – and the methods of monitoring the performance and position of the Group's cash flow.

  In accordance with its treasury charter, the Group's centralised Treasury department is in charge of optimising the Group liquidity, overseeing the selection of banking

establishments with which it subscribes to foreign exchange derivatives, and ensuring financial asset allocation is safe and liquid.

Within the scope of its commercial operations, the Group Management Control department ensures that the credit limits applicable to its international customers are respected (notably distributors and agents), in particular upon the receipt of new orders. It also monitors the overall status of average payment timescales of customers in its entities.

Within the scope of its partnerships, and with the support of the Group's Legal Department and Development Department, the Group's Finance Department approves contractual provisions which aim to protect the Group from the potential negative consequences of the possible failure of its partners.

- Identification of and accounting for risk:

  Jointly within the overall risk management process and as part of the continual improvement of financial risk management, the Finance department has set up an accounting closing process based on three major elements. These elements are:

  – Pre-closing meetings to identify beforehand potential risks being supported by the affiliates' financial managers and the Group controlling department;

  – The control of information provided by affiliates for consolidation by the Group accounting department to ensure compliance of financial translations with Group standards;

  – Permanent files maintained to follow up the evolution of risk for the next accounting period.

The Group Audit Committee attends the pre-closing end of year end accounts meeting with the external auditors and analysis meetings for half-yearly and year end accounts.

3.1.2.1.6.4 Control activities

Internal Audits

Quality and EHS audits

The pharmaceutical industry is regulated at both national and international level. A strict framework of laws and regulations governs all the Group's business activities, from clinical research and development through the manufacture of active substances and drugs to their promotion in the market. Furthermore, the Group's manufacturing plants and information systems are regularly inspected by regulatory agencies.

In order to ensure that all regulations and related policies, standards and procedures established by the Group and required by external authorities are properly applied, regular assessment is performed according to the Global Quality and EHS audit program and the maturity level evaluation. Conclusions are reported to the Executive Committee, together with recommendations on any actions required.

Group Internal Audit

The annual Group Internal Audit plan is designed to cover the main strategic risks, budget objectives and projects. It is proposed by the internal audit department under the Chief Financial Officer's authority, discussed with the Executive Committee and validated by the Audit Committee. In 2011, around ten audits, either assessing or advising on business areas or the Group's functional processes, have been carried out. Following the audits, remediation plans were systematically implemented to increase the efficiency of processes and to strengthen internal control. Reports were submitted to Executive Committee members involved and forwarded to Audit Committee members and Statutory Auditors. As part of the Internal Audit Governance, an Internal Audit Charter was written in 2010.

External Audit

In accordance with the law, the Group's financial statements are audited by Statutory Auditors. Their responsibility encompasses all Group companies included in the scope of consolidation. Each company, with the exception of certain companies which are not material to the consolidated financial statements, is subject to an audit or limited review as required.

Apart from the legal requirements, the Statutory Auditors produce a report on their work summarising all key audit points identified and their resolution, as well as recommendations on the Group's internal control system. These recommendations are discussed with each subsidiary's management and their implementation is monitored. The Statutory Auditors' Report is also presented to the Board's Audit Committee.

3.1.2.1.6.5 Review and assessment of internal control

Each year, the Internal Audit Director presents a summary of previous year's assignments both to the Executive Committee and to the Audit Committee and gives an appreciation over the level of internal control.

In 2011, a coordination project has been initiated between Audit, Ethics & Compliance and Corporate Risks functions in order to identify and propose to the Executive Committee potential improvements in terms of governance and audit procedures.

The Chairman of the Board of Directors
28 February 2012

3.1.2.2 Report of the Statutory Auditors

This is a free translation into English of the statutory auditors' report issued in the language and is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Ipsen

Registered office: 65, quai Georges Gorse – 92650 Boulogne-Billancourt Cedex

Statutory auditors' report prepared in accordance with Article L. 225-235 of the French Commercial Code *(Code de commerce)*, on the report prepared by the Chairman of the Board of Directors

Year ended December 31, 2011

To the Shareholders,

In our capacity as statutory auditors of Ipsen S.A. and in accordance with Article L.225-235 of the French Commercial Code *(Code de commerce)*, we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L.225-37 of the French Commercial Code for the year ended 31 December 2011.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by Article L.225-37 of the French Commercial Code, particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information, and
- to attest that this report contains the other disclosures required by Article L.225-37 of the French Commercial Code, it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

Professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures mainly consisted in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the Company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L.225-37 of the French Commercial Code.

Other disclosures

We hereby attest that the Chairman's report includes the other disclosures required by Article L.225-37 of the French Commercial Code.

Paris la Défense and Neuilly-sur-Seine, 28 February 2012

The Statutory Auditors

KPMG Audit
Division of KPMG S.A.
Philippe Grandclerc
Partner

Deloitte & Associés
Fabien Brovedani
Partner

3.1.3 Global amount of compensation of directors and officers

3.1.3.1 Compensation of the members of the Board of Directors

3.1.3.1.1 Directors' fees

Terms of allocation of directors' fees

Within the global limit of €900,000 approved by the Combined Shareholders' Meeting held on 19 September 2005 (until new decision), the directors' fees are allocated as follows: each member of the Board of Directors receives a director's fee of €35,000 for a full year of service. The Vice-Chairman of the Board of Directors receives an additional fee of €50,000 for a full year of service. The members of Committees of the Board receive a director's fee of €15,000 for a full-year of service. The Chairmen of the Appointments and Governance Committee and the Strategic Committee receive an additional director's fee of €20,000 for a full year of service. The Chairmen of the Audit Committee and Compensation Committee receive, for a full year of service, an additional director's fee of €35,000. Directors' fees are paid on a half-year basis.

The Board of Directors at its meeting held on 10 November 2009 decided, as of 2010, an increase of €5,000 of the director's fee of Board member and of €5,000 per director member of a committee.

The gross amount of directors' fees paid for 2011 was €855,000. The individual amounts paid to directors are presented in the following table:

Directors	Directors' fees paid for 2010	Directors' fees paid for 2011
Marc de Garidel (1)	€6,667	€60,000
Jean-Luc Bélingard (2)	€80,000	–
Anne Beaufour	€95,000	€95,000
Henri Beaufour	€60,000	€80,000
Alain Béguin (3)	€75,000	€30,249
Hervé Couffin	€90,000 (4)	€75,000
Antoine Flochel	€160,000	€160,000
Gérard Hauser	€60,000	€60,000
Pierre Martinet	€60,000	€60,000
René Merkt	€40,000	€40,000
Yves Rambaud	€110,000	€110,000
Klaus-Peter Schwabe	€40,000	€40,000
Christophe Vérot (5)	–	€44,751
Total	**€876,667**	**€855,000**

(1) Chairman and Chief Executive Officer since 22 November 2010.
(2) Chairman and Chief Executive Officer until 22 November 2010.
(3) Director until 27 May 2011.
(4) At its meeting held on 26 February 2010, the Board of Directors decided to grant to Mr. Hervé Couffin, Director, an exceptional director's fee of €15,000 in connection with the completion of the assessment mission of the functioning and works of the Board of Directors. Such a mission was entrusted to Mr. Hervé Couffin by the Board of Directors held on 10 November 2009 upon proposal of the Appointments and Governance Committee.
(5) Director since 27 May 2011.

The Directors do not receive (except the Chairman and Chief Executive Officer) any other compensation or benefits in kinds from Ipsen SA.

For the financial year 2011, Mayroy paid directors' fees in an amount of €25,000 to Klaus-Peter Schwabe, Henri Beaufour and Alain Béguin as permanent representative of Beech Tree, and €50,000 to Anne Beaufour and Antoine Flochel in respect with their terms of office as directors of Mayroy. These directors' fees were paid in January 2012.

3.1.3.2 Compensation of the Chairman and Chief Executive Officer

3.1.3.2.1 Summary of compensation, options and shares granted to the Chairman and Chief Executive Officer

For financial year 2011, the basis of compensation of Marc de Garidel in his capacity of Chairman and Chief Executive Officer was determined by the Board of Directors at its meeting held on 11 October 2010. The basis of compensation for financial year 2012 was determined by the Board of directors at its meeting held on 28 February 2012.

(in euros)	2010 Financial Year	2011 Financial Year
Marc de Garidel Chairman and Chief Executive Officer		
Compensation due for the year (see details below)	484,051	1,679,044.71
Book value of the options granted during the year	–	862,801.60
Book value of the performance shares granted during the year	–	103,898.60
Total	**484,051**	**2,645,744.91**

Details on compensation of the Chairman and Chief Executive Officer

(in euros)	2010		2011	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Marc de Garidel Chairman and Chief Executive Officer				
Fixed compensation	76,895 (1)	76,895 (1)	700,000	700,000
Variable compensation for 2010	–	–	–	–
Variable compensation for 2011	–	–	514,000 (2)	–
Exceptional compensation (3)	400,000	400,000	400,000	400,000
Directors' fees	6,667 (4)	–	60,000	36,667
Benefits in kinds (5)	489	489	5,044.71	5,044.71
Total	**484,051**	**477,384**	**1,679,044.71**	**1,141,711.71**

(1) *Prorata temporis* amount of the 2011 fixed compensation used for 2010 (see below).
(2) The Board of Directors, at its meeting held on 28 February 2012, upon proposal of the Compensation Committee, fixed the amount of the variable compensation for 2011 for the Chairman and Chief Executive Officer at €514,000. This amount was paid in 2012.
(3) Compensation payment described below.
(4) *Prorata temporis* amount.
(5) Benefits in kinds are comprised of a company car.

Compensation and severance payment of the Chairman and Chief Executive Officer

The Board of Directors at its meetings held on 11 October 2010, upon recommendation of the Compensation Committee set the following elements relating to the compensation and benefits in kind of Mr. Marc de Garidel, Chairman and Chief Executive Officer:

- gross fixed compensation for 2011: €700,000;
- 2011 target bonus at €650,000 within a range between 0 and €975,000, based on quantitative and qualitative criteria decided by the Board of Directors. At its meeting held on 1 March 2011, the Board set the following criteria for the financial year 2011: half of this bonus is based on the achievement of levels of revenues, operating profit, diluted earnings per share and cash flow from operations. The balance is based on qualitative criteria in terms of mobilisation of management, strategic orientations and communications. For confidentiality reasons, the level of completion expected is not made public;
- a financial compensation payment in an amount of €800,000, payable in two parts (50% on the date he takes office and 50% one year later, provided that he has not resigned at such date), in order to compensate him for the loss associated with his voluntary departure from his former employer;
- a severance payment described in section 3.1.3.2.2 below;
- eligibility to directors' fees paid to Directors of Ipsen SA;
- eligibility to grant of stock options and bonus shares subject to the completion of performance conditions;
- benefit of a company car and a chauffeur;
- benefit of an agreement for the drafting of his personal tax statements;
- eligibility to the additional pension scheme existing with the Company and described in section 3.1.3.2.3 below;
- eligibility to Company's insurance policy (mutual and life-illness schemes);

- payment by the Company of his expenses incurred with the exercise of his corporate duties;
- eligibility to directors and officers insurance policy.

The Board of Directors at its meeting held on 28 February 2012, upon proposal of the Compensation Committee, set the following elements relating to the compensation of Marc de Garidel in his capacity of Chairman and Chief Executive Officer for the financial year 2012 :

- a gross fixed compensation for 2012 unchanged, *i.e.*, €700,000;
- a 2012 target bonus at €650,000 within a range between 0 and €975,000, based on quantitative and qualitative criteria decided by the Board of Directors. Two thirds of this bonus are based on the achievement of levels of revenues, operating profit, diluted earnings per share and cash flow from operations. The balance is based on qualitative criteria in terms, in particular, of strategic orientations. For confidentiality reasons, the level of completion expected is not made public;
- the other components of the remuneration, except the financial compensation payment which has expired, remain unchanged.

3.1.3.2.2 Summary of commitments issued in favour of the Chairman and Chief Executive Officer

The following table sets out the main terms and conditions of the payments and pension regime applicable to the Chairman and Chief Executive Officer:

	Employment contract		Additional pension scheme		Payments or benefits due or to be due in connection with the termination of change of function		Compensation under a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Mr. Marc de Garidel Chairman and Chief Executive Officer Date of cooptation: BoD of 11 October 2010 with effect as at 22 November 2010 Date of renewal : ASM 2011 End of term: ASM 2015		X	X		X		X	

Employment contract

Marc de Garidel, Chairman and Chief Executive Officer, has no employment agreement.

Additional pension scheme

The Chairman and Chief Executive Officer benefits from the additional pension commitment existing within the Company, which involves the payment on retirement, subject to a minimum 5-years service, of a pension calculated by reference to the number of years of service within the Group, applied at a rate of 0.6% per year to the part of the total gross compensation (including bonuses) below 8 times the Annual Social Security Ceilling (the "PASS" for 2011 being €35,352) and at a rate of 1% to the part of compensation in excess of 8 times the PASS, applied to the compensation for the last 36 months in office, in accordance with the decision of the Board of Directors dated 11 October 2010.

Payments or benefits due or to be due in connection with the termination of change of function

At its meeting held on 11 October 2010, the Board of Directors decided to grant Marc de Garidel with the benefit of a severance payment on terms identical to those adopted on 27 February 2009 in accordance with the recommendations of the AFEP/MEDEF Code:

- a payment due only in the event of a forced departure associated with a change of control or strategy,
- in an amount equal to 24 months' remuneration in respect of his term of office,
- payment of which is subject to a performance condition (maintenance of the Group's recurring operational profit margin) over the 3 years preceding the departure, with a minimum threshold (12.5% for 2011), and
- which includes the amount due in respect of any non-compete obligation, if applicable.

Compensation under a non-compete clause

In case of departure of the Group (for a reason other than a change of control), Marc de Garidel undertook, for a 24-month duration after his effective departure, not to exercise or participate in the exercise, from an operational point of view (including as a consultant), in the territories of the European Economic Union and/or in Northern America, to an activity of development and/or commercialisation of products of the same therapeutic class (source IMS-Health) than the two first products of the Group in terms of revenues. The compensation due by the Company in consideration of this commitment is comprised in the severance payment described above.

3.1.3.3 Stock subscription and/or purchase options and bonus shares granted to executive directors

3.1.3.3.1 Stock subscription and/or purchase options

Options granted to the Chairman and Chief Executive Officer during the 2011 financial year

	Plan date	Nature of the options	Book value of the options (per share) [1]	Number of options granted	Exercise price	Exercise period
Marc de Garidel	30/06/2011	Subscription Options	€7.12	121,180	€25.01	From 1 July 2015 to 30 June 2019

(1) According to the method used for the consolidated financial statements.

On 30 June 2011, the Board of Directors approved to implement a stock subscription options plan for 205,708 options. The 121,180 stock on options granted to Marc de Garidel are subject to performance conditions based on revenues and the achievement of strategic objectives defined by the Board of Directors.

Synthesis of the Ipsen subscription and/or purchase options granted to the Chairman and Chief Executive Officer

The following table presents, as at 31 December 2011, the Ipsen options granted to the Chairman and Chief Executive Officer:

	Date of grant	Number of options granted	Nature of the options	Exercise price	Exercise date	Expiry date	Number of options exercised
Marc de Garidel Chairman and CEO since 22 November 2010	30/06/2011	121,180 [1]	Subscription options	€25.01	01/07/2015	30/06/2019	0
Total		**121,180**					**0**

(1) Grant subject to performance conditions.

In accordance with the provisions of Article L.225-185 of the French Commercial Code, the Board of Directors at its meeting held on 30 June 2011, set the number of shares that the Chairman and Chief Executive Officer must retain, until the end of his term of office, at the equivalent of 20% of the net capital gain that would be realised upon the sale of the shares resulting from the exercise of his stock options.

Options exercised during 2011 by the Chairman and Chief Executive Officer

During the financial year 2011, no options were exercised by Marc de Garidel.

3.1.3.3.2 Bonus shares

Bonus shares granted to the Chairman and Chief Executive Officer during the 2010 financial year

	Plan date	Number of bonus shares granted	Book value of the shares (per share) [1]	Acquisition date	Date of availability
Marc de Garidel	30/06/2011	4,490	€23.14	01/07/2013	01/07/2015

(1) Under the method used for the consolidated financial statements.

On 30 June 2011, the Board of Directors approved the implementation of a bonus shares plan for 155,906 bonus shares. The 4,490 bonus shares granted to Marc de Garidel are subject to performance conditions based on revenues and the achievement of strategic objectives defined by the Board of Directors.

Synthesis of the bonus shares granted to the Chairman and Chief Executive Officer

The following table presents, as at 31 December 2011, the Ipsen bonus shares granted to the Chairman and Chief Executive Officer:

	Grant date	Number of shares granted	Date of final acquisition	Date of availability	Number of shares to be retained
Marc de Garidel Chairman and CEO since 22 November 2010	30/06/2011	4,490 (1)	01/07/2013	01/07/2015	20% of the net gain of acquisition
Total		**4,490**			

(1) Grant subject to performance conditions.

In accordance with the provisions of Article L.225-197-1 of the French Commercial Code, the Board of Directors at its meeting held on 30 June 2011, set the number of shares that the Chairman and Chief Executive Officer must retain, until the end of his term of office, at the equivalent of 20% of the net capital gain that would be realised upon the sale of the shares.

3.1.4 Agreements entered into by the Group with its senior executives or principal shareholders and Statutory Auditors' Report

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

Ipsen S.A.

Registered office: 65, quai Georges Gorse – 92650 Boulogne-Billancourt Cedex

Statutory auditors' report on regulated agreements and commitments

Year ended 31 December 2011

To the shareholders,

In our capacity as Statutory Auditors of your Company, we hereby present to you our report on the regulated agreements and commitments.

We are required to inform you, on the basis of the information provided to us, the terms and conditions of the agreements and commitments of which we were notified or we could find relating to this engagement. It is not our role to determine whether they are beneficial or appropriate or ascertain whether any other agreements or commitments exist. It is your responsibility, under the terms of article R.225-31 of the French Commercial Code, to evaluate the benefits arising from these agreements and commitments prior to their approval.

We are also required, where appropriate, to inform you about the terms of article R.225-31 of the French Commercial Code *(Code de commerce)* relating to the applicable agreements and commitments in 2011, which were already approved by the General Meeting of Shareholders.

We performed the procedures we considered necessary in accordance with professional guidance issued by the national institute of auditors *("Compagnie nationale des commissaires aux comptes")*, relating to this engagement. Our work consisted in verifying that the information provided to us is in agreement with the underlying documentation from which it was extracted.

AGREEMENTS AND COMMITMENTS UNDER APPROVAL BY THE GENERAL MEETING OF SHAREHOLDERS

Agreements and commitments entered into by the Company in 2011

In accordance with article L.225-38 of the French Commercial Code *(Code de commerce)*, we inform you that we have not been advised of any agreement or any commitment authorized in 2011 by the General Meeting of Shareholders.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING OF SHAREHOLDERS

Continuing agreements and commitments which were entered into in prior years

a) Whose implementation has continued in 2011

In accordance with article R.225-30 of the French Commercial Code *(Code de commerce)*, we have been informed of the following agreements and commitments which have been previously approved by the General Meeting of Shareholders and which were applicable in 2011.

Liquidity agreement with Mayroy S.A.

- **Nature and purpose:** Ipsen S.A., Mayroy S.A. and Société Générale Bank & Trust entered into a liquidity agreement of stock options on 6 December 2005. According to the terms of this agreement, Mayroy S.A. authorised Société Générale Bank & Trust to provide the accounting and administrative services for the stock options plans granted to Ipsen S.A. employees. An amendment to this agreement concluded on June 29, 2010 has modified the initial accounting and administrative services contract for the stock options plans of Mayroy S.A. and authorised Société Générale Bank & Trust to transfer treasury shares held by Mayroy S.A. as payment of exercise of options by Ipsen Group employees.
- **Terms:** The service fees recorded by Ipsen S.A in connection with the liquidity agreement amount to €8,571 (VAT not included) for the year ended 31 December 2011.

Financial compensation payment granted to Mr Marc de Garidel, Chairman and Chief Executive Officer

- **Nature, purpose:** Your Board of Directors at its meeting held on 11 October 2010 approved the payment to Mr Marc de Garidel a financial compensation payment in an amount of €800,000, payable in two parts (50% on the date he takes office and 50% one year later, provided that he has not resigned at such date), in order to compensate him for the loss associated with his voluntary departure from his former employer.
- **Terms:** Ipsen S.A. paid an amount of €400,000 to Mr Marc de Garidel on 28 December 2010 and €400,000 on 28 December 2011, in respect with this agreement.

b) Without implementation over the past year

Furthermore, we have been informed of the following agreements and commitments which have been previously approved by the General Meeting of Shareholders but which were not applicable during 2011.

Compensation under a non-compete clause of Mr Marc de Garidel, Chairman and Chief Executive Officer

- **Nature, purpose and terms:** Your Board of Directors at its meeting held on 11 October 2010 approved the commitments of Mr Marc de Garidel, in case of departure of the Group for a reason other than a change of control, for a 24-month duration after his effective departure, not to exercise or participate in the exercise, from an operational point of view (including as a consultant), in the territories of the European Economic Union and/or in Northern America, to an activity of development and/or commercialisation of products of the same therapeutic class (source IMS-Health) than the two first products of the Ipsen Group in terms of revenues.

The compensation due by your Company to Mr Marc de Garidel in consideration of these non-compete obligations is comprised in the severance payment in connection with the termination of change of function described below.

Payments or benefits due or to be due to Mr Marc de Garidel, Chairman and Chief Executive Officer, in connection with the termination of change of function

- **Nature, purpose and terms:** Your Board of Directors at its meeting held on 11 October 2010 authorised to grant Mr Marc de Garidel with :
  - the benefit of the additional pension scheme with defined contributions existing with the Company giving right to, on retirement and subject to a minimum 5-year seniority, the payment of an annual pension calculated by reference to the seniority within the Group, at a rate of 0.60% per year on the part of his total gross compensation (bonus included) below 8 PASS (the Annual Social Security Ceiling) and at a rate of 1% per year on the total gross compensation (bonus included) for the part of this compensation above 8 PASS. The total gross compensation corresponds to the average compensation of the last 36 months of office;
  - the benefit of a severance payment in respect of his term of office, which terms are in accordance with the recommendations of the AFEP/MEDEF Code:
    - a payment due only in the event of a forced departure associated with a change of control or strategy,

- in an amount equal to 24 months' remuneration in respect of his term of office,
- payment of which is subject to a performance condition: maintenance of the Group's recurring operational profit margin over the 3 years preceding the departure, with a minimum threshold (12.5% for 2011),
- which includes, if applicable, the amount due in respect of any non-compete obligation described above.

Paris La Défense and Neuilly-sur-Seine, on the 28 February 2012

The Statutory Auditors

French original signed by

KPMG Audit	Deloitte & Associés
A division of KPMG S.A.	
Philippe Grandclerc	Fabien Brovedani
Partner	*Partner*

3.2 INFORMATION RELATING TO THE COMPANY AND ITS SHARE CAPITAL

3.2.1 Main provisions of the Articles of association

3.2.1.1 Corporate purpose (Article 2 of the Articles of association)

The Company's corporate purpose is the following, in France and any other country whether directly or indirectly:

- to invent, manufacture, process and sell pharmaceutical products, para-pharmaceutical products, cosmetics or any other manufactured products in the fields of drugs and fine chemicals, and all products and materials used to manufacture, process and sell such products;
- to conduct all industrial and commercial activities directly or indirectly related to the foregoing purpose, including research and design, acquiring, owning, exploiting and selling patents, licenses, know-how and more generally all intellectual and industrial property rights; and
- more generally, to conduct all industrial, commercial, financial or property transactions which may directly or indirectly facilitate or further the achievement of the foregoing purposes and any similar purposes.

3.2.1.2 Management of the Company

Board of Directors

The Company is governed by a Board of Directors. The Board of Directors is responsible for defining and implementing the Company's strategic objectives. Subject to the powers expressly reserved for the General Shareholders' Meeting and within the limits of the Company's corporate purpose, the Board of Directors is competent to consider and settle all issues involving the proper functioning of the Company through the passing of its resolutions.

Executive Management

In accordance with the legal provisions, the executive management of the Company is the responsibility either of the Chairman of the Board of Directors, who then serves as Chairman and Chief Executive Officer, or of another person appointed by the Board of Directors who then serves as Chief Executive Officer.

The Board of Directors is responsible for electing one of these two options for a period which may not be less than one year.

3.2.1.3 Rights and obligations attached to shares

Distribution of profits (Article 29 of the Articles of association)

In accordance with the terms and provisions of Article 29 of the Articles of association, after approval of the financial statements and recognition of a distributable profit within the meaning of the law, the General Shareholders' Meeting may resolve to transfer the distributable profit to one or more discretionary reserve accounts, for which it fixes the allocation or use, or retained earnings or to distribute it as a dividend. After deduction of any prior year losses, at least 5% of each year's net profit is transferred to the statutory reserve as required by law. This provision ceases to apply once the statutory reserve has reached one tenth of the Company's share capital.

The General Shareholders' Meeting may decide to distribute amounts from reserves to which the shareholders are entitled. In this case, the resolution must expressly indicate which reserve accounts are to be used. However, dividends must be drawn in priority from the year's distributable profit.

The General Shareholders' Meeting may resolve to offer payment of all or part of the dividend or interim dividends in cash or in shares at the personal choice of each shareholder.

A shareholder's right to the profits and contribution to losses is proportional to the percentage of share capital owned.

Form of shares issued by the Company (Article 9 of the Articles of association)

The shares issued by the Company may be registered or bearer shares. Existence of the shares is evidenced by their registration on securities accounts held in the name of the holder under the terms and conditions set out by law either by the Company or its appointed custodian in the case of registered shares or by an authorised intermediary authorised of bearer shares.

Shareholders' voting rights (Article 26.1 of the Articles of association)

In Ordinary and Extraordinary Shareholders' Meetings, each shareholder has a voting right equal to the number of shares he/she holds or represents without limit.

However, a double voting right is attached to any ordinary fully paid-up share which is owned under the registered form by the same shareholder for at least two years. The double voting rights shall automatically end with its conversion to the form of bearer share, as well as its transfer, except in cases provided for by law.

Actions necessary to modify shareholder's rights

There are no specific existing rules regarding the modification of shareholders' rights which are made according to the legal provisions.

3.2.1.4 General Shareholders' Meetings (Articles 21 to 26 of the Articles of association)

Ordinary Shareholders' Meetings

The Ordinary Shareholders' Meeting receives the Board of Directors' report and the Statutory Auditors' reports, approves the annual financial statements and votes on the appropriation of profits. It appoints and dismisses the Directors and sets their compensation in accordance with the legal provisions and the Articles of association. It appoints the Company's Statutory Auditors.

The Ordinary Shareholders' Meeting may delegate authority to the Board of Directors at the Board's request to deal with all matters not specifically reserved for Extraordinary Shareholders' Meetings.

More generally, the Ordinary Shareholders' Meeting resolves on all matters that do not entail a direct or indirect modification of the Articles of association.

The Ordinary Shareholders' Meeting is held every year no later than six months after the end of the previous financial year-end, unless this time period is extended by court order.

Extraordinary Shareholders' Meeting

The Extraordinary Shareholders' Meeting may amend any and all of the provisions of the Articles of association of the Company. However, it may not increase the shareholders' liability, or change the nationality of the Company except under the terms and conditions set forth by law and international treaties.

Only the Extraordinary Shareholders' Meeting has jurisdiction to decide any contributions in kinds or special benefits made to the Company.

Notice and Meeting of General Shareholders' Meetings

General Shareholders' Meetings are called by the Board of Directors or, if applicable, by the Statutory Auditors or any other person duly empowered by law. The meetings take place at the registered office or any other place indicated in the notice of meeting.

The agenda is set by the person who convenes the meeting. However, one or several shareholders may request, under the terms and conditions set forth by legal and regulatory provisions in force, the inclusion of items or draft resolutions in the agenda. The works council may also require the inclusion of proposed resolutions in the agenda in accordance with the regulation in force. The General Shareholders' Meeting may not resolve on items which are not on the agenda, in accordance with the current regulation. However, it may in any event remove one or more Directors from office and appoints new directors in replacement. The agenda may not be revised for an adjourned meeting.

Any shareholder has the right to attend Shareholders' Meetings and take part in the vote either in person or by proxy, regardless of the number of shares owned, by providing evidence of his/her status as shareholder.

The right to attend the shareholders' meeting is subject to a book entry showing the number of shares held in the name of the shareholder or intermediary acting on its behalf, on the third business day preceding the meeting at 0.00 AM (Paris time), either in the registered securities accounts kept by the Company or in the bearer securities accounts kept by the authorised intermediary. The book entry of the bearer shares is evidenced by the certificate of attendance given by the authorised intermediary.

Quorum

The Ordinary Shareholders' Meeting validly deliberates, on first notice, if the shareholders present or represented, or voting by postal vote, represent at least one fifth of the shares with voting rights. No quorum is required for an adjourned meeting. It passes its resolution by a simple majority vote or the shareholders present or represented or voting by postal vote. The quorum is calculated on the basis of the shares comprising the share capital, less any shares deprived of voting rights in accordance with the law and provisions of the Company's Articles of association.

The Extraordinary Shareholders' Meeting validly deliberates if the shareholders present or represented, or voting by postal vote, represent, on first notice, one quarter of the shares with voting rights, and one fifth on second notice. In the event this quorum is not reached, the second Shareholders' Meeting may be postponed to a further date of two months to the date of original convening.

Shareholders attending the meeting by videoconferencing or other means of telecommunication allowing their identification and compliant with the legal and regulatory provisions are counted as present for the purpose of calculating the quorum.

■ 3.2.1.5 Crossing of thresholds (Article 10.3 of the Articles of association)

In addition to the legal disclosure requirements set out in Article L.233-7 of the French Commercial Code, any person or legal entity, acting either alone or in concert, who holds by any mean a number of shares representing one percent (1%) of the share capital or voting rights, or any further multiple thereof, must no later than five (5) business days after the occurrence, advise the Company by fax of the total number and percentage of shares and voting rights held, with written confirmation sent the same day by recorded delivery mail.

Such persons are also required to advise the Company if their holding falls back below those thresholds, under the same terms and conditions.

In case of failure to comply with these requirements, the shares exceeding the part that should have been disclosed are deprived of the voting right for any Shareholders' Meeting that would be held in a two-year period following the date of regularisation of the disclosure. Except in the case of crossing one of the thresholds provided for by Article L.233-7 of the French Commercial Code, the deprival of the voting rights, which will be recorded in the minutes of the Shareholders' Meeting, may only occur if requested by one or more of the shareholders representing at least one percent (1%) of the share capital and voting rights of the Company.

■ 3.2.1.6 Identification of bearer shareholders (Article 10.2 of the Articles of association)

The Company may at any time, in accordance with the applicable legal and regulatory provisions and at its own expenses, request the relevant central depositary for financial instruments, to provide it with the name, or the corporate name in case of a legal entity, nationality and address or as the case maybe, the registered office, of holders of securities conferring the right to vote at its General Shareholders' Meetings either immediately or in the future, as well as the number of securities held by each of them and any restrictions attached thereto.

■ 3.2.1.7 Specific provisions governing changes in the share capital

The share capital and the rights attached to shares can only be modified in accordance with applicable legal provisions. The Articles of association of the Company do not provide for any specific provision in that respect.

■ 3.2.1.8 Financial year (Article 27 of the Articles of association)

Each financial year has a 12-month term beginning on 1 January and ending on 31 December.

3.2.1.9 Voting rights of shareholders

In Ordinary and Extraordinary Shareholders' Meetings, each shareholder is entitled to as many votes as he/she holds shares or proxies, without limitation.

However, a double voting right is attached to any ordinary fully paid-up share which is owned under the registered form by the same shareholder for at least two years. The double voting rights shall automatically end with its conversion to the form of bearer share, as well as its transfer, except in cases provided for by law.

3.2.2 Share capital

3.2.2.1 Amount of share capital

As at 31 December 2011, the share capital of the Company amounted to €84,226,573 divided into €84,226,573 shares fully subscribed and paid-up of same class, each with a par value of €1.

All the shares are registered or bearer shares and are freely transferable. They are traded on Euronext Paris (Compartment A) (ISIN code FR 0010259150).

3.2.2.2 Changes in share capital

Date	Transaction	Par value per share (in euros)	Number of shares issued	Nominal amount of share capital increase (in euros)	Share or contribution premium (in euros)	Cumulative share or contribution premiums (in euros)	Cumulated amount of share capital (in euros)	Cumulated number of outstanding shares
24/04/2001	Share capital increase by capitalisation of reserves	15.25	0	149,392.24	0	0	446,863,125	29,302,500
30/06/2005	Share capital increase by contribution in kinds	15.25	4,688,400	71,498,100	17,500,825.14	17,500,825.14	518,361,225	33,990,900
30/06/2005	Share capital increase by contribution in cash	15.25	3,477,345	53,029,511.25	12,970,496.85	30,471,321.99	571,390,736.25	37,468,245
18/07/2005	Decreasing of the shares par value	7.625	37,468,245	0	0	30,471,321.99	571,390,736.25	74,936,490
18/07/2005	Share capital decrease by reduction of par value and transfer to share premium account	1	0	496,454,245.25	496,454,245.25	526,925,568.24	74,936,490	74,936,490
07/12/2005	Share capital increase by contribution in cash	1	7,699,507	7,699,507	163,229,548.40	690,155,116.64	82,635,997	82,635,997
14/12/2005	Share capital increase by additional contribution in cash	1	1,139,008	1,139,008	24,146,969.60	714,302,086.24	83,775,005	83,775,005
28/12/2005	Share capital increase by contribution in cash reserved for Group's employees	1	249,678	249,678	4,184,603.28	718,486,689.52 / 708,994,538 [1]	84,024,683	84,024,683
12/12/2007	Bonus shares grant (Plan dated 06/12/2005)	1	18,500	18,500	–	708,994,538	84,043,183	84,043,183
12/12/2008	Bonus shares grant (Plan dated 06/12/2005)	1	16,500	16,500	–	708,994,538	84,059,683	84,059,683
04/06/2009	Bonus shares grant (Plan dated 30/05/2007)	1	8,000	8,000	–	708,994,538	84,067,683,	84,067,683
14/12/2009	Bonus shares grant (Plans dated 06/12/2005 and 12/12/2007)	1	12,500	12,500	–	708,994,538	84,080,183	84,080,183
14/12/2009	Options exercises	1	25,450	25,450	539,540	709,534,078	84,105,633,	84,105,633

Date	Transaction	Par value per share (in euros)	Number of shares issued	Nominal amount of share capital increase (in euros)	Share or contribution premium (in euros)	Cumulative share or contribution premiums (in euros)	Cumulated amount of share capital (in euros)	Cumulated number of outstanding shares
26/02/2010	Options exercises	1	45,750	45,750	969,900	710,503,978	84,151,383	84,151,383
28/05/2010	Options exercises	1	23,500	23,500	498,200	711,002,178	84,174,883	84,174,883
30/08/2010	Options exercises	1	1,200	1,200	25,440	711,027,618	84,176,083	84,176,083
10/11/2010	Bonus shares grant (Plan dated 29/09/2008	1	18,600	18,600	–	711,027,618	84,194,683	84,194,683
10/11/2010	Bonus shares grant (Plan dated 22/01/2009)	1	30	30	–	711,027,618	84,194,713	84,194,713
13/12/2010	Bonus shares grant (Plan dated 12/12/2006)	1	1500	1500	–	711,027,618	84,196,213	84,196,213
24/01/2011	Bonus shares grant (Plan dated 22/01/2009)	1	22,860	22,860	–	711,027,618	84,219,073	84,219,073
31/03/2011	Options exercises	1	1,000	1,000	21,200	711,048,818	84,220,073	84,220,073
30/06/2011	Options exercises	1	3,000	3,000	63,600	711,112,418	84,223,073	84,223,073
15/12/2011	Bonus shares grant (Plans dated 10/11/2009 and 12/12/2007)	1	3,500	3,500	–	711,112,418	84,226,573	84,226,573

(1) Amount after imputation of the tax-free expenses on premiums.

3.2.2.3 Potential share capital

3.2.2.3.1 Stock purchase or subscription options plans

Description

Every Ipsen SA stock subscription or purchase option (hereafter "Ipsen options") grants the right to subscribe to or buy one Company share.

The rights resulting from options granted to beneficiaries are entirely acquired at the end of a four-year period and can be exercised on one or several occasions.

The allotments of options are subject, for the Chairman and Chief Executive Officer and the members of the Executive Board, to performance conditions based, for the 2011 grant, on the evolution of the turnover and the achievement of strategic goals defined by the Board of Directors.

With respect to all plans, in the event of a tender offer, granted options are immediately acquired and exercisable. Moreover, the underlying shares are negotiable, without any condition attached.

At 31 December 2011, with respect to all Ipsen plans, 872,432 purchase options and 1,178,516 subscription options were outstanding (after deduction of the number of options exercised or cancelled to take into account the departure of certain beneficiaries), *i.e.*, a potential nominal €1,178,516 increase of the share capital, representing a maximum potential dilution of 1,40%.

The following table presents, as of 31 December 2011, the description of the Ipsen Options granted:

Date of Shareholders' Meeting	Date of Board of Directors	Grant date	Number of options granted				Nature of the options granted	Date of exercise	Date of expiry	Exercise price (in euros)	Number of options		
			Total number		Of which number granted to executive directors						Exercised as at 31/12/2011	Cancelled or expired as at 31/12/2011	Outstanding as at 31/12/2011
			Of beneficiaries	Of options	Number of beneficiaries	Of options							
19/09/2005	14/11/2005	06/12/2005	93	329,000	–	–	Subscription	06/12/2009	07/12/2015	22.2	99,900	45,750	183,350
02/06/2006	12/12/2006	12/12/2006	18	23,000	–	–	Subscription	12/12/2010	13/12/2016	29.88	–	6,000	17,000
02/06/2006	12/12/2006	12/12/2006	31	42,000	–	–	Subscription	12/12/2010	13/12/2018	29.88	–	15,500	26,500
02/06/2006	12/12/2006	12/12/2006	4	6,000	–	–	Subscription	12/12/2010	13/12/2013	29.88	–	–	6,000
02/06/2006	12/12/2006	12/12/2006	20	28,500	–	–	Subscription	12/12/2010	13/12/2018	33.21	–	9,500	19,000
02/06/2006	12/12/2006	12/12/2006	5	266,668	1	133,334	Purchase	12/12/2012	13/12/2018	38.73	–	20,000	246,668
02/06/2006	12/12/2006	12/12/2006	5	266,666	1	133,333	Purchase	12/12/2011	13/12/2018	35.86	–	20,000	246,666
02/06/2006	12/12/2006	12/12/2006	5	266,666	1	133,333	Subscription	12/12/2010	13/12/2018	33.21	–	20,000	246,666
02/06/2006	30/05/2007	30/05/2007	3	55,000	–	–	Subscription	30/05/2011	31/05/2017	39.06	–	–	55,000
02/06/2006	12/12/2007	12/12/2007	2	53,334	–	–	Purchase	12/12/2012	13/12/2017	41.33	–	–	53,334
02/06/2006	12/12/2007	12/12/2007	2	26,666	–	–	Subscription	12/12/2012	13/12/2017	41.33	–	–	26,666
02/06/2006	12/12/2007	12/12/2007	2	53,334	–	–	Purchase	12/12/2011	13/12/2017	38.27	–	–	53,334
02/06/2006	12/12/2007	12/12/2007	2	26,666	–	–	Subscription	12/12/2011	13/12/2017	38.27	–	–	26,666
02/06/2006	29/09/2008	29/09/2008	1	10,000	–	–	Subscription	29/09/2012	29/09/2018	34.68	–	–	10,000
02/06/2006	29/09/2008	29/09/2008	201	216,200	–	–	Purchase	29/09/2012	29/09/2018	34.68	–	30,350	185,850
02/06/2006	30/03/2009	30/03/2009	41	148,300	–	–	Purchase	30/03/2013	30/03/2019	26.39	–	61,720	86,580
04/06/2009	10/11/2009	10/11/2009	1	12,000	–	–	Subscription	10/11/2013	10/11/2019	34.74	–	–	12,000
04/06/2009	31/03/2010	31/03/2010	22	40,710	–	–	Subscription	31/03/2014	01/04/2018	36.64	–	10,450	30,260
04/06/2009	31/03/2010	31/03/2010	105	321,360	1	121,180	Subscription	31/03/2014	01/04/2018	36.64	–	7,660	313,700
27/05/2011	30/06/2011	30/06/2011	10	16,005	–	–	Subscription	30/06/2013	01/07/2019	25.01	–	–	16,005
27/05/2011	30/06/2011	30/06/2011	6	189,703	1	121,180	Subscription	30/06/2015	01/07/2019	25.01	–	–	189,703
Total											**99,900**	**246,930**	**2,050,948**

Grant of stock options to ten employees of the Group receiving the highest number

During the 2011 financial year, the top ten Group employees (excluding executive officers) to whom have been granted the highest number of options, received a total number of 79,073 options. The adjusted exercise price is €25,01.

Exercise of stock options by employees of the Group exercising the highest number

During the 2011 financial year, the main exercises of stock subscription options (two exercises in 2011) concerned a total of 3,000 options granted under the plan dated 6 December 2005 at an exercise price of €22,20.

3.2.2.3.2 Bonus Shares grants

Description

The final acquisition of bonus shares is effective at the end of the acquisition period:

- of a two-year duration starting from the date of grant for French tax resident beneficiaries;
- of a four-year duration starting from the date of grant for non-French tax resident beneficiaries as at the date of grant and nominated by the Board of Directors.

The final acquisition is then effective subject to presence conditions and completion, for the Chairman and Chief Executive Officer and members of the Executive Management, of performance conditions based on, for the 2011 grant, on the evolution of the turnover and the achievement of strategic goals defined by the Board of Directors.

French tax resident beneficiaries must retained the shares acquired for an additional 2-year period following the acquisition date.

During the 2011 financial year, 55,090 shares were created at the end of the acquisition period for bonus shares granted under the 12 December 2007, 22 January 2009 and 10 November 2009 plans, of which 28,700 under the form of existing shares and 26,390 under the form of new shares.

At 31 December 2011, with respect to all Ipsen plans, 302,606 rights to bonus shares that may be acquired by beneficiaries were still valid (after deduction of the number of shares acquired or of rights cancelled to take into account the departure of certain beneficiaries) of which 49,000 under the form of existing shares and 253,606 under the form of new shares, *i.e.*, a maximum potential increase in the share capital of €253,606, representing a maximum potential dilution of 0.30%.

The following table presents, as of 31 December 2011, the description and terms of the Ipsen Bonus Shares granted, subject to the completion of presence conditions and, for certain grants, of performance conditions set out by the Board of Directors:

Date of the Shareholders' Meeting	Date of the Board of Directors	Grant date	Number of Bonus shares granted				Nature of the Bonus shares granted	Date of final acquisition	Date of availability	Number of Bonus shares		
			Total number		Of which number granted to executive directors					Cancelled as at 31/12/2011	Number of shares created at the end of the acquisition period	Outstanding as at 31/12/2011
			Of beneficiaries	Of Bonus shares	Number of beneficiaries	Of Bonus shares						
19/09/2005	14/11/2005	06/12/2005	4	18,500	1	11,000	New shares	06/12/2007	06/12/2009	–	18,500	–
19/09/2005	14/11/2005	06/12/2005	3	4,500	–	–	New shares	06/12/2009	06/12/2009	–	4,500	–
19/09/2005	12/12/2006	12/12/2006	3	16,500	1	11,000	New shares	12/12/2008	12/12/2010	–	16,500	–
19/09/2005	12/12/2006	12/12/2006	1	1,500	–	–	New shares	12/12/2010	12/12/2010	–	1,500	–
19/09/2005	30/05/2007	30/05/2007	2	8,000	–	–	New shares	01/06/2009	30/05/2011	–	8,000	–
06/06/2007	12/12/2007	12/12/2007	5	8,000	1	3,667	New shares	14/12/2009	12/12/2011	–	8,000	–
06/06/2007	12/12/2007	12/12/2007	1	1,000	–	–	New shares	12/12/2011	12/12/2011	–	1,000	–
06/06/2007	12/12/2007	12/12/2007	5	16,000	1	7,333	Existing shares	14/12/2009	12/12/2011	–	16,000	–
06/06/2007	12/12/2007	12/12/2007	1	2,000	–	–	Existing shares	12/12/2011	12/12/2011	–	2,000	–
06/06/2007	29/09/2008	29/09/2008	99	19,800	–	–	New shares	29/09/2010	29/09/2012	1,200	18,600	–
06/06/2007	29/09/2008	29/09/2008	28	4,100	–	–	New shares	29/09/2012	29/09/2012	1,100	–	3,000
06/06/2007	29/09/2008	29/09/2008	60	9,200	–	–	Existing shares	29/09/2012	29/09/2012	1,900	–	7,300
06/06/2007	22/01/2009	22/01/2009	999	29,970	–	–	Existing shares	22/01/2011	22/01/2013	3,270	26,700	–
06/06/2007	22/01/2009	22/01/2009	830	24,900	1	30	New shares	22/01/2011	22/01/2013	2,010	22,890	–
06/06/2007	22/01/2009	22/01/2009	1,489	44,670	–	–	Existing shares	22/01/2013	22/01/2013	9,930	–	34,740
06/06/2007	27/02/2009	27/02/2009	1	3,000	–	–	Existing shares	27/02/2013	27/02/2013	–	–	3,000
06/06/2007	27/02/2009	27/02/2009	4	18,750	1	11,000	Existing shares	27/02/2011	27/02/2013	18,750	–	–
06/06/2007	27/02/2009	27/02/2009	3	7,250	–	–	New shares	27/02/2011	27/02/2013	7,250	–	–
06/06/2007	30/03/2009	30/03/2009	13	6,190	–	–	Existing shares	30/03/2013	30/03/2013	2,230	–	3,960
06/06/2007	30/03/2009	30/03/2009	27	18,540	–	–	New shares	30/03/2013	30/03/2013	8,060	–	10,480
04/06/2009	10/11/2009	10/11/2009	2	13,500	1	11,000	New shares	10/11/2011	10/11/2013	11,000 (1)	2,500	–
04/06/2009	31/03/2010	31/03/2010	20	29,110	–	–	New shares	31/03/2014	31/03/2014	4,350	–	24,760
04/06/2009	31/03/2010	31/03/2010	39	17,530	–	–	New shares	31/03/2014	31/03/2014	1,630	–	15,900
04/06/2009	31/03/2010	31/03/2010	66	47,630	1	4,490	New shares	31/03/2012	31/03/2014	2,990	–	44,640
27/05/2011	30/06/2011	30/06/2011	6	27,331	1	4,490	New shares	01/07/2013	01/07/2015	–	–	27,331
27/05/2011	30/06/2011	30/06/2011	39	33,830	–	–	New shares	01/07/2015	01/07/2015	–	–	33,830
27/05/2011	30/06/2011	30/06/2011	9	15,755	–	–	New shares	01/07/2013	01/07/2015	–	–	15,755
27/05/2011	30/06/2011	30/06/2011	80	78,990	–	–	New shares	01/07/2013	01/07/2015	1,080	–	77,910
Total										**76,750**	**146,690**	**302,606**

(1) The Board of Directors, at its meeting held on 15 December 2011, noted the non-fulfillment of performance conditions attached to 11,000 bonus shares granted in connection with the plan dated 10 November 2009.

Grants of Ipsen Bonus Shares to the employees

During the 2011 financial year, the top ten Group employees (excluding executive officers) to whom have been granted the highest number of shares, received a total number of 35,551 bonus shares.

3.2.2.3.3 Mayroy stock options

Certain Group employees are beneficiaries of options granted by Mayroy, the controlling shareholder of Ipsen SA (hereinafter the "Mayroy Options"). The number of Mayroy Options granted to the ten Group employees (excluding executive directors) that have been granted the highest number of Mayroy Options is shown in the following table:

	Number of Mayroy shares corresponding to the Mayroy Options	Number of Mayroy Options exercised as at 31 December 2011	Exercise price (1) (in euros)	Exercise periods (2)
1	138,550	5,150	12.29	From 10/11/2004 to 13/02/2014
2	62,500	2,500	27.20	From 18/12/2007 to 13/02/2014
3	25,150	950	15.64	From 31/05/2005 to 13/02/2014
4	21,200	800	15.32	From 31/05/2005 to 13/02/2014
5	19,750	500	16.63	From 31/05/2005 to 13/02/2014
6	19,750	750	16.63	From 31/05/2005 to 13/02/2014
7	19,750	500	16.63	From 31/05/2005 to 13/02/2014
8	18,500	375	15.91	From 31/05/2005 to 13/02/2014
9	15,700	350	17.88	From 31/05/2005 to 13/02/2014
10	14,450	550	17.07	From 31/05/2005 to 13/02/2014

(1) Average weighted price per share in euros.
(2) The Mayroy Options were granted under several stock option plans with different exercise periods. The exercise periods indicated correspond to the opening date of the first exercise period and the closing date of the last exercise period.

The liquidity mechanism available to holders of Mayroy Options under the Mayroy understanding (as described in section 3.2.3.3 of the present registration document) provides for, upon exercise of the Mayroy Options by their beneficiaries, the allocation of Ipsen shares currently held by Mayroy in exchange of the Mayroy shares resulting from the exercise.

Nine Mayroy plans are currently outstanding. No Mayroy Options was granted during the 2011 financial year.

The following table presents the maximum number of Ipsen shares that may be transferred to each of the ten employees listed above under the liquidity mechanism:

Maximum number of Mayroy shares held or that may be held upon exercise of Mayroy Options	Maximum number of Ipsen shares held or that may be held pursuant to the liquidity mechanism (1)
138,550	167,645
62,500	75,533
25,150	30,422
21,200	25,645
19,750	23,888
19,750	23,889
19,750	23,868
18,500	18,280
15,700	18,973
14,450	17,477

(1) The maximum number of Company's shares held or that may be held may be different for a same number of Mayroy shares due to the change of ratio on 14 March 2008.

During the 2011 financial year, the Group employees that exercised the highest number (two exercises) exercised a total of 420 Mayroy Options at an average weighted price of €12.03. These exercises led to the grant of 11,340 Mayroy Shares, all of which were exchanged with Ipsen SA shares.

3.2.2.4 Authorised and non-issued share capital

The Combined Shareholders' Meeting held on 27 May 2011 authorised the delegation of authority to the Board of Directors regarding shares capital increases as followed:

Issues reserved to shareholders

	Ongoing authorisations		
	Date of the Shareholders' Meeting (resolution number)	Duration (expiry)	Maximum nominal amount of the share capital increase authorised
Share capital increase by incorporating reserves, profits and/or premiums as bonus shares grant and/or increase share par value	27 May 2011 (24th)	26 months (26 July 2013)	20% of the share capital [a, b]
Share capital increase by issues of ordinary shares and/or securities and/or incorporating reserves, profits or premiums with retention of preferential subscription rights for shareholders	27 May 2011 (25th)	26 months (26 July 2013)	20% of the share capital [a, b]

As at the date of the present document, these delegations have not been used.

Issues without preferential subscription rights for shareholders

	Ongoing authorisations		
	Date of the Shareholders' Meeting (resolution number)	Duration (expiry)	Maximum nominal amount of the share capital increase authorised
Share capital increase by issues of ordinary shares or securities without preferential subscription rights for shareholders by offer to the public	27 May 2011 (26th)	26 months (26 July 2013)	10% of the share capital [a, b, c]
Share capital increase by issues of ordinary shares or securities without preferential subscription rights for shareholders by private placement	27 May 2011 (27th)	26 months (26 July 2013)	10% of the share capital [a, b, c]
Share capital increase to compensate contributions in kind of shares or securities	27 May 2011 (29th)	26 months (26 July 2013)	10% of the share capital [a]

As at the date of the present document, these delegations have not been used.

Issues reserved to employees (and, if applicable, to directors)

	Ongoing authorisations		
	Date of the Shareholders' Meeting (resolution number)	Duration (expiry)	Maximum nominal amount of the share capital increase authorised
Share capital increase reserved for members of a company savings plan	27 May 2011 (30th)	26 months (26 July 2013)	5% of the share capital [a]
Stock subscription and purchase options granted to employees and executive directors	27 May 2011 (31th)	26 months (26 July 2013)	3% of the share capital [d, e]
Bonus Shares granted to employees and/or certain executive directors	27 May 2011 (32th)	26 months (26 July 2013)	3% of the share capital [e, f]

(a) Based on a share capital of €84,219,073 as at the date of the Shareholders' Meeting held on 27 May 2011.
(b) The issues decided under this delegation are deducted from the global common limit of 20% of the share capital.
(c) The issues decided under delegations by offer to the public or private placement are deducted respectively from limits of each delegations, in addition to the global limit of 20% of the share capital.
(d) Used in 2011 up to 205,708 shares, *i.e.*, 0.24% of the share capital.
(e) Common limit.
(f) Used in 2011 up to 155,906 shares, *i.e.*, 0.18% of the share capital.

3.2.2.5 Number of shares held by the Company

Authorisations

Share repurchase program and cancellation of shares

	Ongoing authorisations		
	Date of the Shareholders' Meeting (resolution number)	Duration (expiry)	Characteristics
Share repurchase	27 May 2011 (11th resolution)	18 months (27 Nov. 2012)	Maximum repurchase price per share : €50 Limit of 10% of the number of shares comprising the share capital
Cancellation of shares	28 May 2010 (8th resolution)	24 months (27 May 2012)	10% of the share capital as at the date of decision of cancellation

Treasury shares (excluding liquidity agreement)

As at 31 December 2011, the Company held 1,046,612 of its own shares dedicated to the covering of its stock purchase options and bonus shares plans (see sections 3.2.2.3.1 and 3.2.2.3.2).

3.2.2.6 Share repurchase program

The General Shareholders' Meeting dated 27 May 2011 conferred to the Board of Directors a new authorisation to repurchase the Company's shares and terminated the prior authorisation granted on 28 May 2010. Pursuant to this decision, the Board of Directors decided on 27 May 2011 to set up a new share repurchase program with a limit of 10% of the share capital and a maximum repurchase price of €50 per share.

Since 26 February 2007, the Group had mandated Natexis Bleichroder, a subsidiary of Natixis, to implement a liquidity contract for a one-year period with tacit renewal. This contract is compliant with the Business Ethics Charter of the AMAFI (French Association of Investment Firms) which was approved on 1 October 2008 by the French *Autorité des marchés financiers*. As per the liquidity contract, the following assets appeared on the liquidity account: 46,838 shares and €1,259,939.79. According to the amendment to the liquidity contract dated 19 February 2007, an additional amount of €1M have been transferred on the liquidity account.

The following tables present the purchase and sale transactions carried out by the Company in respect of its own shares, between the opening and closing dates of the 2011 financial year:

Number of shares purchased:	714,246
Average purchase price:	€23.81
Number of shares sold:	745,269
Average sale price:	€24.017
Total amount of dealing expenses:	€27,500
Number of shares used in 2011:	0
Number of shares registered in the name of the Company at the end of the financial year:	1,106,900 shares
Estimated value at the average purchase price:	€26,356,943.80
Nominal value:	€1,106,900

Reasons for purchases	% of the share capital
Animation of share price	0.07%
Coverage of stock purchase options or other employee share ownership system	1.24%
Securities giving right to shares	–
Acquisitions	–
Cancellation	–

Treasury shares has not been reallocated to other objectives since the last authorisation conferred by the Shareholders' Meeting.

3.2.3 Shareholding

3.2.3.1 Share ownership and voting rights

As at 31 December 2011, the Company's share capital amounted to €84,226,573 divided into €84,226,573 shares. The corresponding theoretical number of voting rights amounted to 141,592,383.

As at 31 December 2011, to the best knowledge of the Company, the main shareholders were:

	Share capital		Net voting rights	
	Number	Percentage	Number	Percentage
Mayroy	57,336,952	68.07%	114,270,983	81.34%
Board of Directors (1)	45,342	0.05%	55,426	0.04%
FCP Ipsen Actions (2)	157,600	0.19%	315,200	0.22%
Treasury shares	1,106,900	1.31%	0	0
Other registered shareholders	541,954	0.64%	806,049	0.57%
Free Float (3)	25,037,825	29.73%	25,037,825	17.82%
Total	**84,226,573**	**100%**	**140,485,483**	**100%**
Gross number of voting rights			**141,592,383**	

(1) In addition with the shares owned in person by the directors, it is specified that Finvestan S.à.r.l., a company controlled by the Schwabe family and managed by Klaus-Peter Schwabe, and VicJen Finance SARL, a company whose Antoine Flochel is manager and a senior partner, held as at 31 December 2011, to the Company's knowledge and based on Directors' statements:
- Finvestan S.àr.l.: 187,923 shares and 375,846 voting rights;
- VicJen Finance SARL: 2,000 shares and 4,000 voting rights.

(2) FCP Ipsen Actions is the only mutual fund for employees.

During the 2011 financial year, the Company received notifications of the crossing of shareholding thresholds from:

- Franklin Resources Inc. which, on 8 July 2011, disclosed to the Company that it crossed upwards the 1% of the share capital threshold and indicated that Franklin Resources Inc. held, at the same date, 858,033 shares of the Company representing 1.0188% of the share capital and 0.6061% of the voting rights.
- Amundi Asset Management which, on 14 June 2011, disclosed to the Company that it crossed upwards the 1% of the share capital threshold and indicated that, at the same date, Amundi Asset Management held 1 663 034 shares of the Company representing 1.97% of the voting rights;
- AXA Investment Managers which, on 22 March 2011, disclosed to the Company that it crossed upwards the 1% of the share capital threshold of shares and voting right and indicated that, at the same date, AXA Investment Managers held 1,795,802 shares of the Company representing 2.13% of the share capital and 1.27% of the voting rights.

On March 1, 2012, the Company received a notification from Franklin Resources Inc. indicating that it crossed the 1% of the share capital threshold and the it held at such date 2.0567% of the share capital and 1.2235% of the voting rights.

To the Company's knowledge, no other shareholder owns, directly or indirectly, acting alone or in concert, more than 1% of the share capital or voting rights except to what is described below.

Since the closing of the financial year and as at the date of the present document, there were no significant evolution in the share capital and voting rights of the Company.

Mayroy is a *"société anonyme"* organised and existing under the laws of the Luxembourg. As at the date of registration of the present registration document, its share capital is owned by Beech Tree S.A. ("Beech Tree"), also a *"société anonyme"* organised and existing under the laws of the Luxembourg, up to 77.83%, including 48.51% directly, and 29.32% indirectly, through its subsidiaries FinHestia S.àr.l. and Bee Master Holding BV, these two companies are incorporated under the forms of limited liability companies existing under the laws of the Luxembourg.

Anne Beaufour and her brother, Henri Beaufour, hold together, directly and indirectly, 100% of Beech Tree share capital. None of them control Beech Tree, which in the absence of any shareholders' agreement, is governed by its Articles of association.

3.2.3.2 Evolution of share ownership and voting rights over the past three financial years

	2011				2010				2009			
	Number of shares	%	Number of voting rights	%	Number of shares	%	Number of voting rights	%	Number of shares	%	Number of voting rights	%
Mayroy	57,336,952	68.07	114,270,983	81.34	57,350,657	68.12	114,284,688	81.41	61,596,475	73.22	122,560,485	84.88
Board of Directors	45,342	0.05	55,426	0.04	46,036	0.05	59,980	0.04	48,279	0.06	71,824	0.05
FCP Ipsen Actions	157,600	0.19	315,200	0.22	178,000	0.21	356,000	0.25	194,608	0.23	389,216	0.27
Treasury shares	1,106,900	1.31	0	0	1,166,593	1.39	0	0	1,112,746	1.32	0	0
Other registered shareholders	541,954	0.64	806,049	0.57	283,658	0.33	509,729	0.37	229,230	0.27	427,297	0.30
Free Float	25,037,825	29.73	25,037,825	17.82	25,171,269	29.90	25,171,269	17.93	20,946,422	24.90	20,946,422	14.50
Total	**84,226,573**	**100**	**140,485,493**	**100**	**84,196,213**	**100**	**140,381,666**	**100**	**84,127,760**	**100**	**144,395,244**	**100**
Gross number of voting rights			**141,592,383**				**141,548,259**				**145,507,900**	

3.2.3.3 Shareholders' agreements, liquidity mechanisms and parties acting in concert

Agreements between shareholders of the Company

None.

Agreements between shareholders of Mayroy

On 17 December 2003, Beech Tree, FinHestia S.àr.l. and Bee Master Holding BV on the one hand, and certain members of the Schwabe family which holds Finvestan Sàrl, limited liability company existing under the laws of the Luxembourg, on the other hand, entered into a shareholder's agreement which purpose is to preserve a stable controlling ownership structure of Mayroy.

This Agreement requires Bee Master Holding BV, FinHestia Sàrl, and Finvestan Sarl to make lock-up undertakings in respect of their Mayroy shares, and prevents Beech Tree from selling its Mayroy shares without first giving Bee Master Holding BV, FinHestia Sàrl, and Finvestan Sàrl the option to sell or otherwise transfer their own Mayroy shares at the same time and on the same terms and conditions. The Agreement also provides for a majority representation of the parties on Mayroy's Board of Directors, including one person nominated by Finvestan Sàrl.

Initially concluded for the duration expiring on 31 December 2008, this agreement has been renewed until 30 June 2013.

This agreement constitutes an agreement to act in concert between the shareholders and Mayroy, both signatories to the agreement.

Parties acting in concert

Certain Directors of the Company (Anne Beaufour, Henri Beaufour, Antoine Flochel and Klaus-Peter Schwabe) and Mayroy are presumed to act in concert.

Liquidity mechanism available to holders of Mayroy Options

In connection with the listing of the Company's shares on a regulated market, Mayroy provided a liquidity mechanism for employees and executive officers who held Mayroy Options, after the exercising these options.

Since the expiry of the lock-up undertaking made by Mayroy as part of the initial public offering, holders of Mayroy Options are granted a put option on the Mayroy shares they acquire following the exercise of their Mayroy Options. Mayroy also has the right to purchase the shares at its own initiative at the end of the third month after the exercise of the Mayroy Options. The administrative costs of the liquidity mechanism are borne by the Company.

Regardless of the liquidity mechanism used (exercise of put option by Mayroy Option holders or purchase by Mayroy), the total number of Mayroy shares that could be issued or exchanged and sold to the Company is 682,000 shares as at 31 December 2011.

Since 14 March 2008, each share that is sold will be exchanged for 1.20852 Company shares per Mayroy share and a fixed sum of €1.26436 per Mayroy share, so that the maximum number of existing Company shares which may be allotted by Mayroy to holders of Mayroy Options was accordingly 824,210 shares representing 1% of the Company's share capital as at 31 December 2011.

3.2.3.4 Nature of control

The Company is controlled as described above. Measures taken to avoid any abusive control are, in particular, the following:

- presence of four independent Directors of eleven members in the Company's Board of Directors as described in chapters 3.1.1.1, 3.1.1.2 and 3.1.2.1 of the present registration document;
- presence of an independent Director of five members in the Strategic Committee;
- presence of an independent Director of three members in the Appointments and Governance Committee;
- presence of two independent Directors of three members in the Audit Committee;
- presence of two independent Directors of three members in the Compensation Committee.

3.2.3.5 Information or agreements likely to involve a change in control or to have an impact in the event of a take over bid

Agreements likely to involve a change in control

None.

Information likely to have an impact in the event of a takeover bid

In accordance with provisions of Article L.225-100-3 of the French Commercial Code, the following information may have an impact in the event of a takeover bid:

- Ownership of the Company's share capital: see section 3.2.3 of the present document.
- Restrictions contained in the Articles of association on voting rights: none ; except, in case of none-statement of crossing a statutory threshold, temporary suspension of voting rights which may be requested during a shareholders' meeting by one or more shareholders holding at least 1% of the share capital or voting rights (article 10.3 of the Articles of Association, see section 3.2.1.5)
- Restrictions contained in the Articles of association on transfer of shares or agreements whose the Company has knowledge in accordance with the provisions of Article L.233-11 of the French Commercial Code: none.
- Direct and indirect interests in the share capital known by the Company in accordance with the provisions of Articles L.233-7 and L.233-12 of the French Commercial Code: see section 3.2.3 of the present document.
- Shareholders holding any share conferring specific control rights and description: there are no shares conferring specific control rights. However, a double voting right exists for any fully paid-up registered under the name of a same shareholder for at least 2 years as described in section 3.2.1.3 (Article 26 of the Articles of association).
- Control mechanisms provided for in an employee shareholding system if controlling rights are not exercised by said system: voting rights attached to the Ipsen shares held by employees through the FCPE actions Ipsen, the only mutual fund for employees, are exercised by a person empowered by the supervisory board of the mutual fund in order to be represented in shareholders' meeting (see section 3.2.3 of the present document).
- Agreements between shareholders of which the Company is aware that may cause restrictions to transfers of shares and exercises of voting rights: see section 3.2.3.3 of the present document.
- Provisions governing the election and replacement of Board Members: see section 3.1.1 of the present document.
- Provisions governing the amendment of the Company's Articles of association: legal rules.
- Powers of the Board of Directors, in particular concerning issuance or repurchases of shares: see sections 3.2.2.4, 3.2.2.5 of the present registration document.
- Agreements entered into by the Company that are amended or expire in the event of a change of control of the Company, unless this disclosure, except if required by law, may have a material negative impact on its interests: none applicable.
- Agreements providing for compensations of members of the Board of Directors or employees in case of resignation or dismissal without cause or if their employment ends as a result of a takeover bid: see section 3.1.3 of the present document.

3.2.3.6 Dividends

Dividends paid in the past five years

Over the last five years, the Company paid the following dividends:

	Dividends paid in				
	2011	2010	2009	2008	2007
Total number of shares giving rights to dividend	84,219,073	84,151,383	84,059,683	84,043,183	84,024,683
Distribution (in thousand euros, excluding tax credit)	67,375.2 (*)	63,113.5 (*)	58,841.8 (*)	55,468.5 (*)	50,414.8 (*)
Gross dividend amount per share (in euros, excluding tax credit)	0.80	0.75	0.70	0.66	0.60

(*) Including dividends on treasury shares assigned to the carry-forward profit account.

Dividends and reserves distribution policy

The dividend payout policy is determined by the Company's Board of Directors based on an analysis of the Company's financial results and position. The Company's objective for future years is to develop a payout policy consistent with its growth strategy, which should lead to a dividend payout of 30% at least of consolidated net earnings (excluding amortisation of its intangible assets arising from the allocation of the purchase price of its acquisitions). However, this is not an undertaking on the Company's part, and the Company may decide to change for each fiscal year its distribution policy or not pay a dividend at all based on its financial performance, investment needs and debt management imperatives.

Statute of limitations

Dividends which are not claimed within five years of their payment date shall lapse and become the property of the State.

■ 3.2.3.7 Related-party transactions

Subject to, (i) the liquidity agreement concerning the Mayroy Options described in section 3.2.3.3 of the present document, (ii) the agreements entered into with the Schwabe group described in section 1.4.2 of the present document, (iii) information regarding related-party transactions described in chapter 2.1 note 28 of the present document, there are no other agreements between the Group and related parties.

4 ANNEXES

4.1 PERSON RESPONSIBLE

4.1.1 Attestation of the person responsible for the registration document

Mr. Marc de Garidel, Chairman and Chief Executive Officer of Ipsen

"I affirm that having taken all reasonable care to ensure that such is the case, the information contained in this registration document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I hereby declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and all the other companies included in the scope of consolidation, and that the Management Report presented in chapter 4.5 gives a fair description of the business developments, results and financial position of the Company and all the other companies included in the scope of consolidation, as well as a description of the main risks and contingencies with which the Company may be confronted.

The Company has obtained a letter from its statutory auditors certifying that they have verified the financial and accounting information provided in this registration document and that they have read the document as a whole.

Past financials presented in this registration document have been the object of reports from the statutory auditors and are presented on pages 200 to 201 and 232 to 234 of this registration document."

Marc de Garidel,
Chairman and Chief Executive Officer

4.1.2 Person responsible for financial information

Susheel Surpal
Chief Financial Officer

Pierre Kemula
Investor Relations Officer

Ipsen
65, quai Georges Gorse
92650 Boulogne-Billancourt cedex
Phone: +33 (0)1 58 33 50 00
Fax: +33 (0)1 58 33 50 01
investor.relations@ipsen.com

www.ipsen.com

4.1.3 Person responsible for account audit and fees

4.1.3.1 Statutory Auditors

Deloitte & Associés

Represented by Mr. Fabien Brovedani
185, avenue Charles de Gaulle
B.P. 136
92524 Neuilly-sur-Seine Cedex – France

First appointed at the Annual General Meeting of 10 April 2002.
Term of office renewed by the Annual General Meeting held on 28 May 2010.

KPMG Audit

Department of KPMG S.A.
Represented by Mr. Philippe Granclerc
1, cours Valmy
92923 Paris-La Défense Cedex – France

First appointed at the Annual General Meeting of 18 June 2005.
Term of office renewed by the Annual General Meeting held on 27 May 2011.

4.1.3.2 Alternate auditors

B.E.A.S.

7-9, villa Houssay
92524 Neuilly-sur-Seine Cedex – France

First appointed at the Annual General Meeting of 10 April 2002. Term of office renewed by the Annual General Meeting held on 28 May 2010.

KPMG Audit IS

1, cours Valmy
92923 Paris-La Défense Cedex – France

First appointed at the Annual General Meeting of 27 May 2011.

4.1.3.3 Fees paid by the Group to the statutory auditors and members of their networks

	Deloitte & Associés						KPMG Audit					
	Amount (excl. VAT)			%			Amount (excl. VAT)			%		
(in thousand euros)	2011	2010	2009	2011	2010	2009	2011	2010	2009	2011	2010	2009
Audit												
Statutory audit, certification, review of separate and consolidated financial statements												
Issuer	*210*	*220*	*156*	*23%*	*18%*	*22%*	*187*	*203*	*253*	*23%*	*24%*	*27%*
Fully consolidated subsidiaries	*562*	*401*	*540*	*62%*	*32%*	*78%*	*579*	*576*	*552*	*71%*	*68%*	*59%*
Other work and services directly related to the statutory audit												
Issuer												
Fully consolidated subsidiaries	*127*	*614*		*14%*	*50%*	*0%*	*19*		*97*	*2%*		*10%*
Sub-total	**900**	**1 235**	**696**	**100%**	**100%**	**100%**	**785**	**779**	**805**	**96%**	**92%**	**96%**
Other services provided by the network to fully consolidated subsidiaries												
Legal, fiscal and payroll							*31*	*65*	*37*	*4%*	*8%*	*4%*
Other												
Sub-total	**0**	**0**	**0**	**0%**	**0%**	**0%**	**31**	**65**	**37**	**4%**	**8%**	**4%**
Total	**900**	**1,235**	**696**	**100%**	**100%**	**100%**	**816**	**844**	**939**	**100%**	**100%**	**100%**

4.2 THIRD PARTY INFORMATION, STATEMENTS BY EXPERTS AND DECLARATIONS OF INTERESTS

None.

4.3 INFORMATION PUBLISHED OR RELEASED OVER THE LAST TWELVE MONTHS

Date	Subject	Medium
07 January 2011	Total number of voting rights and total number of shares	AMF submission www.ipsen.com Regulated information provider (regulated information)
07 January 2011	Half-year statement of Ipsen liquidity contract	www.ipsen.com Regulated information provider (regulated information)
02 February 2011	Ipsen's fourth quarter and full year 2010 sales and other significant developments	Press release www.ipsen.com Regulated information provider (regulated information)
03 February 2011	Ipsen's partner Inspiration Biopharmaceuticals announces non-inferiority of IB1001, its recombinant factor IX for Hemophilia B	Press release www.ipsen.com Regulated information provider (regulated information)

Date	Subject	Medium
09 February 2011	Total number of voting rights and total number of shares	AMF submission www.ipsen.com Regulated information provider (regulated information)
25 February 2011	Ipsen and bioMérieux enter into a broad partnership in personalised medicine	Press release www.ipsen.com Regulated information provider (regulated information)
02 March 2011	Ipsen's 2010 results and 2011 sales objective	Press release www.ipsen.com Regulated information provider (regulated information)
04 March 2011	Total number of voting rights and total number of shares	AMF submission www.ipsen.com Regulated information provider (regulated information)
09 March 2011	The FDA approves Somatuline® Depot (lanreotide) Injection Extended Dosing Interval as part of Ipsen's prior approval supplement application	Press release www.ipsen.com Regulated information provider (regulated information)
08 April 2011	Total number of voting rights and total number of shares	AMF submission www.ipsen.com Regulated information provider (regulated information)
08 April 2011	Notice of Meeting of the General Shareholders' Meeting of 27 May 2010	www.balo.journal-officiel.gouv.fr (notice n°1101181)
18 April 2011	Active Biotech and Ipsen enter into a broad partnership for the co-development and commercialization of TASQ in uro-oncology	Press release www.ipsen.com Regulated information provider (regulated information)
27 April 2011	The Ipsen Group publishes its 2010 Registration document	AMF submission www.ipsen.com Regulated information provider (regulated information)
02 May 2011	Changes within Ipsen's Executive Committee	Press release www.ipsen.com Regulated information provider (regulated information)
03 May 2011	Ipsen's first quarter 2011 sales	Press release www.ipsen.com Regulated information provider (regulated information)
04 May 2011	Combined Shareholders' Meeting of Friday 27 May 2011: Availability of preparatory documentation	Regulated information provider (regulated information)
04 May 2011	Notice of meeting of the General Shareholders' Meeting of 27 May 2011	www.balo.journal-officiel.gouv.fr (notice n° 1101902) Les Petites Affiches 04 May 2011 (n° 88)
05 May 2011	Total number of voting rights and total number of shares	AMF submission www.ipsen.com Regulated information provider (regulated information)
11 May 2011	Appointment of Etienne de Blois as Ipsen's Executive Vice-President, Human Resources	Press release www.ipsen.com Regulated information provider (regulated information)
27 May 2011	Change within Ipsen's Executive Committee	Press release www.ipsen.com Regulated information provider (regulated information)
27 May 2011	Combined Shareholders' Meeting of Ipsen S.A. held on 27 May 2011	Press release www.ipsen.com Regulated information provider (regulated information)
06 June 2011	Ipsen announces discontinuation of the development of Irosustat in monotherapy	Press release www.ipsen.com Regulated information provider (regulated information)
07 June 2011	Total number of voting rights and total number of shares	AMF submission www.ipsen.com Regulated information provider (regulated information)
09 June 2011	Increase focus, invest to grow, leverage footprint: Ipsen's new strategy	Press release www.ipsen.com Regulated information provider (regulated information)
23 June 2011	Consolidated financial statements for financial year 2010	Clerk of the Commercial Tribunal of Nanterre (submission n° 10881)
23 June 2011	Annual financial statements for financial year 2010	Clerk of the Commercial Tribunal of Nanterre (submission n° 10879)
24 June 2011	Updated articles of association	Clerk of the Commercial Tribunal of Nanterre (submission n° 19484)
06 July 2011	Company financial statements for financial year 2010	www.balo.journal-officiel.gouv.fr (avis n° 1104489)
07 July 2011	Half-year statement of Ipsen liquidity contract	www.ipsen.com Regulated information provider (regulated information)
07 July 2011	Total number of voting rights and total number of shares	AMF submission www.ipsen.com Regulated information provider (regulated information)
12 July 2011	Renewal of agreement between Ipsen and The Salk Institute supports cutting-edge research	Press release www.ipsen.com Regulated information provider (regulated information)

Date	Subject	Medium
12 July 2011	Ipsen and Institut de cancérologie Gustave Roussy enter into a partnership agreement	Press release www.ipsen.com Regulated information provider (regulated information)
28 July 2011	Ipsen's partner Inspiration Biopharmaceuticals announces data from OBI-1 pivotal stage program in Hemophilia at 23rd ISTH congress	Press release www.ipsen.com Regulated information provider (regulated information)
03 August 2011	Total number of voting rights and total number of shares	AMF submission www.ipsen.com Regulated information provider (regulated information)
30 August 2011	Ipsen's half-year 2011 results	Press release www.ipsen.com Regulated information provider (regulated information)
30 August 2011	Appointments to Ipsen's Executive Committee: Nathalie Joannes is nominated Executive Vice-President, General Counsel and Susheel Surpal is nominated Vice-President, Chief Financial Officer	Press release www.ipsen.com Regulated information provider (regulated information)
30 August 2011	Half-year Financial Report 2011	Press release www.ipsen.com Regulated information provider (regulated information)
30 August 2011	Inspiration Biopharmaceuticals and Ipsen Expand their Partnership in Preparation for the Commercial Launch of Inspiration's Hemophilia Pipeline in Europe	Press release www.ipsen.com Regulated information provider (regulated information)
05 September 2011	Total number of voting rights and total number of shares	AMF submission www.ipsen.com Regulated information provider (regulated information)
27 September 2011	Ipsen in-licenses from Photocure Hexvix®, the first approved & marketed drug for improved detection of bladder cancer, a key step in the surgical resection	Press release www.ipsen.com Regulated information provider (regulated information)
03 October 2011	Ipsen's partner, Inspiration Biopharmaceuticals, announces acceptance of European marketing authorisation application for IB1001 for the treatment of hemophilia B	Press release www.ipsen.com Regulated information provider (regulated information)
07 October 2011	Total number of voting rights and total number of shares	AMF submission www.ipsen.com Regulated information provider (regulated information)
20 October 2011	Syntaxin and Ipsen enter into a strategic agreement to develop novel botulinum-toxin therapeutics	Press release www.ipsen.com Regulated information provider (regulated information)
27 October 2011	Ipsen's first nine months of 2011 sales	Press release www.ipsen.com Regulated information provider (regulated information)
02 November 2011	Ipsen sells the North American development and marketing rights for Apokyn® to Britannia Pharmaceuticals, achieving a key milestone in the execution of its new North American strategy	Press release www.ipsen.com Regulated information provider (regulated information)
07 November 2011	Total number of voting rights and total number of shares	AMF submission www.ipsen.com Regulated information provider (regulated information)
28 November 2011	Ipsen's partner Inspiration Biopharmaceuticals announces the initiation of the second phase III pivotal clinical study of OBI-1 in congenital hemophilia A with inhibitors	Press release www.ipsen.com Regulated information provider (regulated information)
06 December 2011	Total number of voting rights and total number of shares	AMF submission www.ipsen.com Regulated information provider (regulated information)
04 January 2012	Ipsen announces its corporate agenda for 2012	Press release www.ipsen.com Regulated information provider (regulated information)
05 January 2012	Oncodesign and Ipsen enter into a research collaboration for the development of new therapeutic agents against the LRRK2 Parkinson's disease target	Press release www.ipsen.com Regulated information provider (regulated information)
05 January 2012	Total number of voting rights and total number of shares	AMF submission www.ipsen.com Regulated information provider (regulated information)
12 January 2012	Half-year statement of Ipsen liquidity contract with Natixis	www.ipsen.com Regulated information provider (regulated information)
24 January 2012	Santhera and Ipsen renegotiate Fipamezole Licensing Agreement	Press release www.ipsen.com Regulated information provider (regulated information)
27 January 2012	Ipsen acknowledges Tanakan® delisting in France	Press release www.ipsen.com Regulated information provider (regulated information)
02 February 2012	Ipsen's fourth quarter and full year 2011 sales and other significant developments	www.ipsen.com Regulated information provider (regulated information)
07 February 2012	Total number of voting rights and total number of shares	AMF submission www.ipsen.com Regulated information provider (regulated information)

Date	Subject	Medium
24 February 2012	Active Biotech and Ipsen report Tasquinimod (TASQ) phase II long term safety data at the 27th European Association of Urology (EAU) Congress	www.ipsen.com Regulated information provider (regulated information)
29 February 2012	Ipsen's 2011 results and 2012 objective	www.ipsen.com Regulated information provider (regulated information)
05 March 2012	Total number of voting rights and total number of shares	AMF submission www.ipsen.com Regulated information provider (regulated information)

4.4 CONSULTATION OF LEGAL DOCUMENTS

During the validity period of the present registration document, the Articles of incorporation, the statutory auditors' reports, the annual financial statements of the past three years, as well as any reports, letters or other documents and historical financial information of the Company and its subsidiaries over the past three years and, valuations and statements made by experts, where such documents are provided for by law and any other document provided for by law may be consulted at the Company's registered office.

Copies of the present registration document are available free of charge at the Company's registered office (located at 65 quai Georges Gorse – 92650 Boulogne-Billancourt cedex – France – Tel: +33 (0)1 58 33 50 00) as well as on Ipsen's website (www.ipsen.com) and on the AMF's website (www.amf-france.org).

4.5 COMPONENTS OF THE REGISTRATION DOCUMENT, BOARD OF DIRECTORS' REPORT INCLUDED IN THE REGISTRATION DOCUMENT AND ANNUAL FINANCIAL REPORT

4.5.1 Component of the Annual Financial Report

4.5.1.1 Consolidated financial statements

The consolidated financial statements for the financial year ending 31 December 2011 appear in section 2.1.1 to 2.1.5 of this registration document.

4.5.1.2 Management Report pursuant to article 222-3-3 of the AMF's General Regulation

4.5.1.2.1 Management Report pursuant to article 222-3-3 of the AMF's General Regulation

These informations appear in sections 1.1.2, 1.2.1.2, 1.2.6, 1.2.7.2, 1.3.1, 1.4.1.2 and in the notes 1 and 2 of the section 2.1.5 of this registration document.

4.5.1.2.2 Authorised unissued share capital

These informations appear in section 3.2.2.4 of this registration document.

4.5.1.2.3 Information likely to have an impact in case of take over bid

These informations appear in section 3.2.3.5 of this registration document.

4.5.1.2.4 Share buy back programme

These informations appear in section 3.2.2.6 of this registration document.

4.5.1.2.5 Attestation of the person responsible for the registration document

This information appears in section 4.1.1 of this registration document.

4.5.1.3 Statutory Auditors' Report on the consolidated financial statements

This report appears in section 2.1.6 of this registration document.

4.5.1.4 Statutory Auditor's moderate assurance report on the review of selected environmental and social indicators

This report appears in section 1.3.2 of this registration document.

4.5.2 Component of the Board of Directors' report

The following table can be used to identify and locate the compulsory information included in the Board of Directors' report to the General Meeting within this registration document, according to subject-matter.

INFORMATIONS	REGISTRATION DOCUMENT
1. THE ACTIVITY OF THE COMPANY AND THE GROUP IN 2011	
Situation of the Company during the past financial year	
• *Information relating to the Group*	*1.4, 1.2.1.2, 1.2.6 and 2.1*
• *Information relating to Ipsen*	*nm*
Forecast developments – Outlook	
• *Information relating to the Group*	*1.2.6 and 1.2.7*
• *Information relating to Ipsen*	*1.4*
Results of the Company and its subsidiaries	
• *Information relating to the Group*	*1.2.6.2 and 2.1*
• *Information relating to Ipsen*	*nm*
Objective and exhaustive analysis of the development of the Company's business, results and financial situation, and those of consolidated companies, and in particular its debt situation by reference to the volume and complexity of the business, including, where appropriate, key financial and other performance indicators relating to the Company's specific activity and that of consolidated companies, in particular in relation to environmental and personnel issues	
• *Information relating to the Group*	*1.2.1.2, 1.2.6, 1.2.7.2 and 1.3.1*
Environmental and social information	
• *Information relating to the Group*	*1.3*
Research and development activity	
• *Information relating to the Group*	*1.1.1.2, 1.1.1.3 – 1.2.1, 1.2.2, 1.2.3 and 1.2.4*
Progress made – Problems encountered	
• *Information relating to the Group*	*1.4, 1.2.1.2 and 2.1*
Risk factors	
• *Information relating to the Group*	*1.1.2*
Important events occurring since the end of the financial year	
• *Information relating to the Group*	*2.1.5 note 30 and note 2*
Activity by line of business	
• *Information relating to the Group*	*1.4, 1.2.1.2, 1.2.6, 2.1, 1.1.1.2, 1.1.1.3, 1.2.1, 1.2.3 and 1.2.4*
Control of 5, 10, 20, 33.33, 50, or 66.66% of share capital or voting rights, or controlling interest	
• *Information relating to the Group*	*1.2.8*
Changes made to the presentation of the annual financial statements and the valuation methods used	
• *Information relating to the Group*	*nm*
Dividends distributed in respect of the last three financial years	
• *Information relating to Ipsen*	*3.2.3.6*
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