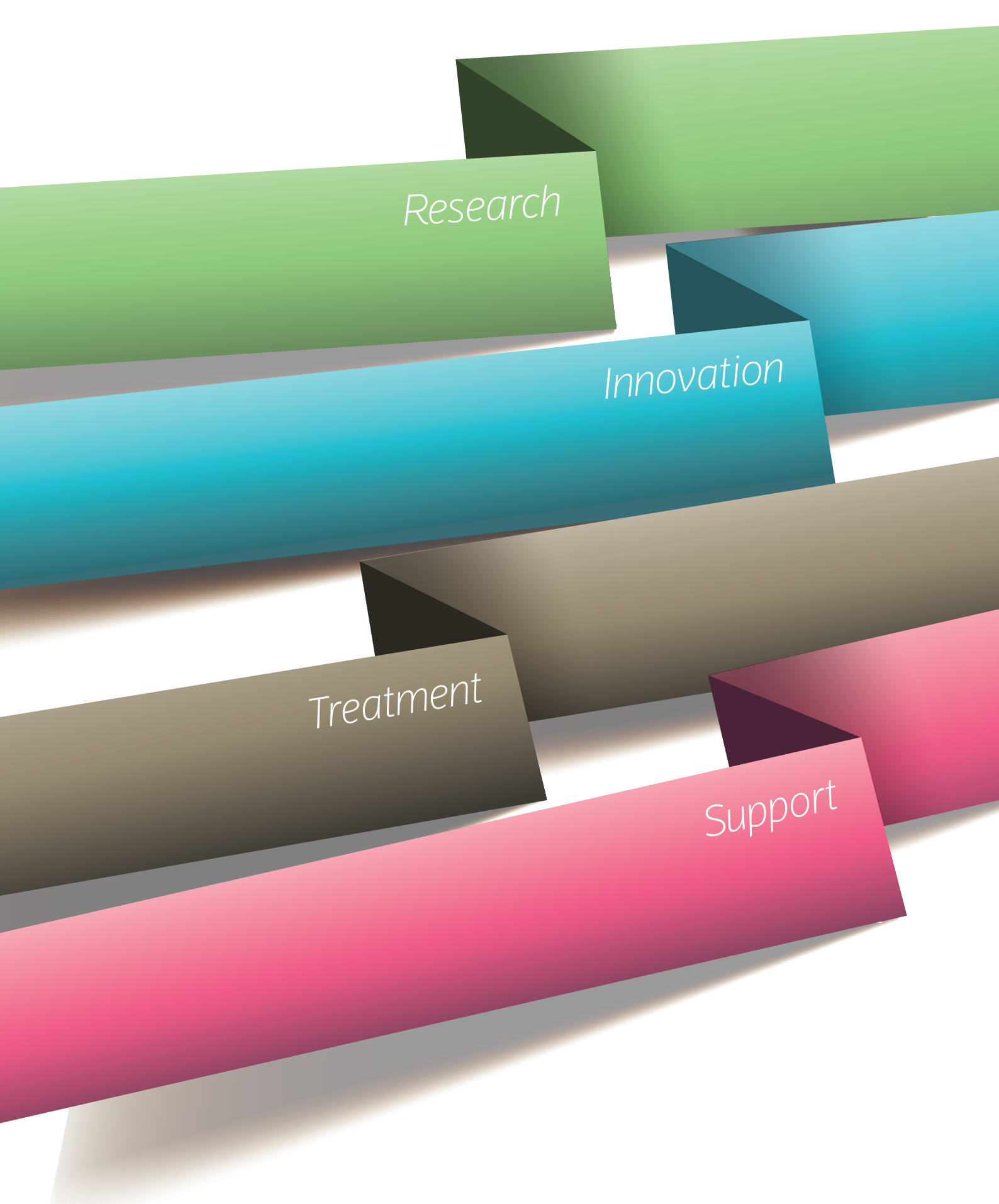


REGISTRATION DOCUMENT
2012

IPSEN
Innovation for patient care

SUMMARY

This registration document has been established in accordance with the Appendix 1 of the European Commission Regulation n°809/2004 dated April 29, 2004.

Société anonyme with a share capital of €84 100 253
Registered office: 65 quai Georges Gorse – 92650 Boulogne-Billancourt Cedex
419 838 529 R.C.S. Nanterre

IPSEN
Innovation for patient care

2012 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 26 March 2013 under number D.13-0219. 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 26 April 2011 under number D.11-0360 for the 2010 financial year, on 29 March 2012 under number D.12-0236 for the 2011 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)

25 April 2013: First-quarter 2013 sales

31 May 2013: Annual General Meeting

30 August 2013: First Half 2013 sales and results

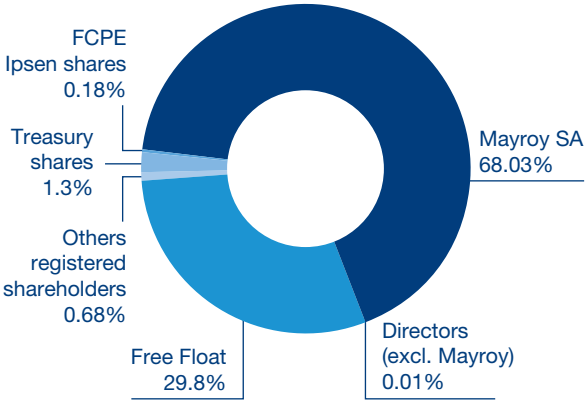
30 October 2013: Nine-month 2013 sales

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

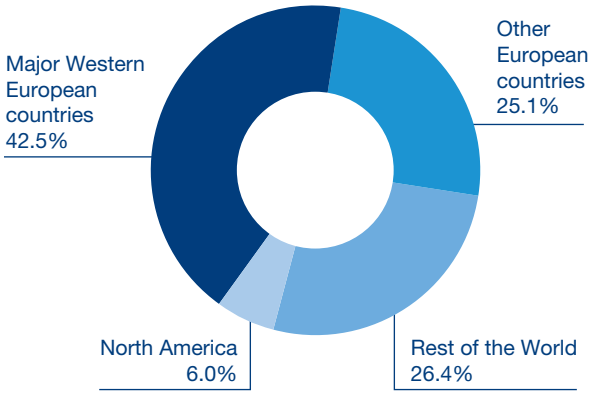
INTRODUCTION: GENERAL PRESENTATION

Ipsen is a global specialty-driven pharmaceutical company with total sales exceeding €1.2 billion in 2012. Ipsen's ambition is to become a leader in specialty healthcare solutions for targeted debilitating diseases. Its development strategy is supported by three franchises: neurology, endocrinology and uro-oncology. Moreover, the Group has an active policy of partnerships. Ipsen's R&D is focused on its innovative and differentiated technological platforms, peptides and toxins. In 2012, R&D expenditure totaled close to €248.6 million, representing more than 20.4% of Group sales. The Group has more than 4,800 employees worldwide. Ipsen's shares are traded on segment A of Euronext Paris (stock code: IPN, ISIN code: FR0010259150) and eligible to the *"Service de Règlement Différé"* ("SRD"). The Group is part of the SBF 120 index. Ipsen has implemented a Sponsored Level I American Depositary Receipt (ADR) program, which trades on the over-the-counter market in the United States under the symbol IPSEY. For more information on Ipsen, visit www.ipsen.com.

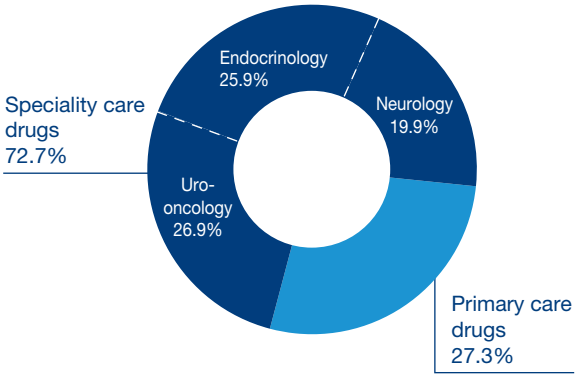
Ownership of the Company's share capital at 31 December 2012



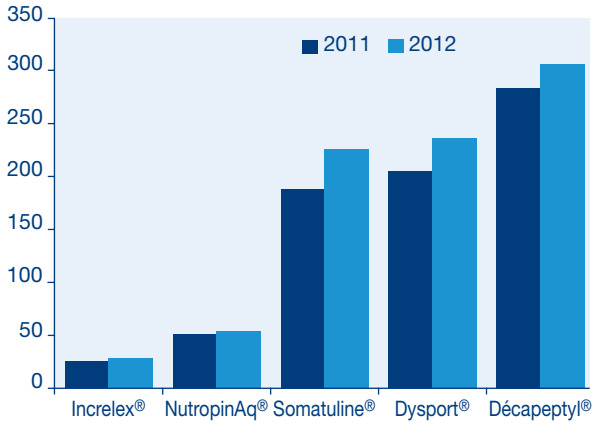
2012 Sales by regions



2012 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 €1.2 billion and a total worldwide staff of 4,835. Its portfolio comprises fast growing specialty care drugs in development or commercialised worldwide in uro-oncology, endocrinology and neurology. Moreover, the Group also markets drugs from other therapeutical areas in which it has a historical know-how (in particular gastroenterology 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 platforms give the Group a competitive edge. 967 people are dedicated to the discovery and development of innovative drugs for patient care. In 2012, R&D spends reached close to €248.6 million, representing about 20.4% of total Group sales.

The Group's products

Specialty care

In 2012, specialty care drugs accounted for 70.7% of the Group's consolidated sales.

The Group offers the following drugs in its targeted areas:

Uro-Oncology (26.1% of consolidated sales in 2012)

- *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 (25.2% of consolidated sales in 2012)

- *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 (19.4% of consolidated sales in 2012)

- *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.

On 2 November 2011, Ipsen announced it had 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 2012, primary care drugs generated 26.6% of the Group's consolidated sales (of which 38.1% were generated in France). The main marketed drugs are as follows:

Gastroenterology (16.4% of consolidated sales in 2012)

- *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 (6.5% of consolidated sales in 2012)

- *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 (2.7% of consolidated sales in 2012)

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

In November 2011, Nisis/Nisisco® was genericised.

Moreover, sales of Nisis®/Nisisco® and Forlax® in France were negatively impacted by a step-up in July in the regulation

known as *"tiers-payant"*, whereby the patient now pays upfront for a branded drug (when genericised) at the pharmacy and is reimbursed only later on.

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. On 30 April, 2012, Ipsen and Novartis eneded their agreement regarding the co-promotion of Exforge® in France.

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 vision and mission

"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) to allow global access to therapeutic solutions.
  - Foster a culture of excellence, responsibility, agility and teamwork.

- **Four action principles:**

  Ipsen has established 4 action principles: accountability, team spirit, result-orientation 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 a responsible and 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 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;
- *the geographic proximity of its 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 Roche, Teijin and Ménarini;
- *an effective management team* boasting considerable experience of working with the world's leading pharmaceutical companies, as well as a new 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, Chairman and CEO of Ipsen, 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 result, on 9 June 2011, the Group announced its new strategy based on increased focus and investments in technological platforms and targeted therapeutic areas which offer the 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 three targeted therapeutic areas (the franchises: Somatuline® / Endocrinology, Dysport® / Neurology and Decapeptyl® / uro-oncology), 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 in the three franchises to increase the Group's market share;
- *a strategy of leveraging the Group's global footprint;* after having led 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, step-up in July in the regulation known as *"tiers-payant"*...), the Group realises that the optimisation policy adopted so far is no longer sustainable. Hence, the Group announced an adjustment of the sales organisation by approximately 170 positions. The Group also decided to retain the Dreux (France)-based industrial facility within the scope of its activity as a result of the perspectives of primary care activity internationally and the higher than-expected production volumes at this site since the beginning of 2012. 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 house, products that are not core to the Group's strategy and positionning;
- *a strategy of acquisition* within its R&D technological platforms and franchises enabling the Group to, if relevant, (i) repopulate its R&D pipeline with molecules in early development phase, (ii) leverage its distribution network as soon as possible by acquiring molecules in late-development stage or marketed drugs;
- *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 it.

The consequence of the new focus strategy 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 in November 2011 and renegotiated Fipamezole Licensing Agreement. Moreover, Ipsen has announced its exit from hemophilia. Ipsen and its partner, Inspiration, jointly put their hemophilia assets up for sale following the announcement, on 31 October 2012, of Inspiration's decision to seek Chapter 11 protection of the United States Bankruptcy Code. On 24 January 2013, Ipsen and Inspiration announced that they had entered into an Asset Purchase Agreement for the sale of OBI-1 to Baxter. On 6 February 2013, Ipsen and Inspiration announced that they had entered into an Asset Purchase Agreement for the sale of IB1001 to Cangene. On 20 February 2013, Ipsen and Inspiration announced the closing of the sale of IB1001 to Cangene. On 21 March 2013, Ipsen and Inspiration announced the closing of the sale of OBI-1 to Baxter.

In 2020, the new strategy's horizon, the Group's ambition is to more than double its 2010 revenues to €2.0 to €2.5bn and to more than triple its 2010 EBIT [1] to €500 to €600m. The execution of the new strategy requires an investment period over 2011-2015 followed by a period of expected solid growth over 2016-2020. The Group's 2020 ambition factors in the restructuring of French primary care. In addition, the Group

(1) Prior to purchase price accounting and non recurring elements.

confirms its 2020 ambition despite its exit from hemophilia; indeed, the Group has identified growth drivers to replace hemophilia contribution, such as strong franchises and geographical organic growth, potential from the turnaround of the US platform, sales potential of molecules from R&D pipeline and acquisition opportunities of molecules in development stage or marketed drugs.

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.

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 LBO 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® by 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 had informed the Group of its decision to return taspoglutide;

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

- 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 that was announced on 9 June 2011 to the market. This strategy is based both on increased focus and growth investment in both technological platforms and on three franchises (as described in paragraph 1.1.1.3).

Ipsen 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), has received marketing authorisation in 11 European countries including the major countries in Western Europe;
- has 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 began 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);
- has entered into a broad partnership in April 2011 to co-develop and commercialise Active Biotech's investigational compound Tasquinimod "TASQ" in the treatment of men with metastatic castrate-resistant prostate cancer (CRPC);
- has announced on 24 January 2012 that they had renegotiated with Santhera Pharmaceuticals their fipamezole licensing agreement. Santhera regains the worldwide rights to the development and commercialization of fipamezole, its first-in-class selective adrenergic alpha-2 receptor antagonist for the management of levodopa-induced Dyskinesia in Parkinson's disease. Under the renegotiated terms, Ipsen returns its rights for territories outside of North America and Japan in exchange for milestone payments and royalties based on future partnering and commercial success of fipamezole. Ipsen retains a call option for worldwide license to the program under certain conditions.

In the hemophilia space, the Group has announced on 31 October 2012 that Inspiration Biopharmaceuticals Inc. had commenced a voluntary reorganisation case pursuant to Chapter 11's provisions of the United States Bankruptcy Code. With this filing, Inspiration seeked to have the Bankruptcy Court's approval on detailed bidding and auction procedures for the sale of its assets, notably comprised of commercial rights in certain countries to OBI-1, a recombinant porcine factor VIII (rpFVIII) for the treatment of hemophilia A with inhibitors and IB1001, a recombinant factor IX (rFIX) for the treatment of hemophilia B. In parallel, Ipsen has agreed to include its hemophilia assets in the sale process, comprised of commercial rights for the rest of the world to OBI-1 and IB1001 as well as its OBI-1 industrial facility in Milford (Boston, MA). On 24 January 2013, Ipsen and Inspiration announced that they had entered into an Asset Purchase Agreement for the sale of OBI-1 to Baxter subject to closing conditions. On 6 February 2013, Ipsen and Inspiration announced that they had entered into an Asset Purchase Agreement for the sale of IB1001 to Cangene.

1.1.1.5. The Ipsen Foundation

Established in 1983 under the aegis of the *Fondation de France*, the mission of the *Fondation Ipsen* is to contribute to the development and dissemination of scientific knowledge. The long-standing action of the *Fondation Ipsen* aims at fostering the interaction between researchers and clinical practitioners, which is indispensable due to the extreme specialisation of these professions. The ambition of the *Fondation Ipsen* is to initiate a reflection about the major scientific issues of the forthcoming years.

Because improving understanding is key to tackling current challenges in biomedicine, *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 2012, the *Fondation Ipsen* remained faithful to its traditions and engagements, focusing on emerging research themes in biomedical research such as iPS cells and cellular reprogrammation – recognised by the 2012 Noble prize in medicine – the relationships between Alzheimer disease and prion, epigenetic and intrauterin programmation, etc. The *Fondation Ipsen* involvement in the most promising aspects of science has been confirmed by the fact that the 2012 Nobel prize in medicine has been awarded to a speaker invited to one of its recent meeting, John Gurdon, and that the 2012 Nobel prize in chemistry celebrated a laureate of its prize in endocrinology, Robert Lefkowitz.

Days of Molecular Medicine

Fondation Ipsen has settled a collaboration 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 Global Foundation (DMMGH) headed by Harvard University Professor Ken Chien to organize an annual meeting on translational medicine. They jointly organised in 2012 the second annual translational medicine conference in Vienna, from 8 to 10 October. On this occasion, the Institute of Molecular Biotechnology of the Austrian Academy of Sciences (IMBA) and the Ludwig-Maximilians-University (LMU) took part in the event. The meeting focused on "The Translational Science of Rare Diseases: From Rare to Care" Some of the world leading specialists of these devastating diseases presented their most recent and promising findings.

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

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

- 8th CMR in the cancer science series, held in Ouro Preto (Brazil) from 10 to 14 March 2012, on the theme "Mouse models of human cancer : Are they relevant?" Co-organised by Inder Verma (Salk Institute for Biological Studies, La Jolla, USA), this meeting was attended by two Nobel prize laureates: Michael Bishop and David Baltimore.
- 20th CMR in the neuroscience series, held in Paris on 2 April 2012, "Programmed cells: from basic neuroscience to therapy". This meeting was co-organised by Fred H. Gage (Salk Institute for Biological Studies, La Jolla, USA); John Gurdon who received the 2012 Nobel prize in medicine was among the speakers.
- 27th CMR in the Alzheimer's disease series, held in Paris on 27 February 2012, on "Proteopathic seeds and neurodegenerative diseases". This meeting was co-organised by Mathias Jucker (Hertie-Institute for Clinical Brain Research, Tübingen, Germany). It will definitely remain a landmark in the history of Alzheimer's disease research since, for the first time, it has been demonstrated that neurodegenerative diseases and prion diseases follow similar pathways. Nobel prize awardees Eric Kandel and Stanley Prusiner, the father of prion concept, were among the speakers of this meeting.
- 12th CMR in the endocrinology series, held in Paris on 3 December 2012, on "Hormones, intrauterine health and programming" was co-organised with Jonathan Seckl (Queen's Medical Research Institute, University of Edinburgh, Edinburgh, UK) .

Besides its core activities, *Fondation Ipsen* pursued its prestigious partnerships. In addition to the above-mentioned Days of Molecular Medicine series, it joined forces with Cell Press and the DMM Global Foundation and organised the sixth meeting in the Exciting Biologies series which has been held in Dublin from 4 to 6 October 2012: "Forces in Biology". In the Biological Complexity series, jointly developed with the Salk Institute for Biological Studies and Nature magazine, the 2012 meeting took place in La Jolla, Calofornia, from 18 to 20 January and tackled the immunology domain. The two 2011 Nobel prize awardees, Jules Hoffmann and Bruce Beutler have presented their works on the occasion.

Finally, the *Fondation Ipsen* awarded its annual prizes for outstanding research, within the framework of international conferences. The 23rd Neuronal Plasticity Prize was awarded at the 8th congres of the FENS (Federation of European Neurosciences) in Barcelona to three prominent researchers: Catherine Dulac (Howard Hughes Medical Institute, Harvard University, Cambridge, USA), Michael Meaney (Douglas Mental Health University Institute, MacGill University, Montreal, Canada) et J. David Sweatt (University of Alabama at Birmingham, Birmingham, USA) for their pioneering works in the domain of epigenetic mechanisms involved in the brain development, behavior and their pathologies. The 17th Longevity Prize was awarded to Linda Fried (Columbia University, New York, USA) in recognition of her outstanding leadership in the domain of the frailty syndrome. The 20th Jean-Louis Signoret Neuropsychology Prize was awarded to Cathy Price (University College London, London, UK) for her work that played a major role in the understanding of the neurological substratum of writing and reading. In 2012, two Endocrine regulation prizes have been awarded: the 10th to Paolo Sassone-Corsi (University of California, Irvine, United States) for his outstanding contribution to the understanding of clock genes and endocrine rhythms and the 11th Endocrine Regulation Prize recognised Jeffrey M. Friedman (The Rockefeller University, New York, USA) for his discovery of leptin and its role in body weight regulation.

The *Fondation Ipsen* produced over a hundred publications and more than 250 scientists and biomedical researchers have been awarded 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®, Somatuline®, Tanakan® and Smecta®, for a substantial proportion of its sales.

Decapeptyl®. In 2012, this product generated sales of €306.4 million, representing around 25.1% 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 and six month formulations. Ipsen is the first laboratory to have launched the three-month formulation in China.

Dysport®. In 2012, this product generated sales of €236.1 million, representing 19.4% 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 2012, this product generated sales of €225.7 million, representing 19.0% of consolidated Group sales. 51.4% of sales related to Somatuline® and Somatuline® Autogel® were generated in the Major Western European Countries. Somatuline® Autogel® accounted for 95.3% of total sales of this product in 2012 versus 94.3% 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 marketing a product called pasireotide for the treatment of Cushing's disease and is developing it for the treatment of acromegaly. 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 2012, this product generated sales of €79.0 million, of which 32.9% were generated in France (representing 6.5% 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®. On 1 March 2012, Tanakan® was delisted in France. In 2012, sales of Tanakan® in France have declined by 44.8%.

Smecta®. In 2012, this product generated sales of €113.5 million, representing 9.3% of consolidated Group sales. Around 40% of Smecta® sales were made in China and a quarter in France, the product's two main markets. 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. The step-up in July in France in the regulation known as *"tiers-payant"* is favourable to a generic launch, 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 enforced a 3.5% price cut on Forlax® on 1 October, 2011 and of 15.0% on Nisis®/Nisisco® on 14 November, 2011. On 1 January, 2012, the price of Decapeptyl® was reduced by 3.0% for both 3-month and 6-month formulations while the price of Adrovance® was reduced by 33.0%. On 1 March 2012, Tanakan® was delisted in France. Moreover, sales of Nisis®/Nisisco® and Forlax® were negatively impacted by a step-up in July in the regulation known as *"tiers-payant"*, whereby the patient now pays upfront for a branded drug (when genericised) at the pharmacy and is reimbursed only later on.

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.
- 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.

For instance, on 10 July 2012, Inspiration Biopharmaceuticals Inc., the Group's partner in haemophilia, announced that the two clinical trials evaluating the safety and efficacy of IB1001 were placed on clinical hold. Inspiration observed, and reported to the FDA, a trend towards a higher proportion of IB1001 treated individuals developing a positive response to testing of antibodies to Chinese Hamster Ovary (CHO) protein, the product's host cell protein (HCP).

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 2012, the Group spent €248.6 million on Research and Development, representing around 20.4% 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.

For instance, in their US Hopkinton facility, Lonza, the supplier of IGF-1 (Increlex® drug substance), is facing a regulatory challenge by the Food and Drug Administration that may result in a supply shortage in the US and in Europe.

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 2012, the Company's main shareholder, Mayroy, held 68.03% of the Company's equity and 81.3% 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 €21.9 million as at 31 December 2012. These provisions are estimated on the basis of the most likely assumptions on the reporting date.

These provisions include:

- €17.0 million, for the risk of tax reassessment in the Group's various subsidiaries and additional taxes which the Group may be required to pay;
- €2.1 million for costs that the Group may incur related to corporate litigation;
- €2.8 million for various other legal risks.

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 (collectively "Tulane"), alleging breach of contract and/or inventorship of some of the GLP-1 analogue patents that the Group out-licensed to Roche in July 2006. The Group denied Tulane's allegation and vigorously contested Tulane's claim before the competent courts. In May 2012, Tulane and the Group signed a settlement agreement in order to settle and compromise in full all of the claims asserted by Tulane.

Eventually, late 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.

All identified risks which are unprovisionned are detailled in note 29 (Commitments and contingent liabilities) of the chapter 2.

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 25.1% of consolidated 2012 sales), NutropinAq® (around 4.4% of consolidated 2012 sales), Tanakan® (around 6.5% of consolidated 2012 sales) and Increlex® (around 2.3% of consolidated 2012 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.

At 31 December 2012, the Group held 1,501 patents 907 of which were issued in European countries and 170 in the United States. At the same time, the Group had 883 patent applications pending, including 105 in Europe and 12 international applications. 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 2012, which can be found in section 2.1 of this registration document.

1.1.2.4.2 Exchange rate risks

In 2012 and 2011, approximately 56.0% and 61.0%, 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 invoices in currencies other than the euro, does not comply with the accounting rules for hedging instruments as 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 2012, the Group had no medium nor 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 2012, 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 2012, the Group's net cash and cash equivalents stood at €113.3 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 2012 approximately 1.3% 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 2012 consolidated financial statements prepared according to IFRS principles, the total cost of insurance premiums paid by the Group represented approximately 1.0% 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 2012, **Group drug sales** grew 3.4% year-on-year excluding foreign exchange impact (1), fuelled notably by the dynamic growth of specialty care sales.

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

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

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

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

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

Selling, general and administrative expenses amounted to €572.6 million at 31 December 2012, or 46.9% of sales, up 9.3% year-on-year. In line with the strategy announced on 9 June 2011, the Group continued to increase commercial

(1) Variations excluding foreign exchange impacts are computed by restating the 2011 figures with the 2012 average exchange rates.

investments in specialty care while selectively allocating business resources to high growth areas mainly China, Russia and Brazil. Furthermore, selling expenses related to primary care in France increased proportionally to declining sales. Synergies from the new organisation of French primary care commercial operations are expected to materialise in 2014.

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

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

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

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

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

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

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

- a non-recurring impairment charge of €100 million after tax on tangible, intangible and financial assets;
- receivables related to the OBI-1 development costs for the second and third quarters 2012;
- rebilling of the costs associated with the implementation of the European platform;
- share of loss in Inspiration's result over the period before classification as "discontinued operations";
- all of the above, partially offset by acceleration of recognition of hemophilia related deferred revenues.

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

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

(1) "Recurring adjusted": Reconciliations between results and recurring adjusted for 2012 and 2011 are detailed in annexe 1.

ANNEXE 1

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

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

(1) Income statement impact linked to Inspiration Biopharmaceuticals Inc..
(2) Other non-recurring items include:
- non-recurring fees incurred during the preparation and early implementation of the strategy announced on 9 June 2011,
- non-recurring expenses linked with restructuring corresponding to the transfer of the Group's North American commercial subsidiary to the East Coast,
- the settlement of a trade dispute with a partner,
- an administrative proceeding towards the Group,
- and proceed on disposal of PregLem shares,
- non-recurring tax elements.

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

	31 December 2011 Proforma Recurring Adjusted		Assets from discontinued operations [1]	Impairment [2]	Other non-recurring items [3]	31 December 2011 Proforma	
	(in millions of euros)	% sales				(in millions of euros)	% sales
Revenue	**1,210.2**	**104.3%**	–	–	–	**1,210.2**	**104.3%**
Cost of goods sold	(249.2)	– 21.5%	–	–	–	(249.2)	– 21.5%
Research and development expenses	(234.6)	– 20.2%	–	–	–	(234.6)	– 20.2%
Selling expenses	(424.4)	– 36.6%	–	–	–	(424.4)	– 36.6%
General and administrative expenses	(99.7)	– 8.6%	–	–	–	(99.7)	– 8.6%
Other operating income	0.4	–	–	–	17.2	17.5	1.5%
Other operating expenses	(0.4)	–	–	–	(17.3)	(17.6)	– 1.5%
Amortisation of intangible assets	(4.7)	– 0.4%	–	–	(3.1)	(7.8)	– 0.7%
Restructuring costs	–	–	–	–	(36.5)	(36.5)	– 3.2%
Impairment losses	–	–	–	(85.2)	–	(85.2)	– 7.3%
Operating income	**197.5**	**17.0%**		**(85.2)**	**(39.7)**	**72.6**	**6.3%**
Financial income/(expense)	**(0.7)**	**– 0.1%**	–	**–**	**–**	**(0.7)**	**– 0.1%**
Income taxes	(43.1)	– 3.7%	–	32.3	12.7	1.9	0.2%
Share of profit/loss from associated companies	–	–	–	–	–	–	–
Net profit from continuing operations	**153.7**	**13.3%**		**(52.9)**	**(27.0)**	**73.8**	**6.4%**
Profit from discontinued operations	0.7	– 1.0%	(73.5)			(72.9)	– 6.3%
Consolidated net profit	**154.4**	**12.2%**	**(73.5)**	**(52.9)**	**(27.0)**	**0.9**	**0.1%**
– attributable to shareholders of Ipsen S.A.	153.9		(73.5)	(52.9)	(27.0)	0.4	
– attributable to minority interests	0.5					0.5	
Diluted earnings per share (in euros)	*1.86*					*0.01*	

(1) The 2011 presentation is compliant with IFRS5: 2011 has been restated to provide a comparative information between 2011 and 2012 (see appendix 2).
(2) Impairment booked over the period 2012 (details in note "Impairment").
(3) Other non-recurring items include:
- non-recurring fees incurred during the preparation and early implementation of the strategy announced on 9 June 2011,
- impact related to allocation of purchase price acquisition on North America transactions,
- non-recurring expenses linked with restructuring corresponding to the transfer of the Group's North American commercial subsidiary to the East Coast,
- the settlement of a trade dispute following the enforceable court judgment relating to the trade dispute between the Group and Mylan,
- costs related to the changes within the Group's Executive Committee.

ANNEXE 2

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

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

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

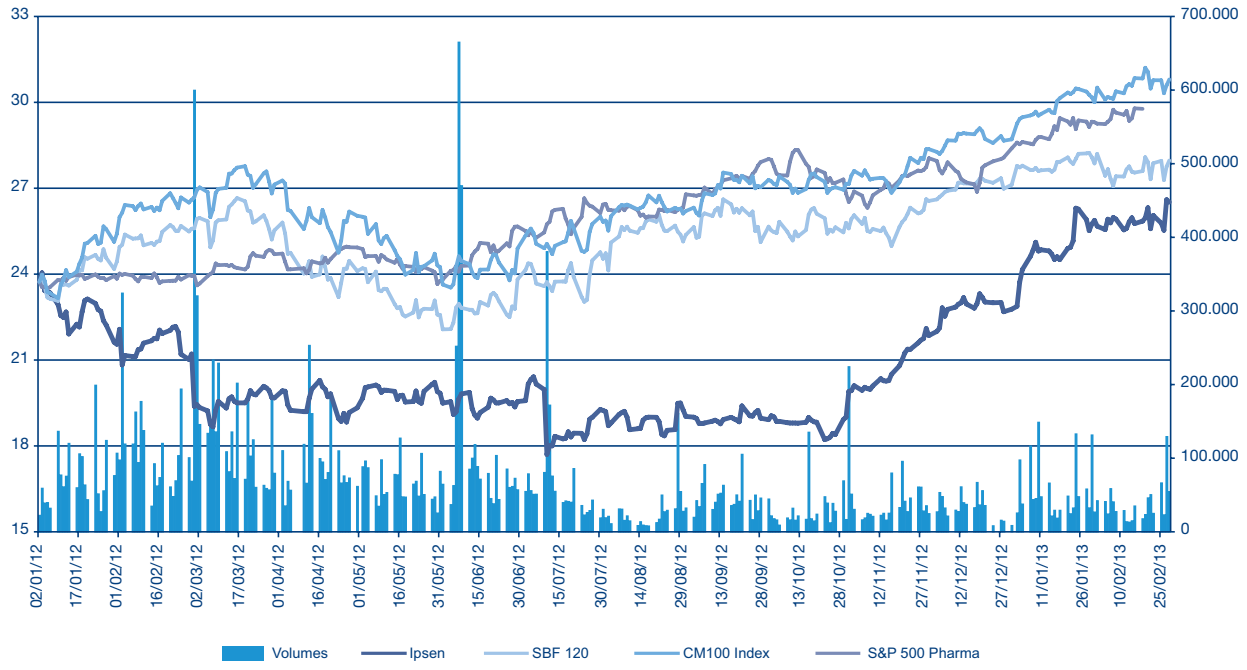
Shares in Ipsen S.A. have been traded on the Eurolist by Euronext™ market since 7 December 2005, when their IPO (Initial Public Offering) price was €22.20 per share. Trading volumes were very high during the first few sessions following the IPO, which is normal under the circumstances.

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: 25,106,336 as of 31 December 2012.

Average share price between 2 January 2012 and 28 February 2013	€20.88
High	€26.79
Low	€17.5
% change (between the high and 2 January 2012)	12.9%
Average daily trading volume between 2 January 2012 and 28 February 2013	70,126

Comparison between Ipsen S.A.'s share price performance and the principal stock market indicators between 2 January 2012 and 28 February 2013 (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 2012, the Group's consolidated sales amounted to €1,219,5 billion, 42.5% 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 2012		31 December 2011	
	in millions of euros	%	in millions of euros	%
Major Western European countries	518.5	42.5%	542.0	46.7%
Rest of Europe	306.0	25.1%	279.6	24.1%
North America	72.8	6.0%	65.7	5.7%
Rest of the world	322.2	26.4%	272.5	23.5%
Group sales	**1,219.5**	**100.0%**	**1,159.8**	**100.0%**

At 31 December 2012, 43% of the Group's 4,835 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

Of all the products currently marketed by the Group, six generated sales of over €50 million in 2012. The following table presents consolidated sales by therapeutic area.

(in thousands of euros)	31 December 2012	31 December 2011	% change
Uro-oncology	318.7	285.0	11.8%
Endocrinology	307.6	264.4	16.3%
Neurology	236.2	210.1	12.4%
Specialty care	**862.5**	**759.4**	**13.6%**
Gastroenterology	199.9	193.7	3.2%
Cognitive disorders	79.0	96.4	– 18.0%
Cardiovascular	32.4	62.1	– 47.8%
Other pharmaceutical products	13.2	16.3	– 19.1%
Primary care	**324.6**	**368.5**	**– 11.9%**
Total drug sales	**1,187.0**	**1,127.9**	**5.2%**
Drug-related sales	**32.5**	**31.9**	**1.9%**
Group sales	**1,219.5**	**1,159.8**	**5.1%**

The Group's principal product Decapeptyl® generated 25.1% of consolidated sales in 2012. The Group's four best-selling products, namely Decapeptyl®, Dysport®, Somatuline® and Smecta®, together represented 72.3% 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®, 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).
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 (on 30 April 2012, Ipsen and Novartis terminated their agreement for the co-promotion of Exforge® in France).
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 2011 and 2012 of consolidated sales by therapeutic area and a breakdown of sales generated by the Group's 10 top-selling products.

	31 December 2012		31 December 2011	
	in millions of euros	as a percentage	in millions of euros	as a percentage
Uro-oncology	318.7	26.1%	285.0	24.6%
Décapeptyl®	*306.4*	*25.1%*	*283.6*	*24.5%*
Hexvix®	*12.3*	*1.0%*	*1.3*	*0.1%*
Endocrinology	307.6	25.2%	264.4	22.8%
Somatuline®	*225.7*	*18.5%*	*188.4*	*16.2%*
NutropinAq®	*53.6*	*4.4%*	*50.9*	*4.4%*
Increlex®	*28.3*	*2.3%*	*25.2*	*2.2%*
Neurology	236.2	19.4%	210.1	18.1%
Dysport®	*236.1*	*19.4%*	*204.6*	*17.6%*
Apokyn®	*0.1*	*0.0%*	*5.5*	*0.5%*
Specialty care	**862.5**	**70.7%**	**759.4**	**65.4%**
Gastroenterology	199.9	16.4%	193.7	16.7%
Smecta®	*113.5*	*9.3%*	*102.3*	*8.8%*
Forlax®	*38.7*	*3.2%*	*41.4*	*3.6%*
Cognitive disorders	79.0	6.5%	96.4	8.3%
Tanakan®	*79.0*	*6.5%*	*96.4*	*8.3%*
Cardiovascular	32.4	2.6%	62.1	5.4%
Nisis® and Nisisco®	*18.2*	*1.5%*	*45.9*	*3.9%*
Ginkor Fort®	*11.9*	*1.0%*	*12.7*	*1.0%*
Other pharmaceutical products	13.2	1.1%	16.3	1.4%
Adrovance®	*11.5*	*0.9%*	*12.8*	*1.1%*
Primary care	**324.6**	**26.6%**	**368.5**	**31.8%**
Total drug sales	**1,187.0**	**97.3%**	**1,127.9**	**97.2%**
Drug-related sales	**32.5**	**2.7%**	**31.9**	**2.8%**
Group sales	**1,219.5**	**100.0%**	**1,159.8**	**100.0%**

Products in Specialty care

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

Uro-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 testicules 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 locally advanced or metastatic 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 or 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 and 2012.

Marketing

Decapeptyl® was initially launched in France in 1986. At 31 December 2012, Decapeptyl® had marketing authorisations in over 66 countries, including 29 in Europe. Decapeptyl® was launched in the United Kingdom in late 2003 and in Germany in 2004 (under the Pamorelin® brand) and in Sweden in 2010.

In 2012, 50.2% 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 when the competitors 3-month formulation were launched in 2012. In 2012 China was the first contributor to Decapeptyl® sales.

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) and of on *in vitro* fertilisation, Cetrotide® (Merck Serono) and Orgalutran® (MSD). 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 Gosereline Acino®, marketed in Germany since September 2009 and in the UK since 2010). And, on the other hand, with the arrival of luteinizing hormone-releasing hormone antagonists, led by Firmagon® (Ferring), 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 have been registered in several European countries since 2010. As such, Eligard® 6-month has now been launched in the following countries: France, Spain, Germany, Austria, Nordic countries, Ireland, Belgium, Portugal, The Netherlands, and Poland. Enantome® 6-month (30 mg) is marketed in Germany, Austria, France, and Nordic countries. Decapeptyl® 6-month has been launched in France, Germany, Portugal, Belgium, Spain, the Netherlands, Nordic countries, Ireland, the UK, and some Eastern European countries. 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; and has been approved by BfArM (Federal Institute for Drugs and Medical Devices in Germany), which will open the door to other registrations in Europe in 2013.

In 2012, new hormonal drugs have been launched in oncology – urology field for patients with castrate resistant prostate cancer (CRPC). Zytiga® (Abiraterone) was the first conpound launched by Janssen-Cilag in US and EU. Zytiga® SmPC and ESMO guidelines 2011 (Recommendation 17a). mention that patients with CRPC should continue with life-long androgen deprivation therapy (such as Decapeptyl®).

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® were protected by patents until 2010 and are composed of monthly and quarterly administration formulations. The acetate formulations of Decapeptyl® are no longer protected. 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).

Hexvix®

Active substance and indications

Hexvix® (hexaminolevulinate, 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 resection, thus improving detection and resection of non-muscle-invasive bladder cancer (NMIBC).

Diagnosis with Hexvix®- guided blue light cystoscopy relies on the selective accumulation of protoporphyrin IX (PpIX) in neoplastic cells. After Hexvix® instillation, PpIX accumulation

in tumours is improved by up to 10 times compared to normal tissue. Intracellular porphyrins are fluorescent and photosensitive compounds that emit red fluorescence under subsequent blue light excitation, enabling accurate visualization of the tumour.

The drug is used in detection of bladder cancer, such as carcinoma *in situ*, in patients with 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, hence ensuring a more complete treatment.

Hexvix improves the detection of NMIBC and the removal of tumours during resection, resulting in better staging and surgical outcome.

On 21 June 2012, a European variation to the SmPC was filed under a Mutual Recognition Procedure (MRP) with the objective to modify the indication in order to include "management of bladder cancer". The rationale for this variation is to take into consideration the long term follow up data (4 years) recently published, showing that Hexvix® guided blue light cystoscopy significantly prolongs long-term time to recurrence compared to white light cystoscopy alone and therefore has a positive impact on patient outcome. End of the procedure is expected by mid-February 2013.

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, Russia, China, South Africa and Taiwan (these territories were returned to Photocure on 27 January 2012 and 25 September 2012, in accordance with the licence agreement).

In 2012, Ipsen promotional efforts have been focused on five key markets (Austria, France, Germany, Italy and the United Kingdom), which contributed to more than 88% of total Hexvix® revenues for Ipsen at handover date.

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 of 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 2012, Somatuline® and Somatuline® Autogel® were marketed in over 55 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 2012, Somatuline® sales amounted to 225.7 million euros, of which 51.4% were generated in the Major Western European countries. The sales of Somatuline® Autogel® account for the majority of total sales.

Somatuline® Autogel® was approved by the Japanese authorities in 2012 for the treatment of acromegaly. The Group's Japanses partner Teijin Pharma, has commercialy launched the product in January 2013.

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 Afinitor® (Novartis) and Sutent® (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 March 2020 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.

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.

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.

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.

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 Cervical Dystonia, characterized by abnormal contraction of neck muscles leading to deviated neck associated to pain.
- Treatment of local 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 2012, Dysport® had marketing authorisations in more than 75 countries. In 2012, 21.2% 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 and Canada. In 2012, Valeant acquired Medicis.

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® or 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 names (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/II 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 also holds 8 patent families concerning new therapeutic applications of the botulinum toxin, as well as a patent family 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. Ipsen markets Dysport® in the United States for its therapeutic indication (cervical dystonia), while Medicis / Valeant 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.

Moreover, Galderma, one the Group's partner for the distribution of the toxin in its esthetic indication (glabellar lines) – under the brand name of Azzalure – in ex-Medicis / Valeant territories, currently has the commercial rights on the product in 43 countries.

The Group conducts several clinical phase III to enhance the number of therapeutic indications including in 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.

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, 2012, Smecta® had marketing authorisations in about 60 countries. In 2012, approximately two-thirds of Smecta® sales were generated 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 2012, Forlax® had marketing authorisations in about 50 countries. In 2012, 57.1% 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 supplies 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.

Tanakan® is primarily prescribed for 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.

Marketing

At 31 December 2012, Tanakan® is approved for use in approximately 50 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 2012, 32.9% of sales of Tanakan® were generated in France, in strong decline year-on-year following the delisting of the product in France on 1 March 2012.

Indeed, 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.

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

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.

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 and are prescribed by cardiologists and general practitioners.

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 2012, these two products generated €18.2 million in sales, down 60.4% year-on-year following the launch of generics on 14 November 2011.

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 Novartis 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 agreement was ended in April 2012.

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 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/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 2012, Adrovance® generated €11.5 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 indications: 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 of 33% occurred on 1 January 2012.

In 2012, the drug's principal rivals are other bisphosphonates such as: Actonel® (Procter and Gamble Pharmaceuticals France), 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.

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 2011, 2012 and early 2013

On 27 September 2011, the Group bought back Hexvix® rights from GE Healthcare. As part of this strategic collaboration, Ipsen will commercialise Hexvix® worldwide – except USA and Nordic region as well as India, Turkey and Russia (territories returned to Photocure on 27 January 2012 pursuant to the license agreement.

On 3 December 2012, Ipsen and Galderma announced that their collaboration for the promotion and distribution of Dysport®, Ipsen's botulinum toxin type A in aesthetic indications, has been extended. Both companies renewed their collaboration in Brazil and Argentina and extended their partnership to Australia where Galderma has the exclusive promotion and distribution rights for Ipsen's Dysport® in glabellar lines indication. In those territories, Galderma has a unique and complete portfolio of products and services in the Aesthetic & Corrective field, with products such as Restylane®, Emervel® and Pliaglis®. In Brazil, the world's second largest aesthetic market, Dysport® sales within aesthetics doubled over the initial agreement period (2008-2012). Both companies also entered into a co-promotion agreement in South Korea where Galderma and Ipsen will co-promote Dysport® and Restylane®.

On 17 January 2013, Teijin Pharma Limited, the Group's partner, announced the launch of Somatuline® 60/90/120 mg for subcutaneous injection in Japan for the treatment of acromegaly and pituitary gigantism (when response to surgical therapies is not satisfactory or surgical therapies are difficult to perform). In Japan, Teijin Pharma holds the rights to develop and market the drug.

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 three plantations and leaf-drying facilities in France 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.

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. 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. 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 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 French primary care

On 27 January 2012 – Ipsen acknowledged the French government's decision to no longer reimburse Tanakan®, Tramisal® and Ginkogink®. This decision is linked to the French policy to reassess the reimbursement of a certain number of drugs by the French Social Security. Although Tanakan®, Tramisal® and Ginkogink® have been delisted from 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% in France in 2012. This estimate is based on decreases of sales following the delisting of veintonics in 2008.

On 11 July 2012 – Ipsen announced its decision to retain the Dreux (France)-based industrial facility within the scope of its activity. Considering the perspectives of Ipsen's primary care activity internationally and as a result the higher than-

(1) All our press releases are available on our website at www.ipsen.com

expected production volumes at this site since the beginning of this year, the Group has decided to keep its Dreux industrial site.

On 28 August 2012 – Ipsen reported that major differences arose with its preferred partner regarding the creation of a common structure for their French primary care activities. As a result, the Group announced the adjustement of the French primary care sales force of c.100 positons.

1.2.1.2.2 Partnerships and clinical trials

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

On 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 3 May 2012 – Ipsen disclosed that it had sold, under a share purchase agreement, all of its shares in Spirogen Limited (19.31% of Spirogen's equity) on 24 February 2012, and is no longer represented on the board of Spirogen. Ipsen received an upfront cash payment and may receive deferred consideration.

On 3 May 2012 – Ipsen disclosed that it had terminated its agreement with Novartis for the co-promotion of Exforge® in France effective 30 April 2012. Ipsen will receive a contractual cash exit fee payment of €4 million from Novartis.

On 29 June 2012 – Ipsen announced that its partner Teijin received manufacturing and marketing approval from the Japan's Ministry of Health, Labour and Welfare (MHLW) for Somatuline® 60/90/120 mg for s.c. injection (lanreotide acetate). In Japan, Somatuline® is indicated for the treatment of growth hormone and IGF-I (somatomedin-C) hypersecretion and related symptoms in acromegaly and pituitary gigantism (when response to surgical therapies is not satisfactory or surgical therapies are difficult to perform). Somatuline® will be available in a new enhanced presentation with a pre-filled syringe that does not need reconstitution and with a retractable needle that enhances safety for caregivers.

On 3 December 2012 – Ipsen and Galderma, a leading global pharmaceutical company focused on dermatology, announced that their collaboration for the promotion and distribution of Dysport®, Ipsen's botulinum toxin type A in aesthetic indications, has been extended. Both companies renewed their collaboration in Brazil and Argentina and extended their partnership to Australia where Galderma has the exclusive promotion and distribution rights for Ipsen's Dysport® in aesthetic indications. Both companies also entered into a co-promotion agreement in South Korea where Galderma and Ipsen will co-promote Dysport® and Restylane®.

On 18 December 2012 – Oncodesign, a Drug Discovery company and oncology pharmacology service provider, and the Laboratory for Neurobiology and Gene Therapy (LNGT) at the Department of Neurosciences at the KU Leuven, an expert academic group exploring the roles of LRRK2 and α-synuclein in Parkinson's disease headed by Professor Veerle Baekelandt, announced that they have entered into a research collaboration. The collaboration builds on Oncodesign's LRRK2 program with advanced Nanocyclix® lead molecules that was partnered with Ipsen in January 2012.

More specifically on Active Biotech

On 24 February 2012 – Active Biotech's and Ipsen's castrate resistant prostate cancer project, TASQ, announced the presentation of the up to three years safety data from the TASQ Phase II study in chemotherapy-naïve metastatic castrate resistant prostate cancer (CRPC) at the 27th Annual EAU Congress.

On 18 May 2012 – Active Biotech and Ipsen announced the presentation of overall survival (OS) data from the Phase II study on tasquinimod (TASQ), their prostate cancer drug candidate (CRPC), at the scientific conference "2012 ASCO Annual Meeting" held in Chicago (USA) on 1-5 June 2012.

On 21 May 2012 – Active Biotech and Ipsen announced that recruitment to the global, pivotal, randomized, double-blind, placebo-controlled phase III study of tasquinimod in patients with metastatic castrate-resistant prostate cancer (CRPC) had reached an inclusion of 600 patients, half of the planned accrual. This triggered a €10 million milestone payment from Ipsen to Active Biotech.

On 4 June 2012 – Active Biotech and Ipsen presented overall survival (OS) data from the tasquinimod Phase II study in chemotherapy-naïve metastatic castrate resistant prostate cancer (CRPC) at the scientific conference "2012 ASCO Annual Meeting" held in Chicago (USA).

On 1 October 2012 – Active Biotech and Ipsen have presented a new set of data on biomarkers from the previously concluded tasquinimod Phase II study in chemotherapy-naïve metastatic castrate resistant prostate cancer (CRPC) at the scientific congress ESMO (European Society for Medical Oncology) held in Vienna from 28 September to 2 October 2012.

On 3 October 2012 – Ipsen and Active Biotech announced the initiation of a new phase II proof of concept clinical trial, evaluating the activity of tasquinimod in advanced metastatic castrate resistant prostate cancer patients. The study aims at establishing the clinical efficacy of tasquinimod used as maintenance therapy in patients with metastatic castrate-resistant prostate cancer (mCRPC) who have not progressed after a first line docetaxel based chemotherapy.

On 19 October 2012 – Ipsen announced that it will shortly initiate a new phase II, proof-of-concept clinical trial with tasquinimod in a so-called umbrella study evaluating the compound in four different tumour types. The study will evaluate the safety and efficacy of tasquinimod in advanced or metastatic hepato-cellular, ovarian, renal cell and gastric carcinomas in patients who have progressed after standard anti-tumor therapies.

On 10 December 2012 – Active Biotech and Ipsen announced that the Phase III clinical trial for tasquinimod, a novel compound for the treatment of prostate cancer, is successfully enrolled with over 1,200 randomized patients as planned in the clinical protocol. This achievement triggered a €10 million milestone payment from Ipsen to Active Biotech.

More specifically on Inspiration Biopharmaceuticals

On 17 April 2012 – Ipsen announced that its partner, Inspiration Biopharmaceuticals, Inc. (Inspiration), has submitted a Biologics License Application to the U.S. Food and Drug Administration (FDA) for the approval of IB1001, an intravenous recombinant factor IX (rFIX) for the treatment and prevention of bleeding in individuals with hemophilia B. Under the terms of this partnership and following the filing, Ipsen decided to pay Inspiration a $35 million milestone payment. In return, Inspiration has issued a convertible note to Ipsen, bringing Ipsen's fully diluted equity ownership position in Inspiration to approximately 43.5%.

On 10 July 2012 – Ipsen announced that its partner Inspiration Biopharmaceuticals Inc. (Inspiration) was notified by the Food and Drug Administration (FDA) that the two clinical trials evaluating the safety and efficacy of IB1001 were placed on clinical hold. During the course of routine laboratory evaluations conducted as part of the ongoing phase III clinical trials, Inspiration observed, and reported to the FDA, a trend towards a higher proportion of IB1001 treated individuals developing a positive response to testing of antibodies to Chinese Hamster Ovary (CHO) protein, the product's host cell protein (HCP). A total of 86 people with hemophilia B have received IB1001 in clinical studies and, to date, no adverse events (anaphylaxis or other serious allergic type reaction and nephrotic syndrome) related to the development of antibodies to CHO protein have been reported. Furthermore, no relationship has been demonstrated between the development of antibodies to CHO protein and the development of any antibodies to factor IX. Inspiration continues to follow subjects enrolled in clinical trials of IB1001 to collect safety-related information and will share this information with regulators.

On 21 August 2012 – Ipsen announced the renegotiation of its 2010 strategic partnership agreement with Inspiration Biopharmaceuticals, Inc. (Inspiration) for the development and commercialization of Inspiration's recombinant product portfolio: OBI-1, a recombinant porcine factor VIII (rpFVIII) being developed for the treatment of patients with acquired hemophilia A and congenital hemophilia A with inhibitors, and IB1001, a recombinant factor IX (rFIX) for the treatment and prevention of bleeding in patients with hemophilia B. The new agreement aims to establish an effective structure whereby Ipsen gains commercial rights in key territories. Inspiration remains responsible for the world-wide development of OBI-1 and IB1001. As part of the renegotiation, Ipsen paid Inspiration $30.0 million (approximately €24.0 million, based on current exchange rates) upfront. Including this upfront payment, Ipsen is entitled to pay Inspiration milestones for a total amount of up to $200m, of which $27.5m are regulatory milestones and the remaining are commercial milestones.

On 3 October 2012 – Ipsen announced that Inspiration Biopharmaceuticals Inc. (Inspiration) had not raised third party financing by the contractual deadline of 30 September 2012. Consequently, Ipsen is no longer obligated to pay the additional $12.5 million in exchange for Inspiration equity. The parties continue to explore various options.

On 31 October 2012 – Ipsen announced that Inspiration Biopharmaceuticals Inc. (Inspiration) has commenced a voluntary reorganisation case pursuant to Chapter 11's provisions of the United States Bankruptcy Code. Inspiration's Chapter 11 case was filed on 30 October 2012 with the United States Bankruptcy Court in Boston, Massachusetts. With this filing, Inspiration seeked to have the Bankruptcy Court's approval on detailed bidding and auction procedures for the sale of its assets to a third party purchaser. Inspiration's assets are notably comprised of commercial rights to OBI-1, a recombinant porcine factor VIII (rpFVIII) for the treatment of hemophilia A with inhibitors and IB1001, a recombinant factor IX (rFIX) for the treatment of hemophilia B. Through its $200 million of convertible bonds, Ipsen is Inspiration's only senior secured creditor. Ipsen has agreed to include its hemophilia assets in the sale process under certain conditions. Ipsen's assets are comprised of commercial rights to OBI-1 and IB1001 as well as its OBI-1 industrial facility in Milford (Boston, MA).

On 20 November 2012 – Ipsen and Inspiration Biopharmaceuticals Inc. (Inspiration) announced that Inspiration has received Fast Track designation from the US Food and Drug Administration (FDA) for OBI-1 in acquired hemophilia A. OBI-1, an intravenous recombinant porcine factor VIII (FVIII), is being evaluated for the treatment of individuals with acquired hemophilia A, who have developed inhibitory antibodies (inhibitors) against their innate FVIII. Fast track is a designation that the FDA reserves for a drug intended to treat a serious disease and has a potential to fill an unmet medical need. Fast track designation is designed to facilitate the development and expedite the review of new drugs. Marketing applications for fast track development programs are likely to be considered appropriate for priority review, which implies an abbreviated review time of eight months. Inspiration intends to submit a biologics license application (BLA) to FDA in the first half of 2013.

1.2.1.2.3 Ipsen US

On 25 April 2012 – Ipsen announced the official opening of its new US commercial headquarters in Basking Ridge, New Jersey. This is an important step forward for Ipsen in the United States. This announcement confirms Ipsen's commitment to growth for its uniquely targeted neurology and endocrinology therapeutics in the United States and to provide innovative specialty medicines to US patients in need.

On 10 September 2012 – Ipsen announced that it had, so far, avoided an interruption in US supply of Increlex® (IGF-1) for the treatment of Severe Primary IGF-1 Deficiency due to delays in manufacturing site approval. Increlex® is an important drug used to treat patients with Severe Primary IGF-1 Deficiency (Primary IGFD) and is considered to be a drug of medical necessity. As a result, Ipsen has worked closely with the US Food and Drug Administration to maintain product supply.

1.2.2 Research and Development Activities

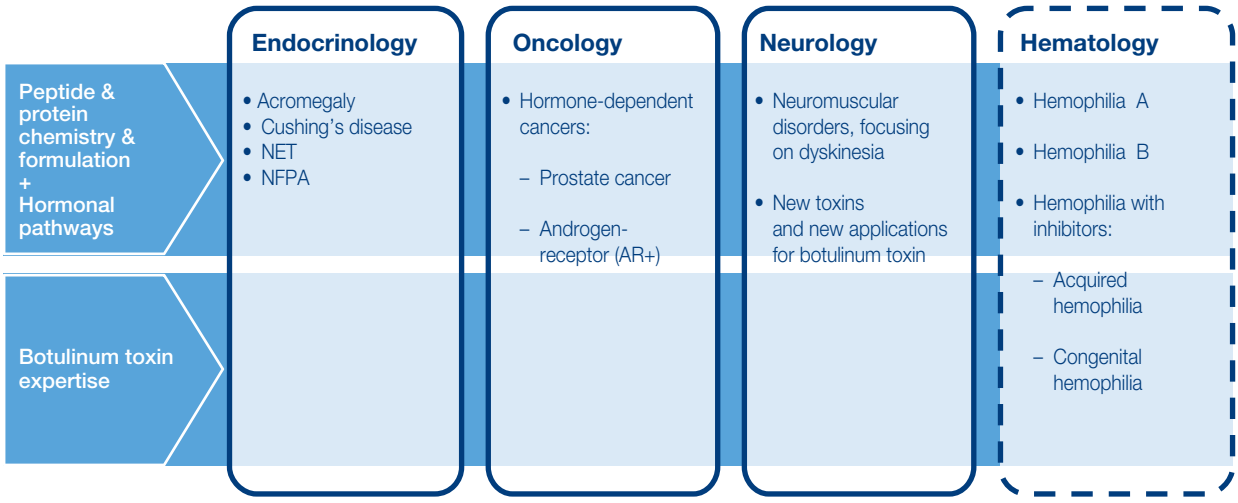
1.2.2.1 Research and Development

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, Onco*design* 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®.
- Active Biotech (Sweden): Ipsen and Active Biotech are co-developing tasquinimod for the treatment of castrate resistant prostate cancer patients.
- 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. EMA has granted a market authorisation for ESMYA™ in February 2012.
- 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 2012, 967 Group employees (compared with 893 in 2011 and 943 in 2010) were assigned to Research and Development activities.

In 2012, the Group spent €248.6 million on Research and Development (against €234.6 [1] million in 2011 and €221.1 million in 2010), representing 20.9% of Group's net consolidated sales (against 20.2% in 2011 and 20.1% in 2010).

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 Centres in Milford (Massachusetts, United States) and Basking Ridge (New Jersey, 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 and perform 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, close to the EMA (European Medicines Agency), are some of the Group's central departments responsible for clinical development and implementation of international clinical trials. A part of the regulatory affairs team, responsible for registration dossiers and applications for submission to international regulatory authorities, is also located near London.

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

(1) Amount excluding hemophilia impacts.

(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 patient 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

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.

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 table below lists the Group's clinical programs. This table is subject to change depending on a number of factors, many of which are extremely unpredictable. The Group might experience delayed completion of clinical trials, treatment failures, absence of marketing authorisation, occurrence of a technical or administrative event beyond the Group's reasonable control. A summary of risks is 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
Nouvelles molécules en développement		
BN82451	Mitochondrial protectant for the treatment of Hungtington's disease	Phase I
Tasquinimod	Metastatic Castrate Resistant Prostate Cancer	Phase III (Conducted by Active Biotech)
	Maintenance post-chemotherapy in Prostate Cancer	Phase II
	Gastric, ovarian, renal cell and hepato-cellular cancers	Phase IIa
Product lifecycle management programmes		
Somatuline® Autogel®	Asymptomatic (non functioning) neuroendocrine tumours (Clarinet)	Phase III
	Symptomatic (functioning) neuroendocrine tumours (USA)	Phase III
	Acromegaly (Japan)	Launched in January 2013
Dysport®	Adult upper limb spasticity	Phase III
	Adult lower limb spasticity	Phase III
	Peadiatric upper limb spasticity	Phase III (pending FDA opinion)
	Peadiatric lower limb spasticity	Phase III
	Neurogenic detrusor overactivity	Phase II
	Dystonie cervicale (Chine)	Phase III (to begin in 2013)
Dysport® Next Generation	Glabellar Lines	Phase II
	Cervical Dystonia	Phase III
Décapeptyl®	Combined hormone therapy for pre-menopausal breast cancer	Phase III

On 31 October 2012, Ipsen and Inspiration announced the joint sale of their hemophilia assets in a court-approved marketing and auction process. As a consequence both OBI-1, a recombinant porcine factor VIII (rpFVIII) for the treatment of hemophilia A with inhibitors was sold (subject to certain closing conditions) to Baxter and IB1001, a recombinant factor IX (rFIX) for the treatment of hemophilia B was sold to Cangene in January and February 2013.

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 glabellar 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 poised 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 glabellar 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.

The Group also develops a liquid, ready to use formulation of Dysport® referred to as Next Generation. To its knowledge, Ipsen is the only company to have formulated a ready to use toxin. Two clinical trials are ongoing:

- A Phase II clinical study in Glabellar lines.
- A Phase III clinical study in cervical dystonia.

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 has completed phase I clinical pharmacology trial.

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 (non functioning) neuroendocrine tumours;
- additional phase III clinical trials for the treatment of neuroendocrine tumour symptoms (functioning), 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. This study is fully recruited and is now in its completion stage.

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, an 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 2013.

BLI-800

BLI-800 is a new generation of bowel cleansing prior to intestinal procedure such as colonoscopy. The patented

product, licensed from the US Company Braintree, has been approved by the FDA in 2011. On 7 February, 2013, BLI-800 (brand names Eziclen® / Izinova®) successfully completed European decentralised registration procedure.

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 – 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, development and marketing of its candidate drugs, MC-4 and ghrelin agonists, therapeutic peptides targeting obesity, metabolic disorders and gastrointestinal problems.

Hemophilia – OBI-1. The Group also had 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. 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).

In July 2012 Inspiration announced that IB1001 was placed on clinical hold by the Food and Drug Administration (FDA).

On 21 August 2012, Ipsen and Inspiration renegotiated their 2010 partnership. This agreement aimed to establish an effective structure whereby Ipsen gained commercial rights in key territories.

On 31 October 2012, Inspiration commenced a voluntary reorganisation case pursuant to Chapter 11's provisions of the United States Bankruptcy Code with the objective of leading a joint marketing and sales process. Ipsen is seeking to exit hemophilia through this process.

On 24 January 2013, Ipsen and Inspiration announced that they had entered into an Asset Purchase Agreement for the sale of OBI-1 to Baxter subject to closing conditions.

On 6 February 2013, Ipsen and Inspiration announced that they had entered into an Asset Purchase Agreement for the sale of IB1001 to Cangene. The deal was closed in February 2013.

Ipsen effectively exists hemophilia with the sale of its OBI-1 and IB1001 rights.

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 2012, the Group held 1,501 patents 907 of which were issued in European countries and 170 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 883 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 105 applications in Europe and the 12 international patent applications ("PCT") are likely to lead to a significantly larger number than 117 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		
Décapeptyl® – Pamoate formulation – Acetate formulation	 Debiopharm Syntex	 patent now expired patent now expired
Décapeptyl® 6 month formulation	Debiopharm	2028 (if patent 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	 Expired (Europe)
Taspoglutide (BIM 51077)	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 aroma formulation	 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® et Nisisco® : – active substance – preparation process of oral formulation	 Ciba Geigy Novartis	 Expired 2017
Exforge® – active substance – preparation process of oral formulation	 Ciba Geigy Novartis	 Expired 2017
Adenuric® (febuxostat) – active substance – polymorphic form – solid composition	 Teijin	 Expired 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 did not appeal the decision The patent will expire in June 2019. 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 SPCs were granted in these countries.
(7) Could be extended until 2023.

The Group deems appropriate to clarify the terms of review of patent applications:

1. Submission of the patent application.
2. Review of the application by the patent offices (e.g. the National Institute of Industrial Property – INPI – France or The European Patent Office – EPO). Patent offices are independent and they do not give visibility on the timing of examination or on the status of requests. In general, the review of a patent application takes between 3 and 6 years.
3. Once the review is completed, offices grant patents or reject the application. Rejection can be appealed, a procedure which can take two more years, again without visibility on the timing of the Boards of appeal that exist in patent offices. As a result, the Group is not able to give more information on the schedules of patent applications under review.

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 2012 are shown in the table below.

Brands and trademarks	Number of registrations or applications
Décapeptyl®	75
Somatuline®	150
Autogel®	149
Dysport®	360
Tanakan®	244
Ginkor Fort®	86
Smecta®	346
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 2012, the Group had 1156 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.

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 to manufacturing facilities, processes and marketing. 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), 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 as the co-pay regulation *("tiers-payant contre génériques")* introduced in July 2012 in France.

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. The price set for a drug depends on the benefits it produces in terms of an improvement in medical performance 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 a context of financial and economic crisis, the governments of many countries in which the Group operates continue to introduce new measures to reduce public health expenses, some of which are affecting the Group sales and profitability in 2012. In addition, certain measures introduced in 2011 have continued to affect the Group's accounts year-on-year.

Price reductions, reference pricing, and delistings in 2012

- In France, on 1 January, 2012, the price of Decapeptyl® was reduced by 3.0% for both 3-month and 6-month formulations while the price of Adrovance® was reduced by 33.0%. On 1 March 2012, Tanakan® was delisted in France. Moreover, sales of Nisis®/Nisisco® and Forlax® were negatively impacted by a step-up in July in the regulation known as *"tiers-payant"*, whereby the patient now pays upfront for a branded drug (when genericised) at the pharmacy and is reimbursed only later on.
- In Spain, Tanakan® was "dereimbursed" on 1 September 2012.
- In Belgium, as from 1 April 2012, as soon as a generic or a hybrid is launched on the market, drugs are regrouped per active ingredient regardless of their galenic form and prices are cut by up to 31.0%.
- In Poland, regulated margins have been decreased. As a result, prices of Decapeptyl® and Somatuline® were both reduced by 3.0% on 1 January 2012;
- In Korea, under the volume-control regulation in force since November 2011, the price of the 11.25 mg formulation of Diphereline® has been cut by 4.5% on 1 September 2012;
- China is finalising its international reference pricing system including ten countries including the USA, France, Germany, South Korea and Japan.

As for the European Union, many countries also announced a series of restrictive measures in 2012 (new taxes or new regulations)

- In France, an additional tax on promotional expenses of 0.6% has also been introduced.
- In Poland, a new Reimbursement Law Reform was enforced on 1 January 2012, introducing a sales tax in case of budget excess and a tax on manufacturers' income to fund clinical trials.
- Greece voted new measures designed to decrease pharmaceutical expenditure. Key measures include higher rebates to wholesalers and retail pharmacies (9.0% instead of 4.0% – retroactive effect as of 1 January 2012), an obligation to prescribe drugs labelled International Non-proprietary Name (INN) through an e-prescription system and introduction of a payback contribution in case of Health public budget overrun.
- In Hungary, a 10.0% additional tax on sales, on top of the 20.0% tax already in force, was introduced as of 1 August 2012 for all Somatuline® formulations.
- In Czech Republic, VAT on drugs was increased from 9.0% to 14.0% in January 2012.

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. 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 a 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 publicised 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 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 Économique 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 Rendu* 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.

As such, in October 2011, the French authorities imposed a 3.5% price cut on Forlax and, in November 2011, a 15% price cut on Nisis®/ Nisisco®. As at 1 January 2012, the price of Decapeptyl® was reduced by 3.0% on the 3-month and 6-month formulations, while Adrovance® price was reduced by 33.0%.

The implementation of a new "co-pay" regulation *("tiers-payant contre génériques")* in France strongly reinforced the penetration of generics with in 2012 a significant impact on Nisis®/Nisisco® and Forlax® sales.

Lastly, the French law of 29 December 2011, concerning the reinforcement of the sanitary safety of medicines and healthcare products reinforced rules regarding conflict of interests management, and created 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.

■ 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 professionalise 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 newly certified Black Belts (20) and Green Belts (134) 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 Research & Development, Finance and Human Ressources.

1.2.6 Analysis of results

1.2.6.1 Comparison of consolidated sales for the full year of 2012 and 2011

In 2012, Group drug sales grew 3.4% year-on-year excluding foreign exchange impacts [1].

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

Sales by geographical region

Group sales by geographical region for the full year of 2012 and 2011 were as follows:

(in millions of euros)	Twelve months			
	2012	2011	% variation	% excluding foreign exchange impact [1]
France	246.3	292.9	– 15.9%	– 15.9%
Spain	56.8	59.2	– 4.0%	– 4.0%
Italy	81.7	79.9	2.3%	2.3%
Germany	77.0	63.7	20.9%	20.9%
United Kingdom	56.6	46.3	22.2%	14.1%
Major Western European countries	**518.5**	**542.0**	**– 4.3%**	**– 4.9%**
Other European countries	**306.0**	**279.6**	**9.5%**	**8.5%**
North America	**72.8**	**65.7**	**10.8%**	**2.3%**
Asia	167.3	138.3	21.0%	12.7%
Other countries in the rest of the world	154.8	134.2	15.4%	15.8%
Rest of the World	**322.2**	**272.5**	**18.2%**	**14.1%**
Group Sales	**1,219.5**	**1,159.8**	**5.1%**	**3.3%**

In 2012, sales generated in the **Major Western European countries** amounted to €518.5 million, down 4.9% year-on-year excluding foreign exchange impacts [1]. Dynamic volume sales growth of specialty care products were more than offset by the consequences of a tougher competitive environment in the French primary care landscape and administrative measures in Spain, outlined below. As a result, sales in the Major Western European countries represented 42.5% of total Group sales at the end of 2012, compared to 46.7% a year earlier.

France – In 2012, sales totalled €246.3 million, down 15.9% year-on-year, penalised by the accelerating decline of primary care sales. Despite the strong volume growth of specialty care (mainly Somatuline®, NutropinAq® and launch of Hexvix®), sales were negatively impacted by declining sales of Nisis®/Nisisco® following a 15% price reduction and the arrival of several generics in November 2011 and by decreasing sales of Tanakan® after the delisting of the product as of 1 March 2012. Additionally, sales of Nisis®/Nisisco® and Forlax® were negatively impacted by a step-up in July in the regulation known as *"tiers-payant"*, whereby the patient now pays upfront for a branded drug and is later reimbursed. This has generated an unprecedented and sudden increase in generic penetration. Consequently, primary care sales in France are down by 29.7% year-on-year. The relative weight of France in the Group's consolidated sales continued to decrease, representing 20.2% of total Group sales compared to 25.3% a year earlier.

United Kingdom – In 2012, sales totalled €56.6 million, up 14.1% excluding foreign exchange impacts [1], fuelled by a very strong double digit growth of Decapeptyl® and a strong growth of Somatuline® and Dysport®. Sales also benefited from a favourable comparison basis related to accruals booked in 2011 in conformance with the Pharmaceutical Price Regulation Scheme (PPRS). Restated to exclude this PPRS effect, sales for the full year 2012 were up 11.0%. Over the period, the United Kingdom represented 4.6% of total Group sales compared to 4.0% in 2011.

Spain – In 2012, sales totalled €56.8 million, down 4.0% year-on-year, penalised by the tax on sales increase to 15.0% from 7.5% implemented on 1 November 2011. Additionally, the Spanish pharmaceutical market slowed down significantly during the summer, with a double digit decrease year-on-year. In 2012, sales in Spain represented 4.7% of total Group sales, compared to 5.1% a year earlier.

Germany – In 2012, sales amounted to €77.0 million, up 20.9% year-on-year, driven by strong volume growth of Somatuline®, the Hexvix® launch on November 2011 and drug-related sales [2]. Sales in Germany represented 6.3% of total Group sales compared to 5.5% a year earlier.

Italy – In 2012, sales reached €81.7 million, up 2.3% year-on-year, driven by the good performance of Somatuline®, partly offset by the sales of Dysport® affected by competitive pressure and by the decline of Forlax® following a change in

(1) Variations excluding foreign exchange impacts are computed by restating the 2011 figures with the 2012 average exchange rates.
(2) Principes actifs et matières premières.

the distribution model. Italy represented 6.7% of the Group's consolidated sales at the end of 2012 compared to 6.9% a year earlier.

In 2012, sales generated in the **Other European countries** reached €306.0 million, up 8.5% excluding foreign exchange impacts [1]. Sales were mainly driven by Russia where the good performance of specialty care products and Tanakan® have more than offset a destocking effect on Smecta® following its re-submission in 2011. Over the period, Poland, the Netherlands, Ukraine and Belgium also contributed to the volume growth. In 2012, sales in this region represented 25.1% of total consolidated Group sales, compared to 24.1% a year earlier.

In 2012, sales generated in **North America** reached €72.8 million, up 2.3% excluding foreign exchange impacts [1]. In November 2011, Ipsen sold its North American development and marketing rights for Apokyn®. As a consequence, Ipsen stopped recording Apokyn® sales in its accounts as of 30 November 2011. Restated to exclude Apokyn® sales, North American sales were up 11.5% year-on-year, driven by strong supply of Dysport® for aesthetic use to Medicis, by the continuous penetration of Somatuline® in acromegaly and by the growth of Dysport® in the treatment of cervical dystonia. Sales in North America represented 6.0% of total consolidated Group sales, compared to 5.7% a year earlier.

In 2012, sales generated in the **Rest of the World** reached €322.2 million, up 18.2% year-on-year or up 14.1% excluding foreign exchange impacts [1], driven by a strong volume growth in China, Colombia, Vietnam, Australia, Brazil and Mexico. In 2012, sales in the Rest of the World continued to increase, representing 26.4% of total consolidated Group sales, compared to 23.5% a year earlier.

Sales by therapeutic area and by product

The following table shows sales by products, grouped together by therapeutic areas for the full year of 2012 and 2011:

(in millions of euros)	Twelve months			
	2012	2011	% variation	% excluding foreign exchange impact [1]
Uro-Oncology	318.7	285.0	11.8%	9.6%
of which Décapeptyl® (*)	*306.4*	*283.6*	*8.0%*	*5.9%*
Hexvix®	*12.3*	*1.3*	*857.7%*	*857.7%*
Endocrinology	307.6	264.4	16.3%	13.5%
of which Somatuline® (*)	*225.7*	*188.4*	*19.8%*	*17.1%*
NutropinAq® (*)	*53.6*	*50.9*	*5.4%*	*4.5%*
Increlex® (*)	*28.3*	*25.2*	*12.2%*	*5.1%*
Neurology	236.2	210.1	12.4%	10.8%
of which Apokyn® (*)	*0.1*	*5.5*	*– 97.9%*	*– 98.0%*
Dysport® (*)	*236.1*	*204.6*	*15.4%*	*13.9%*
Specialty care	**862.5**	**759.4**	**13.6%**	**11.3%**
Gastroenterology	199.9	193.7	3.2%	0.8%
of which Smecta®	*113.5*	*102.3*	*10.9%*	*6.6%*
Forlax®	*38.7*	*41.4*	*– 6.5%*	*– 7.4%*
Cognitive disorders	79.0	96.4	– 18.0%	– 18.5%
of which Tanakan®	*79.0*	*96.4*	*– 18.0%*	*– 18.5%*
Cardiovascular	32.4	62.1	– 47.8%	– 47.8%
of which Nisis® and Nisisco®	*18.2*	*45.9*	*– 60.4%*	*– 60.4%*
Ginkor Fort®	*11.9*	*12.7*	*– 6.9%*	*– 6.9%*
Other primary care products	13.2	16.3	– 19.1%	– 19.1%
of which Adrovance®	*11.5*	*12.8*	*– 10.3%*	*– 10.3%*
Primary care	**324.6**	**368.5**	**– 11.9%**	**– 13.2%**
Total drug sales	**1,187.0**	**1,127.9**	**5.2%**	**3.4%**
Drug-related sales	**32.5**	**31.9**	**1.9%**	**0.7%**
Group sales	**1,219.5**	**1,159.8**	**5.1%**	**3.3%**

(*) Peptide- or protein-based products.

(1) Variations excluding foreign exchange impacts are computed by restating the 2011 figures with the 2012 average exchange rates.

For the full year 2012, sales of **specialty care** amounted to €862.5, up 13.6% year-on-year or up 11.3% excluding foreign exchange impacts [1]. Sales in endocrinology, neurology and uro-oncology grew by 13.5%, 10.8% and 9.6% respectively, excluding foreign exchange impacts [1]. At the end of 2012, the relative weight of Specialty Care products continued to increase to 70.7% of total Group sales, compared to 65.5% a year earlier.

In **uro-oncology**, sales of ***Decapeptyl®*** reached €306.4 million in 2012, up 5.9% excluding foreign exchange impacts [1], mainly driven by a good performance in China, United Kingdom, Poland and Russia. Besides, on 27 September 2011, Ipsen in-licensed ***Hexvix®***, the first approved & marketed drug for improved detection of bladder cancer. For the full year 2012, sales of Hexvix® amounted to €12.3 million, mostly generated in Germany. Sales in uro-oncology represented 26.1% of total Group sales compared to 24.6% a year earlier.

In **endocrinology** sales continued to grow, reaching €307.6 million in 2012, up 13.5% excluding foreign exchange impacts [1], representing 25.2% of total Group sales, compared to 22.8% a year earlier.

Somatuline® – In 2012, Somatuline® sales reached €225.7 million, up 17.1% year-on-year excluding foreign exchange impacts [1], fuelled by strong growth in North America (16.8% excluding foreign exchange impacts) as well as continuous growth in France, Germany, Poland, Italy, Belgium, the Netherlands and Colombia.

NutropinAq® – In 2012, sales of NutropinAq® reached €53.6 million, up 4.5% excluding foreign exchange impacts [1], driven notably by a good performance in Major Western European countries.

Increlex® – In 2012, sales of Increlex® amounted to €28.3 million, up 5.1% excluding foreign exchange impacts [1], benefiting from the recognition of the paediatric use of Increlex® by the Centre for Medicare and Medicaid Services (CMS) in the US, allowing for a reduced rebate (17% rebate instead of 23%).

In **neurology,** sales reached €236.2 million in 2012, up 10.8% excluding foreign exchange impacts [1]. Restated to exclude Apokyn® sales, divested on 30 November 2011, sales were up 13.8% excluding foreign exchange impacts [1]. Sales in neurology represented 19.4% of total Group sales compared to 18.1% a year earlier.

Dysport® – In 2012, sales reached €236.1 million, up 13.9% year-on-year excluding foreign exchange impacts [1], fuelled by strong sales growth in Brazil, Australia where the Group signed an agreement in April 2012 with Galderma and in Russia. Restated to exclude this stocking effect, sales were up 13.0% excluding foreign exchange impacts [1]. Sales were also driven by supply sales to the Group's aesthetics' partners Medicis and Galderma.

Apokyn® – In November 2011, Ipsen sold its North American development and marketing rights for Apokyn® to Britannia Pharmaceuticals. As a result, Ipsen stopped recording Apokyn® sales in its accounts as of 30 November 2011.

In 2012, sales of **Primary Care** products amounted to €324.6 million, down 11.9% year-on-year or down 13.2% excluding foreign exchange impacts [1]. Primary Care sales represented 26.6% of total Group sales in 2012 against 31.8% a year earlier. Primary Care sales in France represented 38.1% of total Group Primary Care sales against 47.7% a year earlier.

In **gastroenterology,** sales reached €199.9 million in 2012, up 0.8% year-on-year excluding foreign exchange impacts [1].

Smecta® – In 2012, sales reached €113.5 million, up 6.6% year-on-year excluding foreign exchange impacts [1], fuelled notably by a good performance in China. Sales of Smecta® represented 9.3% of total Group sales during the period compared with 8.8% a year earlier.

Forlax® – In 2012, sales amounted to €38.7 million, down 7.4% year-on-year excluding foreign exchange impacts [1], mainly due to a step-up in July in the regulation known as *"tiers-payant"* in France (as mentioned above). Sales were also negatively impacted by an unfavourable comparison basis in Algeria described above and by a change in distribution model in Italy and in Belgium. In 2012, France represented 57.1% of the total sales of the product, up from 55.5% a year earlier.

In the **cognitive disorders** area, sales of Tanakan® reached €79.0 million in 2012, down 18.5% excluding foreign exchange impacts [1], penalised by the delisting of the product in France as of 1 March 2012, in Romania in May 2012 and in Spain in September, despite solid sales in Russia. In 2012, 32.9% of Tanakan® sales were made in France compared with 48.9% a year earlier.

In the **cardiovascular** area, sales amounted to €32.4 million in 2012, down 47.8% year-on-year excluding foreign exchange impacts [1], mainly impacted by the 15% price decrease of Nisis®/Nisisco®, the arrival of several generics in November 2011 and the implementation of the *"tiers-payant"* regulation described above.

Other primary care products sales reached €13.2 million in 2012, down 19.1% year-on-year. Sales of Adrovance® were down 10.3% year-on-year excluding foreign exchange impacts [1], penalised by a 33.0% price cut enforced in January 2012 in France, contributed to €11.5 million.

In 2012, **drug-related sales** (active ingredients and raw materials) reached €32.5 million, slightly up 0.7% excluding foreign exchange impacts [1].

(1) Variations excluding foreign exchange impacts are computed by restating the 2011 figures with the 2012 average exchange rates.

1.2.6.2 Comparison of the consolidated income statement for 2012 and 2011

	31 December 2012		31 December 2011 Proforma (1)		% change
	(in millions of euros)	% of sales	(in millions of euros)	% of sales	
Sales	**1,219.5**	**100.0%**	**1,159.8**	**100.0%**	**5.1%**
Other revenues	57.9	6.5%	50.4	4.3%	14.9%
Revenues	**1,277.4**	**106.5%**	**1,210.2**	**104.3%**	**5.6%**
Cost of goods sold	(254.8)	– 20.9%	(249.2)	– 21.5%	2.2%
Research and development expenses	(248.6)	– 20.4%	(234.6)	– 20.2%	5.9%
Selling expenses	(473.5)	– 38.8%	(424.4)	– 36.6%	11.6%
General and administrative expenses	(99.1)	– 8.1%	(99.7)	– 8.6%	– 0.6%
Other operating income	5.6	0.5%	17.5	1.5%	– 68.0%
Other operating expenses	(25.8)	– 2.1%	(17.6)	– 1.5%	46.4%
Depreciation of intangible assets	(5.8)	– 0.5%	(7.8)	– 0.7%	– 26.5%
Restructuring costs	(63.1)	– 5.2%	(36.5)	– 3.2%	72.8%
Impairment gain/(losses)	2.4	0.2%	(85.2)	– 7.3%	– 102.8%
Operating income	**114.8**	**9.4%**	**72.6**	**6.3%**	**– 58.2%**
Recurring Adjusted operating income (2)	**196.0**	**16.1%**	**197.5**	**17.0%**	**– 0.8%**
– Investment income	1.0	0.1%	1.6	0.1%	– 37.8%
– Costs of financing	(2.3)	– 0.2%	(1.8)	– 0.2%	31.9%
Net financing cost	**(1.3)**	**– 0.1%**	**(0.2)**	**– 0.0%**	**–**
Other financial income and expense	6.8	0.6%	(0.5)	– 0.0%	–
Income taxes	(24.4)	– 2.0%	1.9	0.2%	–
Share of profit/loss from associated companies	0	–	0	–	–
Net profit/loss from continuing operations	**95.8**	**7.9%**	**73.8**	**6.4%**	**29.8%**
Net profit/loss from discontinued operations	(124.8)	– 10.2%	(72.9)	– 6.3%	71.3%
Consolidated net profit	**(29.0)**	**– 2.4%**	**0.9**	**0.1%**	**–**
– Attributable to shareholders of Ipsen S.A.	(29.5)		0.4		–
– Minority interests	0.5		0.5		–

(1) In compliance with provisions on "discontinued activities", 2011 figures have been restated to provide comparative information between 2011 and 2012 (see appendix 2).
(2) Reconciliations between results and recurring adjusted results for 2012 and 2011 are detailed in appendix 1.

Sales

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

Other revenues

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

Other revenues breakdown is as follows:

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

(1) Milestone payments relating to licensing agreements primarily represent recognition of payments received over the life of partnership agreements.
(2) In compliance with provisions on "discontinued activities", 2011 figures have been restated to provide comparative information between 2011 and 2012 (see appendix 2).

(1) Variations excluding foreign exchange impacts are computed by restating the 2011 figures with the 2012 average exchange rates.

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

Cost of goods sold

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

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

Research and development expenses

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

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

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

(1) Drug-related research & development is aimed at identifying new agents, determining their biological characteristics and developing small-scale manufacturing processes. The expenses relating to patents are also included in this type of expense.
(2) Industrial development includes chemical, biotechnical and development-process research costs to industrialize small-scale production of agents developed by the research laboratories. Pharmaceutical development is the process through which active agents become drugs approved by regulatory authorities and is also used to improve existing drugs and to search new therapeutic indications for them. Pharmaceutical development is associated to industrial development after bringing together both activities in the framework of the new strategy announced on 9 June 2011, in order to build a Department "Chemistry, Manufacturing, Controls & Engineering".
(3) Strategic development includes costs incurred for research into new product licenses and establishing partnership agreements.
(4) In compliance with provisions on "discontinued activities", 2011 figures have been restated to provide comparative information between 2011 and 2012 (see appendix 2).

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

Selling, general and administrative expenses

Selling, general and administrative expenses amounted to €572.6 million in 2012, representing 46.9% of sales, up 9.3% versus 2011.

The table below provides a comparison of selling, general and administrative expenses in 2012 and 2011:

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

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

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

Other operating income and expenses

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

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

Amortisation of intangible assets (excluding software)

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

Restructuring costs

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

Impairment losses

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

Operating income

Based on above items, the operating income reported in 2012 amounted to €114.8 million or 9.4% of sales, up 58.2% compared to 2011, where it represented 6.3% of Group's sales.

The Group's **recurring adjusted (1) operating income** in 2012 amounted to €196 million or 16.1% of consolidated sales, down 0.8% year-on-year.

Operating segments: Operating income by geographical regions

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

(1) Reconciliations between results and recurring adjusted results for 2012 and 2011 are detailed in appendix 1.

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

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

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

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

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

Sales generated in the **Major Western European countries** amounted to €518.5 million in 2012, down 4.9% year-on-year excluding foreign exchange impacts (1). Dynamic volume sales growth of specialty care products were more than offset by the consequences of a tougher competitive environment in the French primary care landscape and administrative measures in Spain. As a result, sales in the Major Western European countries represented 42.5% of total Group sales at the end of 2012, compared to 46.7% a year earlier. The Group recorded a €10.1 million impairment charge on the brand of Nisis®/Nisisco®, following a step-up in July 2012 in France in the regulation known as *"tiers-payant"*, which has generated an unprecedented and sudden increase in generic penetration. The Group also recorded non-recurring restructuring cost related to the implementation of the new organisation of French primary care commercial operations. Operating income in 2012 amounted to €138.3 million, down 11.3% year-on-year, representing 26.7% of sales, compared to 28.8% for the same period in 2011. Excluding non-recurring impacts, operating income in 2012 reached €204.1 million, compared to €223.9 million in 2011.

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

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

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

Non allocated operating income amounted to (€271.9) million in 2012 *versus* (€272.4) million in 2011. It mainly included the Group's central research and developments costs for (€203.9) million in 2012 and (€194.2) million in 2011 and, to a lesser extent, unallocated general and administrative expenses. Other revenue of unallocated activities reached €1.3 million, compared to €1.9 million euros in 2011.

Costs of net financial debt and other financial income and expenses

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

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

Income taxes

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

The items reducing the Group's effective tax rate were applied to an increased profit before tax. As a consequence, the research tax credit, while stable in volume between 2011 and 2012, had a diluted positive impact, down 13 points. Also, the effect of reduced corporate tax rates in comparison with standard French corporate tax rate was diluted by 8 points between 2011 and 2012.

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

Share of profit / loss from associated companies

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

Net profit from continuing operations

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

(1) Variations excluding foreign exchange impacts are computed by restating the 2011 figures with the 2012 average exchange rates.

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

Profit from discontinued operations

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

Reminder of the evolution of Inspiration's situation

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

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

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

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

As Inspiration did not manage to raise external financing and was cash constrained, it commenced, on 30 October 2012, a voluntary reorganisation case pursuant to Chapter 11's provisions of the United States Bankruptcy Code with the objective of leading a joint marketing and sales process. Inspiration's assets include commercial rights on OBI-1 and IB1001 on several countries. With this filing, Inspiration sought to have the Bankruptcy Court's approval on detailed bidding and auction procedures for the sale of its assets to a third party purchaser. Inspiration's assets are notably comprised of commercial rights [3] to OBI-1 and IB1001 in certain countries [2].

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

Under the Chapter 11 procedure, Ipsen agreed to provide Inspiration with so-called: "Debtor-in-Possession financing" (DIP) for an initial amount of up to around $18.0 million assuming certain conditions were met. The DIP financing allows a company with debt to undertake, under acceptance by its creditors, some restructuring actions according to a plan which has been defined and approved by the Court. It was anticipated that the DIP financing was sufficient to enable Inspiration and Ipsen to successfully sell their assets.

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

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

On 24 January 2013, Ipsen and Inspiration announced that they entered into an Asset Purchase Agreement (APA) for the sale of OBI-1 to Baxter International. Under the terms of the APA, Baxter has agreed to pay $50 million upfront, and potential additional development and commercial milestones. This APA is subject to Fair Trade Commission (FTC) approval. Ipsen has agreed to extend the DIP to Inspiration for a period of 45 days *i.e.* for an additional amount of up to c. $5 million.

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

On 20 February 2013, Ipsen and Inspiration announced the closing of the IB1001 sale to Cangene Corporation.

On 21 March 2013, Ipsen and Inspiration announced the closing of the sale of the rights to OBI-1 (recombinant porcine FVIII) as well as Ipsen's manufacturing facility for OBI-1 in Milford, to Baxter. To date, Ipsen provided Inspiration with a $18.4 million Debtor-in-Possession (DIP) financing to fund Inspiration's operations and the sale process.

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

(1) Reconciliations between results and recurring adjusted results for 2012 and 2011 are detailed in appendix 1.
(2) Europe (EU, Switzerland, Monaco, Norway, Lichtenstein, Georgia, Bosnia, Albania and all EU candidates excluding Turkey), Russia and CIS (Community of Independent States), part of Asia Pacific (main countries are Australia, New Zealand, China, Singapore, South Korea and Vietnam) and certain countries in North Africa (Morocco, Algeria, Tunisia, Libya).
(3) Mainly the Americas and Japan.

hence, did not include them in the fair value calculation of hemophilia assets held for sale as of 31 December 2012.

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

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

Consolidated net profit

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

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

Earnings per share

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

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

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

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

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

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

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

(1) In compliance with provisions on "discontinued activities", 2011 figures have been restated to provide comparative information between 2011 and 2012 (see appendix 2).
(2) Amounts converted at average exchange rate at 31 December 2012 and 31 December 2011 respectively.

(1) Reconciliations between results and recurring adjusted results for 2012 and 2011 are detailed in appendix 1.

ANNEXE 1

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

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

(1) Income statement impact linked to Inspiration Biopharmaceuticals Inc..
(2) Other non-recurring items include:
- non-recurring fees incurred during the preparation and early implementation of the strategy announced on 9 June 2011,
- non-recurring expenses linked with restructuring corresponding to the transfer of the Group's North American commercial subsidiary to the East Coast,
- the settlement of a trade dispute with a partner,
- an administrative proceeding towards the Group,
- and proceed on disposal of PregLem shares,
- non-recurring tax elements.

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

	31 December 2011 Proforma Recurring Adjusted		Assets from discontinued operations (1)	Impairment (2)	Other non-recurring items (3)	31 December 2011 Proforma	
	(in millions of euros)	% sales				(in millions of euros)	% sales
Revenue	**1,210.2**	**104.3%**	–	–	–	**1,210.2**	**104.3%**
Cost of goods sold	(249.2)	– 21.5%	–	–	–	(249.2)	– 21.5%
Research and development expenses	(234.6)	– 20.2%	–	–	–	(234.6)	– 20.2%
Selling expenses	(424.4)	– 36.6%	–	–	–	(424.4)	– 36.6%
General and administrative expenses	(99.7)	– 8.6%	–	–	–	(99.7)	– 8.6%
Other operating income	0.4	–	–	–	17.2	17.5	1.5%
Other operating expenses	(0.4)	–	–	–	(17.3)	(17.6)	– 1.5%
Amortisation of intangible assets	(4.7)	– 0.4%	–	–	(3.1)	(7.8)	– 0.7%
Restructuring costs	–	–	–	–	(36.5)	(36.5)	– 3.2%
Impairment losses	–	–	–	(85.2)	–	(85.2)	– 7.3%
Operating income	**197.5**	**17.0%**		**(85.2)**	**(39.7)**	**72.6**	**6.3%**
Financial income/(expense)	**(0.7)**	**– 0.1%**	–	**–**	**–**	**(0.7)**	**– 0.1%**
Income taxes	(43.1)	– 3.7%	–	32.3	12.7	1.9	0.2%
Share of profit/loss from associated companies	–	–	–	–	–	–	–
Net profit from continuing operations	**153.7**	**13.3%**		**(52.9)**	**(27.0)**	**73.8**	**6.4%**
Profit from discontinued operations	0.7	– 1.0%	(73.5)			(72.9)	– 6.3%
Consolidated net profit	**154.4**	**12.2%**	**(73.5)**	**(52.9)**	**(27.0)**	**0.9**	**0.1%**
– attributable to shareholders of Ipsen S.A.	153.9		(73.5)	(52.9)	(27.0)	0.4	
– attributable to minority interests	0.5					0.5	
Diluted earnings per share (in euros)	*1.86*					*0.01*	

(1) The 2011 presentation is compliant with IFRS5: 2011 has been restated to provide a comparative information between 2011 and 2012 (see appendix 2).
(2) Impairment booked over the period 2012 (details in note "Impairment").
(3) Other non-recurring items include:
- non-recurring fees incurred during the preparation and early implementation of the strategy announced on 9 June 2011,
- impact related to allocation of purchase price acquisition on North America transactions,
- non-recurring expenses linked with restructuring corresponding to the transfer of the Group's North American commercial subsidiary to the East Coast,
- the settlement of a trade dispute following the enforceable court judgment relating to the trade dispute between the Group and Mylan,
- costs related to the changes within the Group's Executive Committee.

ANNEXE 2

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

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

1.2.7 Cash flow and capital

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

Analysis of the cash flow statement

(in millions of euros)	31 December 2012	31 December 2011 Proforma [1]
– Cash generated from operating activities before changes in working capital requirements	175.3	189.5
– (Increases) / Decreases in working capital requirements for operations	(10.3)	(20.7)
• Net cash flow from operating activities	**165.0**	**168.8**
– Net investments in tangible and intangible assets	(76.5)	(95.2)
– Impact of changes in consolidation scope	(0.2)	–
– Other cash flow from investments	11.9	(0.5)
• Net cash flow from investing activities	**(64.8)**	**(95.7)**
• Net cash flow from financing activities	**(73.2)**	**(65.2)**
• Net cash flow from discontinued operations [2]	**(56.2)**	**(40.8)**
Changes in cash and cash equivalents	**(29.2)**	**(32.9)**
Opening cash and cash equivalents	**144.8**	**177.9**
Forex impact	(2.3)	(0.2)
Closing cash and cash equivalents	**113.3**	**144.8**

(1) In compliance with provisions on "discontinued activities", 2011 figures have been restated to provide comparative information between 2011 and 2012 (see appendix 5).
(2) See "Net cash flow from discontinued operations".

Net cash flow from operating activities

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

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

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

Net cash flow from investing activities

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

- Investments in tangible and intangible assets net of disposals, amounting to €76.5 million, compared with €95.2 million the previous year. This cash flow mainly included:
  - Acquisition of property, plant and equipment totalling €49.0 million, compared with €44.3 million in 2011. These investments mainly comprised items required for the maintenance of the Group's industrial facilities and in capacity investments in the Wrexham and Signes factories;
  - Investments in intangible assets for €27.7 million, compared with €58.0 million in 2011, mainly related to the partnership with Active Biotech for the rights of tasquinimod (€20 million) and Photocure for Hexvix® (€1.5 million);

- A net cash flow of €13.9 million composed of the disposal of shares, mainly from additional payments received upon the divestment by the Group in 2010 of its shares in PregLem Holding SA;
- A use of funds of €7.5 million related to investing activities, mainly related to a €6.1 million payment of plan asset;
- A decrease of €5.3 million in working capital requirements related to investment activity, mainly related to a liability recorded in 2012 and payable to Active Biotech following the announcement of the completion of the recruitment of the clinical trial of phase III with tasquinimod;

Net cash flow from financing activities

In 2012, the net cash flow used in financing activities amounted to €73.2 million, compared with a net use of €65.2 million over the same period in 2011. In 2012, the Group paid €67.5 million in dividends to its shareholders, up 1.5% compared with €66.5 million paid a year earlier.

Under the Chapter 11 procedure, the Group provided Inspiration with "Debtor-in–possession" (DIP) financing amounting to €7.2 million as of 31 December 2012. The purpose of this financing is to enable the sale of Inspiration and Ipsen assets.

Net cash flow from discontinued operations

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

(in millions of euros)	31 December 2012	31 December 2011
– Cash flow before changes in working capital requirement	(3.5)	17.6
– Change in working capital related to discontinued activities	(17.3)	(10.9)
• Net cash flow provided by discontinued activities	**(20.8)**	**6.7**
– Investment in intangible assets	(5.8)	–
– Convertible bond subscriptions	(26.7)	(45.3)
– Other cash flow related to investment activities	(2.9)	(2.2)
• Net cash flow used in investing activities	**(35.4)**	**(47.5)**
• Net cash flow used in financing activities	**–**	**–**
Change in cash and cash equivalents	**(56.2)**	**(40.8)**

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

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

Analysis of the Group's net cash [1]

(in millions of euros)	31 December 2012	31 December 2011
Cash in hand	58.6	52.3
Short-term investments	45.1	92.3
Interest-bearing deposits	10.0	0.4
Cash and cash equivalents	**113.7**	**145.0**
Bank overdrafts liabilities	(0.4)	(0.2)
Closing net cash and cash equivalents	**113.3**	**144.8**
Non-current liabilities	0.0	0.0
Long-term debt	15.9	16.6
Other financial liabilities	15.9	16.6
Current liabilities	4.0	4.0
Short-term debt	4.5	5.0
Financial liabilities	8.5	9.0
Debt	**24.4**	**25.6**
Derivative instruments	(1.1)	(3.0)
Net cash [1]	**90.0**	**122.3**

In January 2012, Ipsen S.A. signed for a 5 years revolving credit facility totaling €400.0 million with a banking syndicate. The facility is under a mono currency format and is used to fund the Group business' general financial needs. At the borrower's initiative, this credit facility is available for withdrawal on a short-term basis for periods of 1, 2, 3, 6 months, or any other period agreed between Ipsen S.A. and the credit agent, so it can be best adapted to cash flow needs.

Accordingly, the Group has cancelled the previous credit facility, signed in June 2008, without fee or financial penalty.

The total withdrawal must, at any given time, be less that the credit facility maximum, which remains constant over time.

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 2012, 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: 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.
(2) EBITDA: Earning Before Interests, Taxes, Depreciation and Amortisation.

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. Certain senior managers are employed by Ipsen S.A. under certain conditions and invoicing provisions. €20.8 million have been invoiced by Ipsen S.A. in 2012 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.

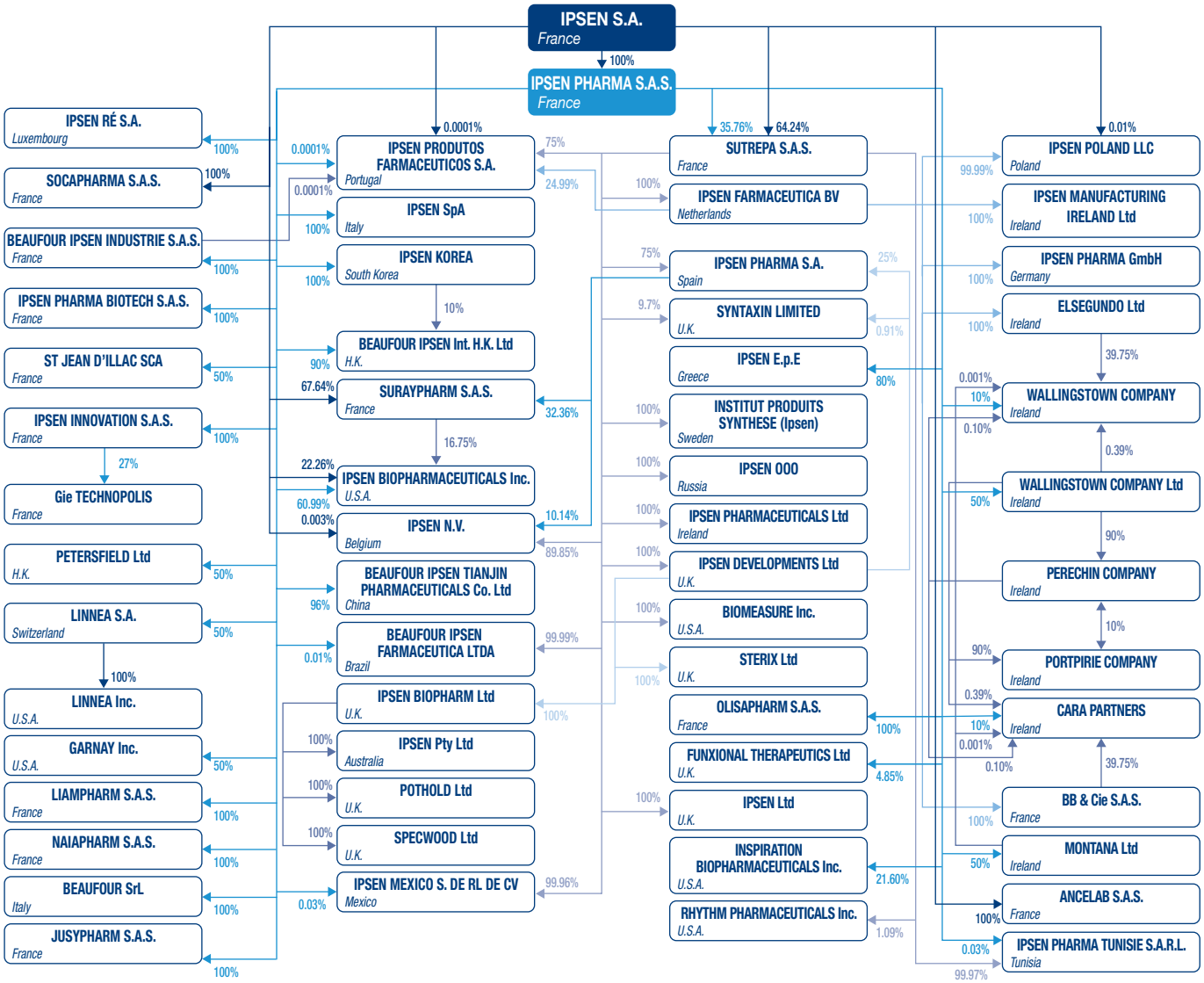
These companies are either research and development, manufacturing, management or commercialisation entities. They own the assets they are exploiting in the frame of their activities and Chapter 2.1 note 5.3 presents such assets by geographical areas.

As indicated in Chapter 3.2.3, Ipsen S.A. is controlled by a company incorporated in Luxembourg, Mayroy SA. 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 2012



1.2.8.2. Acquisitions and winding-ups

The evolution of the organisation chart takes into account the acquisition of shareholdings by the Group in certain companies in connection with its partnerships and the disposal of shares held in Spirogen Ltd and Vernalis Plc in 2012.

In the context of the Group's aim to streamline its legal, administrative and regulatory structure, the two German subsdiaries, Ipsen Pharma GmbH and Intersan GmbH, merged, with effect as of 1 January 2012 by decisions adopted by their shareholders' meetings held on 26 January 2012. This internal legal restructuring generated does not have a significant impact on the Group's consolidated income statement at 31 December 2012.

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 "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 2012, 43% of the Group's 4,835 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.

Split

	Sales	Manufacturing and supply	Research and Development	Administration and other	Total
At 31 December 2012					
Major Western European countries (1)	822	753	654	529	**2,758**
Other European countries	478	140	78	90	**786**
North America	115	6	178	47	**346**
Rest of the world (2)	745	64	57	50	**946**
Total	**2,160**	**962**	**967**	**746**	**4,835**
At 31 December 2011 (*)					
Major Western European countries (1)	787	772	595	473	**2,627**
Other European countries	441	129	64	84	**717**
North America	123	18	193	42	**376**
Rest of the world (2)	692	55	42	71	**860**
Total	**2,043**	**974**	**894**	**670**	**4,580**

(*) 2011 data changed further to new workforce definition.
(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 December 2012	31 December 2011 (*)
Major Western European countries (1)	2,758	2,630
Other European countries	786	714
North America	346	376
Rest of the world (2)	946	860
Total	**4,835**	**4,580**

(*) 2011 data changed further to new workforce definition.
(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.

(As a percentage)	31 December 2012	31 December 2011 (*)
Permanent	97%	96%
Non-permanent	3%	4%

(*) 2011 data changed further to new workforce definition.

Part-time

(As a percentage)	31 December 2012
Full-time	95%
Part-time	5%

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 2012	1,425	1,795	1,233	290
At 31 December 2011 (*)	1,301	1,747	1,149	286

(*) 2011 data changed further to new workforce definition.
(1) "Field" sales force.

Recruitments (joint ventures non included)

Recruitments include both replacements and new job positions.

	31 December 2012			31 December 2011		
	Total	Of which		Total	Of which	
		Perm	Fixed term		Perm	Fixed term
Major Western European countries (1)	**387**	276	111	**244**	128	116
Other European countries	**80**	57	23	**73**	53	20
North America	**139**	139	-	**94**	92	2
Rest of the world (2)	**382**	364	18	**303**	286	17
Total	**988**	**836**	**152**	**714**	**559**	**155**

(1) *i.e.*: Germany, Spain, France, Italy and the United Kingdom.
(2) Including Asia.

Termination of employees (joint ventures non included)

	Redundancies, dismissals	Mutual agreement	Resignations, end of fixed-term contracts, seasonal contracts	Retirements, deaths	Total
2012 financial year					
Major Western European countries (1)	54	22	161	20	257
Other European countries	6	1	47	–	108
North America	113	–	55	4	172
Rest of the world (2)	92	–	151	2	245
Total	**265**	**23**	**414**	**26**	**728**
2011 financial year					
Major Western European countries (1)	162	21	164	15	362
Other European countries	8	7	47	–	62
North America	19	–	44	–	63
Rest of the world (2)	64	–	137	1	202
Total	**253**	**28**	**392**	**16**	**689**

(1) *i.e.*: Germany, Spain, France, Italy and the United Kingdom.
(2) Including Asia.

In 2012, the high number of redundancies and dismissals in North America are due to the fact that Tercica's Brsibane site was closed down and its activity was transferred to the East coast.

Absenteeism

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

The following table shows the absenteeism rates by function during the 2011 and 2012 financial years:

	2012 financial year	2011 financial year
Manufacturing and supply chain	3.4%	4.5%
Sales	2.3%	2.6%
Administration and other	1.7%	2.7%
Research and Development	2.5%	2.6%
Total	**2.7%**	**3.0%**

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 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 245 full-time equivalents during 2012 for all Group units, *i.e.* 5.6% of the workforce.

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 foster the growth and development of all employees through continuous dialog about their needs and motivations, while offering access to training and mobility,
- to promote a culture of managerial excellence,
- to involve all employees, thanks to a receptive environment where colleagues listen to each other, a culture of continuous improvement and a fair and competitive compensation policy.

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 member 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. The outcome of the start-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. At end-year, it is an opportunity for the employee to have a constructive dialogue with their Manager so that they may voice their view on their performance and the difficulties

they may have encountered. 88% of Group employees (China not included) benefited from a 2012 end-year assessment.

Recruitment and mobility

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

Recruitment

In 2012, the Group recruited a total of 988 new employees, which split as follows: 21% in Manufacturing and supply, 8% in Research and Development, 6% in Administration and other, and 65% in Operations. 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").

In 2010, with the support of the Purchasing department, 10 external recruitment providers were referenced and the terms of collaboration were defined and negotiated. The service they delivere to Ipsen is assessed annually to ensure continuous improvement.

To welcome and integrate new employees, Ipsen has local programs for all employees at site level and organises Global Management Induction seminars for Managers at Group level.

Internal mobility

Since 2011, with Ipsen's new strategy and organisation, many new positions were created. This gave a new impetus to the Group's internal mobility policy which is actively promoted. Indeed, whether it be geographical or functional, mobility is essential to employees' development and to the company's dynamism. It enables to offer new career opportunities and contributes to the company's performance overall. In 2010, an internal mobility Charter was circulated to all employees and job vacancies are systematically advertized on the Group's intranet portal. A Mobility Committee is organised monthly, by and for the Human Resources teams, to review job opportunities within the Group and identify potential candidates. As a result, 125 employees changed positions within the Group in 2011, and 162 in 2012; in 2011 8% moved up to a higher position compared to the previous year and 10% in 2012.

Development and training

The Group consistently aims at providing 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: training programs organised to promote the development of managerial expertise and the cohesion of the Group, and technical training linked to business expertise.

Development

In 2012, the development policy continued to focus on individual and collective change management initiatives and on the implementation of the Individual Development Plan (IDP).

Launched in 2011, IDP offers a framework for employees who wish to review their professional experience and motivations in order to select areas for development. They meet with their manager during a dedicated meeting to discuss and formalise an action plan to be supported by Human Resources. Training on IDP is proposed to all managers and employees to help them prepare for the exercise.

Based on the belief that beyond technical skills and expertise, it is the way people act that will make the difference, Ipsen's four action principles – accountability, result orientation, team spirit, agility (see page 7) – were translated into 15 competencies. These were identified as critical for the efficiency of the company and to boost its transformation. They come together under the name of "Ipsen Competency Model" and apply according to the job. An interview guide has been designed to enable managers to use the model in their daily management practice. Collective training programs for managers are now based on this model to guarantee consistent management practices and support the Group's transformation and the execution of its strategy. As an example, in 2012, the first module of a management development programme for Senior managers was launched; it focuses on interactive skills in leadership. This will be followed by further development seminars during 2013, to assist this senior population in driving Ipsen's transformational change. Furthermore, since 2011, three individual programs have been set up to support top executives taking up a new role: mentoring, coaching and on-boarding.

Training and development investment

The investment of the Group in training and development in 2012 was in support of both the strategic needs of the company and of individual performance; employee's needs are identified through the IPAP (short-term needs) and the IDP (long-term needs).

In 2012, the Group devoted €4.8 million to continuous professional training (including €0.9 million for training relating to Group and divisional projects such as Senior management development, IDP, Operational Excellence, EHS professional development assessments), representing 2.13% of its total payroll costs. This equates to a training investment of €1,012 and 37 hours per employee.

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

(in thousands of euros)	2012	2011
Team and people management	662	291
Employee development	948	671
Business and technical expertise	1,262	1,113
Language training	608	470
Environment, health and safety (1)	219	141
Quality procedures	112	60
Information Technology	134	61
Sub-total	**3,945**	**2,806**
Group and divisional training projects – e.g. Senior management development, IDP, Operational Excellence, EHS professional development assessments	854	896
TOTAL	**4,799**	**3,702**

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

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

Number of hours of training	2012	2011
Training excluding Group and divisional projects	168,659	122,596
Group and divisional training projects – Senior management development, IDP, Operational Excellence, EHS professional development assessments	8,788	19,571
TOTAL	**177,447**	**142,167**

Equal opportunities and diversity within the Group

The Group endeavors to ensure that all employees adhere to its non-discrimination policy. 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, color, 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.

Gender equality at Ipsen is founded, for instance, on work-life balance – flexible working hours, part-time working and private crèche arrangements – with no adverse effect on career prospects.

In 2012, in France, management and employee representatives renewed their initial agreement which asserts the right for equal opportunities, treatment and remuneration between men and women at all stages, from hiring and throughout their careers. Indicators and reports allow to regularly follow up on the situation.

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

(as a percentage)		31 December 2012		31 December 2011	
		Male	Female	Male (*)	Female (*)
Non Field sales force	Exempt staff	14.3%	15.7%	14.4%	14.7%
	Non-exempt staff	13.9%	23.9%	14.0%	25.0%
Field sales force	Exempt staff	10.9%	15.1%	10.8%	14.8%
	Non-exempt staff	2.3%	3.9%	2.5%	3.9%
Total		**41.4%**	**58.6%**	**41.7%**	**58.3%**

(*) 2011 data changed further to new workforce definition.

Integration of disabled workers

Ipsen is committed to help disabled workers find their place within the company. Disabled workers accounted for 2.1% of the total number of Group employees at 31 December 2012.

In France, an initial agreement was signed in 2008 and renewed for 2011-2013 setting out four priorities:

- recruit 18 new employees with a fixed-term or permanent contract and welcome students on internships. In 2012, 2 employees with an open-ended contract, 2 employees with a fixed-tem contract and six interns were recruited;
- maintain disabled workers in their position by anticipating critical situations. In 2012, 8 employees voluntarily applied to be recognized as disabled workers;
- set up a formal purchasing policy outsourcing contracts with centers employing disabled workers. The objective of sub-contracting an amount worth 200,000 euros was overachieved in 2012;
- communicate, raise awareness and train: in 2012 sports activities and conferences were organised on all sites, with athletes from the French paralympic team.

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.

Group's compensation and benefits policy

Compensation and benefits

Ipsen's compensation and benefits policy is based on three 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.

Since 2006, annual pay increases are implemented using identical frameworks, tools and schedules for the entire Group. Trends in compensation and benefits paid by Group companies depend on local circumstances. Based on their level of responsibility, employees 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 reinforced over the coming years.

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

(in thousands of euros)	31 December 2012	31 December 2011
Gross salaries and wages	293,359	272,668
Employer social security contributions	105,978	95,666
Total	**399,338**	**368,144**
Consolidated sales	1,219,548	1,159,819
As a % of consolidated sales	**32.7%**	**31.7%**

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 thousands of euros)	31 December 2012	31 December 2011
Employee profit sharing plan	12,445	12,444

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 the benchmark method provided by French law. For the year ended 31 December 2012, the amount set aside to the profit-sharing reserve was 6,919,609 euros, representing a rate of 6.94%. The rate was 9% in 2011.

In June 2011, in France, an agreement was signed for a new profit-sharing plan; it planned that a performance-related bonus could be distributed in May 2012. The total amount distributed was 3,470,557 euros, which represented 3.5% of the salary mass.

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.

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 nine sites. They include 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 (Perimeter 1). For the most representative indicators of EHS, the perimeter has been extended to integrate the data from commercial offices (Perimeter 2) which list is detailed in the methodological note.

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 around environment, health and safety in Europe related to the management of chemical hazards, to psychological risks as well as to the environment through the energetic impact and the waste management.

Regarding environmental legislation, sites are covered by EU Directive No. 2008/1/CE of 15 January 2008 and n° 2010/75/UE of 24 November 2010 related to integrated pollution prevention and control and industrial emissions. These directives introduced a formidable array of specific operating procedures (declaration or filing for authorisation to operate) and cover all environmental issues potentially facing an industrial site (waste management, environmental discharges, use, handling and storage of toxic and/or hazardous substances, etc.). These directives have been and will be enacted progressively in national legislation until 2014 in every EU member state and their 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 control the impact on Group activities. In addition, the Group continues to watch over successive amendments to the regulations, in particular concerning the evolution of the substance classification 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. Since 2010, the Group ensures that the required notifications of chemical products from the Group are realised.

The regulatory upgrades concerning chemicals management also appeared in the United States as the OSHA standard 1910.1200 "Hazard Communication Standard" of 26 March 2012 and in China with the decree n° 7 Chinese Ministry of Environment protection. These texts are intended to harmonize devices and chemicals management based on similar principles to those of REACH and GHS.

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

This year, the Group has updated its Environment, Health and Safety (EHS) policy. Thus, the new policy signed by the Chairman and Chief Executive Officer establishes that:

"Environment, Health and Safety (EHS) is integral to our business. Through this policy, we demonstrate EHS compliance, respect for individuals and the Environment.

By empowering our people through Ipsen's "4 action principles", we commit to:

- Design and manage our activities and our products through the entire life cycle to limit the EHS impact on people and on the environment in an ethical and compliant manner.
- Strive to be accident and incident free.
- Drive continuous improvement of EHS performance and culture.

Ipsen is acting in a fast changing world. In this context, we are all accountable for our own safety, sustainability and for the impact of our activity on the environment.

The Group expects that each individual complies with this policy and I personally pledge my support."

This new policy focuses really on the commitment and accountability of employees and Senior Management in regards to EHS. It places the individual at the core of its actions.

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 2012 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 EHS (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 expanded this programme to critical sub-contractors in 2012. Since 2011, these audits are carried out 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, five manufacturing sites are certified: Dreux, Signes, Isle-sur-la-Sorgue, Cork and Tianjin. Two of them, Dreux and Signes, have been certified in 2011, testifying their commitment to environmental issues whereas Isle-sur-la-Sorgue, Cork and Tianjin 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, two sites are certified: the site of Dreux in 2011 and the site of Cork in 2010 demonstrating a developed culture for the management of the occupational health and safety.

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

Accident statistics for Perimeter 1 are as follows:

	2012	2011	2010
Frequency rate (1)	6.29	3.85	5.31
Severity Rate (2)	0.04	0.07	0.13

(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).

Besides, this year and for these specific indicators, the perimeter was extended with data from offices (Perimeter 2). Hence, the frequency rate is 4.15 and the severity rate is 0.07 in global.

On the Perimeter 1, the frequency rate has increased by 63.5% whereas the severity rate has decreased by 40.8% between 2011 and 2012 for a non-negligible evolution of the number of hours worked of 5.6%. Hence, the number of accidents has increased from 11 accidents in 2011 to 19 in 2012 on production and R&D sites. However, the number of days lost due to injury has decreased from 208 days lost in 2011 to 130 in 2012 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, hence even if the number of accident has increased, the days lost has significantly decreased since 2 years.

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 2012 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.

On the Perimeter 2, there is a census of 2 occupational diseases linked with repetitive strain injuries on two of the manufacturing sites.

Road Safety

A policy on road safety was implemented by the Group in 2011, in order to improve driving safety, to make drivers responsible for safe driving to reduce the risk of accidents.

In 2012, the three-yearly action plan aiming at reducing frequency and severity of accidents is being deployed on the French perimeter. A communication is regularly done to employee representative.

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 2012, 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.

The follow-up of the industrial hygiene strategy of the Group result in the provision of updated safety data sheets for proprietary products in accordance with the requirements of the CLP regulation, incorporating any new information that has an impact on the classification. In addition, the Group has continued its 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 2012, the strategy of industrial hygiene has been reinforced by the definition of safety data sheets for Research products for which the hazard characterisation is not exhaustive and the realisation of specific sampling campaigns on 3 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 multi-year investment programme in regards to the implementation of the industrial hygiene programme will be continued at affected sites in 2013.

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 stated 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, a prevention approach on strain at work was initiated in 2011 and lead to the realisation of a preliminary diagnosis of strenuous labour conditions. Even though the diagnosis showed a limited exposure of the personnel in each entity to the ten factors of strain defined by the Decree of 30 March 2011, the Group will stay vigilant and 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 "limit the EHS impact on people and on the environment" and hence to prevent any 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 2012, a total of 22 environmental incidents were reported to local authorities, that is to say 2 less than in 2011 notably at Cork, Dublin, Isle-sur-la-Sorgue, Milford, Signes 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 2012, this site has performed remediation work to drain enclosures, bunding structures and retention facilities in order to prevent leaks. The site also commissioned a new specific meter to monitor site surface water prior to discharge to off-site.

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. In 2012, 2 new audits took place at Signes and at Dreux before the purchase of a neighbouring piece of land. This kind of audit will be extended on the 2 other French sites of the Group in 2012. In addition, as part of the transfer of the Milford site in 2013, a preliminary audit was conducted in 2012 and did not reveal any non-compliance. A due-diligence audit (Phase 2) is scheduled for 2013. Besides, the further investigations realized early 2012 in Barcelona after the closure of the site in 2011 have shown a soil and subsoil pollution. Hence, in accordance with its obligations, and the local authorities, a remediation plan is currently under validation.

In terms of land use, the Group has no particular direct influence, however through joint ventures, the Group is involved in agricultural activities (plantations of *Gingko Biloba*).

Noise pollution

No particular noise issues were reported on manufacturing facilities that caused nuisance to neighbours (nuisance was restricted to uninhabited environments) except at Isle-sur-la Sorgue where some areas were identified non-compliant from the fact that the surrounding is very quiet.

Fight against climate change, reduction of CO_2 emissions

The Group believes that climate change and the depletion of fossil fuels will affect the entire world economy: rising costs, changing regulations and taxation. Since 2009, the Group is an active member of the LEEM to boost the process of quantification of greenhouse gas emissions (GHG) emissions by a common and coherent sectorial approach through the CarbonEM tool.

To measure the impact of its activities and implement priority actions to reduce them the Group is committed to follow its emissions on a representative area of its activity:

- Direct and indirect emissions of energy required for its activity (scope 1 and 2, without fuel for vehicles);
- Other indirect emissions (Scope 3: movement of people, materials – solvents, chemicals... – inputs and services, freight, depreciation of equipment and waste treatment).

In late 2011, the research centre of Les Ulis and other production sites (sites of l'Isle-sur-la-Sorgue, Cork, Dublin, Signes and Wrexham) had completed their assessment of GHG emissions on a wide perimeter: Scope 1, 2 and 3. In 2012, it was the turn of Dreux (production and development) and Tianjin to achieve their results on an extended perimeter: Scope 3. At the end of 2012, each entity has achieved at least a first carbon footprint, allowing both awareness of stakeholders with expertise and the realisation of a first referential. The Group also wanted to expand its scope of EHS action on three major tertiary sites (Boulogne-Billancourt, France, and UK-Slough Basking Ridge-US), essential for activity.

The estimate of CO_2 emissions to the atmosphere of productive activities and R&D centres, conducted on the basis of energy consumption shows an increase of 6.9% compared to 2011 and accounted for 31,384 tonnes of CO_2 equivalent.

The realisation of all GHG emissions assessment from production units and R&D provides a first estimate of the composition of scope 3. Materials, intermediate products (including packaging) and services account for over 50% of emissions. Movement of people, cargo and capital are the three main significant categories completing Scope 3.

For several years, many actions have been taken to reduce the Group's carbon footprint, especially on the energy consumption. On transversal actions, management has focused on an updated travel policy in 2012 with a strong incentive to reduce travel. And means such as audio / video conferencing webex have been widely available to employees as an alternative to travel or traveling. In addition, the Group is the gradually replacing its fleet by vehicles with lower CO_2 emissions. The sites of Les Ulis, Cork and Signes continued their actions of carpooling and shuttle organisation enabling employees to reduce the use of personal vehicles. Dreux also has a carpool for travel from headquarters in Boulogne-Billancourt to Ulis.

Under regulatory obligations following the publication of the article 75 of the Grenelle II the entities of Beaufour Ipsen Pharma and Ipsen Pharma prepared and published their GHG balance in the format requested by the administration. These two entities have demonstrated their involvement in the fight against global warming emissions by declaring a scope wider than the strict requested mandatory scope. These reports are available on the Group's website.

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 of VOC to the atmosphere for 2012 were quantified to a little more than 10 tonnes or 1 ton less than in 2011, mainly due to the sites of Signes and Cork.

Emissions from the research and development centres, taking into account their activities, do not contribute much to these emissions.

Energy consumption

The Group's energy consumption on Perimeter 1 totalled 132,806,588 kWh in 2012 compared to 128,241,937 kWh in 2011, which corresponds to an increase of 3.6%. On Perimeter 2, the global consumption in energy is 140,160,770 kWh in 2012. The commercial offices represent around 5.2% of the global consumption.

This increase in energy consumption over last year can be put in perspective with overall Group sales growth of 3.3%. 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 19% of the Group energy consumption, has decreased its energy consumption by 3.7% between 2011 and 2012. This decrease is the result of environmental factors combined with the implementation of "lean" initiatives on energy efficiency among which the improvement of the system for treating the wastes.

The production sites of Dreux representing 20% of the Group energy consumption, has seen its consumption increasing by 6.2%. This increase is mainly due to the activities of a new facility on site.

To be noted is the increased energy needs in 2012 for the Les Ulis centre (+20%) and the site of Signes (+6.8%). At Les Ulis, this increase is mainly due to the climate which was less favourable in 2012 than in 2011 and at Signes, the increase is due to the raise of the activity linked with the starting up of new ventilation systems.

The consumption by energy source on Perimeter 1 is as follows:

Group energy consumption (percentage of total)	2012	2011	2010
Electricity	45.7% of which 4.7% is renewable	47.4% of which 5% is renewable	48.3% of which 2.5% is renewable
Gas	53.2%	51.6%	51.4%
Fuel oil	1.1%	1%	0.3%

The split between energy which had a tendency to be about equal percentages of electricity and gas since 2007, is changing gradually. In fact, the share of gas consumption increases every year as the result of the use of the new dryer in Isle-sur-la-Sorgue which allows bigger quantities to be treated.

The share of the renewable energy has significantly increased in 2011 and has become stabilised in 2012. In 2012, the fuel oil consumption remains small compared to the others with a share of 1.1% 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 9 833 tonnes of waste in 2012 compared to 9,292 tonnes in 2011, corresponding to an increase of 5.8%. This increase is essentially linked with the site of Dublin and Signes which respectively represent 14.7% and 5.6% in terms of the Group wastes volumes and which have increased their production of waste by 58.2% and 91.4% compared to 2011. In Dublin, this increase is correlated with the increased production volumes of 41% (hazardous wastes) whereas in Signes, the raise of waste volumes is due to numerous internal reorganisations with the renewing of furniture and a building site (incinerated or landfilled wastes). Following redevelopment work, the waste volumes of Les Ulis R&D site have increased by 129% although this represents only 0.8% of global waste volumes.

On the contrary, the site of Cork, representing 38.4% of the total waste production of the manufacturing sites and R&D centres, has reduced its waste production by 8% compared to 2011. Likewise the Isle-sur-la-Sorgue waste volumes representing 27% of global waste volumes have decreased by 3.6% thanks to projects for improvement.

The Group waste profile in terms of hazardous / non-hazardous category and in terms of treatment mix percentage remains rather stable since 2010.

Waste separated into categories of hazardous and non-hazardous waste for the manufacturing sites and R&D is as follows:

Total waste by category	2012	2011	2010
Total hazardous waste	24.4% of which 0.6% is biological waste	21% of which 0.5% is biological waste	24.9% of which 0.6% is biological waste
Total non-hazardous waste	75.6%	79%	75.1%

Group waste treatment mix was as follows:

Types of treatment	2012	2011	2010
Recycling	70.7%	73.7%	72.4%
Incineration	26.9% of which 14% is with heat recovery	24.3% of which 12% is with heat recovery	25.8% of which 22.7% is with heat recovery
Landfills	2.1	1.9 %	1.8 %
Other	0.3%	0.1%	0%

The proportion of recycled waste remains a majority with a percentage of 70.7% 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 80.4% and 98.1%.

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 532,470 m^3 in 2012 compared to 496,804 m^3 in 2011, hence an increase of 7.2%. The supply of water for 2012 is 67.2% of well water origin.

The Isle-sur-la-Sorgue site alone consumes 66.8% of total 2012 water consumption of which 99.7% is well water. The 6.9% raise in water consumption for this site between 2011 and 2012 comes mainly from issues linked with the recycled water circuit and from new product requirements.

The site of Cork, representing 7% of the manufacturing sites and R&D centres' water consumption, has seen a decrease by 7.6% between 2011 and 2012. This decrease is following the water leak survey action items and the water usage awareness.

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 410,702 m^3 in 2012 compared to 376,156 m^3 in 2011, hence 9% 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, manufacturing processes require the use of 15,574 tons of solvents in 2012 of which 96% is coming from the regeneration of this solvent;
- At the Signes site, 83.2% of solvents used are recycled.

In parallel, the Group has reduced its solvent usage by 2.2%, from 16,292 tons in 2012 to 16,656 tons in 2011.

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 2012, the Group can highlight the communication campaign on environment undertaken by the sites of Milford, Signes, Tianjin and Wrexham. In Milford, discussions took place with the Commission on Conservation of wetlands in relation to the expansion of the site. In Signes, the site worked with the GEPS (Groupement des Entreprises du Plateau de Signes) on the draft "APIVIGILANCE". It is a system of environmental bio monitoring using bees as markers of environmental quality: the bees will carry out an assessment of the ecotoxicological on the immediate environment, thanks to several parameters such as the observation of their activity, behaviour and analysis of samples. In addition, the Tianjin site was visited by the Minister of the Environment to present its project for reducing resources consumption.

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 deciduous trees were planted to promote natural habitats for bird life.

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.

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. In 2012, a complementary diagnostic for packaging optimisation of raw materials has been achieved.

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 and Signes.

Training

As the cornerstones of the prevention programme, awareness campaigns and training on environment, health and safety were continued in 2012. The EHS training budget of €218,811 shows the level of this effort and is described in paragraph 1.3.1.2 "Investment in training" and specifically on the Group 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 their workstation. Employees, therefore, develop a professional and responsible attitude in going about their daily work.

In total in 2012, 9,203 hours of training were provided in the EHS group. The general EHS training on induction 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 all the nine of R&D and manufacturing sites.

Some more specific training related to the proper activities of the Group and to the workplace such as training courses on prevention of chemical risks in laboratories or on the use and management of safety data sheets or finally on the transport of hazardous materials were deployed on at least 8 sites out of nine.

In term of environmental protection, the training have been focused on the management of the waste and their minimisation, performed on the sites of Cork, Dreux, Dublin, Milford, Signes and Wrexham and on the resource conservation realised in Cork, Dreux, Dublin, Signes and Tianjin.

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 on 8 sites: Cork, Dreux, Dublin, Isle-sur-la-Sorgue, Milford, Signes, Tianjin and Wrexham.

Finally, the thematic of well-being at work was raised especially on psychological risks at Dreux, Les Ulis, 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.

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 2012, with the implementation of master plans on the sites of 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 €7 million.

Of the investments, in particular we can highlight:

- the projects for improving the segregation between manufacturing / laboratory areas and offices areas in Dublin, Signes, Les Ulis and Dreux;
- The project for improving equipments in order to reduce the risk of falling at height and to secure the cleaning operations in Isle-sur-la-Sorgue;
- The purchase of materials to prevent muscular strain injuries and to make the site accessible to people with disabilities in Signes;
- And the improvement of fire detection system in Wrexham and in Les Ulis.

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. However, the Group does not have environmental provisions.

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.

1.3.3 Social & societal informations social relationship

1.3.3.1 Social relations

1.3.3.1.1 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 brings together Central trade unions representatives of the Economic and Social entity.

The frequency of meetings between management and employee representatives 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.

Lastly, a Special Negotiation Body has been set up; it brings together three representatives of Ipsen's management and employee representatives from France, Spain, Italy, Ireland, UK and Germany. Its objective is to negotiate an agreement to create a European Works Council.

1.3.3.1.2 Collective agreements

See paragraph 1.3.2.3.2 "Assuring the health and safety of employees" and 1.3.1.2 "The Group's Human Resources policy" (paragraphs: Equal opportunities and diversity within the Group, Integration of disabled workers and Employee profit sharing plan)

1.3.3.1.3 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 2012, the Company benefits and cultural activities budget for Ipsen's Work Councils in France amounted to €1,182,922, which represents an average of €615 per employee.

1.3.3.2 Societal information

1.3.3.2.1 Social, economical and territory impact

Ipsen's ambition is to become a leader in specialty healthcare solutions for targeted debilitating diseases by:

- Rapidly translating understanding of disease biology into therapies for unmet patient needs.
- Creating differentiated solutions capitalizing on our own expertise in peptides and toxins.
- Swiftly growing and evolving in our targeted areas (neurology, endocrinology and uro-oncology) to allow global access to therapeutic solutions.
- Foster a culture of excellence, responsibility, agility and teamwork.

Ipsen's large and diversified geographic footprint is a paramount strength. Thanks to its presence in more than 100 countries, and besides its European footprint, Ipsen benefits from a solid presence in North America and fast growing markets such as China and Russia.

Ipsen pursues an active policy of partnerships, either for research or commercial purposes, in countries where the Group operates. Partnerships have the following objectives:

- Access to new technologies or competencies for research & development programs.
- Investigate new or complementary research areas.
- Enhance Ipsen's distribution network through the acquisition of commercial rights of products from third parties, in countries where Ipsen operates.
- Optimise the value of products issued from Ipsen's research that do not fit its targeted therapeutic areas, by out-licensing them to partners that will develop and market them in specific territories.

Several strategic partnerships are ongoing for:

- Early stage development & technology: Rhythm, Dicerna Pharmaceuticals, Pharnext, Syntaxin, bioMérieux, Oncodesign, CEA, Inserm, Johns Hopkins, Salk Institute, Institut Gustave Roussy, Emory University…
- Late stage development & marketing: Galderma, Medicis, Inspiration, Active Biotech, Debiopharm, Photocure…

1.3.3.2.2 Impact of its activity on nearby or local populations

Ipsen is convinced of the paramount importance of environment, health and safety. The development of approaches to eco-design and wastage reduction are integrated from the very start when designing a new manufacturing project in Dreux (France) industrial site. Thus for any new drug, 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 are taken into account. It enabled the reduction of aluminium grammage and need for blisters.

Two initiatives launched in 2012 can be highlighted:

- The "Apivigilance" project in Signes (France) (see paragraph 1.3.2.3.3 "Stakeholders Relations").
- In 2012, Ipsen entered into a 2-year partnership with World Land Trust (WLT) which protects the world's most biologically important and threatened habitats acre by acre. WLT has seen Ipsen's Environmental and Testing policies and has approved both on the grounds of best practice.

Ipsen has pledged support to the WLT and is working with them to plant trees on behalf of patients by working with their overseas' project partners in Ecuador and Brazil. WLT is also assisting with educational publications produced by Ipsen for use by doctors and their patients.

So far 1600 trees have been planted in Fundacion Jocotoco's Jorupe Reserve on behalf of Ipsen and their patients.

Funds donated by Ipsen are used by WLT to plant trees on the Jorupe Reserve in Ecuador, working with our project partner, Fundacion Jocotoco in Ecuador as part of WLT's Plant a Tree programme. The trees are planted on land that had been cleared prior to purchase. By planting trees between forested areas it is possible to significantly extend the habitat for wildlife to move safely.

1.3.3.2.3 Relationships with stakeholders

Dialogue with stakeholders

A company's ability to respond to stakeholders' expectations is a measure of its credibility and sustainability. Ipsen, as a global specialty-driven pharmaceutical group, operating in more than 100 countries, acts to provide concrete responses to the needs and expectations of a wide variety of stakeholders, particularly those in the healthcare field.

Ipsen has a transparent and regular dialogue with its main stakeholders (staff, investors and financial community, healthcare professionals and patients, suppliers / partners, regulatory authorities and agencies, local communities, media…) to provide reliable and factual information, pursue a constructive dialogue, develop partnerships, support patient associations, in order to find innovative solutions for patients.

Trade associations

Ipsen is a member of federations or interprofessional trade groups in which it can have a proactive role in favor of its sector and to take part to sector-wide analyses, notably:

- Bodies acting for regions as EFPIA (European Federation of Pharmaceutical Industry association), or EBE (European Biotechnology Entreprises).
- Bodies with a national footprint as FarmaIndustria in Spain, Les Entreprises du Médicament (Leem) in France, APIPHARMA in Portugal, Association of the British Pharmaceutical Industry (ABPI) in United Kingdom, Research and Development Pharmaceutical Association of China (RDPAC).

The Group has also interactions and relationships with scientific groups or clusters in order to set up public / private partnerships (universities, research centers) such as ARIIS in France or industry/trade groups (*e.g.* Polepharma in France).

- In 2012, US operations become member of PhRMa.

In France, the Group is member of "G5 santé", a think tank that gathers CEOs of the main French healthcare companies acting in life sciences (bioMérieux, Guerbet, LFB, Pierre Fabre, Stallergenes, Thea, Sanofi) which maintain decision centers in France.

Investors, Financial community and Media

The Group maintains a regular and transparent dialogue with its investors and the financial community with the publication its financial statements and during meetings specifically organised for them. Meetings with media are also organised in the same context.

In 2012, Ipsen was included in the 2012 FTSE4Good index

"FTSE Group confirms that Ipsen has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index company FTSE Group, FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards. Companies in the FTSE4Good Index Series have met stringent environmental, social and governance criteria, and are positioned to capitalise on the benefits of responsible business practice."

Supervisory authorities

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 supranational regulatory authority. These authorities namely include the European Medicines Agency (EMA), the French Agency for the Safety of Medicines and Health Products (ANSM), 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.

Patients / civil society

Communication to patients and civil society must comply with the standards laid down by the local regulatory authorities where the Group operates. Its aim is to deliver information through prevention campaigns, educational or public health programs about certain pathologies, the proper use of products or clinical trials.

Projects carried out by patient associations supported by Ipsen in Europe are made public on Ipsen's internet website (section Commitment).

In France, Ipsen has been donating drugs for many years to Tulipe, an organisation that federates donations made by health companies to provide an emergency response to the needs of populations in distress.

Healthcare professionals and scientists

Relationships with healthcare professionals must comply with the standards laid down by the local regulatory authorities where the Group operates. They can take the form of dedicated internet sites, scientific publications, communication materials regarding the safety and efficacy of drugs, or clinical trials. Collaborations are effective also during clinical trials or training programmes.

Established in 1983 under the aegis of the *Fondation de France*, the mission of the *Fondation Ipsen* is to contribute to the development and dissemination of scientific knowledge. The long-standing action of the *Fondation Ipsen* aims at fostering the interaction between researchers and clinical practitioners, which is indispensable due to the extreme specialisation of these professions. The ambition of the *Fondation Ipsen* is to initiate a reflection about the major scientific issues of the forthcoming years (see paragraph 1.1.1.5).

Support, sponsorship or partnering activities

Ipsen is active to provide supports to its stakeholders in need, according to local regulations, such as:

- Research and scientific grants to support projects, programs, events from organisations or groups of healthcare professionals or patients.
- Awards and prizes distributed to researchers or students.
- Educational grants provided to healthcare professionals (HCP) associations.
- Charitable and cultural activities; in France for instance, the Group has become Founding member of the Fondation Alzheimer and supports the Louvre Museum.

Some actions are to be highlighted:

- Ipsen 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. Several 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. After the opening in 2008 of a first center, several others opened in Mexico, Puebla and Cuarnavaca. In 2012, more than 80 children were taken care of by the "Candy Foundation". Since the Foundation is state-approved, sponsorships or donations from public institutions or private companies are made easier.
- Ipsen has long been committed to cultural sponsorship, that is aligned with the Group's humane approach and illustrates its ambition for knowledge sharing and dissemination. Loyal benefactor of the Louvre museum, Ipsen shares with this prestigious institution, universally renowned, its political openness and its value for innovation, creativity and knowledge dissemination. In 2007, Ipsen participated in the acquisition of an Egyptian medical papyrus from the New Empire (1550-1050 BC) which was declared "national treasure" and sponsored the exhibition "Meroe, Empire on the Nile" in 2010. In 2012, Ipsen sponsored the exhibition "Belles Heures of Jean de France, Duc de Berry", which features individual leaves, considered as masterpieces of book illumination. The book of hours (Belles heures) for private devotional prayer was the most popular devotional book in the late Middle Ages.

1.3.3.2.4 Sustainable Purchasing

We subcontract a significant part of our Research and Development to CROs (Contract Research Organisations), including toxicology studies, phase I to IV clinical study monitoring and management as well as part of the development and drug manufacturing to CDMOs (Contract Development and Manufacturing Organisations).

More generally, purchasing value representing a high percentage of Ipsen sales, we believe that involving suppliers in Corporate Social Responsibility progress is essential to deliver a sustainable business.

This is well translated into the nine governing principles introducing the global purchasing policy, which are:

1. quality, efficiency and effectiveness;
2. probity and equity;
3. transparency;
4. effective competition, including fair dealing;
5. objective practices related to pricing and contracting;
6. respect and protection of intellectual property and information;
7. strong focus on building mutually beneficial relationships;
8. environmental and sustainability considerations;
9. and other risk management considerations;

Moreover, a specific paragraph of this policy focuses on ethical standards, for which purchasing team members ought to be a model.

How does the purchasing community translate these principles into action?

Firstly, Corporate Social Responsibility criteria are considered as part of the supplier selection and evaluation process.

CSR criteria were used in several major selection processes conducted in 2012, going from the provision of media and buffer for our cell culture in Milford, to randomization services for clinical trials or manufacturing of our drug products.

The CSR section of our Request for Information and Request for Proposal templates, which now covers social, environmental and societal questions, has been reviewed by with the input of Ipsen Ethics and Compliance, Legal, EHS and HR departments. This gave an opportunity to communicate to the worldwide purchasing community and remind them about the importance of CSR.

EHS or more widely CSR are part of our specifications in more and more categories.

- Namely, for equipment purchases and capital expenses, EHS reviews the specifications in Les Ulis, Dublin and Wrexham.
- For the contract manufacturing, a certain standard is required for subcontractors manipulating our drugs, for whom we not only collect detailed EHS information before selection, but we may also perform EHS site audit to assess the Health and Safety protection level of their staff before selection and once they have become our supplier.
- In Dreux, our biggest volume manufacturing site, we have added CSR section in our evaluation tool applied to the most strategic material suppliers.
- We have included a clause covering sustainability and labor in most of our Facility management contracts for Dreux, Signes and Les Ulis (maintenance, security …).

Purchasing is a major actor in the "Phare" program managed by Human Resources, aiming at promoting Insertion and Consideration of Disability in employment. In continuity of the audit performed in 2011 to assess the level of outsourcing with protected and adapted companies in France, the following services are now provided by EA & ESAT (institutions that employ persons with disabilities):

- Gardening in our three French manufacturing sites Dreux & Isle sur Sorgues (ISS) and Signes, as well as miscellaneous works like painting and move.
- Part of our catering services in Boulogne, purchase of pallets for ISS, design of Ipsen greeting cards, mailing to all Ipsen French employees.
- Moreover, EA & ESAT have been included in the selection process for business cards, laundry and car cleaning in ISS.

Beyond fair practices, Ipsen is helping a mid-size supplier facing financial difficulties by taking over the purchase of its raw material and shortening payment terms.

Purchasing is also contributing to decreasing the overall impact of Ipsen business on its environment. In 2012, our travel managers have communicated on our travel policy, with one objective being to decrease the carbon footprint by encouraging to use the train instead of the plane, and more importantly webex and visio meetings instead of travelling.

For the car fleet project for our US employees, we have considered the opportunity to include hybrid vehicles in our RFI.

Our Tianjin purchasing team has worked with user departments to decrease the thickness of fabric reticule used in promotional handbags from 110g to 100g and is using recycled carton to dispatch the promotional items.

In the same spirit, actions are conducted to minify the impact of the product on the environment like decreasing from 9µm to 7µ the thickness of sachet used in Smecta both in Dreux and in Tianjin, or recycling plastic pallets in Tianjin.

For the meeting agencies, a communication has been addressed to preferred event agencies to apply new guidelines to avoid form of corruption linked to hospitality invitations: for events including health care professional participants, accommodation and dinners values have been capped.

1.3.3.2.5 Loyalty of practices

Anti-bribery actions

Further to the publication of the UK Bribery Act, Ipsen has made a commitment to strengthen its Anti-Corruption program such as already defined in the Code of Ethics.

Since 2012, Ipsen has adhered to the Global Compact program of the United Nations and confirms the will of the group to fight against corruption in all its ways.

In this frame, Ipsen has highlighted a set of adequate measures, interesting for the employees but also for some of their partners, which will be deployed in 2013.

Measures taken in favor of the safety and health of customers

Ipsen's vision as a leading pharmaceutical company is to strive to deliver significant improvements in patient's health and quality of life by providing effective therapeutic solutions to fulfill unmet medical needs.

As a pharmaceutical Company, pharmacovigilance is a key function within Ipsen with both ethical and legal aspects. As part of the Research and Development Division, the Pharmacovigilance department reports to the Senior Vice President, Chief Medical Officer. The mission of the Central Department of Pharmacovigilance (CDP) within Ipsen is to ensure:

- the safety of patients receiving Ipsen products (being developed and marketed),
- compliance with international regulatory requirements, and
- within all Ipsen territories.

To achieve this mission, CDP collates, assesses and databases all adverse events reported to the Company from its worldwide markets and development programs. This database provides a tool for ensuring ongoing assessment of the benefit risk assessment of the use of Ipsen products and those molecules which are in development for use in new indications. This ongoing assessment is performed by examining data for potential safety signals requiring further evaluation using state of the art software and statistical analyses, and the preparation of regular aggregate reports (*e.g.*, Periodic Safety Update Reports) for submission to regulatory authorities

Ipsen's safety culture is one of integrated safety sciences. Safety data are collected and reviewed in an integrated manner from research studies, throughout the development process and continues in life cycle management once a product reaches the market place.

Thus CDP works closely with their colleagues within other functions to develop clinical trial programs, clinical study reports, Marketing Authorisation Applications, responses to questions from Regulatory Authorities, and maintenance of product labelling to assist the physicians and patients in the safe use of Ipsen products. Such collaborative working may also involve Ipsen partners when the product is the result of a licensing venture.

A collaborative teamwork

CDP recognises that team work is vital to achieve its missions. This team work operates at four levels:

- The CDP team works effectively together to achieve its mission.
- The larger pharmacovigilance community: CDP works together with the pharmacovigilance responsible staff in each local affiliate who are at the interfaces with local customers and local regulatory agencies to ensure patient safety, regulatory compliance and company success.
- The Ipsen community: All employees of Ipsen have a responsibility to report to CDP any safety data reported to them. Thus, patient safety and the work of pharmacovigilance is a subject of importance to the whole Ipsen community.
- Other functions within the Group and Ipsen's partners collaborate with other functional experts through a culture of integrated safety sciences so as to ensure that the interpretation of new data concerning Ipsen products are considered to guarantee the proper use of Ipsen products.

Human rights and international labor organisation (ILO)

Since 2012, Ipsen has adhered to the Global Compact program of the United Nations and confirms the will of the group to join the world pact and its 10 fundamental principles in the domain of human rights, standards of work and of the environment, as well as into the fight against corruption.

By adhering to this program and regarding specifically human rights, Ipsen makes a commitment in particular:

- to support and respect the protection of internationally proclaimed human rights; and
- to make sure that they are not complicit in human rights abuses.

Furthermore, Ipsen makes a commitment to implement the conditions of the fundamental principles of the ILO (International Labor Organisation) and to respect:

- the freedom of association and the effective recognition of the right to collective bargaining;
- the elimination of all forms of forced and compulsory labour;
- the effective abolition of child labor;
- the elimination of discrimination in respect of employment and occupation.

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 – HRIS of Ipsen – which covers all countries (31) except China. Data retrieved from HRConnect enable us to provide all indicators except the temporary workers no., the absenteeism rate and the disability rate.
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. – Absenteeism rate and Disability rate. This template is sent to every site with Human Resources Manager at the end of the year, this perimeter represents more than 90% of population. However, the absenteeism rate for the French sites is based on data retrieved from the French payroll system. All data are centralized and consolidated by the Human Resources Control Department.

Regarding "Joint – Ventures" data: Ipsen Human Resources Department does not have any report on 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: "Is considered as present any employee with a current work contract with Ipsen who has a status Active or Inactive on HR CONNECT". Active means Any employee paid the last day of month considered, Inactive means any employee unpaid the last day of month considered.

External resources: temps workers, trainees, etc. are excluded from headcounts.

Training

Training data is inclusive of the same perimeter of reporting as those described in the previous section covering Human resources (all entities except joint ventures).

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 and Division training initiative data is collected in a separate template from each of the Group or Division Initiative leaders. The collected data is consolidated into a common EXCEL file. Checks are performed on the central file to eliminate errors.

For the 2012 reported data it should be noted that estimates have been made to assess the cost of some external training

(when they are paid indirectly by the company or when payment requests had not been received at the time of submission). This represents 4% of the overall training costs reported in the document.

Environment, Health and Safety (EHS)

The perimeter 1 of the reporting 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 2 research and development (R&D) sites: 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. The perimeter 2 encompasses in addition tertiary sites of the Group with a Human Resource representative that is to say: Algeria, Australia, U.S. (Basking Ridge), France (Boulogne-Billancourt), Brazil, China, Korea, Spain, Italy, Mexico, Russia, UK (Slough) and Vietnam. The Perimeter 1 represents the Group's main environmental impacts related to the activities of production and research and development. The choice of extanding to Perimeter 2 has been made to include the energy consumption of international offices as well as accident data, which have a non-negligible impact at Group level. The perimeter 1 will be taken as a reference except where it is specifically mentioned the perimeter 2.

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. Besides, the 2011 data were recalculated without the figures from Barcelona for consistency of scope following the closure of the site. Some 2011 data were also worked out again thanks to a better reporting and the obtaining of more robust data in 2012. For the sake of readability on energy data, the consumption in kWh of electricity, gas and fuel have been added together. In addition, some precisions are to be taken into account for the following indicators:

- The water consumption for the Dublin facility is estimated for the year 2011;
- Quantities of solvents used in Dreux and VOC emissions reported are for the year N-1 as the data are steaming from the annual solvent management plan;
- The emission factors used to calculate CO^2 emissions are those of the Base Carbon ADEME.

Ipsen

Société anonyme – 65, Quai Georges Gorse, 92650 Boulogne-Billancourt

This is a free translation into English of one of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Attestation of completeness and limited assurance report of one of the Statutory Auditors on the social, environmental and other sustainable development information

Year ended December 31, 2012

For the attention of M. Susheel Surpal, Chief Financial Officer of the Ipsen Group,

Pursuant to your request and in our capacity as Statutory Auditors of Ipsen, we hereby present you with our report on the consolidated social, environmental and other sustainable development information present in the management report prepared for the year ended December 31, 2012 pursuant to Article L.225-102-1 of the French Commercial Code *(Code du commerce)*.

Responsibility of the company

The Board of Directors is responsible for preparing a management report including the consolidated social, environmental and corporate information provided for in Article R.225-105-1 of the French Commercial Code (hereinafter the "Information"), prepared in accordance with the reporting criteria used by the Ipsen Group (the "Reporting Criteria") and available from the EHS and the Human Resources Departments.

Independance and quality control

Our independence is defined by regulatory texts, the profession's Code of Ethics as well as by the provisions set forth in Article L.822-11 of the French Commercial Code. Furthermore, we have set up a quality control system that includes the documented policies and procedures that aim to ensure compliance with rules of ethics, professional standards and the applicable legal texts and regulations.

Responsibility of the Statutory Auditor

Based on our work, our responsibility is:

- to attest that the required Information is presented in the management report or, in the event of omission, is explained pursuant to the third paragraph of Article R.225-105 of the French Commercial Code and Decree no. 2012-557 of April 24, 2012 (Attestation of inclusion);
- to express limited assurance on the fact that the Information are presented, fairly, in all material aspects, in accordance with the Reporting Criteria (limited assurance report).

To assist us in conducting our work, we referred to the corporate responsibility experts of our Firms.

1. Attestation of completeness

We conducted the following procedures in accordance with professional standards applicable in France:

- We have compared the Information presented in the management report with the list set forth in Article R.225-105-1 of the French Commercial Code.
- We have verified that the Information covered the consolidated scope, *i.e.*, the Company and its subsidiaries within the meaning of Article L.233-1 of the French Commercial Code and the companies that it controls within the meaning of Article L.233-3 of the French Commercial Code, subject to the limits set forth in the methodological note presented in the section on social, environmental and other sustainable development information.
- In the event of omission of certain consolidated information, we have verified that explanations were provided in accordance with Decree no. 2012-557 of 24 April 2012.

Based on our work, we attest to the completeness of the required Information in the management report.

2. Limited assurance report

Nature and scope of procedures

We conducted our procedures in accordance with ISAE 3000 (International Standard on Assurance Engagements) and professional guidelines applicable in France.

We have carried out the following work to obtain limited assurance on the fact that the Information does not contain any material anomalies that would call into question its fairness, in all material aspects, in accordance with the Reporting Criteria. A higher level of assurance would have required more extensive work.

We performed the following procedures:

- We assessed the appropriateness of the Reporting Criteria with respect to its relevance, completeness, neutrality, clarity and reliability, by taking into consideration, when relevant, the sector's best practices;
- We have verified the set-up within the Group of a process to collect, compile, process and check the selected information with regard to its completeness and consistency. We have familiarised ourselves with the internal control and risk management procedures relating to the compilation of the Information. We have conducted interviews with individuals responsible for social, environmental and other sustainable development reporting.
- We have selected the consolidated information to be tested [(1)] and determined the nature and scope of the tests by taking into consideration their significance with respect to the social and corporate consequences relating to the activity and the Group's characteristics as well as its corporate commitments.
  - Concerning the consolidated quantitative information that we consider to be the most significant:
    - For the consolidating entity and controlled entities, we have set up analytical procedures and verified, using sampling techniques, the calculations as well as the consolidation of this information;
    - At the sites that we have selected [(2)] based on their activity, their contribution to consolidated indicators, their location and a risk analysis, we have:
      . conducted interviews to verify the proper application of procedures and obtained information to perform our verifications;
      . conducted substantive tests, using sampling techniques, to verify the calculations performed and reconcile data with supporting evidence.

      The contribution to Group data of the entities selected for our procedures represents 33% of the headcount and between 26% and 100% of the tested environmental information.
  - Concerning the consolidated qualitative information that we consider to be the most significant, we have conducted interviews and reviewed the related source documents to corroborate this information and assess its fairness.
- Regarding the other published consolidated information, we have assessed its fairness and consistency in relation to our understanding of the Group and, where necessary, through interviews or by consulting documentary sources.
- Finally, we have assessed the relevance of the explanations relating to, where necessary, the absence of certain information.

(1) Total headcount, geographical split, split by professional category, by gender and by employment contract, recruitments, dismissals, resignations, retirements, absenteeism, training expenses, number of training hours, number of fatalities, frequency and severity rate, occupational diseases, energy consumption, CO_2 emissions generated by energy consumption, water consumption, volume of treated water, routine VOC emissions, waste production, fair practices, sub-contractors and suppliers, promotion and respect of ILO conventions, policies to promote the equality between men and women, the employment and inclusion of persons with disabilities and to promote the fight against discrimination.

(2) Ipsen Pharma Boulogne, Ipsen Pharma Biotech in Signes, Beaufour Ipsen Industrie in l'Isle-sur-la-Sorgue, Beaufour Ipsen Industrie in Dreux, Ipsen Manufacturing in Dublin, Ipsen Biopharm in Wrexham.

Conclusion

Based on our work, we did not identify any material anomaly likely to call into question the fact that the Information has been presented fairly, in all material aspects, in accordance with the Reporting Criteria.

Comments on the information

Without questioning the above conclusion of our report, we would like to draw your attention on the methodological note which specifies that estimates were made to calculate the cost of some external training sessions. These estimates represent 4% of the total training expenses disclosed in the management report.

Neuilly-sur-Seine, 26 February 2013

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, Japan and the english speaking countries in Africa) and (ii) the right to market Decapeptyl® worldwide (with the exclusion of North America and certain other countries, principally Israel, Japan and the english speaking countries in Africa), which marketing right is exclusive except in 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.

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.

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. In May 2012, the recruitment for the global, pivotal, randomized, double-blind, placebo-controlled clinical phase III study in patients with metastatic castrate-resistant prostate cancer having reached an inclusion of 600 patients, in accordance with the collaboration agreement, the Group made a €10 million milestone payment to Active Biotech. At the end of December 2012, the recruitment of over 1,200 randomized patients has triggered an additional €10 million milestone payment as per the agreement.

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 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.

On 24 February 2012, the Group, which held 19.31% of Spirogen's equity further to its 2003 acquisition, sold back all of its shares to Spirogen. The Group is no longer represented on the board of Spirogen and in consideration of such equity sale, Ipsen received an upfront cash payment and may receive deferred payments.

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 (now renamed Ipsen Biopharmaceuticals Inc., an affiliate of the Group) entered into two licence agreements on 15 April 2002 and 25 July 2003 for North America and outside of North America, 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 denied Tulane's allegation and vigorously contested Tulane's claim before the relevant jurisdictions in the United States. In May 2012, Tulane entered into a settlement agreement with the Group in order to close all claims, defenses 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. In June 2012, Teijin received marketing approval in Japan for Somatuline® 60/90/120 mg for s.c. injection for the treatment of acromegaly and pituitary gigantism and announced the marketing launch of such products in January 2013. In parallel, 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.

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 has also acquired 8.22% of equity shares in Rhythm on a fully-diluted basis and holds 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)

Since March 2006, the Group has entered into a development and distribution agreement with Medicis Pharmaceutical Corporation (now a fully owned subsidiary of Valeant Pharmaceuticals International, Inc. following an acquisition closed in December 2012), covering certain botulinum toxin formulations for aesthetic medicine in the United States and Canada. The expiry date of this agreement 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 and Canada. 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.

On 30 April 2009, the Group announced the FDA's approval of the marketing authorisation (Biologics Licence Application) under the 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)

Since February 2007, under the terms of a development and distribution 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 initially in the European Union, Russia 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 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, in Europe, Azzalure® is mainly commercialised in the United Kingdom, in France, in Germany, in Portugal, in Denmark, in Poland, 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.

In December 2012, the exclusive promotion and distribution rights of Dysport® granted to Galderma have been extended to Australia. The Group and Galderma have also entered into a co-promotion agreement in South Korea where Galderma and Ipsen will co-promote Dysport® and Restylane®, a product that is owned by Galderma.

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 0.9% ordinary shares of Syntaxin and 9.7% preferred shares on a fully-diluted basis.

Oncodesign (Dijon, France)

On 5 January 2012, the Group and Oncodesign, 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. Oncodesign'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. Oncodesign 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 Oncodesign's LRRK2 inhibitor program, notably upon successfully reaching clinical proof of concept, with worldwide development, manufacturing and commercialisation rights. Oncodesign 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.

On 18 December 2012, the Group, Oncodesign and the Laboratory for Neurobiology and Gene Therapy (LNGT) at the Department of Neurosciences at the KU Leuven entered into a research collaboration to evaluate the Nanocyclix® lead molecules in the framework of Oncodesign's LRRK2 program that was partnered with Ipsen in January 2012.

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.

The second agreement entered into by the Group in January 2009 relating to the co-promotion of the antihypertensive drug Exforge® in France to strengthen the commitment of its French teams to the management of cardiovascular risk factor was mutually terminated at the end of April 2012. In consideration of such termination, the Group received from Novartis an exit payment of €4 million.

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, Commonwealth 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. The European decentralised registration procedure involving sixteen countries is pending. The product will be marked under the Eziclen® trademark in most countries of the European Union and under the Izinova® trademark in some other countries, including France and the United Kingdom.

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 Agreements in hemophilia

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. Under the assets sale agreement, the Group owed 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 were to 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, a further $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 and an additional $35 million upon the submission and filing at the FDA of IB1001 product, all three milestones having been paid against additional new convertibles notes, bringing the Group's fully diluted share ownership position to about 43.5% in Inspiration Biopharmaceuticals. In addition, pursuant to the agreement, the Group were to make additional future milestone payments up to $29 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 49% 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, whereby the Group wold act as Inspiration Biopharmaceuticals' exclusive commercial agent to launch Inspiration Biopharmaceuticals' hemophilia products in Europe.

In August 2012, the Group and Inspiration renegotiated their 2010 strategic partnership agreement. Under the new agreement, Ipsen was granted commercial rights over OBI-1 and IB1001 products in key territories, outside North and South Americas. However, Inspiration remained responsible for the world-wide development of OBI-1 and IB1001. As part of the renegotiation, the Group paid Inspiration $30 million upfront as well as including this upfront payment, Ipsen has committed to pay to Inspiration milestones for a total amount of up to $200m, of which $27.5m are regulatory milestones and the remaining are commercial milestones.

Inspiration commenced a voluntary reorganisation case pursuant to Chapter 11's provisions of the United States Bankruptcy Code on 30 October 2012 with the United States Bankruptcy Court in Boston, Massachusetts. In connection with the Chapter 11 filing, the Group granted a debtor-in-possession (DIP) financing to Inspiration under certain conditions for up to $18.3m. On 5 November 2012, Inspiration was granted the Bankruptcy Court's approval on detailed bidding and auction procedures for the sale of its assets to a third party purchaser. Inspiration's assets are notably comprised of commercial rights to OBI-1 and IB1001. The Group, which holds in Inspiration, $200 million of convertible bonds is Inspiration's only senior secured creditor. Ipsen has agreed to include its hemophilia assets in the sale process under certain conditions. Ipsen's assets are comprised of commercial rights to OBI-1 and IB1001 following the August 2012 renegotiation of its partnership agreement, as well as its OBI-1 industrial facility in Milford (Boston, MA), owned by Biomeasure, Inc., the Group's affiliate in the United States where OBi-1 is manufactured.

Baxter International (United States)

On 24 January 2013, the Group and Inspiration announced that they entered into an asset purchase agreement whereby Baxter agreed to acquire the worldwide rights to OBI-1 and

Ipsen's industrial facility in Milford (Boston, MA). The sale is a result of joint marketing and sale process pursued by the Group and Inspiration shortly after Inspiration filed for protection under Chapter 11 of the U.S. Bankruptcy Code. The asset purchase agreement was filed on 23 January 2013 with the US Federal Bankruptcy Court in Boston (MA). The closing of the sale is subject to certain closing conditions, including Bankruptcy Court and anti-trust approvals by the U.S. Federal Trade Commission. The Group has agreed to extend the DIP financing to Inspiration for a period of 45 days *i.e.* for an additional amount of up to *circa* $5 million.

On 21 March 2013 – Ipsen and Inspiration announced the closing of the sale of the rights to OBI-1 (recombinant porcine FVIII) as well as Ipsen's manufacturing facility for OBI-1 in Milford, to Baxter. To date, Ipsen provided Inspiration with a $18.4 million Debtor-in-Possession (DIP) financing to fund Inspiration's operations and the sale process.

Cangene Corporation (Canada)

On 20 February 2013, the Group and Inspiration announced the closing of an asset purchase agreement whereby the Group and Inspiration jointly agreed to sell their respective world-wide rights to IB1001. The sale is a result of joint marketing and sale process pursued by the Group and Inspiration shortly after Inspiration filed for protection under Chapter 11 of the U.S. Bankruptcy Code and approved by the U.S. Federal Bankruptcy Court in Boston (MA). Under the terms of the agreement, Cangene has paid $5.9 million upfront, up to $50 million in potential additional commercial milestones as well net sales payments equivalent to tiered double digit percentage of IB1001 annual net sales.

1.5 RECENT DEVELOPMENTS AND OUTLOOK

1.5.1 Recent events

Significant events and transactions occurring between 31 December 2012 and the Board of Directors meeting on 26 February 2013:

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

Significant events and transactions occurring between 26 February 2013 and before the registration of this registration document to the *Autorité des Marchés Financiers*:

- On 27 February 2013 – Ipsen's Board of Directors appointed Christel Bories as Deputy Chief Executive Officer. Working alongside Marc de Garidel, Chairman and Chief Executive Officer, Christel Bories will be responsible for accelerating the execution of the Group's strategy.
- On 21 March 2013 – Ipsen and Inspiration announced the closing of the sale of the rights to OBI-1 (recombinant porcine FVIII) as well as Ipsen's manufacturing facility for OBI-1 in Milford, to Baxter. To date, Ipsen provided Inspiration with a $18.4 million Debtor-in-Possession (DIP) financing to fund Inspiration's operations and the sale process.

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 1.3 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 financial targets for 2013:

- Specialty Care drug sales growth year-on-year between 6.0% and 8.0%, driven by continued and solid volume growth, in a context of increased pricing pressure and uncertainty as of today on Increlex® supply.
- Primary Care drug sales decrease year-on-year between -8.0% and -6.0%, with French activity to remain under pressure.

Moreover, the Group has set a target of recurring adjusted (1) operating margin of around 16.0% of sales. The Group expects a continued decrease of French primary care margin in 2013. Synergies from the new organisation of French primary care commercial operations are expected to materialise in 2014.

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 2012 and 2011 are detailed in appendix 1 in chapter 1.2.6.1.

2 FINANCIAL INFORMATION CONCERNING THE COMPANY'S ASSETS AND LIABILITIES, FINANCIAL POSITION, AND PROFITS & LOSSES

2.1 2012 CONSOLIDATED FINANCIAL STATEMENTS

2.1.1 Consolidated income statement

(in thousands of euros)	Notes	31 December 2012	31 December 2011 (1)
Sales of goods	5.2.2	1,219,548	1,159,819
Other revenues	5.2.4	57,857	50,351
Revenue	**5.2.1**	**1,277,405**	**1,210,170**
Cost of goods sold		(254,771)	(249,240)
Research and development expenses		(248,553)	(234,610)
Selling expenses		(473,476)	(424,414)
General and administrative expenses		(99,091)	(99,651)
Other operating income	8	5,607	17,534
Other operating expenses	8	(25,819)	(17,635)
Amortisation of intangible assets (*)	7.3.1	(5,751)	(7,821)
Restructuring costs	9	(63,125)	(36,540)
Impairment losses	7.4	2,378	(85,216)
Operating income	**5.1**	**114,804**	**72,577**
Investment income		996	1,601
Financing costs		(2,319)	(1,758)
Net financing costs	**10.1**	**(1,323)**	**(156)**
Other financial income and expenses	10.2	6,779	(540)
Income taxes	11.1	(24,440)	1,882
Share of profit/loss from associated companies	16.4.2	–	–
Net profit from continuing operations		**95,820**	**73,763**
Net profit (loss) from discontinued operations	12	(124,831)	(72,856)
Consolidated net profit (loss)		**(29,011)**	**907**
– Attributable to shareholders of Ipsen		(29,491)	424
– Minority interests		480	483
Basic earnings per share, continuing operations (in € per share)	22.3.1	1.15	0.88
Diluted earnings per share, continuing operations (in € per share)	22.4.1	1.14	0.88
Basic earnings per share, discontinued operations (in € per share)	22.3.2	(1.50)	(0.88)
Diluted earnings per share, discontinued operations (in € per share)	22.4.2	(1.50)	(0.87)
Basic earnings per share (in € per share)	22.3.3	(0.35)	0.01
Diluted earnings per share (in € per share)	22.4.3	(0.35)	0.01

(*) Excluding software.
(1) In accordance with provisions related to discontinued operations, the 2011 income statement was restated for purposes of comparison between the two periods (see note 12).

The accompanying notes form an integral part of these consolidated financial statements.

Comprehensive income statement

(in thousands of euros)	31 December 2012	31 December 2011
Consolidated net profit (loss)	**(29,011)**	**907**
Other comprehensive income (loss)		
Foreign exchange differences, net of taxes	2,346	(3,457)
Revaluation of financial derivatives for hedging, net of taxes	–	–
Share of gains and losses recorded directly to equity of associate companies, net of taxes	–	–
Other items, net of taxes	–	–
Total of other comprehensive income (loss), net of tax	**2,346**	**(3,457)**
Comprehensive income (loss)	**(26,665)**	**(2,550)**
– Attributable to shareholders of Ipsen S.A.	(27,145)	(3,098)
– Attributable to minority interests	480	548

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 2012	31 December 2011
ASSETS			
Goodwill	13	298,196	299,545
Other intangible assets	14	129,176	135,588
Property, plant & equipment	15	281,781	271,728
Equity investments	16	12,027	12,314
Investments in associated companies	16.4	–	–
Non-current financial assets	18	6,690	2,925
Other non-current assets	18	18,707	93,979
Deferred tax assets	11.2	208,162	184,562
Total non-current assets		**954,739**	**1,000,641**
Inventories	19.2.1	127,857	117,834
Trade receivables	19.1	256,301	259,374
Current tax assets	19.1	54,401	39,126
Other current assets	19.2.2	53,633	71,400
Current financial assets	19.2.2	516	9
Cash and cash equivalents	20.2	113,641	145,007
Assets of discontinued operations	12	–	–
Total current assets		**606,349**	**632,750**
TOTAL ASSETS		**1,561,088**	**1,633,391**
EQUITY AND LIABILITIES			
Share capital	22.1	84,255	84,227
Additional paid-in capital and consolidated reserves		867,840	929,587
Net profit for the period		(29,491)	424
Foreign exchange differences		1,610	(1,401)
Equity – attributable to shareholders of Ipsen	**22.2**	**924,214**	**1,012,837**
Attributable to minority interests		2,037	2,588
Total shareholders' equity		**926,251**	**1,015,425**
Retirement benefit obligation	6.3.3.2	19,894	19,469
Long-term provisions	23	25,555	25,683
Bank loans	24.1	–	–
Other financial liabilities	24.1	15,886	16,560
Deferred tax liabilities	11.2	2,767	2,569
Other non-current liabilities	19.2.3	133,772	183,275
Total non-current liabilities		**197,874**	**247,556**
Short-term provisions	23	66,172	24,464
Bank loans	24.1	4,000	4,000
Financial liabilities	24.1	4,493	5,013
Trade payables	19.1	159,799	149,805
Current tax liabilities	19.1	3,325	5,607
Other current liabilities	19.2.3	198,320	181,345
Bank overdrafts		353	176
Liabilities of discontinued operations	12	501	–
Total current liabilities		**436,963**	**370,410**
TOTAL EQUITY & LIABILITIES		**1,561,088**	**1,633,391**

The accompanying notes form an integral part of these consolidated financial statements.

2.1.3 Consolidated statement of cash flow

(in thousands of euros)	31 December 2012 [1] (see note 12)	31 December 2011 [1] (see note 12)
Consolidated net profit	**(29,011)**	**907**
Share of profit/loss from associated companies	21,658	20,230
Impairment losses included in share of profit/loss from associated companies	–	34,257
Net profit (loss) from continuing operations before share from associated companies	**(7,353)**	**55,394**
Non-cash and non-operating items		
– Depreciation, amortisation, provisions	72,555	72,048
– Impairment losses	123,053	127,182
– Change in fair value of financial derivatives	(2,474)	2,185
– Net gains or losses on disposals of non-current assets	1,882	4,576
– Share of government grants released to profit and loss	(84)	(90)
– Foreign exchange differences	4,629	(8,408)
– Change in deferred taxes	(24,889)	(49,973)
– Share-based payment expense	4,624	4,056
– Gain or loss on sales of treasury shares	51	(84)
– Other non-cash items	(182)	194
Cash flow from operating activities before changes in working capital	***171,812***	***207,080***
– (Increase)/decrease in inventories	(7,091)	(5,089)
– (Increase)/decrease in trade receivables	10,083	(16,672)
– Increase/(decrease) in trade payables	14,980	9,421
– Net change in income tax liability	(17,368)	4,697
– Net change in other operating assets and liabilities	(28,198)	(23,987)
Change in working capital related to operating activities	***(27,594)***	***(31,630)***
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**144,218**	**175,450**
Acquisition of property, plant & equipment	(48,982)	(44,309)
Acquisition of intangible assets	(33,824)	(57,978)
Proceeds from disposal of intangible assets and property, plant & equipment	565	7,042
Acquisition of shares in non-consolidated companies	(361)	(5,720)
Acquisitions of shares in associated companies	–	–
Convertible note subscriptions	(26,883)	(45,291)
Proceeds from sales of investment securities	13,860	–
Payments to post-employment benefit plans	(6,056)	(1,962)
Impact of changes in the consolidation scope	–	–
Change in cash securities held for sale	–	–
Advances on other investment securities	–	–
Other cash flow related to investment activities	(3,438)	(2,882)
Deposits paid	(420)	(92)
Change in working capital related to operating activities	5,325	8,030

(in thousands of euros)	31 December 2012 [1] (see note 12)	31 December 2011 [1] (see note 12)
NET CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES	**(100,214)**	**(143,162)**
Additional long-term borrowings	–	–
Repayment of long-term borrowings	(257)	(291)
Net change in short-term borrowings	–	(1)
Capital increase by Ipsen	–	89
Treasury shares	162	974
Dividends paid by Ipsen	(66,498)	(66,520)
Dividends paid by subsidiaries to minority interests	(1,032)	–
Deposits received	12	14
DIP financing	(7,177)	–
Change in working capital related to financing activities	1,570	557
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**(73,220)**	**(65,178)**
CHANGE IN CASH AND CASH EQUIVALENTS	**(29,216)**	**(32,890)**
Opening cash and cash equivalents	**144,831**	**177,928**
Impact of exchange rate fluctuations	(2,327)	(207)
Closing cash and cash equivalents	**113,288**	**144,831**

(1) The 2012 consolidated cash flow statement was restated to provide homogenous information for the two periods. As a consequence, it does not correspond to the notes to the consolidated financial statements below (see note 12). The impact of cash flow from operations to be sold or discontinued was broken down and apportioned to the various items on the consolidated cash flow statement as though no impact from operations to be sold or discontinued had been recorded.

The accompanying notes form an integral part of these consolidated financial statements.

2.1.4 Statement of changes in consolidated shareholders' 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 2012	**84,227**	**711,111**	**257,076**	**(38,600)**	**424**	**(1,401)**	**1,012,837**	**2,588**	**1,015,425**
Consolidated net profit (loss)	–	–	–	–	(29,491)	–	(29,491)	480	(29,011)
Other comprehensive income (loss) (1)	–	–	–	–	–	2,346	2,346	–	2,346
Consolidated net profit (loss) and other comprehensive income (loss)	**–**	**–**	**–**	**–**	**(29,491)**	**2,346**	**(27,145)**	**480**	**(26,665)**
Allocation of net profit (loss) from the prior period	–	–	(241)	–	(424)	665	–	–	–
Capital increases	29	–	(29)	–	–	–	–	–	–
Share-based payments	–	–	4,405	219	–	–	4,624	–	4,624
Own share purchases and disposals	–	–	50	165	–	–	215	–	215,
Dividends	–	–	(66,458)	–	–	–	(66,458)	(1,031)	(67,489)
Other changes	–	–	141	–	–	–	141	–	141
Balance at 31 December 2012	**84,256**	**711,111**	**194,944(2)**	**(38,216)**	**(29,491)**	**1,610**	**924,214**	**2,037**	**926,251**

(1) Detailed in the note "Comprehensive income statement".
(2) 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 2011	**84,196**	**711,026**	**224,463**	**(41,070)**	**95,271**	**3,304**	**1,077,190**	**2,040**	**1,079,230**
Consolidated net profit (loss)	–	–	–	–	424	–	424	483,	907
Other comprehensive income (loss) (1)	–	–	–	–	–	(3,522)	(3,522)	65	(3,457)
Consolidated net profit (loss) and other comprehensive income (loss)	**–**	**–**	**–**	**–**	**424**	**(3,522)**	**(3,098)**	**548**	**(2,550)**
Allocation of net profit (loss) 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 item primarily concerns change in stock options and capital transactions with a shareholder of associated 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**

2.1.5 Notes

Note 1 Significant events and transactions during the period having an impact on the consolidated financial statements at 31 December 2012

1.1 Follow-up to strategy for primary care in France

1.1.1 Dreux industrial site

On 11 July 2012, the Group announced its decision to keep the French-based Dreux industrial site within its scope of operations. The growth outlook for primary care in international markets, coupled with higher-than-anticipated production volumes at the site since the beginning of the year, convinced the Group to retain Dreux.

The new forecasts have made it possible to maintain the site's industrial operations and employment.

Previously, when presenting its new strategy in June 2011, the Group had announced that it was actively seeking a buyer to maintain and develop business at Dreux, which specialises in the production of pharmaceutical packaging pouches, solutions, pills and capsules. On 27 January 2012, the Group took note of the French government's decision that Tanakan®, Tramisal® and Ginkogink®, currently manufactured at the site, would no longer be reimbursed effective 1 March 2012.

That announcement, as well as the terms and conditions of the potential disposal, prompted the Group to reassess the value of the industrial site, and resulted in the recognition of non-recurring impairment losses of €1.5 million for Dreux's intangible assets and €23.5 million for its tangible assets at 31 December 2011.

Following the 11 July 2012 announcement, the Group reassessed Dreux's asset value based on the newly available information, and reversed €12.5 million in impairment losses in the consolidated financial statements at 31 December 2012.

1.1.2 Commercial activity

On 28 August 2012, the Group announced that major differences with a proposed partner had arisen over the creation of a joint venture to combine both companies' commercial primary-care activities in France. Unable to agree on differing aims for the project, late-stage talks were unsuccessfully ended.

In step with its strategy announced on 9 June 2011, the Group continues to work on streamlining this business and remains open to creating a partnership to ensure its long-term viability.

Recent government measures, such as the so-called "third-party payment" rule, the delisting of Tanakan® from reimbursement, and price cuts for Adrovance® and Nisis®-Nisisco®, as well as the introduction of Nisis®-Nisisco® generics and the expiration of the Exforge® contract with Novartis, significantly impacted the Group's primary care business in France. In 2012, primary care sales in France contracted 29.7%, with French sales of Tanakan® declining 44.8%.

As a result, the Group plans to make adjustments to its primary care sales force in France. Talks with labour representatives got under way in the fourth quarter of 2012. A related restructuring provision was recognised in the financial statements at 31 December 2012.

1.2 Partnerships

1.2.1 Ipsen Biopharmaceuticals Inc. (formerly Tercica)

On 10 September 2012, the Group announced its success in maintaining the supply of Increlex® (IGF-1), a treatment for Severe Primary IGF-1 Deficiency, on the American market, despite regulatory delays in approving the production site. Increlex® is a vital drug for treating patients with Severe Primary IGF-1 Deficiency and, as such, meets a key medical need. The Group is working closely with the U.S. Food and Drug Administration (FDA) to keep supplying the product.

Ipsen and Lonza continue to work with the FDA to ensure that American patients have access to this important drug.

1.2.2 Inspiration Biopharmaceuticals Inc.

On 17 April 2012, Ipsen announced that its partner, Inspiration Biopharmaceuticals, Inc., had submitted a Biologics License Application (BLA) to the U.S. Food and Drug Administration (FDA) for the approval of IB1001, an intravenous recombinant factor IX (rFIX) for the treatment and prevention of bleeding in individuals with hemophilia B.

Under the terms of the partnership, Inspiration Biopharmaceuticals Inc. received a $35 million (€26.7 million) milestone payment from Ipsen associated with the FDA filing of the IB1001 BLA. In return, Inspiration Biopharmaceuticals Inc. issued a convertible bond to Ipsen.

On 10 July 2012, the Group announced that its partner, Inspiration Biopharmaceuticals Inc., was notified by the FDA that both clinical trials evaluating the safety and efficacy of IB1001 had been placed on hold. During the course of routine laboratory evaluations conducted as part of the ongoing phase III clinical trials, Inspiration Biopharmaceuticals Inc. observed, and reported to the FDA, a trend towards a higher proportion of IB1001 treated individuals developing a positive response to the testing of antibodies to Chinese Hamster Ovary (CHO) protein, the product's host cell protein (HCP). While this finding may be a potential safety concern, no evidence suggests a change in the current overall clinical benefit and risk profile of IB 1001.

On 21 August 2012, Ipsen announced that it had renegotiated its 2010 strategic partnership agreement with Inspiration Biopharmaceuticals, Inc. for the development and commercialization of Inspiration's recombinant product portfolio: OBI-1 and IB1001. The new agreement was aimed at establishing an effective structure whereby Ipsen would gain commercial rights in key territories. Inspiration Biopharmaceuticals Inc. would continue to handle the worldwide development of OBI-1 and IB1001.

As part of the renegotiation, Ipsen paid $30 million (€23.9 million) upfront to Inspiration Biopharmaceuticals Inc. Including the upfront payment, Ipsen committed to paying Inspiration Biopharmaceuticals Inc. milestones for a total

amount of up to $200 million, of which $27.5 million were earmarked for regulatory milestones and the remainder for commercial milestones. Both companies believed that new agreement would facilitate Inspiration Biopharmaceutical Inc.'s ability to raise independent third party financing to meet its financing needs until a potential equity offering in 2013.

Furthermore, under the new terms, Ipsen agreed to invest up to $20 million in Inspiration Biopharmaceuticals Inc. depending on certain conditions, notably if Inspiration successfully raised external funding before 30 September 2012.

On 31 August 2012, Ipsen paid Inspiration Biopharmaceuticals Inc. $7.5 million (€6 million).

On 3 October 2012, Ipsen announced that Inspiration Biopharmaceuticals Inc. had not raised third party financing by the agreed deadline and, as a consequence, the Group was no longer obligated to pay the additional $12.5 million in exchange for equity in Inspiration Biopharmaceuticals Inc..

On 31 October 2012, Ipsen announced that Inspiration Biopharmaceuticals Inc. had filed a voluntary petition for reorganisation pursuant to Chapter 11's provisions of the United States Bankruptcy Code. The company's Chapter 11 case was filed on 30 October 2012 with the United States Bankruptcy Court in Boston, Massachusetts.

Under the Chapter 11 procedure, Ipsen agreed to provide Inspiration with so-called "Debtor-in-Possession" (DIP) financing for an amount of up to $18.6 million. Such financing is aimed at allowing a debtor company to go forward with a restructuring plan defined and validated by the bankruptcy court and agreed to by its creditors.

Ipsen and Inspiration Biopharmaceuticals Inc. announced that they would lead a joint process to sell Inspiration's assets, chiefly the sales and marketing rights to OBI-1 and IB1001 in the Americas and Japan, as well as all of the hemophilia assets owned by Ipsen, including its sales and marketing rights to OBI-1 and IB1001, and the industrial site in Milford, Massachusetts, U.S.A., where OBI-1 is manufactured.

On 14 December 2012, the bankruptcy court agreed to the terms and conditions for auctioning Inspiration Biopharmaceuticals Inc.'s assets to a third-party buyer.

As a result of events occurring since 31 October 2012, and in compliance with provisions of IFRS 5 "Non-current assets held for sale and discontinued operations", hemophilia assets and liabilities, with the exception of the "DIP" loan, were grouped into "assets held for sale» and "liabilities held for sale" line items on the consolidated balance sheet at 31 December 2012.

Hemophilia represented one of the four therapeutic areas of focus for Ipsen's resources and investment. Furthermore, the flows from this business line were clearly distinctive, and the activity was part of single and coordinated plan for divestment. Accordingly, the business met the criteria of discontinued operations, and its result for the period is presented on a separate line in the income statement. The line item includes the loss from discontinued operations and the tax loss resulting from the fair value assessment of the discontinued business's assets held for sale, minus their selling costs. This line item is discussed in note 12 of the notes to the consolidated financial statements.

1.2.3 Active Biotech AB

On 21 May 2012, Active Biotech and Ipsen announced that recruitment to the global, pivotal, randomized, double-blind, placebo-controlled phase III study of tasquinimod (TASQ) in patients with metastatic castrate-resistant prostate cancer (CRPC) had reached the inclusion of 600 patients, half of the planned accrual. This achievement triggered a €10 million milestone payment by Ipsen to Active Biotech.

On 10 December 2012, Active Biotech and Ipsen announced that the Phase III clinical trial for tasquinimod, a novel compound for the treatment of prostate cancer, had successfully enrolled over 1,200 randomized patients, as planned in the clinical protocol. This achievement triggered a €10 million milestone payment by Ipsen to Active Biotech in early 2013.

In accordance with the Group's accounting principles and methods, the €10 million milestone payments were individually recognised as "other intangible assets" under "intellectual property". Furthermore, because the rights to a proprietary oncology drug in an advanced stage of development have not yet received a marketing authorisation, they were not amortised in the consolidated financial statements at 31 December 2012.

1.3 Government measures

Against a backdrop of financial and economic crises, the governments of many countries in which the Group operates continue to introduce new measures to reduce public health spending. Some of these measures affected Group sales and profitability in 2012. In addition, certain measures introduced in 2011 continued to affect the Group's accounts year-on-year.

In Major Western European Countries

- In France, health authorities imposed a 3.5% price-cut on Forlax® effective 1 October 2011, and a 15.0% price-cut on Nisis®-Nisisco® effective 14 November 2011. French health authorities also reduced the price of three-month and six-month formulations of Décapeptyl® by 3.0%, while lowering the price of Adrovance® by 33.0%, with both cuts effective as of 1 January 2012. In addition, a supplementary 0.6% tax on promotion expense was introduced;
- Effective 1 November 2011, Spain raised its tax on drug sales 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 Other European Countries

- In Belgium, effective 1 April 2012, new generic or hybrid drug introductions were classified according to their main active ingredients regardless of dosage form, and were subject to a price cut of up to 31%;
- Since 1 January 2012, Poland has implemented a new law to reform its reimbursement system and has imposed a sales tax when budgets are surpassed and a tax on healthcare manufacturers to finance clinical studies. Regulated margins were also lowered. As a result, prices of Décapeptyl® and Somatuline® were each cut 3.0%, as of 1 January 2012;
- Greece approved measures aimed at lowering spending on drugs. The main measures included an increase in discounts

to wholesales and pharmacies from 4% previously to 9% (effective retroactively as of 1 January 2012), a requirement to prescribe drugs with International Nonproprietary Names (INN), and the introduction of financial contributions from drug companies when public health budgets are overrun;

- In 2011, Portugal set up an electronic system to encourage the prescription of the cheapest product, including generics, and a basket of new countries was added to its International Price Referencing System for drugs, including Spain, France and Slovakia. For 2013, new measures have already been announced, including a 6% cut in all drug prices and pharmaceutical-industry participation in an effort to reduce healthcare spending through the creation of a reserve fund amounting to 2% of each drug company's sales.

In the Rest of the World

- China was putting the finishing touches on an International Price Referencing System that would factor in prices from a dozen countries, including the U.S., France, Germany, South Korea, and Japan;
- In January 2011, Algeria put prices at the top of its healthcare reform agenda, with a focus on establishing benchmark prices for each therapeutic class. A potential alignment of Decapeptyl® to the lowest GnHR price appears to be forthcoming.

Once again, at a time of financial and economic crisis, the governments of many countries in which the Group operates continue to introduce new measures to reduce public health spending, some of which could affect Ipsen's financial statements beyond 2012:

In Major Western European Countries

Spain's Health Minister confirmed a 14% cut in government health spending in 2012. Furthermore, the April 2011 Royal Decree states that drugs available on the E.U. market for more than 10 years shall be classified by active substance and aligned to the lowest daily dosage price. Patient copayments will also be periodically revised.

In Other European Countries

- In Russia, as part of its healthcare reform, the government is considering changes to its methodology for setting drug prices on its Essential Drug List (EDL). The prices of EDL medicines are expected to be set according to the weighted average prices of all drugs with the same International Nonproprietary Names (INN);
- Ukrainian health officials are setting up an International Price Referencing System. In the longer term, they expect drug prices to fall 25% to 30% by aligning prices to a basket of 12 Central European countries, such as Serbia, Hungary, Moldavia, and Poland.

In the Rest of the World

- In Colombia, a new International Price Referencing System is expected to be set up, as will as a capped reimbursement system, and applied directly as a result of the high cost of drugs in the country. As a possible consequence, the price of Somatuline could decline some 40% to 50%, against the current price;
- In South Korea, volume price agreements negotiated in 2011 led to a 7% decrease in prices for Decapeptyl® and Dysport®, and will continue to negatively impact prices in the years ahead.

Note 2 Significant events at the beginning of 2013, with an impact on the consolidated financial statements as of 31 December 2012

On 24 January 2013, Ipsen and Inspiration Biopharmaceuticals Inc. announced that they had entered into an Asset Purchase Agreement (APA) with Baxter International, whereby Baxter would acquire the worldwide rights to OBI-1. Under the terms of the APA, Baxter has agreed to pay $50 million upfront, as well as potential additional OBI-1 payments contingent on development and commercial milestones.

On 6 February 2013, Ipsen and Inspiration Biopharmaceuticals Inc. announced that they had entered into an Asset Purchase Agreement (APA) with Cangene Corporation, whereby Cangene would acquire the worldwide rights to IB1001 (rFIX). Under the terms of the APA, Cangene has agreed to pay $5.9 million upfront, as well as potential additional IB1001 (rFIX) payments contingent on development and commercial milestones.

These APAs are subject to certain closing conditions, notably approval by the bankruptcy court and competition authorities.

On 20 February 2013, Ipsen and Inspiration Biopharmaceuticals Inc. announced the closing of the sale of the proprietary hemophilia B product, IB1001 (recombinant FIX), to Cangene Corporation.

Ipsen assessed the fair value of the hemophilia assets, classified as assets held for sale (Note 1.2.2), at the lower value of their carrying value and their fair value minus selling costs.

With additional milestone payments contingent on regulatory authority approval and the sales of the products, the payments were considered by Ipsen to be uncertain at the closing period and, as a consequence, were not taken into account when assessing the faire value of the hemophilia assets held for sale at 31 December 2012.

Based on the information available at the closing period, Ipsen believes the upfront payments it expects to receive will cover

the amount of DIP financing the company granted to Inspiration Biopharmaceuticals Inc. As a result, at 31 December 2012, Ipsen fully depreciated the hemophilia business, and its assets and liabilities were reclassified on the balance sheet as assets and liabilities held for sale. Those assets and liabilities consisted of tangible, intangible and financial assets, receivables from the rebilled OBI-1 industrial development expenses for the third quarter, as well as rebilled expenses for setting up European operations, and the accelerated recognition of deferred income related to the transaction between Ipsen and Inspiration Biopharmaceuticals Inc., following the OBI-1 development and commercial sub-license agreed to in January 2010.

The repayment of the DIP financing granted by Ipsen to Inspiration Biopharmaceuticals Inc. during Inspiration's chapter-11 bankruptcy procedure was specified in an agreement that apportions the selling price to the various creditors. In its recoverability analysis of this financial receivable, Ipsen included the upfront payment specified in the asset purchase agreement with Baxter and Cangene Corporation. In the event that this purchase agreement is not concluded, the amount of the uncertainty related to the recoverability of the receivable comes to €7.2 million at 31 December 2012.

Note 3 Changes in the scope of consolidation

3.1 2012 financial year

3.1.1 Merger of Ipsen Pharma GmbH and Intersan GmbH

The General Shareholders Meetings of 26 January 2012 approved the merger of Ipsen Pharma GmbH and Intersan GmbH as of 1 January 2012.

This restructuring operation had no impact on Ipsen's consolidated financial statements at 31 December 2012.

3.2 2011 financial year

3.2.1 Liquidation of a subsidiary

As part of its effort to streamline its legal, administrative and regulatory structure, Ipsen decided to liquidate its Danish subsidiary, Ipsen Scandinavia A/S, a dormant company since December 2007.

This internal legal restructuring had no material impact on the Group's consolidated financial statements at 31 December 2011.

3.2.2 Transformation of Sutrepa from an SARL limited liability company to an SAS simplified joint stock company

The Sutrepa SARL, a limited liability company under French law, was transformed in Sutrepa SAS, a simplified joint stock company under French law, on 7 June 2011.

Note 4 Accounting principles and methods and compliance statement

Preliminary remarks:

- All amounts are expressed in thousands of euros, unless otherwise stated;
- 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 26 February 2013 and will be submitted for approval at the Shareholders' Meeting scheduled for 31 May 2013.

4.1 General principles and compliance statement

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 2012 were 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 periods presented would not have been substantially different if it had applied IFRS as 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 presentation

No changes in accounting methods or presentation with an impact on the consolidated financial statements occurred in the 2012 financial year. However, in accordance with provisions related to discontinued operations, the 2011 income statement was restated for purposes of comparison between the two financial years.

4.3 Standards, amendments and interpretations that became applicable as of 1 January 2012

The amendments and revisions of standards and interpretations that became applicable as of 1 January 2012 were either not required for the Group, or did not have a significant impact on the consolidated financial statements at 31 December 2012.

- They concerned IFRS 7 – Disclosures relating to transferred financial assets.

4.4 Standards, amendments and interpretations adopted by the European Union and not adopted early by the Group

The Group did not opt for early adoption of the standards and interpretations for which the application was not mandatory on 1 January 2012, namely:

- IAS 1 amended — Presentation of other comprehensive income,
- IAS 19 amended — Employee benefits,
- Amendments to IFRS 1 — Severe hyperinflation and removal of fixed dates for first-time adopters,
- Amendments to IAS 12 — Recovery of underlying assets,
- Amendments to IFRS 7 — Disclosures — Offsetting financial assets and financial liabilities,
- IFRS 13 — Fair value measurement,
- Annual improvements to IFRSs in May 2012,
- IFRS 10 — Consolidated financial statements,
- IFRS 11 — Joint arrangements,
- IFRS 12 — Disclosure of interests in other entities,
- Amendments to IAS 28 — Investments in associates and joint ventures,
- Amendments to IAS 32 — Offsetting financial assets and financial liabilities.

At the closing date of the 2012 consolidated financial statements, Group calculations indicated that the amendment to IAS 19 concerning consolidated financial statements would have a €29.5 million impact on the statement of comprehensive income (excluding the tax impact) from the 1 January 2012 recognition of actuarial gains and losses and unrecognised past service costs as well as the change in accounting expenses for the 2012 financial year, as calculated according to IAS 19 (revised). The Group will apply this standard in the consolidated financial statements for the 2013 financial year.

4.5 Reminder of first-time application of IFRS applied by the Group

In line with 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 fair value in the balance sheet prepared 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 recognise all cumulative actuarial gains and losses in equity at the opening IFRS balance sheet date;

Share-based payments: in accordance with the option provided under IFRS 2 for plans paid in shares, the Group elected to apply this standard only to plans granted after 7 November 2002 and not vested at 1 January 2005;

Financial instruments: although the regulator allowed companies to apply IAS 32 and IAS 39 as of 1 January 2005, the Group adopted both standards as of 1 January 2004.

4.6 Measurement bases used in preparing the consolidated financial statements

The consolidated financial statements were prepared using the historical cost principle, with the exception of certain asset and liability classes in accordance with IFRS. The relative assets and liabilities are described in the notes below.

4.7 Use of estimates

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

could weaken some of the Group's partners and make it difficult to estimate future outlook.

The main material estimates made by management concern employee benefits, goodwill, other intangible assets, deferred tax assets, derivatives, 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 subsidiaries, associated companies and joint venture companies do not comply with those used by the Group, all necessary changes are made to ensure that the financial statements of those companies are compatible with the Group's accounting principles, as described in note 4.1.

Investments in companies that are not consolidated, despite meeting 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 that 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 that might have been wholly or proportionately consolidated: the thresholds are determined by reference to the company's relative contribution to consolidated revenue, 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, and 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 acquired 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 IFRS 3 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 acquired company 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 on a transaction-by-transaction basis;
  - 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 initial recognition, 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 companies accounted for 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 acquired 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 revised.

For business combinations from 1 January 2010, the impact of capital gains or losses and 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 for the period of change and future periods, if any, without adjusting goodwill.

If changes to the initial recognition of the combination are due to the correction of an error, the values attributed to the acquired assets and liabilities assumed and to investments that 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. Goodwill must also be modified as a result, and the impact of correcting the error is recognised in the opening equity for the period of the error correction, in accordance with IAS 8 Accounting policies, changes in accounting estimates and errors.

4.10 Operating segments

In accordance with IFRS 8 "Operating segments", reported segment information is built on the basis of internal management data used for business performance analysis and for allocation of resources by the "chief operating decision maker", the Executive Committee.

An operating segment is a distinct component of the Group involved in the supply of distinct products and services and exposed to risks and rewards that differ from the risks and the rewards of other operating segments.

The managerial organisation of the Group is based on the geographical territories 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 2012 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 the United States for the most part;
- Rest of the World: all countries not included in any of the above three operating segments.

4.11 Translation 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 Translation 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 the 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)

"Other 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.

Losses on intangible assets are reported together with losses on property, plant and equipment, and losses on goodwill 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.

4.15 Property, plant and equipment

Property, plant and equipment items are accounted for at acquisition cost or production cost as applicable, less cumulative depreciation 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.

Depreciations 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 depreciated.

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 and equipment is allocated to the relevant function in the income statement. Losses on property, plant and equipment are reported together with losses on intangible assets and losses on goodwill 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 to the Group substantially all risks and rewards incidental to ownership. 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 the 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 intangible third-party rights for drugs not yet commercialised) 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.

Indicators 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 is not separately recognised, in accordance with IAS 28 "Investments in Associates". As a consequence, it is not tested for impairment separately, as described IAS 36 "Impairment of Assets". The full carrying amount of the investment, including goodwill, is tested for impairment. In line with 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 related to 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 carrying value (asset groups 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 budgets, and four-year strategic plans) 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 that 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 carrying 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 2012 are presented for intangible assets of unlimited useful life and 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 that is fixed or can be determined and are 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 that 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 Presentation of financial assets and financial liabilities measured at fair value

In accordance with amendment to IFRS 7, financial instruments are presented in three categories based on a hierarchical method used to determine their fair value:

- Level 1: fair value calculated using quoted prices in an active market for identical assets and liabilities;
- Level 2: fair value calculated using valuation techniques based on observable market data such as prices of similar assets and liabilities or parameters quoted in an active market;
- Level 3: fair value calculated using valuation techniques based wholly or partly on unobservable inputs such as prices in an inactive markets or a valuation based on multiples for unlisted securities.

4.20.6 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 with provisions of IAS 12, the total amount of current and deferred expenses related to the C.V.A.E. is presented on the line "Income Tax".

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 in which the Group operates. Accordingly, operating segments, as defined in IFRS 8, correspond to long-term groupings of countries.

Operating segments existing as on 31 December 2012 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: 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 2012		31 December 2011 proforma	
	Amounts	% share	Amounts	% share
Major Western European countries	138,326	36%	155,943	45%
Rest of Europe	135,733	35%	118,381	34%
North America	(10,517)	(3)%	(35,747)	(10)%
Rest of the World	123,165	32%	106,420	31%
Total allocated	**386,707**	**100%**	**344,997**	**100%**
Unallocated	(271,903)		(272,420)	
Operating income from consolidated income statement	**114,804**		**72,577**	

Unallocated operating income amounted to (€271.9) million in 2012, versus (€272.4) million in 2011, after 2011 flows relating to the partnership with Inspiration Biopharmaceuticals Inc. were reclassified as "Net profit (loss) from discontinued operations" (see note 12). It comprised mainly the Group's central research and developments costs for (€203.9) million in 2012 and (€194.2) million in 2011, after 2011 flows relating to the partnership with Inspiration Biopharmaceuticals Inc. were reclassified as "Net profit (loss) from discontinued operations" (see note 12). It also included, to a lesser extent, unallocated general and administrative expenses.

5.2 Revenue

5.2.1 Revenue by operating segment

(in thousands of euros)	31 December 2012		31 December 2011 proforma	
	Amounts	% share	Amounts	% share
Major Western European countries	549,910	43%	567,534	47%
Rest of Europe	312,205	24%	284,760	24%
North America	90,512	7%	82,805	7%
Rest of the World	323,462	25%	273,175	23%
Total allocated	**1,276,089**	**100%**	**1,208,274**	**100%**
Unallocated	1,316		1,896	
Revenue from consolidated income statement	**1,277,405**		**1,210,170**	

Sales of goods, co-promotion income and a portion of "other revenues" have been allocated within "Revenue". However, certain "other revenues" have not been allocated, since such revenues do not lend themselves to this type of segmentation.

In 2012, unallocated revenue came to €1.3 million, compared with €1.9 million in 2011, after 2011 revenue stemming from the partnership with Inspiration Biopharmaceuticals Inc. was reclassified as "Net profit (loss) from discontinued operations" (see note 12).

5.2.2 Sales of goods by operating segment

(in thousands of euros)	31 December 2012		31 December 2011 proforma	
	Amounts	% share	Amounts	% share
Major Western European countries	518,545	43%	542,047	47%
Rest of Europe	306,043	25%	279,590	24%
North America	72,773	6%	65,706	6%
Rest of the World	322,187	26%	272,476	23%
Sales of goods from consolidated income statement	**1,219,548**	**100%**	**1,159,819**	**100%**

At 31 December 2012 and 2011, no customer exceeded 10.0% of sales of goods.

5.2.3 Sales by therapeutic areas and products

(in thousands of euros)	31 December 2012	31 December 2011 proforma
Oncology	318,672	284,962
of which Décapeptyl®	*306,353*	*283,645*
Endocrinology	307,569	264,391
of which Somatuline®	*225,695*	*188,372*
Nutropin®	*53,621*	*50,851*
Increlex®	*28,254*	*25,168*
Neurology	236,249	210,093
of which Dysport®	*236,132*	*204,606*
Apokyn®	*117*	*5,487*
Speciality Care	**862,490**	**759,446**
Gastroenterology	199,927	193,656
of which Smecta®	*113,452*	*102,287*
Forlax®	*38,707*	*41,391*
Cognitive disorders	78,997	96,369
of which Tanakan®	*78,997*	*96,369*
Cardiovascular	32,438	62,150
of which Nisis® and Nisisco®	*18,164*	*45,920*
Ginkor®	*11,869*	*12,743*
Other pharmaceutical products	13,191	16,303
of which Adrovance®	*11,471*	*12,795*
Primary care	**324,554**	**368,478**
Total drug sales	**1,187,044**	**1,127,924**
Drug-related sales	**32,504**	**31,895**
Group sales	**1,219,548**	**1,159,819**

5.2.4 Other revenues

(in thousands of euros)	31 December 2012	31 December 2011 proforma
Royalties received (1)	11,856	9,056
Milestone payments – Licenses (2)	25,087	23,514
Rebilled research and development expenses (3)	1,037	1,625
Co-promotion income (3)	19,877	16,156
Other revenues from consolidated income statement	**57,857**	**50,351**

(1) Royalties received amounted to €11.9 million at end December 2012, up €2.8 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 €25.1 million, up €1.5 million versus 2011, and stemmed mainly from the partnerships with Medicis, Galderma, Recordati, and Menarini. The increase for the year resulted from the staggering of milestone payments specified within those partnerships.
(3) Other revenues amounted to €20.9 million in 2012, compared with €17.8 million a year earlier. This line item primarily includes revenues relating to the Group's co-promotion and co-marketing agreements in France and other European countries.

5.3 Balance sheet items by operating segment (based on location of assets)

(in thousands of euros)	31 December 2012					
	Major Western European countries	Rest of Europe	North America	Rest of the World	Eliminations	Total
Goodwill (*)	143,819	18,708	109,198	26,471	–	298,196
Property, plant & equipment	214,063	51,673	5,994	10,051	–	281,781
Inventories	36,399	44,959	4,845	41,654	–	127,857
Trade receivables	258,748	39,637	22,340	33,614	(98,038)	256,301
Total segment assets	**653,029**	**154,977**	**142,853**	**111,791**	**(98,038)**	**964,135**
Trade payables	169,569	32,175	8,108	47,985	(98,038)	159,799
Total segment liabilities	**169,569**	**32,175**	**8,108**	**47,985**	**(98,038)**	**159,799**

(*) See note 13.

(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.

5.4 Other information

(in thousands of euros)	31 December 2012					
	Major Western European countries	Rest of Europe	North America	Rest of the World	Unallocated	Group
Capital expenditures	(38,297)	(6,763)	(2,503)	(1,420)	(27,740)	(76,722)
Net depreciation, amortisation and provisions (excluding financial and current assets)	(63,797)	(5,483)	9,227	(1,738)	(17,548)	(79,339)
Share-based payment expenses with no impact on cash flow	–	–	–	–	(4,624)	(4,624)

(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)

Note 6 Employees

6.1 Headcount

At end 2012, Group headcount totalled 4,835 employees, compared with 4,580 at end 2011.

The average headcount in 2012 was 4,641, compared with 4,616 in 2011.

Since 1 January 2012, total headcount has included long-standing absences. The headcount for 2011 was restated for purposes of comparison between the two years.

Changes in Group headcount by function over the period were as follows:

Fonctions	31 December 2012	31 December 2011
Sales	2,160	2,043
Production	962	974
Research and Development	967	893
Administration	746	670
Total headcount	**4,835**	**4,580**

A geographical breakdown of employee headcount is as follows:

Geographical region	31 December 2012	31 December 2011
Major Western European countries	2,758	2,627
Rest of Europe	786	717
North America	345	376
Rest of the World	946	860
Total headcount	**4,835**	**4,580**

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, encompass the following items:

(in thousands of euros)	31 December 2012	31 December 2011
Wages and salaries	(293,359)	(272,668)
Employer's social security contributions and payroll taxes	(105,978)	(95,666)
Sub-total	**(399,337)**	**(368,334)**
Employee benefit expenses (note 6.3.3.5)	**(1,822)**	**(3,454)**
Annual accounting expenses associated with share-based payments (note 6.4)	(4,456)	(3,912)
Social security contributions on share-based payments	(168)	(144)
Share-based payment expenses sub-total	**(4,624)**	**(4,056)**
Employee profit-sharing	(7,891)	(12,857)
Total	**(413,674)**	**(388,701)**

In 2012, the average rate of employer's social security contributions and payroll taxes amounted to 36.1% of gross payroll, versus 35.1% in 2011.

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 the event 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. Based on an assessment of the expected fulfilment of the objectives of this profit-sharing agreement, the impact recorded in the consolidated financial statements at 31 December 2012 came to 3.1% of gross payroll. That percentage compares with 3.5% at 31 December 2011.

At Ipsen France, an agreement was signed on 26 October 2011 calling for the attribution of a profit-sharing bonus paid in the form of additional profit sharing. To ensure equity in the distribution of value added, and in accordance with France's

law of July 28, 2011, a profit-sharing bonus, also called a "dividend premium" was introduced at companies with more than 50 employees when dividends paid in 2011 and 2012 had increased compared to the average of the two prior years. For Group subsidiaries outside France, an exceptional bonus was awarded for the 2011 financial year only. The impact in the consolidated financial statements at 31 December 2012 totalled €0.3 million, compared with €4 million at 31 December 2011.

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.

At 31 December 2012, other long-term benefits also included the valuation of medium-term bonus plan approved by the Board of Directors on 30 March 2012.

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 2012 are as follows:

	Europe (excluding UK)	United Kingdom	Asia, Pacific and Africa
Average discount rate	2.92%	4.00%	8.25%
Expected average return on plan assets	3.17%	5.20%	6.00%
Expected average return on reimbursement rights	N/A	N/A	N/A
Expected gross salary increases	Varies by age	4.20%	8.25%
Future pension increases	1.75%	2.20%	N/A
Employees' average remaining working life (years)	17.4	13	9.5

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

6.3.3.2 Breakdown of retirement benefit obligations reported as liabilities

(in thousands of euros)	31 December 2012	31 December 2011
Post-employment benefits	**13,536**	**15,494**
– Pension plans	13,536	15,494
– Other plans	–	–
Other long-term benefits	**6,364**	**3,981**
Total	**19,900**	**19,475**

6.3.3.3 Reconciliation of balance sheet assets and liabilities

(in thousands of euros)	31 December 2012			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Breakdown of net balance sheet amount				
– Present value of funded liabilities	78,012	–	–	78,012
– Present value of unfunded liabilities	1,443	–	6,364	7,807
Present value of liabilities sub-total	**79,455**	**–**	**6,364**	**85,819**
Fair value of plan assets	43,129	–	–	43,129
Net liabilities (a)	**36,325**	**–**	**6,364**	**42,689**
Unrecognised items				
– Unrecognised past service costs	(26)	–	–	(26)
– Net unrecognised actuarial losses (gains)	29,506	–	–	29,506
– Restricted plan assets	–	–	–	–
– Specific asset items restated	–	–	–	–
Total unrecognised items (b)	**29,480**	**–**	**–**	**29,480**
Net liability (a – b)	**6,845**	**–**	**6,364**	**13,209**
Amounts recognised in the balance sheet				
Retirement benefit obligation	13,536	–	6,364	19,900
Non-current financial assets	6,690	–	–	6,690
Net liability	**6,845**	**–**	**6,364**	**13,209**

(in thousands of euros)	31 December 2011			
	Post-employment benefits		Other long-term benefits	Total benefits
	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**

(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**

(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**

(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**

6.3.3.4 Statement of actuarial gains and losses

(in thousands of euros)	31 December 2012			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Experience adjustments				
– to commitments	1,037	–	1	1,038
– to plan assets	2,044	–	–	2,044
Adjustments due to changes in assumptions				
– to commitments	16,974	–	55	17,029

(in thousands of euros)	31 December 2011			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
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		
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		
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		
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)

6.3.3.5 Reconciliation of income statement expenses

(in thousands of euros)	31 December 2012			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Current service costs	3,857	–	2,725	6,582
Employee contributions	(205)	–	–	(205)
Interest expense	2,979	–	171	3,150
Expected return on plan assets	(1,669)	–	–	(1,669)
Expected return on specific asset items	–	–	–	–
Recognised past service costs	(672)	–	–	(672)
Recognised actuarial losses (gains)	584	–	56	640
Losses (gains) on curtailments and settlements	(4,238)	–	(282)	(4,520)
Change in asset ceiling	–	–	–	–
Total net plan expenses	**636**	**–**	**2,670**	**3,306**
– of which – Operating expenses	(674)	–	2,499	1,825
– of which – Net interest expense	1,310	–	171	1,481

(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 asset 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

6.3.3.6 Movements in net liability recognised in the balance sheet

(in thousands of euros)	31 December 2012			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Opening net liability	**12,569**	**–**	**3,981**	**16,550**
Exchange differences	12	–	12	24
Changes in consolidation scope	–	–	–	–
Charge for the year (note 6.3.3.5)	636	–	2,670	3,306
Transfers to (from) plan assets	–	–	–	–
Employer's contributions to plan assets	(6,055)	–	–	(6,055)
Reimbursement of excess employer's contributions to plan assets	–	–	–	–
Benefits paid from reimbursement rights	–	–	–	–
Benefits paid from internal reserve	(317)	–	(299)	(616)
Specific asset items recognised as expenses	–	–	–	–
Change in asset ceiling	–	–	–	–
Other	–	–	–	–
Closing net liability	**6,845**	**–**	**6,364**	**13,209**

(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 6.3.3.5)	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 ceiling	–	–	–	–
Other	–	–	–	–
Closing net liability	**12,569**	**–**	**3,981**	**16,550**

6.3.3.7 Movements in defined benefit plan obligations

(in thousands of euros)	31 December 2012			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Opening balance	**63,547**	**–**	**3,981**	**67,528**
Exchange differences	225	–	13	239
Changes in consolidation scope	–	–	–	–
Current service costs	3,857	–	2,725	6,582
Social security contributions on service cost	–	–	–	–
Interest expense	2,979	–	171	3,150
Settlements/curtailments	(5,728)	–	(282)	(6,011)
Benefits paid from plan assets	(1,720)	–	–	(1,720)
Benefits paid from reimbursement rights	–	–	–	–
Benefits paid from internal reserve	(317)	–	(299)	(616)
Actuarial gains and losses generated in the period	18,011	–	56	18,067
Past service cost generated in the period	(1,399)	–	–	(1,399)
Transfers	–	–	–	–
Other	–	–	(1)	(1)
Closing balance	**79,455**	**–**	**6,364**	**85,819**

(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 costs	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**

6.3.3.8 Movements in plan assets

(in thousands of euros)	31 December 2012			
	Post-employment benefits		Other long-term benefits	Total benefits
	Pension plans	Other plans		
Opening balance	**34,712**	**–**	**–**	**34,712**
Exchange differences	164	–	–	164
Changes in consolidation scope	–	–	–	–
Contributions by plan participants	205	–	–	205
Expected return on plan assets	1,669	–	–	1,669
Settlements/curtailments	–	–	–	–
Transfers to (from) unrecognised plan assets	–	–	–	–
Employer's contributions to plan assets	6,055	–	–	6,055
Reimbursement of excess employer's contributions to plan assets	–	–	–	–
Benefits paid from plan assets	(1,720)	–	–	(1,720)
Gains and losses generated in the period	2,044	–	–	2,044
Past service cost generated in the period	–	–	–	–
Closing balance	**43,129**	**–**	**–**	**43,129**

The actual return on plan assets is composed of "expected return on plan assets" and "gains and losses generated in the period", and totalled €3.7 million.

(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) unrecognised 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 in the period", and totalled €(457) thousand.

6.3.3.9 Breakdown of plan assets

A breakdown of plan assets as at 31 December 2012 and 2011 is as follows:

(in thousands of euros)	31 December 2012				31 December 2011			
	Equities	Bonds	Other [1]	Total	Equities	Bonds	Other [1]	Total
Europe (excluding UK)	8,155	22,117	2,834	33,106	9,324	15,454	1,336	26,114
United Kingdom	5,625	3,882	345	9,852	4,734	3,470	219	8,423
Asia, Pacific and Africa	137	34	–	171	140	35	–	175
Total	**13,917**	**26,033**	**3,179**	**43,129**	**14,198**	**18,959**	**1,555**	**34,712**

(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 (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 Ipsen Board of Directors established a share option plan for new members of the Executive Committee and one employee (see note 6.4.2), and granted 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 the Company's Chairman and Chief Executive, members of the Executive Committee and certain beneficiaries of the Group subsidiaries. The conditions of this plan are described in notes 6.4.2 and 6.4.3.

On 30 June 2011, the Board of Directors granted share options and bonus shares to the Company's Chairman and Chief Executive, members of the Executive Committee and certain beneficiaries of the Group subsidiaries. The conditions of this plan are described in notes 6.4.2 and 6.4.3.

On 30 March 2012, the Board of Directors granted share options and stock appreciation rights (SARs) to the Company's Chairman and Chief Executive, members of the Executive Committee and certain beneficiaries of the 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 2012	31 December 2011
Share option plans granted by Mayroy S.A. (note 6.4.1.3)	–	–
Share option plans granted by Ipsen (note 6.4.2.2)	1,006	2,351
Bonus shares (note 6.4.3.2)	3,450	1,561
Total	**4,456**	**3,912**

6.4.1 Share option plans granted by the Mayroy S.A. parent company

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
Date granted 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 2012	31 December 2011
Opening balance	**25,180**	**25,850**
Options granted	–	–
Options exercised	–	(420)
Options cancelled	(680)	(250)
Options expired	(2,760)	–
Closing balance	**21,740**	**25,180**

Breakdown of closing balance:

(in number of options)	31 December 2012	31 December 2011
Plans before 7 November 2002		
1a	–	–
1b	–	–
1c	–	–
Plans after 7 November 2002		
1d	–	–
3a	5,850	6,530
2a	–	2,760
2b	2,760	2,760
2c (Tr. 1)	7,360	7,360
2c (Tr. 2)	2,760	2,760
2c (Tr. 3)	2,760	2,760
3b	250	250
TOTAL	**21,740**	**25,180**

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**
2012 non-cash expense	–	–	–	–	–	–	–	–	**–**
2011 non-cash expense	–	–	–	–	–	–	–	–	**–**

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.
Date granted 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 was determined in light of historic volatility calculated using Ipsen share prices from the date at 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 was determined on the basis of dividend distributions since the date at 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
Date granted 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 was determined in light of historic volatility calculated using Ipsen share prices from the date at 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 was determined on the basis of dividend distributions since the date at 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
2012 non-cash expense	–	–	–	–	–	–	–	–	–	–	–	–	–
2011 non-cash expense	–	–	–	–	–	–	–	–	78	148	148	142	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	
Opening valuation	2,158	1,482	145	1,295	1,317	582	242	397	1,351	104	**31,324**
2012 non-cash expense	196	62	36	–	160	126	41	11	398	(24)	**1,006**
2011 non-cash expense	419	43	36	–	712	126	51	109	110	88	**2,351**

6.4.2.3 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 2012	31 December 2011
Opening balance	**2,050,948**	**1,919,440**
Options granted	–	205,708
Options exercised	–	(4,000)
Options cancelled	(40,065)	(70,200)
Options expired	–	–
Closing balance	**2,010,883**	**2,050,948**

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 respectively to the Company's Chairman and Chief Executive and some senior executives, 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, to 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 the 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 were 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 were not subject to any performance conditions specific to either the Group or the stock market.

On 14 December 2009, the Board of Directors noted the expiry of the vesting period and / or the fulfilment of the performance conditions and allotted the 24,000 bonus shares. The share capital was consequently increased by €8,000 through incorporation of reserves, with the 16,000 outstanding shares delivered to beneficiaries the same day.

On 15 December 2011, the Board of Directors noted the expiry of the vesting period and / or the fulfilment of the performance conditions and allotted 3,600 bonus shares. The share capital was consequently increased by the creation of 1,000 new shares and the delivery of 2,000 shares to beneficiaries.

On 29 September 2008, the Board of Directors granted 33,100 bonus shares to beneficiaries who were either French of foreign tax residents. No performance conditions specific to either the Group or the stock market were attached to these shares, which were to be allotted at the end of a vesting period of two years for French tax residents and four years for foreign tax residents.

On 10 November 2010, the Board of Directors noted that the vesting period had expired on 29 September 2010 for beneficiaries who were French tax residents, and recorded the allotment of the 18,600 bonus shares, resulting in an increase in the Company's share capital of the same amount through incorporation of reserves.

On 1 October 2012, the Board of Directors noted that the vesting period had expired on 29 September 2010 for beneficiaries who were foreign tax residents, and recorded the allotment of the 9,300 bonus shares, resulting in a €2,800 increase in the Company's share capital through incorporation of reserves, with the remaining 6,500 bonus shares delivered to beneficiaries the same day.

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 were to be allotted at the end of a vesting period of no less than two years for French tax residents and four years for foreign tax residents, and were not subject to any performance conditions specific to either the Group or the stock market.

On 10 November 2010, the Board of Directors granted 30 bonus shares following the death of beneficiary who was a French tax resident. On 24 January 2011, the Board of Directors noted that the vesting period had expired on 22 January 2011 for beneficiaries who were French tax residents, and recorded the allotment of the 22,860 bonus shares, resulting in an increase in the Company's share capital of the same amount through incorporation of reserves.

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 1 March 2011, the Board of Directors noted that the performance conditions had not been met and consequently reversed the earlier-recognised charges for 2011.

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 no 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. With the exception of 2,500 of the bonus shares, the bonus shares were subject to minimum length of service criteria of two years and – for the Chairman and Chief Executive – market performance conditions (*i.e.* stock market performance of groups comparable to Ipsen).

On 15 December 2011, the Board of Directors noted the expiry of the vesting period and allotted 2.500, bonus shares. The share capital was consequently increased by the creation of 2,500 new 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 were 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 beneficiaries who are French tax residents, the vesting period for the bonus shares was set two years with a two-year lockup period. For beneficiaries who are foreign tax residents in France, the vesting period was set at 4 years.

With 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 2 April 2011, the Board of Directors noted the fulfilment of the performance conditions and/or that the vesting period had expired for beneficiaries who were French tax residents, and recorded the allotment of the 26,000 bonus shares, resulting in an increase in the Company's share capital of the same amount through incorporation of reserves.

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 Committee,
- 16,005 share options and 15,755 bonus shares to beneficiaries of its American subsidiaries, and
- 112,820 bonus shares to certain beneficiaries of other Group subsidiaries.

These attributions were subject to length of service criteria. Furthermore, attributions to the Chairman and Chief Executive Officer and members of the Executive Committee were subject to quantitative and qualitative performance conditions based on sales growth and the achievement of strategic objectives set by the Board of Directors.

The share options attributed to beneficiaries of American subsidiaries become exercisable at the conclusion of a two-year period from the attribution date. For bonus shares attributed to beneficiaries of American subsidiaries, the vesting period was set at two years, with the shares delivered to the beneficiaries at the conclusion of a further two-year period.

For beneficiaries who are French tax residents, the vesting period for the bonus shares was set two years with a two-year lockup period. For beneficiaries who are foreign tax residents in France, except the United States, the vesting period was set at four years.

On **30 March 2012,** the Board of Directors granted:

- 23,940 bonus shares with a two-year vesting period and a two-year lockup period and 166,000 stock appreciation rights (SARs) to the Chairman and Chief Executive, subject to length of service conditions as well as performance conditions specific to the Group, such as sales, adjusted recurring EBIT and EPS, or specific to a Group entity,
- 60,745 bonus shares with a two-year vesting period and a two-year lockup period and 421,000 stock appreciation rights (SARs) to Executive Committee members, subject to length of service conditions as well as performance conditions specific to the Group, such as sales, adjusted recurring EBIT and EPS, or specific to a Group entity,
- 35,645 bonus shares with a two-year vesting period and a two-year lockup period to beneficiaries of the Group's American subsidiaries, subject to length of service conditions as well as performance conditions, such as sales and adjusted recurring EBIT,
- 74,515 bonus shares to grade-qualifying beneficiaries of other Group subsidiaries. For beneficiaries who are French tax residents, the vesting period was set for two years with a two-year lockup period. For beneficiaries who are foreign tax residents in France, the vesting period was set at four years with no lockup period. The attributions are subject to length of service conditions as well as performance conditions, such as sales and adjusted recurring EBIT,
- 29,750 bonus shares to grade-qualifying beneficiaries of other Group subsidiaries. For beneficiaries who are French tax residents, the vesting period was set for two years with a two-year lockup period. For beneficiaries who are foreign tax residents in France, the vesting period was set at four years with no lockup period. The attributions are subject to length of service conditions but not performance conditions.

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 date granted, 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**

	Plan dated 31 March 2010					Plan dated 30 June 2011				Plan dated 30 March 2012				
	1.1	1.2	1.3	1.4	1.5	1.1	1.2	1.3	1.4	1.1	1.2	1.3	1.4	1.5
Number of bonus shares	4,490 (*)	13,750 (*)	29,340 (*)	17,580 (*)	29,110 (*)	27,331	68,030 (*)	44,790 (*)	15,755 (*)	84,685	73,649	19,416	11,200 (*)	35,645
Vesting period (in years)	2	2	2 (**)	4 (***)	4 (***)	2 (**)	2 (**)	4 (***)	2 (***)	2 (**)	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%	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%	8.19%	8.19%	8.19%	8.19%	8.19%
2-year interest rate	0.98%	0.98%	0.98%	0.98%	0.98%	1.71%	1.71%	–	1.71%	0.61%	0.61%	0.61%	0.61%	0.61%
2-year forward rate	2.95%	2.95%	2.95%	–	–	3.14%	3.14%	–	3.14%	2.14%	2.14%	2.14%	–	2.14%
4-year interest rate	–	–	–	1.96%	1.96%	–	–	2.42%	–	–	–	–	1.37%	–
Cost of non-transferabilit of shares	3.32%	3.32%	3.32%	–	–	2.53%	2.53%	–	2.53%	10.80%	10.80%	10.80%	–	10.80%
Cost of dividends lost	2.95%	2.95%	2.95%	5.76%	5.76%	2.93%	2.93%	5.73%	2.93%	2.96%	2.96%	2.96%	5.79%	2.96%
Reduction rate	6.17%	6.17%	6.17%	5.76%	5.76%	5.38%	5.38%	5.73%	5.38%	13.44%	13.44%	13.44%	5.79%	13.44%
Value of shares on date granted, before reduction	€36.16	€36.16	€36.16	€36.16	€36.16	€24.46	€24.46	€24.46	€24.46	€20.50	€20.50	€20.50	€20.50	€20.50
Fair value of bonus shares	**€31.18**	**€31.18**	**€33.92**	**€34.07**	**€34.07**	**€23.14**	**€23.14**	**€23.06**	**€23.14**	**€17.75**	**€17.75**	**€17.75**	**€19.31**	**€17.75**

(*) Bonus shares free of any performance conditions specific to the Group or the stock 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 (*)
2012 expense	–	–	–	–	–	25	–	147	–	13	–
2011 expense	–	–	–	–	37	92	26	242	(731)	19	36

(in thousands of euros)	Plan dated 31 March 10					Plan dated 30 June 11				Plan dated 30 March 2012					Total
	1.1	1.2	1.3	1.4	1.5	1.1	1.2	1.3	1.4	1.1	1.2	1.3	1.4	1.5	
Opening valuation	140	429	995	599	992	633	1,574	1,033	365	1,503	1,307	345	216	633	**19,081**
2012 expense	–	(27)	67	113	160	318	1,193	(174)	180	568	492	127	41	207	**3,450**
2011 expense	–	242	452	138	236	158	62	506	46	–	–	–	–	–	**1,561**

(*) Beneficiaries who are French tax residents.
(**) Beneficiaries who are not French tax residents.

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 2012	31 December 2011
Intangible assets	(13,219)	(14,802)
Property, plant & equipment	(26,783)	(30,553)
Total fixed assets	**(40,003)**	**(45,355)**
Other non-current assets	–	–
Total non-current assets [A]	**(40,003)**	**(45,355)**
Retirement benefit obligations	(1,219)	(3,255)
Provisions (1)	(38,117)	(18,316)
Total provisions [B]	**(39,336)**	**(21,571)**
Total net charge excluding current assets C = [A+B]	**(79,339)**	**(66,926)**
Inventories	(4,931)	(7,132)
Trade receivables and other current assets (2)	(1,156)	(1,384)
Total current assets	**(6,086)**	**(8,516)**
Total	**(85,425)**	**(75,442)**
Impairment losses on goodwill, intangible assets and property, plant and equipment (3)	2,378	(85,216)
TOTAL	**(83,047)**	**(160,658)**

(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 totalled €2.2 million for 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 gross cash flow from operations:

(in thousands of euros)	31 December 2012	31 December 2011
Operating – excluding current assets (note 7.1 – C)	(79,339)	(66,926)
Financial	10,057	(1,892)
Taxes	(3,273)	(3,910)
Depreciation and amortisation before impairment and excluding current assets	**(72,555)**	**(72,728)**
Impairment losses included in operating income (note 7.4)	2,378	(85,216)
Impairment losses included in financial income (note 10.2)	–	(41,966)
Impairment losses	**2,378**	**(127,182)**

7.3 Net depreciation and amortisation expense

(in thousands of euros)	31 December 2012	31 December 2011
Net depreciation and amortisation expense – property, plant and equipment & software	(34,252)	(37,534)
Net depreciation and amortisation expense – other intangible assets	(5,751)	(7,821)
Total (note 7.1 – A)	**(40,003)**	**(45,355)**

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.

At 31 December 2012, amortisation charges of intangible assets represented expenses of €5.8 million, compared with an expense of €7.8 million the previous year. The decrease resulted notably from the change to the amortisation plan of the IGF-1 license following the impairment loss recorded at 31 December 2011, and the end of amortisation for Exforge® following the termination of the co-promotion agreement with Novartis in France, effective 30 April 2012. It was partially offset by the amortisation of rights to Hexvix®, acquired from Photocure in September 2011.

7.3.2 Breakdown of net depreciation and amortisation charges – property, plant and equipment and software

(in thousands of euros)	31 December 2012	31 December 2011
Cost of goods sold	(11,673)	(14,741)
Research and development expenses	(3,906)	(7,873)
Selling expenses	(555)	(889)
General expenses	(18,115)	(14,032)
Total	**(34,252)**	**(37,535)**

7.4 Impairment losses

7.4.1 2012 financial year

At 31 December 2012, the Group recorded a non-recurring reversal of impairment losses totalling €2.4 million.

7.4.1.1 Dreux industrial site tangible assets

On 11 July 2012, the Group announced its decision to keep the Dreux industrial site within its scope of operations. The decision was based on the growth outlook for primary care in international markets, and higher-than-anticipated production volumes at the site since the beginning of the year.

The new forecasts have made it possible to maintain the site's industrial activities and employment.

Following the announcement, the Group reassessed the industrial site's asset value based on new information, and reversed a €12.5 million impairment loss in the consolidated financial statements at 31 December 2012.

7.4.1.2 Nisis®-Nisisco®

The Group recognised a €10.1 million impairment loss on its Nisis®-Nisisco® primary care brand, following a move by the French government to implement a stricter "third-party payment" rule. The measure, which now requires patients to advance part of the price of originator drugs when a generic drug is available on the market, has resulted in the unprecedented penetration of generics in France.

7.4.1.3 IGF-1 Licence

The Group was able to maintain the supply of Increlex® (IGF-1), a treatment for Severe Primary IGF-1 Deficiency, on the American market, despite regulatory delays in approving the production site. The Group is working closely with the U.S. Food and Drug Administration (FDA) to keep supplying the product.

Furthermore, Ipsen and Lonza continue to work with the FDA to ensure that American patients have access to this important

drug. The Group continues to closely monitor the product's supply trend situation. At 31 December 2012, no additional impairment losses were recorded in the consolidated financial statements.

7.4.2 2011 financial year

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

7.4.2.1 IGF-1 Licence

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

In June 2011, the Group announced during the presentation of its strategy that drugs aimed at treating short stature would be de-prioritised and would now be managed with a view to streamlining commercial operations. The new strategy resulted in the cancellation of R&D investments in short stature programmes (*i.e.* the Combo Program, a combination of growth hormone and IGF-1) and the lowering of sales forecasts for short stature drugs on the European market.

In 2008, Lonza moved its production site from Baltimore to Hopkinton. Following the move, in the second half of 2011, Lonza received a warning letter from the Food and Drug Administration (FDA) about the Hopkinton plant, where IGF-1 has been manufactured since 2008. Lonza implemented an action plan in response to the FDA's observations.

At the same time, the Group observed a more stringent regulatory environment in the United States with similar situations affecting the plants of other drug companies on the American market.

In view of the lower European sales forecasts for Increlex® and Increlex® supply uncertainties, the Group recognised a non-recurring €47.3 million impairment loss for IGF-1 in its consolidated financial statements at December 31, 2011.

7.4.2.2 Dreux industrial site fixed assets

During the June 2011 presentation of it new strategy, the Group announced that it was actively seeking a buyer to maintain and develop the business at its Dreux industrial site, which specializes in the production of drug packaging pouches, solutions, pills and capsules. Negotiations were undertaken with potential buyers. Furthermore, on 27 January 2012, the Group took note of the French government's decision – effective 1 March 2012 – to no longer reimburse Tanakan®, Tramisal® and Ginkogink®, which are currently manufactured at the site. That announcement, and the terms and conditions of the potential deal, prompted the Group to reassess the value of the Dreux industrial site's tangible assets, resulting in the recognition of non-recurring impairment losses of €25.0 million in the consolidated financial statements at 31 December 2011.

7.4.2.3 Nisis®-Nisisco® and Fipamezole®

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

- the Nisis®-Nisisco® primary-care drug know-how and brand, the active promotion of which has been deprioritized with the arrival of generics on the market, following its patent loss in November 2011;
- the Fipamezole® license, owing to uncertainties about future development timelines, following the renegotiation of the contract with Santhera Pharmaceuticals in January 2012.

Note 8 Other operating income and expenses

In 2012, other operating income amounted to €5.6 million in 2011, compared with €17.5 million a year earlier. In 2011, other operating income stemmed from non-recurring income of €17.2 million following a court ruling relating to the trade dispute between the Group and Mylan. Other operating income also included revenue from subleasing the head offices, with the corresponding rental charges recognised in other operation expenses.

In 2012, other operating expenses amounted to €25.8 million, compared with €17.6 million a year earlier. Other operating expenses primarily included non-recurring costs related to the planned search for a buyer of the Dreux industrial site and a partner for the primary care business in France, the resolution of a commercial dispute with a partner, and administrative proceedings brought against the Group.

Note 9 Restructuring costs

At 31 December 2012, the Group recorded €63.1 million in non-recurring restructuring costs stemming from its strategy announced on 9 June 2011. The expenses arose mainly from the job protection plan for the Group's primary care subsidiary in France, and the remaining costs associated with moving the Group's North American commercial subsidiary to the East Coast of the U.S. between June 2011 and June 2012.

Note 10 Financial income/(expense)

10.1 Net financing costs

(in thousands of euros)	31 December 2012	31 December 2011 proforma(*)	31 December 2011
Proceeds from sales of short-term investments	888	1,358	1,358
Financial income on rate option	–	–	–
Total income from financial assets held for trading	**888**	**1,358**	**1,358**
Other financial income	107	244	2,428
Total income from loans and receivables	**107**	**244**	**2,428**
Investment income	**996**	**1,603**	**3,786**
Interest on debt	(1,652)	(517)	(517)
Interest on employee profit-sharing fund	(571)	(581)	(581)
Total expenses on financial liabilities measured at amortised cost	**(2,223)**	**(1,098)**	**(1,098)**
Financial expenses on rate option	(96)	(660)	(660)
Total expenses on financial assets held for trading	**(96)**	**(660)**	**(660)**
Financing costs	**(2,319)**	**(1,758)**	**(1,758)**
Net financing costs	**(1,323)**	**(155)**	**2,029**

(*) The 2011 cost of net financial debt was restated for purposes of comparison with the 2012 financial year (see note 12).

In 2012, the cost of net financial debt totalled €1.3 million, versus (€0.2) million in 2011 after adjusting. It primarily consisted of the no-use fee on a new credit line subscribed on 31 January 2012, and was partially offset by Group investment income.

10.2 Other financial income and expense

(in thousands of euros)	31 December 2012	31 December 2011 proforma(*)	31 December 2011
Other exchange differences	(5,296)	1,120	7,186
Income and expenses on financial assets and liabilities at fair value	**(5,296)**	**1,120**	**7,186**
Impairment of investments in non-consolidated companies	11,592	(564)	(564)
Impairment of other financial assets	–	(75)	(42,041)
Gain (loss) from disposal of available-for-sale financial assets	–	–	–
Income and expenses on available-for-sale financial assets	**11,592**	**(639)**	**(42,605)**
Financial income on employee benefits (note 6.3.3.4)	1,669	1,746	1,746
Interest on employee benefits (note 6.3.3.4)	(3,150)	(3,006)	(3,006)
Other financial income and expenses	1,964	238	238
Total other financial income and expense	**6,779**	**(541)**	**(36,440)**

(*) Other financial income and expense for 2011 was restated for purposes of comparison with the 2012 financial year (see note 12).

At 31 December 2012, other financial income amounted to €6.8 million, compared with other financial expense of €0.5 million a year earlier. The difference resulted primarily from unfavourable foreign exchange trends, a financial gain from the sale of shares in Spirogen Plc., and non-recurring profit from earnout income on the 2010 sale of shares in PregLem Holding S.A.

Note 11 Income taxes

11.1 Tax expense

11.1.1 Breakdown of tax expense

(in thousands of euros)	31 December 2012	31 December 2011 proforma(*)	31 December 2011
Current tax	(17,471)	(47,138)	(36,630)
Deferred tax	(6,969)	49,020	49,973
Tax expense	**(24,440)**	**1,882**	**13,343**

(*) The tax expense breakdown for 2011 was restated for purposes of comparison with the 2012 financial year (see note 12).

11.1.2 Effective tax rate

(in thousands of euros)	31 December 2012	31 December 2011 proforma(*)	31 December 2011
Net profit from continuing operations	95,820	73,763	227
Share of profit/loss from associated companies	–	–	(54,487)
Profit from continuing operations before share of results from associated companies	**95,820**	**73,763**	**54,714**
Income taxes	(24,440)	1,882	13,343
Pre-tax profit from continuing operations before share of results from associated companies	**120,260**	**71,881**	**41,371**
Effective tax rate	**20.3%**	**(2.6)%**	**(32.3)%**

(*) The effective tax rate for 2011 was adjusted for purposes of comparison with the 2012 financial year (see note 12).

At 31 December 2012, the effective tax rate came to 20.3% of pre-tax profit from continuing operations, compared with an effective rate of (2.6)% a year earlier.

Items lowering the effective tax rate impacted 2012 pre-tax profit, which was higher than in 2011. Accordingly, although the amount of R&D tax credits remained flat from 2011 to 2012, the relative impact of the credits diminished by 13 percentage points. Similarly, the relative impact from tax rate differences compared to the French tax rate diminished 8 percentage points from 2011 and 2012.

Excluding non-recurring operating, financial and fiscal items, the Group's effective tax rate came to 23.2% in 2012, compared with 19.3% in 2011.

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 2012	31 December 2011 proforma(*)	31 December 2011
Pre-tax profit from continuing operations before share of results from associated companies	120,260	71,881	41,371
Group tax rate	34.43%	34.43%	34.43%
Nominal tax expense	**(41,406)**	**(24,749)**	**(14,244)**
Increase/decrease in tax expense arising from:			
– Tax credits	24,987	25,290	25,290
– Non-recognition of tax impact on certain losses during the year (1)	(8,664)	(64)	(64)
– Utilisation of tax losses not recognised as deferred tax assets	221	203	203
– Recognition of deferred tax assets (2)	(4,753)	(570)	(570)
– Other permanent differences (3)	5,175	1,772	2,729
Effective tax income / (expense)	**(24,440)**	**1,882**	**13,343**

(*) The 2011 financial year was restated for purposes of comparison with 2012.
(1) The change in this item is mainly explained by the unrecognised tax losses for the period owing to local allocation rules and company results forecasts.
(2) The change in this item is mainly explained by the reduction of the carrying amount of deferred tax assets due to the application of local limitation rules.
(3) The other permanent differences in 2012 included:
- €8.6 million related to differences in tax rates applied to foreign subsidiaries,
- €2.4 million related to the reduced tax rate on royalties in France,
- €5.6 million loss related to other permanent differences including the non-tax deductibility of advertising tax and sales-based contributions for €2.9 million and the recognition of the CVAE business tax *(Cotisation sur la Valeur Ajoutée des entreprises)* as income tax for €2.7 million.

11.2 Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities in 2012 can be broken down as follows:

(in thousands of euros)	31 December 2011	Movements during the year					31 December 2012
		Foreign exchange differences	Deferred taxes recorded directly to equity	Income statement income / expense from discontinued operations	Income statement income / expense	Other movements	
Deferred tax assets	184,562	(1,483)	–	31,822	(6,740)	–	208,162
Deferred tax liabilities	(2,569)	(5)	–	–	(193)	–	(2,767)
Net assets/(liabilities)	**181,993**	**(1,488)**	**–**	**31,822**	**(6,933)**	**–**	**205,395**

A significant portion of the Group's deferred tax assets and liabilities are related to U.S.-based Ipsen Biopharmaceuticals Inc. (formerly Tercica Inc.), based on the subsidiary's tax loss carryforwards and temporary differences, as well as the deferred tax assets and liabilities related to the IGF-1 license, an intangible asset recognised in the allocation of Ipsen Biopharmaceuticals Inc.'s goodwill.

The income (expense) from discontinued operations recognised by the Group on 31 December 2012, led to the recognition of deferred tax assets totalling €31.8 million, notably as result of carrying forward €28.3 million in French tax losses.

At 31 December 2012, unrecognised deferred tax assets amounted to €73.3 million. That amount corresponds primarily to the Group's unused R&D tax credits, temporary differences and tax losses not carried forward at 31 December 2012. They were not recognised because the companies were unable to determine whether the tax assets could be used, based on their earnings forecasts.

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
		Foreign exchange differences	Deferred taxes recorded directly to equity	Income statement income / expense from discontinued operations	Income statement income / expense	Other movements (*)	
Deferred tax assets	141,630	2,530	–	953	48,768	(9,319)	184,562
Deferred tax liabilities	(11,955)	(185)	–	–	252	9,319	(2,569)
Net assets/(liabilities)	**129,675**	**2,345**	**–**	**953**	**49,020**	**–**	**181,993**

(*) Other movements correspond to the net deferred tax position of UK entities, as they were eligible for "Group Relief".

A significant portion of the Group's deferred tax assets and liabilities were related to U.S.-based Tercica Inc., based on the subsidiary's tax loss carryforwards and temporary differences, as well as the deferred tax assets and liabilities related to the IGF-1 license, an intangible recognised in the allocation of Tercica Inc.'s goodwill. At 31 December 2011 the Group recorded non-recurring impairment losses resulting mainly from IGF-1's lower development and commercialisation forecasts and leading to a €18.9 million reduction in deferred tax liabilities. The change in Tercica Inc.'s deferred tax assets arising from temporary differences over the period amounted to €9.6 million. A review of the deferred tax assets by the Group showed no additional risk concerning the expiry of certain tax loss carryforwards within the time frame of their potential use.

Furthermore, the announced delisting of Tanakan®, Tramisal® and Ginkogink®, currently manufactured at the Dreux industrial site, and details about a potential disposal of the site, led the Group to reassess the value of Dreux's tangible and intangible assets. This resulted in the recognition of a non-recurring impairment loss and €9.0 million in deferred tax assets.

At 31 December 2011, unrecognised deferred tax assets amounted to €45.6 million. That amount stemmed mainly from unrecognised R&D tax credits for Ipsen Pharma S.A. (Spain) and Biomeasure Inc. amounting respectively to €36.6 million and €7 million. The R&D tax credits generated each year by both those companies cannot be fully used, and based on the companies' projected earnings, the Group was not in a position to determine whether such tax credits could be used. Accordingly, the deferred tax assets were not recognised.

Note 12 Assets and liabilities of discontinued operations, and assets and liabilities held for sale

At 31 December 2012, the loss from discontinued operations totalled €124.8 million, *versus* a loss of €72.9 million at end 2011.

As a result of events occurring since 31 October 2012 described in notes 1.1 and 2, and in compliance with provisions of IFRS 5 "Non-current assets held for sale and discontinued operations", hemophilia asset and liability items, with the exception of the "DIP" loan, were grouped into lines for assets and liabilities held for sale on the consolidated balance sheet at 31 December 2012.

Hemophilia represented one of Ipsen's four therapeutic areas of focus for resources and investment. Furthermore, the flows from this business line were clearly distinctive, and the activity was part of single and coordinated divestment plan. Accordingly, the business met the criteria of discontinued operations, and its result for the period is presented on a separate line in the income statement. The line item includes the loss from discontinued operations as well as the resulting after-tax loss from the fair value measurement of the discontinued business's assets held for sale, less their selling costs.

Ipsen assessed the fair value of the hemophilia assets, classified as assets held for sale at the lower of their carrying value and their fair value, less selling costs. With additional milestone payments contingent on regulatory authority approval and sales of the products, Ipsen considered the payments to be uncertain at the closing period and, as a consequence, they were not taken into account when assessing the faire value of the hemophilia assets held for sale at 31 December 2012.

Based on the information available at the closing period, Ipsen believes the upfront payments it expects to receive will cover the amount of DIP financing the company granted to Inspiration Biopharmaceuticals Inc. As a result, at 31 December 2012, Ipsen fully depreciated the hemophilia business assets and liabilities reclassified on the balance sheet as assets and liabilities held for sale. Those assets and liabilities consisted of tangible, intangible and financial assets, receivables from the rebilling of OBI-1 industrial development expenses for the third quarter, as well as rebilled expenses for setting up European operations, and the accelerated recognition of deferred income related to the transaction between Ipsen and Inspiration Biopharmaceuticals Inc.,

following the OBI-1 development and commercial sub-license agreed to in January 2010.

The repayment of the DIP financing granted by Ipsen to Inspiration Biopharmaceuticals Inc. during Inspiration's chapter-11 bankruptcy procedure is specified in an agreement that apportions the selling price to the various creditors. In its recoverability analysis of this financial receivable, Ipsen included the upfront payment specified in the asset purchase agreement with Baxter and Cangene Corporation. In the event that this purchase agreement is not concluded, the amount of the uncertainty related to the recoverability of the receivable comes to €7.2 million as at 31 December 2012.

12.1 Reconciliation of the published 2011 income statement and the 2011 income statement restated for IFRS 5

(in thousands of euros)	December 2011 published in 2011	Restatements according to IFRS 5	December 2011 restated and published in 2012
Sales of goods	1,159,819	–	1,159,819
Other revenues	75,090	(24,739)	50,351
Revenue	**1,234,909**	**(24,739)**	**1,210,170**
Cost of goods sold	(249,240)	–	(249,240)
Research and development expenses	(253,592)	18,982	(234,610)
Selling expenses	(425,151)	737	(424,414)
General and administrative expenses	(101,466)	1,815	(99,651)
Other operating income	17,534	–	17,534
Other operating expenses	(17,635)	–	(17,635)
Amortisation of intangible assets	(7,821)	–	(7,821)
Restructuring costs	(36,540)	–	(36,540)
Impairment losses	(85,216)	–	(85,216)
Operating income	**75,782**	**(3,205)**	**72,577**
Investment income	3,786	(2,185)	1,601
Financing costs	(1,758)	–	(1,758)
Net financing costs	**2,029**	**(2,185)**	**(156)**
Other financial income and expense	(36,440)	35,900	(540)
Income taxes	13,343	(11,461)	1,882
Share of profit (loss) from associated companies	(54,487)	54,487	–
Net profit from continuing operations	**227**	**73,536**	**73,763**
Net profit (loss) from discontinued operations	680	(73,536)	(72,856)
Consolidated net profit	**907**	**–**	**907**

12.2 Breakdown of "net profit (loss) from discontinued operations" in the income statement

(in thousands of euros)	31 December 2012	31 December 2011
Revenue	**28,148**	**24,739**
Cost of goods sold	–	–
Research and development expenses	(27,819)	(18,982)
Selling expenses	(1,691)	(737)
General and administrative expenses	(2,054)	(1,815)
Other operating income	10,613	–
Other operating expenses	(8,166)	–
Other financial income and expense	(3,138)	8,251
Depreciation related to discontinued operations	(16,652)	–
Pre-tax profit (loss) from discontinued operations	**(20,759)**	**11,456**
Associated income taxes	**5,085**	**(3,689)**
Share of profit (loss) from associated companies	**(21,658)**	**(54,487)**
Impairment losses related to assets held for sale	(129,712)	(41,966)
Associated income taxes	42,213	15,150
Net profit (loss) from discontinued operations	**(124,831)**	**(73,536)**

At 31 December 2012, the net loss from discontinued operations totalled €124.8 million.

The net loss included €17 million in depreciation expense from discontinued operations comprised of non-recurring losses on Group-held receivables from the rebilling of OBI-1 industrial development costs in the second and third quarters of the year, as well as rebilled expenses for setting up European operations, and an €11 million gain from the accelerated recognition of deferred income recorded during the 2010 transaction with Inspiration Biopharmaceuticals Inc., following the OBI-1 sub-license agreement. The impairment losses recognised on assets held for sale stemmed from a €20 million provision for property, plant and equipment at the Milford site, an €18 million provision for intangible assets related to OBI-1 and IBI1001 rights, €85 million in losses on convertible bonds, and a €6 million loss related to the Inspiration warrant, which the Group waived. The tax impact from these non-recurring losses, net of the accelerated deferred income, was a €36 million tax credit.

The net loss also included the €22 million share of losses in Inspiration Biopharmaceuticals Inc., which was recognised until it was reclassified in assets held for sale.

12.3 Consolidated statement of cash flow by continuing or discontinued operations

(in thousands of euros)	Notes	31 December 2012			31 December 2011		
		Continuing operations	Operations held for sale / discontinued operations	Total	Continuing operations	Operations held for sale / discontinued operations	Total
Consolidated net profit (loss)		**95,820**	**(124,831)**	**(29,011)**	**73,763**	**(72,856)**	**907**
Share of profit (loss) from associated companies	16.4.2	–	21,658	21,658	–	20,230	20,230
Impairment losses included in share of profit/loss from associated companies		–	–	–	–	34,257	34,257
Net profit (loss) from continuing operations before share from associated companies		**95,820**	**(103,173)**	**(7,353)**	**73,763**	**(18,369)**	**55,394**
Non-cash and non-operating items							
– Depreciation, amortisation, provisions	7.1	72,555	–	72,555	71,041	1,007	72,048
– Impairment losses	7.1	(2,378)	125,431	123,053	85,216	41,966	127,182
– Change in fair value of financial derivatives	25.5	(2,474)	–	(2,474)	2,185	–	2,185
– Net gains or losses on disposals of non-current assets	17	1,882	–	1,882	4,576	–	4,576
– Share of government grants released to profit and loss		(84)	–	(84)	(90)	–	(90)

(in thousands of euros)	Notes	31 December 2012			31 December 2011		
		Continuing operations	Operations held for sale / discontinued operations	Total	Continuing operations	Operations held for sale / discontinued operations	Total
– Foreign exchange differences		(1,437)	6,066	4,629	(2,342)	(6,066)	(8,408)
– Change in deferred taxes	11.2	6,933	(31,822)	(24,889)	(49,020)	(953)	(49,973)
– Share-based payment expense	6.4	4,624	–	4,624	4,056	–	4,056
– Gain or (loss) on sales of treasury shares		51	–	51	(84)	–	(84)
– Other non-cash items		(182)	–	(182)	194	–	194
Cash flow from operating activities before changes in working capital requirement		**175,310**	**(3,498)**	**171,812**	**189,495**	**17,585**	**207,080**
– (Increase)/decrease in inventories		(7,091)	–	(7,091)	(5,089)	–	(5,089)
– (Increase)/decrease in trade receivables		10,083	–	10,083	(16,672)	–	(16,672)
– Increase/(decrease) in trade payables		14,980	–	14,980	9,421	–	9,421
– Net change in income tax liability		(17,368)	–	(17,368)	4,697	–	4,697
– Net change in other operating assets and liabilities		(10,895)	(17,303)	(28,198)	(13,075)	(10,912)	(23,987)
Change in working capital requirement related to operating activities	**19.1 (A)**	**(10,291)**	**(17,303)**	**(27,594)**	**(20,718)**	**(10,912)**	**(31,630)**
NET CASH PROVIDED BY OPERATING ACTIVITIES		**165,019**	**(20,801)**	**144,218**	**168,777**	**6,673**	**175,450**
Acquisition of property, plant & equipment	15.1	(48,982)	–	(48,982)	(44,309)	–	(44,309)
Acquisition of intangible assets	14.1	(27,740)	(6,084)	(33,824)	(57,978)	–	(57,978)
Proceeds from disposal of intangible assets and property, plant & equipment		252	313	565	7,042	–	7,042
Acquisition of shares in non-consolidated companies	16.1 (A)	(361)	–	(361)	(5,720)	–	(5,720)
Acquisitions of shares in associated companies	16.4	–	–	–	–	–	–
Convertible note subscriptions	18 (A)	(200)	(26,683)	(26,883)	–	(45,291)	(45,291)
Proceeds from sales of investment securities		13,860	–	13,860	–	–	–
Payments to post-employment benefit plans	6.3.3.5	(6,056)	–	(6,056)	(1,962)	–	(1,962)
Impact of changes in the consolidation scope		–	–	–	–	–	–
Change in cash securities held for sale		–	–	–	–	–	–
Advances on other investment securities	18 (A)	–	–	–	–	–	–
Other cash flow related to investment activities	18 (A)	(510)	(2,928)	(3,438)	(697)	(2,185)	(2,882)
Deposits paid	18 (A)	(420)	–	(420)	(92)	–	(92)
Change in working capital related to operating activities	19.1 (B)	5,325	–	5,325	8,030	–	8,030
NET CASH USED BY INVESTMENT ACTIVITIES		**(64,832)**	**(35,382)**	**(100,214)**	**(95,686)**	**(47,476)**	**(143,162)**
Additional long-term borrowings	24.1 (A)	–	–	–	–	–	–
Repayment of long-term borrowings	24.1 (B)	(257)	–	(257)	(291)	–	(291)
Net change in short-term borrowings	24.1 (C)	–	–	–	(1)	–	(1)
Capital increase by Ipsen		–	–	–	89	–	89
Treasury shares		162	–	162	974	–	974
Dividends paid by Ipsen	22.6	(66,498)	–	(66,498)	(66,520)	–	(66,520)
Dividends paid by subsidiaries to minority interests		(1,032)	–	(1,032)	–	–	–

(in thousands of euros)	Notes	31 December 2012			31 December 2011		
		Continuing operations	Operations held for sale / discontinued operations	Total	Continuing operations	Operations held for sale / discontinued operations	Total
Deposits received		12	–	12	14	–	14
DIP financing		(7,177)	–	(7,177)	–	–	–
Change in working capital related to operating activities	19.1 (C)	1,570	–	1,570	557	–	557
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		**(73,220)**	**–**	**(73,220)**	**(65,178)**	**–**	**(65,178)**
CHANGE IN CASH AND CASH EQUIVALENTS		**26,967**	**(56,183)**	**(29,216)**	**7,913**	**(40,803)**	**(32,890)**
Opening cash and cash equivalents	**20.1.1**	**144,831**	**–**	**144,831**	**177,928**	**–**	**177,928**
Impact of exchange rate fluctuations		(2,327)	–	(2,327)	(207)	–	(207)
Closing cash and cash equivalents	**20.1.2**	**169,471**	**(56,183)**	**113,288**	**185,634**	**(40,803)**	**144,831**

12.4 "Assets held for sale and of discontinued operations" and "Liabilities held for sale and of discontinued operations" on the balance sheet

Assets held for sale correspond primarily to:

- The Milford industrial site, where the OBI-1 product is manufactured,
- OBI-1 development and commercial rights,
- The commercial rights to IB1001 (rFIX) owned by the Ipsen Group,
- Inspiration Biopharmaceutical Inc. shares, convertible bonds and other financial assets owned by the Group.

At 31 December 2012, the Group fully depreciated or amortised these assets held for sale (see note 12).

Liabilities held for sale correspond solely to employee benefit obligations for the personnel at the Milford site.

Note 13 Goodwill

13.1 Net goodwill carried in the balance sheet

Changes in goodwill in 2012 can be broken down as follows:

(in thousands of euros)	31 December 2011	Movements during the year				31 December 2012
		Increases	Decreases	Changes in consolidation scope	Exchange differences	
Gross goodwill	308,316	–	–	–	(1,182)	307,134
Impairment losses	(8,771)	–	–	–	(167)	(8,938)
Net goodwill	**299,545**	**–**	**–**	**–**	**(1,349)**	**298,196**

Gross goodwill shown on the balance sheet at 31 December 2012 resulted from:

- €135.3 million arising on the Group's structuring operations from 1998 to 2004, as a result of acquiring SCRAS and its subsidiaries, and €53.5 million arising on the acquisition of BB et Cie;
- €8.9 million arising on the 2004 acquisition of Sterix Ltd, which was fully amortised 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. These transactions generated residual goodwill in the amount of €109.2 million.

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 operations from 1998 to 2004, as a result of acquiring SCRAS and its subsidiaries, and €53.5 million arising on the acquisition of BB et Cie;
- €8.8 million arising on the 2004 acquisition of Sterix Ltd, which was fully amortised 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. These transactions generated residual goodwill in the amount of €110.5 million.

13.2 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 goodwill-related impairment tests correspond to the operating segments.

Thus, goodwill related to the Group's structuring operations from 1998 to 2004 was allocated to the "Major Western European countries", "Rest of Europe" and "Rest of the World" operating segments in proportion to the revenue 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 budgets, and four-year strategic plans) for the historical operating segments (Major Western European countries, Rest of Europe, and Rest of the World), as well as longer-term forecasts (specific 12-year long-term plans) for the North America operating segment, on which the Group is particularly focused.

Impairment tests are prepared 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	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Net book value at 30 September										
Goodwill	144	144	19	19	26	26	109	108	298	297
Net underlying assets	293	276	166	146	168	146	22	24	674	592
Total	**437**	**420**	**185**	**165**	**194**	**172**	**131**	**132**	**972**	**889**
Perpetuity growth rate	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**2.0%**	**2.0%**	**–**	**–**
Discount rate	**9.0%**	**9.0%**	**9.0%**	**9.0%**	**9.0%**	**9.0%**	**10.0%**	**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 -1% to -2%). The implementation of those sensitivity tests would not lead to the recognition of 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 times its present value (1.4 times at 31 December 2011), would result in a book value equal to the value in use.

A decrease in sales for the "Major Western European countries" cash-generating unit, representing a key assumption in these estimates, of more than 5% of its present value (5% at 31 December 2011), 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 2.8 times its present value (3.1 times at 31 December 2011), would result in a book value equal to the value in use.

A decrease in sales for the "Rest of Europe" cash-generating unit, representing a key assumption in these estimates, of more than 17% of its present value (17% at 31 December 2011), 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 1.6 times its present value (1.8 times at 31 December 2011), would result in a book value equal to the value in use.

A decrease in sales for the "Rest of the World" cash-generating unit, representing a key assumption in these estimates, of more than 5% of its present value (5% at 31 December 2011), 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 1.1 times its present value (2.1 times at 31 December 2011), would result in a book value equal to the value in use.

A decrease in sales for the "North America" cash-generating unit, representing a key assumption in these estimates, of more than 37% of its present value (57% at 31 December 2011), would result in a book value equal to the value in use.

At 31 December 2012 and 2011, no impairment loss related to goodwill was recorded. The impairment loss previously recorded concerned only the goodwill arising on the acquisition of Sterix Ltd.

Note 14 Other intangible assets

14.1 Movements

Movements in 2012 can be broken down as follows:

(in thousands of euros)	31 December 2011	Movements during the year					31 December 2012
		Increases	Decreases	Changes in consolidation scope	Exchange differences	Other movements	
Intellectual property	399,125	24,901	(1,690)	–	(975)	(9,236)	412,125
Intangible assets in progress	2,448	1,397	–	–	1	(1,845)	2,001
Advance payments	4,202	1,443	–	–	–	(1,565)	4,080
Gross assets	**405,775**	**27,740**	**(1,690)**	**–**	**(972)**	**(12,646)**	**418,206**
Amortisation	(92,049)	(13,220)	1,395	–	331	436	(103,105)
Impairment losses	(178,138)	(10,135)	1,465	–	883	–	(185,925)
Net assets	**135,588**	**4,385**	**1,171**	**–**	**242**	**(12,210)**	**129,176**

Movements in "Intellectual property" are mainly due to the recognition of the upfront payment of €20.0 million to Active Biotech as part of the partnership to co-develop and commercialise Tasquinimod "TASQ" (see note 1.2.3).

Movements in "Advance payments" and "Intangible assets in progress" mainly include capital expenditures related to the renewal of the Group's information systems.

The "Other movements" rubric corresponds to the transfer of €12.2 million in OBI-1 rights acquired from Octagen in June 2008 to "Assets held for sale", as well as €6.1 million in rFix rights acquired as part of the partnership with Inspiration Biopharmaceuticals Inc. A non-recurring provision for these assets was subsequently recognised following the two purchase agreements signed with Baxter and Cangene.

The "Impairment losses" item corresponds primarily to the €10.1 million impairment loss arising on the Nisis®-Nisisco® primary-care brand (see note 7.4).

Movements in "Impairment losses" are detailed in notes 14.2 and 14.3.

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	Changes 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" were 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", and the payment of €22.5 million as part of the partnership with Photocure to commercialise Hexvix®.

Movements in "Advance payments" and "Intangible assets in progress" include primarily capital expenditures related to the renewal of the Group's information systems.

"Amortisation" notably included €3.1 million in amortisation recorded during the period following the recognition of the IGF-1 license as an intangible asset in the final allocation of Tercica Inc.'s goodwill.

Movements in "Impairment losses" are detailed in notes 14.2 and 14.3.

14.2 Impairment tests on intangible assets with an indefinite useful life

14.2.1 2012 financial year

At 31 December 2012, the Group had two intangible assets with a total book value of €46.0 million before taking into account potential impairment losses. These assets are rights acquired for proprietary oncology and neurology drugs that are in an advanced phase of development but have not yet obtained market approval. As a result, they were not amortised, in accordance with the Group's accounting principles (see note 4.14). For these two 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 budgets, and four-year strategic plans) as well as longer-term forecasts made by the Group's operating entities,
- the duration of the economic life intrinsic to the proprietary drug. When it exceeds the time horizon of the Group's forecasts, a terminal value is used,
- the probability of winning market approval for the proprietary drug when it is still in the development phase,
- the discount rate (weighted average cost of capital determined by the Group).

At 31 December 2012, no additional impairment losses relating to these assets were recognised in the consolidated financial statements.

14.2.2 2011 financial year

At 31 December 2011, the Group had four intangible assets with a total book value of €41.0 million before taking into account potential impairment losses. These assets were rights acquired for proprietary oncology, neurology and haematology drugs that were in an advanced phase of development but had not yet obtained market approval. As a result, they were 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 brand of the primary-care drug Nisis®-Nisisco®, the active promotion of which was de-prioritized 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 amortise it over a two-year period. Accordingly, the asset was reclassified in 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 Nisis®-Nisisco® brand and know-how were allocated to the Group's "Major Western European countries" operating segment. Because the other assets were still in progress, they were not assigned to an operating segment.

14.3 Impairment tests on intangible assets with a definite useful life

14.3.1 2012 financial year

In the second half of the year, the French government strengthened the "third-party payment" rule, which requires patients to advance part of the price of originator drugs when a generic drug is available on the market, resulting in the unprecedented penetration of generics in France. Sales of Nisis®-Nisisco® were severely penalised by the measure. As a consequence, the Group recognised a €10 million impairment loss on the Nisis®-Nisisco® brand at 31 December 2012, bringing its value down to zero. The impairment loss was allocated the Group's "Major Western European countries" operating segment.

14.3.2 2011 financial year

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

In June 2011, the Group announced during the presentation of its strategy that drugs aimed at treating Severe Primary IGF-1 Deficiency would be de-prioritised and would now be managed with a view to streamlining commercial operations. The new strategy resulted in the cancellation of R&D investments in short stature programmes (*i.e.* the Combo Program, a combination of growth hormone and IGF-1) and the lowering of sales forecasts for short stature drugs on the European market.

In 2008, Lonza moved its IGF-1 production site from Baltimore to Hopkinton. Following the move, in the second half of 2011, Lonza received a warning letter from the Food and Drug Administration (FDA) about the Hopkinton plant, where IGF-1 has been manufactured since 2008. Lonza implemented an action plan in response to the FDA's observations. The follow-up inspection and its result were expected before the end of the first half of 2012.

At the same time, the Group observed a more stringent regulatory environment in the United States with similar situations affecting the plants of other drug companies on the American market.

In view of the lower European sales forecasts for Increlex® and Increlex® supply uncertainties, the Group recognised a non-recurring €47.3 million impairment loss for IGF-1 in its consolidated financial statements at 31 December 2011.

The group also recognised an impairment loss on Dreux's intangible assets in the amount of €1.5 million.

14.4 Breakdown of intangible assets by asset type

(in thousands of euros)	31 December 2012			31 December 2011		
	Gross value	Amortisation & Impairment	Net value	Gross value	Amortisation & Impairment	Net value
Brands and trademarks	21,394	(21,166)	228	21,394	(11,037)	10,357
Licenses	298,079	(207,383)	90,696	289,948	(203,422)	86,526
Patents	9,363	(8,942)	420	9,273	(8,701)	573
Know-how	8,505	(8,505)	–	8,498	(8,402)	96
Software	74,059	(42,497)	31,562	68,892	(38,144)	30,748
Purchased goodwill	185	(183)	2	185	(183)	2
Other intangible assets	544	(357)	187	936	(289)	647
Intangible assets in progress	2,001	–	2,001	2,448	(9)	2,439
Advance payments	4,080	–	4,080	4,202	–	4,202
Total	**418,209**	**(289,033)**	**129,176**	**405,775**	**(270,185)**	**135,588**
Of which impairment losses		*(185,925)*			*(178,138)*	

At 31 December 2012, impairment losses were recognised in the amounts of €21.2 million for brands and trademarks, €155.0 million for licenses, €1.5 million for patents, €8.2 million for know-how, and €0.2 million for purchased goodwill.

At 31 December 2011, impairment losses were recognised in the amounts of €11.0 million for brands and trademarks, €155.9 million for licenses, €1.5 million for patents, €8.2 million for know-how, €1.5 million for software, and €0.2 million for purchased goodwill.

In 2012, the net amount of intangible assets with an indefinite useful life came to €46.0 million, versus €37.8 million in 2011. The assets were related to rights acquired for proprietary drugs in an advanced stage of development that had not yet obtained market approval, and were classified as "Licenses". Because the assets are still in progress, they have not yet been allocated to an operating segment.

Note 15 Property, plant & equipment

15.1 Breakdown by asset type

Breakdown of movements by asset type in 2012:

(in thousands of euros)	31 December 2011	Movements during the year					31 December 2012
		Increases	Decreases	Changes in consolidation scope	Exchange differences	Other movements	
Land	18,049	2	–	–	36	(1,207)	16,880
Buildings	190,119	690	(612)	–	640	(15,021)	175,816
Plant & equipment	234,978	3,385	(5,444)	–	1,223	(21)	234,121
Other assets	100,742	9,476	(8,940)	–	117	2,113	103,508
Assets in progress	102,374	34,971	(1,730)	–	1,164	(19,918)	116,861
Advance payments	321	458	–	–	–	(662)	117
Gross property, plant and equipment	**646,583**	**48,982**	**(16,726)**	**–**	**3,184**	**(34,716)**	**647,303**
Amortisation	(351,202)	(26,783)	13,267	–	(1,111)	12,807	(353,022)
Impairment losses	(23,653)	–	11,048	–	–,	105	(12,500)
Amortisation & impairment losses	**(374,855)**	**(26,783)**	**24,315**	**–**	**(1,111)**	**12,912**	**(365,522)**
Net property, plant and equipment	**271,728**	**22,199**	**7,589**	**–**	**2,069**	**(21,804)**	**281,781**

Investments in property, plant and equipment totalled €49.0 million and consisted mainly of investments needed to maintain the Group's production equipment, as well as investments in capacity at the Wrexham and Signes sites, and investments for equipment at the Group's research and development sites.

"Other movements" corresponds to the transfer of the Milford OBI-1 production assets to "Assets held for sale", as part of the partnership with Inspiration Biopharmaceuticals Inc. following the announcement of 31 October 2012 described in note 1.2 of the notes to the consolidated financial statements.

On 11 July 2012, the Group announced its decision to keep the Dreux industrial site within its scope of operations (see note 1.1.1).

Following the announcement, the Group reassessed the industrial site's asset value based on new information and recognised a €12.5 million reversal of impairment losses in the consolidated financial statements at 31 December 2012. Of that amount, property, plant and equipment accounted for €11.0 million.

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 and equipment	**613,015**	**44,309**	**(13,081)**	**–**	**4,744**	**(2,403)**	**646,583**
Amortisation	(330,728)	(30,553)	10,879	–	(2,216)	1,416	(351,202)
Impairment losses	–	(23,548)	–	–	–	(105)	(23,653)
Amortisation & impairment losses	**(330,728)**	**(54,101)**	**10,879**	**–**	**(2,216)**	**1,311**	**(374,855)**
Net property, plant and equipment	**282,287**	**(9,791)**	**(2,203)**	**–**	**2,528**	**(1,093)**	**271,728**

Investments in property, plant and equipment totalled €44.3 million and consisted mainly of investments needed to maintain the Group's production equipment, as well as investments in capacity at the Wrexham and Signes sites, and investments for equipment at the Group's research and development sites.

During the June 2011 presentation of its new strategy, the Group announced that it was actively seeking a buyer to maintain and develop the business at its Dreux industrial site, which specializes in the production of drug packaging pouches, solutions, pills and capsules. Negotiations were undertaken with potential purchasers. Furthermore, on 27 January 2012, the Group took note of the French government's decision – effective 1 March 2012 – to no longer reimburse Tanakan®, Tramisal® and Ginkogink®, which are currently manufactured at the site. That announcement, as well as the terms and conditions of the potential deal, prompted the Group to reassess the value of the Dreux industrial site, and resulted in the recognition of non-recurring impairment losses on the site's tangible and intangible assets totalling €23.5 million and €1.5 million, respectively, in the consolidated financial statements at 31 December 2011.

15.2 Breakdown by currency of property, plant and equipment, net of depreciation

The breakdown by currency of property, plant and equipment, net of depreciation is as follows:

(in thousands of euros)	31 December 2012	31 December 2011
Euro	170,295	141,357
U.S. dollar	5,993	26,240
Pound sterling	93,300	91,545
Swiss franc	2,266	2,504
Chinese Yuan renminbi	8,932	9,521
Other currencies	995	561
Total	**281,781**	**271,728**

Note 16 Equity investments

16.1 Movements

Movements in 2012 can be broken down as follows:

(in thousands of euros)	31 December 2011	Movements during the year					31 December 2012
		Acquisitions and increases	Disposals	Changes in consolidation scope	Foreign exchange differences	Other movements	
		(A)	(B)	(C)	(D)	(E)	
Investments in non-consolidated companies	36,600	361	(12,240)	–	219	–	24,940
Amortisation & impairment losses	(24,286)	(260)	11,853	–	(219)	–	(12,913)
Net book value (Available-for-sale financial assets)	**12,314**	**101**	**(387)**	**–**	**–**	**–**	**12,027**

The movements recorded in "Equity investments" mainly reflect the disposal of Spirogen Ltd shares, which were already fully amortised, the disposal of Vernalis Plc. shares, almost fully amortised, and to a lesser degree, the increase in the Group's interest in some companies within the framework of its partnerships.

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	Foreign exchange differences	Other movements	
		(A)	(B)	(C)	(D)	(E)	
Investments in non-consolidated companies	30,600	5,720	–	–	218	62	36,600
Amortisation & impairment losses	(23,441)	(564)	–	–	(218)	(62)	(24,286)
Net book value (Available-for-sale financial assets)	**7,159**	**5,156**	**–**	**–**	**–**	**–**	**12,314**

The movements recorded in "Equity investments" correspond to the on-balance-sheet recognition of the Group's irrevocable commitment to call for capital from the Innobio and Biodiscovery venture capital funds.

Movements included a €0.4 million provision related to the share capital of Vernalis Plc. to take into account the prolonged decline of the market price of the company's shares.

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 is not consolidated as it is not material.

(in thousands of currency units)	Registered office	% of voting rights held	NBV of investments (euros)		Company financial data 2012 (1) (in local currency)			Interest in equity (euros)
			31 Dec. 2012	31 Dec. 2011	Local currency	Equity	Net profit (loss) for the year	
Vernalis Plc.	Winnersh (UK)	–	–	318	GBP	–	–	–
Technopolis Gie	Paris	27%	306	306	EUR	–	–	–
Montana Ltd.	Cork (Irl)	50%	–	–	EUR	–	–	–
Linnea Inc.	PA (USA)	50%	–	–	USD	28	3	–
Lu Yuan Ginkgo Company Ltd. (*)	Tancheng (China)	–	–	–	RMB	–	–	–
Funxional Therapeutics Ltd	Cambridge (UK)	8%	–	–	GBP	(8,273)	(2,814)	(554)
Pizhou Zhong Da Ginkgo Leaves Co. Ltd. (*)	Pizhou (China)	–	–	–	RMB	–	–	–
Spirogen Ltd (*)	Isle of Wight (UK)	–	–	–	GBP	–	–	–
Specwood Ltd.	London (UK)	100%	(11)	(11)	GBP	–	–	–
Pothold Ltd.	London (UK)	100%	–	–	GBP	–	–	–
Petersfield Ltd	Hong Kong (HK)	50%	32	32	HKD	5,372	256	264
Socapharma SAS	Paris	100%	30	–	EUR	N/A	N/A	N/A
Ancelab SAS	Paris	100%	30	–	EUR	N/A	N/A	N/A
Bio discovery 3	CA (USA)	–	1,903	2,001	USD	18	(4)	18
Inno Bio	Paris	–	4,777	4,760	EUR	18	(4)	18
Olisapharm SAS	Paris	100%	40	40	EUR	27	(3)	27
Naiapharm SAS	Paris	100%	10	10	EUR	3	(2)	3
Liampharm SAS	Paris	100%	10	10	EUR	4	(1)	4
Jusypharm SAS	Paris	100%	10	10	EUR	3	(2)	3
Rythm Pharmaceuticals Inc.	Boston (USA)	18%	99	48	USD	11,525	(6,385)	1,599
Syntaxin	Abingdon (UK)	11%	4,791	4,791	GBP	10,683	(6,705)	1,268
Total			**12,027**	**12,314**				

(*) Interests sold in 2012.
(1) Latest data available to date.

16.3 Information on non-consolidated companies

The following table shows aggregate data for non-consolidated companies (at 100%):

At 31 December 2012:

(in thousands of euros)	Sales	Operating income	Net profit (loss)	Equity	Total assets
Companies over 50% owned	–	(16)	(16)	72	69
Companies 50% owned	2,276	27	27	511	577
Companies less than 50% owned	4,586	(19,122)	(16,874)	12,641	24,083
Total	**6,862**	**(19,111)**	**(16,863)**	**13,197**	**24,729**

At 31 December 2011:

(in thousands of euros)	Sales	Operating income	Net profit (loss)	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**

16.4 Investments in associated companies

At 31 December 2012, the Group's 22% interest in Inspiration Biopharmaceuticals Inc. was reclassified on the balance sheet as assets held for sale, as part of the Group's move to dispose of its hemophilia assets, as described in note 12.

At 31 December 2011, investments in associated companies concerned solely the Group's 22% stake in Inspiration Biopharmaceuticals Inc. This investment was also reclassified as assets held for sale for purposes of comparison between the two financial years, in accordance with provisions related to discontinued operations.

16.4.1 Carrying value of investments in associated companies on the balance sheet

The carrying value of investments in associated companies at 31 December 2012 is as follows:

(in thousands of euros)	31 December 2012	31 December 2011
Share of fair value of acquired assets and liabilities assumed for Inspiration Biopharmaceuticals Inc.	41,728	41,728
Goodwill	22,736	22,736
Share value at transaction date	**64,464**	**64,464**
Share in previous year's income, restatements and exchange differences	(64,464)	(6,582)
Share value at 1 January 2012	**–**	**57,882**
Share of net profit (loss)	–	(54,487)
Consolidation restatements	–	–
Share-based payments	–	43
Exchange differences	–	(3,438)
Carrying value of investments in associated companies at 31 December	**–**	**–**

16.4.2 Share of profit (loss) from associated companies

At 31 December 2012 and 2011, the share of profit (loss) from associated companies was reclassified as net profit (loss) from discontinued operations (see note 12).

In January 2010, the Group and Inspiration Biopharmaceuticals Inc. formed a partnership to create a franchise in the field of hemophilia. Under the agreement, Ipsen granted Inspiration Biopharmaceuticals Inc. an exclusive sub-license for OBI-1 for $50.0 million, in addition to a 27.5% royalty rate on future drug sales. In exchange, Inspiration Biopharmaceuticals Inc. issued a $50.0 million convertible bond to Ipsen. Ipsen made an initial investment of $84.9 million 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 million, $35 million and $25 million respectively, following the completion by Inspiration Biopharmaceuticals Inc. of development milestones on Ixinity® (IB1001) and OBI-1.

Towards the end of the second half of 2011, Ipsen observed an intensifying competitive environment in the rapidly changing field of haemophilia, and recently became aware of the accelerating development timelines of main competitors in the market. These factors led the Group to reduce the sales forecasts of Inspiration Biopharmaceuticals Inc. Against this backdrop, on 31 December 2011, the Group recorded a €7.5 million non-recurring impairment loss on the intangible asset recognised in the purchase price allocation of Inspiration Biopharmaceuticals Inc.'s financial statements, and a €68.8 million impairment loss on the Group's investment in Inspiration Biopharmaceuticals Inc., first posted against its share of equity in the amount of €26.8 million, with the remaining €42.0 million posted against the convertible bonds held on the company. Accordingly, in 2011, the Group recorded a €54.5 million expense corresponding to its 22% share of Inspiration Biopharmaceuticals Inc.'s loss, *i.e.* €20.2 million, and the €34.3 million non-recurring loss mentioned above.

Note 17 Profit on disposals of non-current assets

(in thousands of euros)	31 December 2012	31 December 2011
Capital (gains) or losses on disposals of intangible assets	154	2,714
Capital (gains) or losses on disposals of intangible assets	3,346	2,049
Capital (gains) or losses on disposals of equity investments	(1,618)	(187)
Total	**1,882**	**4,576**

In 2012, capital gains and losses on asset disposals mainly included the disposal of the Group's interests in Spirogen Ltd and Vernalis PLC. Those were offset by earnout income received from Gedeon Richter PLC on the sale of PregLem Holding S.A. shares, in accordance with the 11 October 2010 sales agreement.

In 2011, capital gains or losses on disposals of assets mainly included the disposal of Apokyn rights and tangible asset disposals in Spain, following the closure of a research and development site.

Note 18 Other non-current assets

Other non-current assets for 2012 financial year can be broken down as follows:

(in thousands of euros)	31 December 2011	Cash flows related to investing activities	Cash flows related to financing activities	
		(A)	(B)	
Net assets of post-employment benefit plans [1]	2,925	–	–	
Non-current financial assets (financial assets at fair value)	**2,925**	**–**	**–**	
Convertible bonds [2]	83,575	199	–	
Liquidity agreement [3]	2,072	243	–	
Loans – non-consolidated companies	77	269	–	
Other financial assets [4]	3,951	7,177	–	
Deposits paid	4,304	420	–	
Other non-current assets (Loans, receivables and other) [5]	**93,979**	**8,307**	**–**	

((1) Employee benefits (see note 6.3.3.3).
(2) Changes in convertible bonds are due to:
The transfer of convertible bonds issued by Inspiration Biopharmaceuticals Inc. to Ipsen to assets held for sale (see note 10.2).
(3) Changes are due to the liquidity agreement with Natexis Bleichroder, a subsidiary of Natexis, signed in February 2007 and automatically renewed thereafter.
(4) Changes in other financial assets are due mainly to:
– The inclusion of Ipsen's loan to Inspiration Biopharmaceuticals Inc. (see note 1.2.2) in cash flows related to investing activities,

Movements during the year							31 December 2012
	Change in plan assets	Reclassification of derivatives	Fair value changes in profit and loss	Discounting	Foreign exchange differences	Other movements	
	(C)	(D)	(E)	(F)	(G)	(H)	
	5,688	–	(1,930)	–	7	–	6,690
	5,688	**–**	**(1,930)**	**–**	**7**	**–**	**6,690**
	–	–	–	–	–	(80,574)	3,200
	–	–	–	–	–	–	2,315
	–	–	–	–	(2)	–	344
	–	–	–	–	7	(3,466)	7,669
	–	–	–	261	(5)	200	5,179
	–	**–**	**–**	**261**	**–**	**(83,840)**	**18,707**

– The transfer of accrued interest on the convertible bonds issued by Inspiration Biopharmaceuticals Inc. to Ipsen to discontinued operations (see note 12.2).

(5) Impairments in "Loans and receivables", except convertibles bonds (see 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).

Other non-current assets for 2011 financial year 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)
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 paid	3,970	92	–
Other non-current assets (Loans, receivables and other) [5]	**81,643**	**48,265**	**–**

(1) Employee benefits (see note 6.3.3.3).
(2) Changes in convertible bonds were due to:
– The recognition of the convertible bonds issued by Inspiration Biopharmaceuticals Inc. to the Group on the balance sheet,
– The depreciation of the Inspiration Biopharmaceuticals Inc. convertible bonds (note 10.2) recorded in the fair value changes in profit and loss flows, and
– The revaluation in euros of the Inspiration Biopharmaceuticals Inc. convertible bonds issued in U.S. Dollars, recorded in other movements.

Note 19 Working capital items

19.1 Movements

Movements in 2012 can be broken down as follows:

(in thousands of euros)	31 December 2011	Change in w/cap related to operating activities	Change in w/cap related to investing activities
		(A)	(B)
Inventories	117,834	7,091	–
Trade receivables	259,374	(10,083)	–
Current tax assets	39,126	15,095	–
Other current assets (see note 19.2.2)	71,400	(3,595)	(16)
Loans and receivables [1]	**487,734**	**(8,508)**	**(16)**
Current financial assets (see note 19.2.2)	9	–	–
Financial assets held for trading [2]	**9**	**–**	**–**
Trade payables	(149,805)	(14,980)	–
Current tax liabilities	(5,607)	2,273	–
Other current liabilities (see note 19.2.3)	(181,345)	15,362	(5,309)
Other non-current liabilities (see note 19.2.3)	(183,275)	–	–
Interest on other financial liabilities (see note 24.1 (D))	(598)	–	–
Financial liabilities measured at amortised cost [3]	**(520,630)**	**2,655**	**(5,309)**
Total	**(32,887)**	**11,163**	**(5,325)**

(1) Impairments of "Loans and receivables" were not reported due to their immaterial nature. The fair value of "loans and receivables" corresponds to the value of the assets reported in the balance sheet (value at the transaction date and then tested for impairment on each reporting date).
(2) The fair value of financial assets held for trading corresponds to the market value of the assets.
(3) The carrying amount of financial liabilities measured at amortised cost was deemed to be a reasonable estimation of fair value.

The changes in other non-current liabilities were due in part to the recording of "deferred income" on the payments received. Within the framework of the partnership agreements with Medicis, Galderma, and Menarini, the milestone payments received by the Group for these contracts were recognised on a straight-line basis over the life of the contracts. The portion unrecognised as income was recorded as "other non-current liabilities", if due after 12 months, and as "other current liabilities" if due within one year.

In renegotiating its partnership with Inspiration Biopharmaceuticals Inc., and following the announcement of 31 October 2012 (see notes 1.2.2 and 12), the Group recognised €30.6 million in accelerated deferred income corresponding to that contract.

Movements during the year						31 December 2011
Change in plan assets	Reclassification of derivatives	Fair value changes in profit and loss	Discounting	Foreign 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 Natexis, 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 "Loans and receivables", except convertibles bonds (see 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 2012
Change in w/cap related to investing activities	Changes in consolidation scope	Foreign exchange differences	Fair value changes in profit and loss	Other movements	
(C)	(D)	(E)	(F)	(G)	
–	–	3,079	–	(147)	127,857
–	–	(424)	–	7,434	256,301
–	–	180	–	–	54,401
(117)	–	337	–	(14,376)	53,633
(117)	**–**	**3,172**	**–**	**(7,089)**	**492,192**
–	–	(1),	508	–	516
–	**–**	**(1),**	**508**	**–**	**516**
–	4,185	(606)	–	1,407	(159,799)
–	–	10	–	–	(3,325)
(948)	–	1,434	–	(27,514)	(198,320)
–	–	(2,215)	–	51,718	(133,772)
(505)	–	–	–	426	(677)
(1,453)	**4,185**	**(1,377)**	**–**	**26,037**	**(495,897)**
(1,570)	**4,185**	**1,794**	**508**	**18,948**	**(3,184)**

The Group also recognised additional impairment losses after one of its commercial partners in the Middle East encountered financial difficulties. Changes in impairment losses stemming from payment delays by public hospitals in Greece, Spain, Italy and Portugal were not material owing to the relative stability in the payment of receivables in those countries.

At 31 December 2012, trade receivables past due totalled €67.2 million.

(in thousands of euros)	Trade receivables – gross value	Trade receivables < 3 months	Trade receivables from 3 to 6 months	Trade receivables from 6 to 12 months	Trade receivables > 12 months
2012	67,162	36,247	12,503	7,677	10,735

Movements in 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) Impairments of "Loans and receivables" were 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).

The changes in other non-current liabilities were 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 were recognised on a straight-line basis over the life of the contracts. The portion unrecognised as income was recorded as "other non-current liabilities", if due after 12 months, and as "other current liabilities" if due within one year.

The Group recognised additional impairment losses on certain Greek, Spanish, Italian and Portuguese public-hospital accounts receivables of €1.6 million, €0.7 million, €0.4 million and €1.5 million respectively, mainly due to significant delays in payment.

At 31 December 2011, trade receivables past due totalled €66.6 million.

(in thousands of euros)	Trade receivables – gross value	Trade receivables < 3 months	Trade receivables from 3 to 6 months	Trade receivables from 6 to 12 months	Trade receivables > 12 months
2011	66,577	20,527	16,747	14,404	14,899

19.2 Breakdown

19.2.1 Inventories

(in thousands of euros)	31 December 2012	31 December 2011
Raw materials and supplies	40,460	36,978
Work in progress	35,255	32,543
Finished goods	52,142	48,313
Total	**127,857**	**117,834**

Movements during the year					31 December 2011
Change in w/cap related to investing activities	Changes in consolidation scope	Foreign 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)**

(2) The fair value of financial assets held for trading corresponds to the market value of the assets.
(3) The carrying amount of financial liabilities measured at amortised cost was deemed to be a reasonable estimation of fair value.

19.2.2 Other current assets and current financial assets

(in thousands of euros)	31 December 2012	31 December 2011
Advance payments to suppliers	7,417	8,292
Receivables related to the sale of non-current assets	2	18
Recoverable VAT	21,448	22,820
Other assets	9,608	27,344
Prepayments	15,158	12,926
Total current assets (loans and receivables) (1)	**53,633**	**71,400**
Derivative financial instruments	516	9
Total current financial assets (financial assets held for trading) (2)	**516**	**9**

(1) Impairments of "Loans and receivables" were 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) The fair value of financial assets held for trading corresponds to the market value of the assets.

19.2.3 Other current and non-current liabilities

(in thousands of euros)	31 December 2012	31 December 2011
VAT payable	10,961	13,061
Other current tax liabilities	4,111	5,330
Employment-related liabilities	91,868	91,953
Amounts due to non-current asset suppliers	24,177	18,839
Other liabilities	41,967	22,588
Deferred income	25,237	29,574
Total other current liabilities (financial liabilities measured at amortised cost)	**198,320**	**181,345**
Non-current deferred income	133,772	183,275
Total other non-current liabilities (financial liabilities measured at amortised cost) (1)	**133,772**	**183,275**

(1) The carrying amount of financial liabilities measured at amortised cost was deemed to be a reasonable estimation of fair value.

Changes in "Other current liabilities" and "Other non-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 2012	Consolidated balance sheet at 1 January 2011
Cash and cash equivalents – assets	145,007	178,118
Bank overdrafts – liabilities	(176)	(190)
Opening net cash and cash equivalents	**144,831**	**177,928**

20.1.2 Closing net cash and cash equivalents

(in thousands of euros)	Consolidated balance sheet at 31 December 2012	Consolidated balance sheet at 31 December 2011
Cash and cash equivalents – assets	113,641	145,007
Bank overdrafts – liabilities	(353)	(176)
Closing net cash and cash equivalents	**113,288**	**144,831**

20.2 Cash and cash equivalents

At 31 December 2012 and 2011, the Group's cash and cash equivalents on-hand included the following:

(in thousands of euros)	31 December 2012	31 December 2011
Financial assets held for trading: – French SICAV / Euro money market UCITS – Certificates of deposit (with a maturity date of less than 3 months)	 45,086 –	 92,292 –
Loans and receivables: – Interest-bearing deposits	 10,000	 414
Cash	58,555	52,301
Cash and cash equivalents	**113,641**	**145,007**

The short-term investments included investments in monetary mutual funds (mostly euro-denominated money market UCITS or similar funds), which were carried at fair value (market value).

Short-term investments held at 31 December 2012 met IAS 7 criteria and were saleable immediately, subject to a maximum 24-hours' notice. No interest-bearing deposits held at 31 December 2012 matured later than the end of January 2013.

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 qualitative decisions in choosing these counterparties. Furthermore, 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 & Poor's) and P-1 (Moody's).

Note 22 Consolidated equity

22.1 Share capital

At 31 December 2012, Ipsen's share capital was comprised of 84,255,373 ordinary shares each with a nominal value of €1, including 57,367,173 shares with double voting rights, compared with 84,226,573 ordinary shares each with a nominal value of €1, including 57,365,810 shares with double voting rights at 31 December 2011.

The changes were as follows:

- For 2012, the definitive allocation of 2,800 bonus shares in connection with the plan dated 29 September 2008, and 26,000 bonus shares in connection with the plan dated 31 March 2010.
- 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.

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 2012	31 December 2011
Ipsen share capital	84,255	84,227
Share premium	29,809	29,809
Issue premium	681,303	681,303
Ipsen statutory reserve	44,686	44,686
Other Ipsen reserves	153,159	153,188
Other consolidated reserves and retained earnings	(68,998)	19,624
Total	**924,214**	**1,012,837**

22.3 Basic earnings per share

Basic earnings per share are calculated on the weighted average number of shares outstanding during the year (see note 4.33).

Movements in the weighted average number of shares outstanding for the two periods reported are shown in note 22.5.

22.3.1 Basic earnings per share, continuing operations

		31 December 2012	31 December 2011 (1)
Basic earnings per share continuing operations – attributable to Ipsen shareholders (in thousands of euros) (see note 2.1.1)	(a)	95,340	73,280
Weighted average number of shares outstanding during the year	(b)	83,155,604	83,217,638
Basic earnings per share, continuing operations (in € per share)	**(a) / (b)**	**1.15**	**0.88**

(1) The 2011 financial year was restated for purposes of comparison with 2012.

22.3.2 Basic earnings per share, discontinued operations

		31 December 2012	31 December 2011 (1)
Basic earnings per share, discontinued operations – attributable to Ipsen shareholders (in thousands of euros) (see note 2.1.1)	(a)	(124,831)	(72,856)
Weighted average number of shares outstanding during the year	(b)	83,155,604	83,217,638
Basic earnings per share, discontinued operations (in € per share)	**(a) / (b)**	**(1.50)**	**(0.88)**

(1) The 2011 financial year was restated for purposes of comparison with 2012.

22.3.3 Basic earnings per share

		31 December 2012	31 December 2011 (1)
Basic earnings per share – attributable to Ipsen shareholders (in thousands of euros) (see note 2.1.1)	(a)	(29,491)	424
Weighted average number of shares outstanding during the year	(b)	83,155,604	83,217,638
Basic earnings per share (in € per share)	**(a) / (b)**	**(0.35)**	**0.01**

(1) The 2011 financial year was restated for purposes of comparison with 2012.

22.4 Diluted earnings per share

Stock option plans

The Mayroy stock option plans granted by the Mayroy company are not dilutive.

The stock option plan granted by Ipsen on 14 December 2005 is dilutive at 31 December 2012 and 31 December 2011.

At 31 December 2012, all the stock option plans were antidilutive, with the exception of the 14 November 2005 plan, but the plans could be potentially dilutive in the event of a future increase in Ipsen's share price.

No share transactions occurred after 31 December 2012 that would have significantly modified the number of shares used in calculating earnings per share or diluted earnings per share.

Bonus shares

At 31 December 2012, bonus shares for the 29 September 2008 plans (foreign tax-resident beneficiaries), which are free of any performance conditions, were included in the calculation of the average weighted number of shares for basic earnings per share as of the definitive allocation date, and were included in totality in the calculation of the average weighted number of shares for diluted earnings per share.

Bonus shares for the plans of 22 January 2009 (foreign tax-resident beneficiaries), 30 March 2009 (foreign tax-resident beneficiaries), 10 November 2009 (French tax-resident beneficiaries), 31 March 2010 (French and foreign tax-resident beneficiaries excluding Executive Committee members) and 30 June 2011 (French and foreign tax-resident beneficiaries) – which are free of performance conditions – were not included in the calculation of the average weighted number of shares for basic earnings per share, but were included in diluted earnings.

Bonus shares for the plans of 10 November 2009 and 31 March 2010, for which the allocation became definitive for the business year owing to the achievement of corresponding performance conditions and/or the end of the vesting period, were included in the calculation of the average weighted number of shares for basic earnings per share and were, accordingly, included in diluted earnings.

The allocation of bonus shares for the plans of 31 March 2011, 30 June 2011 and 30 March 2012, were not included in basic earnings per share. Conversely, the shares from those plans that were free of performance conditions, or for which the performance conditions had been met, were included in basic earnings per share.

At 31 December 2011, bonus shares for the plans of 12 December 2007 plans (foreign tax-resident beneficiaries), 22 January 2009 (French tax-resident beneficiaries) and 10 November 2009 (French tax-resident beneficiaries) – which were free of any performance conditions – were included in the calculation of the average weighted number of shares for basic earnings per share and, as a consequence, in the diluted earnings.

Bonus shares for the plans of 29 January 2008 (foreign tax – resident beneficiaries), 30 March 2009 (foreign tax-resident beneficiaries), 31 March 2010 (French and foreign tax-resident beneficiaries excluding Executive Committee members) and 30 June 2011 (French and foreign tax-resident beneficiaries) – which were free of performance conditions – were not included in the calculation of the average weighted number of shares for basic earnings per share, but were included in diluted earnings.

Bonus shares for the plans of 10 November 2009 and 31 March 2010 tied to the change of Chairman, and for which the allocation became definitive during the 2010 financial year owing to the achievement of corresponding performance conditions and/or the end of the vesting period, were included in the calculation of the average weighted number of shares for basic earnings per share and were therefore included in diluted earnings.

The allotment of bonus shares for the plans of 31 March 2010 (13,750 bonus shares) and 30 June 2011 (27,331 bonus shares) were contingent upon the Group achieving certain performance and/or market levels and therefore were not included in diluted earnings per share.

22.4.1 Diluted earnings on continuing operations

		31 December 2012	31 December 2011 (1)
Diluted earnings on continuing operations – attributable to Ipsen shareholders (in thousands of euros) (see note 2.1.1)	(a)	95,340	73,280
Weighted average number of shares outstanding during the year	(b)	83,460,232	83,465,468
Diluted earnings on continuing operations – attributable to Ipsen shareholders (in € per share)	**(a) / (b)**	**1.14**	**0.88**

(1) The 2011 financial year was restated for purposes of comparison with 2012.

22.4.2 Diluted earnings per share, discontinued operations

		31 December 2012	31 December 2011 (1)
Diluted earnings on discontinued operations – attributable to Ipsen shareholders (in thousands of euros) (see note 2.1.1)	(a)	(124,831)	(72,856)
Weighted average number of shares outstanding during the year	(b)	83,460,232	83,465,468
Diluted earnings on continuing operations – attributable to Ipsen shareholders (in € per share)	**(a) / (b)**	**(1.50)**	**(0.87)**

(1) The 2011 financial year was restated for purposes of comparison with 2012.

22.4.3 Diluted earnings per share

		31 December 2012	31 December 2011 (1)
Diluted earnings – attributable to Ipsen shareholders (in thousands of euros) (see note 2.1.1)	(a)	(29,491)	424
Weighted average number of shares outstanding during the year	(b)	83,460,232	83,465,468
Diluted earnings – attributable to Ipsen shareholders (in € per share)	**(a) / (b)**	**(0.35)**	**0.01**

(1) The 2011 financial year was restated for purposes of comparison with 2012.

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 2012

	31 December 2012
Number of ordinary shares at 31 December 2011	**84,226,573**
Treasury shares (weighted average number)	(1,092,794)
Impact of bonus shares – 29 September 2008 plan – Foreign tax-resident beneficiaries	2,325
Impact of bonus shares – 31 March 2010 plan – French and foreign tax-resident beneficiaries except United States	19,500
Weighted average number of shares outstanding at December 2012	**83,155,604**

22.5.1.2 Weighted average number of shares at 31 December 2011

	31 December 2011 (adjusted)	31 December 2011
Number of ordinary shares at 31 December 2010	**84,196,213**	**84,196,213**
Treasury shares (weighted average number)	(1,030,479)	(1,030,479)
Impact of bonus shares – 12 December 2007 plan – foreign tax-resident beneficiaries (1) – without performance conditions	42	42
Impact of bonus shares – 12 December 2007 plan – foreign tax-resident beneficiaries (1) – with performance conditions	83	83
Impact of bonus shares – 29 September 2008 plan – foreign tax-resident beneficiaries (1)	2,325	–
Impact of bonus shares – 22 December 2009 plan – French tax-resident beneficiaries (1) – without performance conditions	47,466	47,466
Impact of bonus shares – 10 November 2009 plan – French tax-resident beneficiaries (1) – without performance conditions	2,500	313
Impact of bonus shares – 31 March 2010 plan – foreign tax-residents beneficiaries except United States (1) – without performance conditions	19,500	–
Impact of options exercised in the 2011 financial year – Stock option plan of November 2005 (2)	4,000	4,000
Weighted average number of shares outstanding at December 2011	**83,241,650**	**83,217,638**

(1) See notes 6.4.3 and 22.4.
(2) See notes 6.4.2 and 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 2012

	31 December 2012
Weighted average number of shares outstanding at 31 December 2012 used to determine basic earnings per share	83,155,604
Dilutive effect of stock options	(14,492)
Dilutive effect of stock options	319,120
Weighted average number of shares outstanding at December 2012	**83,460,232**

22.5.2.2 Weighted average number of shares at 31 December 2011

	31 December 2011 (adjusted)	31 December 2011
Weighted average number of shares outstanding at 31 December 2011 used to determine basic earnings per share	83,241,650	83,217,638
Dilutive effect of stock options	12,355	12,355
Dilutive effect of stock options	235,475	235,475
Weighted average number of shares outstanding at December 2011	**83,489,480**	**83,465,468**

22.6 Dividends paid

Dividends paid by Ipsen are as follows:

	December 2012	December 2011
Dividend payout (in euros)	66,458,143	66,519,380
Number of shares on the payment date	83,072,679	83,149,225
Dividend per share (in euros)	0.80	0.80

Note 23 Provisions

23.1 Movements

Movements in 2012 can be broken down as follows:

(in thousands of euros)	31 December 2011	Movements during the period						31 December 2012
		Changes in consolidation scope	Charges	Reversals		Exchange differences	Other movements	
				Applied	Released			
Business and operating risks	1,032	–	1,429	(13)	(248)	(38)	–	2,162
Legal risks	22,459	–	10,030	(1,813)	(8,789)	–	–	21,887
Restructuring	22,581	–	61,671	(20,178)	(40)	174	–	64,208
Other	4,075	–	70	(676)	–	1	–	3,470
Total provisions	**50,147**	**–**	**73,200**	**(22,680)**	**(9,077)**	**137**	**–**	**91,727**
– of which current	24,464	–	62,758	(20,684)	(538)	172	–	66,172
– of which non-current	25,683	–	10,442	(1,996)	(8,539)	(35)	–	25,555

Provisions at 31 December 2012 can be broken down as follows:

Business and operating risks

These provisions include certain risks of an economic nature reflecting 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:

- €17.0 million for the risk of tax reassessment by local authorities at certain Group's subsidiaries and certain additional taxes that the Group may be required to pay;

- €2.1 million for costs related to corporate litigation that the Group may incur;
- €2.8 million for various other legal risks. In 2012, €2.6 million were reversed as a result of legal settlements favourable to the Group.

Restructuring costs

These provisions correspond to restructuring costs for the primary care sales force in France, as well as the remaining restructuring provisions related to the strategic review implemented by the Group in 2011 to shutter the Barcelona Research and Development site and to move the American site from the West Coast to the East Coast.

Other

After relocating all the Paris sites to the new headquarters in Boulogne-Billancourt in 2008, a €3.1 million provision was recorded to cover the difference in rents between the estimated market price for floor space not used by the Group based on the sublease actually signed and the amounts owed by the Group under its lease contract.

Unused provisions for legal risks are reversed primarily as a result of the lapse or extinction of the risks.

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 through the Group's financial disclosures.

Movements in 2011 can be broken down as follows:

(in thousands of euros)	31 December 2010	Movements during the period						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

Provisions at 31 December 2011 can be broken down as follows:

Business and operating risks

These provisions include certain risks of an economic nature reflecting 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 by local authorities at certain Group's subsidiaries and certain additional taxes that the Group may be required to pay;
- €4.1 million for costs related to corporate litigation that the Group may incur;
- €5.1 million for various other legal risks.

Restructuring costs

These provisions correspond 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, and the transfer of the American site from the West Coast to the East Coast for a total of €11.2 million.

Other

After relocating all the Paris sites to the new headquarters in Boulogne-Billancourt in 2008, a €3.8 million provision was recorded to cover the difference in rents between the estimated market price for floor space not used by the Group 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 through the Group's financial disclosures.

23.2 Impact on consolidated income in 2012

(in thousands of euros)	Charges	Released	Net impact
Operating income	71,240	(9,077)	62,163
Other financial income and expense	55	–	55
Taxes	1,905	–	1,905
Net income (Expense [+] / Income [–])	**73,200**	**(9,077)**	**64,123**

Note 24 Bank loans and financial liabilities

24.1 Movements

Movements in bank loans and other financial liabilities between 31 December 2011 and 31 December 2012 are as follows:

(in thousands of euros)	31 December 2011	Additions	Repayments	
		(A)	(B)	
Credit lines and bank loans	–	–	–	
Other financial liabilities	16,560	12	(179)	
Non-current financial liabilities (measured at amortised cost) (1)	**16,560**	**12**	**(179)**	
Credit lines and bank loans	4,000	–	–	
Other financial liabilities	1,982	–	(78)	
Current financial liabilities (measured at amortised cost) (1)	**5,982**	**–**	**(78)**	
Derivative financial instruments (see note 25.5)	3,031	–	–	
Current financial liabilities (financial liabilities measured at fair value) (2)	**3,031**	**–**	**–**	
Current financial liabilities	**9,013**	**–**	**(78)**	
Total financial liabilities	**25,573**	**12**	**(257)**	

(1) The carrying amount of financial liabilities measured at amortised cost was deemed to be a reasonable estimation of fair value.
(2) Fair value corresponds to the market value.

On 31 January 2012, the Group subscribed with a banking pool a renewable euro-denominated credit line for a maximum amount of €400 million over a period of five years. The credit line was established for the Group's general financing needs. As a result, the Group ended a line contracted in June 2008 without having to pay any penalties.

At 31 December 2012, the Group drew down €50 million fully reimbursed over the year.

23.3 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	–	–	–
Taxes	3,910	–	–
Net income (Expense [+] / Income [–])	**35,580**	**(9,325)**	**26,255**

	Net change in short-term borrowings	Net change in interest	Change in fair value	Movements	Changes in consolidation scope	Foreign exchange differences	31 December 2012
	(C)	(D)	(E)	(F)	(G)	(H)	
	–	–	–	–	–	–	–
	–	174	–	(681)	–	–	15,886
	–	**174**	**–**	**(681)**	**–**	**–**	**15,886**
	–	–	–	–	–	–	4,000
	–	331	–	1,192	,	–	3,428
	–	**331**	**–**	**1,192**	**–**	**–**	**7,428**
	–	–	(1,966)	–	–	–	1,066
	–	**–**	**(1,966)**	**–**	**–**	**–**	**1,066**
	–	**331**	**(1,966)**	**1,192**	**–**	**–**	**8,493**
	–	**505**	**(1,966)**	**512**	**–**	**–**	**24,379**

Under the terms and conditions of the agreement, and in addition to the usual contractual clauses, the Group committed to staying within maximum levels of the Net-debt-to-equity and Net-debt-to-EBITDA ratios in its consolidated financial statements at the end of each financial year. The covenant ratios are as follows, as per the credit agreement:

- Net debt to equity: less than 1
- Net debt to EBITDA: less than 3

Movements in bank loans and other financial liabilities between 31 December 2010 and 31 December 2011 were 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 financial liabilities	**22,793**	**14**	**(291)**	

(1) The carrying amount of financial liabilities measured at amortised cost was deemed to be a reasonable estimation of fair value.
(2) Fair value corresponds to the market value.

At 31 December 2011, the Group could draw up to a maximum of €150 million as part of the multicurrency and multi borrower credit line contracted by the Group in 2008. There was no drawdown on this credit line.

The loan agreement provided for covenant ratios to be met by the Group. These ratios were met in both periods, as shown below:

(in thousands of euros)		December 2012	December 2011
Net debt	(I)	(89,974)	(122,289)
Equity – attributable to Group shareholders	(II)	924,214	1,012,837
EBITDA	(III)	118,179	236,643
Net debt to equity	**(I)/(II)**	**(0.10)**	**(0.12)**
Net debt to EBITDA	**(I)/(III)**	**(0.76)**	**(0.52)**

	Net change in short-term borrowings	Net change in interest	Change in fair value	Movements	Changes in consolidation scope	Foreign 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**

24.2 Breakdown by maturity

At 31 December 2012 and 2011, the Group held only 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:

(in thousands of euros)	31 December 2012		31 December 2011	
	Amounts	%	Amounts	%
Euro	23,313	100%	22,542	100%
Total	**23,313**	**100%**	**22,542**	**100%**
Derivative financial instruments	**1,066**		**3,031**	
Total financial liabilities (note 24.1)	**24,379**		**25,573**	

24.4 Collateralised debt

At 31 December 2012 and 2011, the Group did not provide any collateral.

Note 25 Derivative financial instruments

25.1 Interest rate risk

At 31 December 2012 and 2011, there were no derivative financial instruments for hedging 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. 2012
	USD	CHF	RON	PLN	EUR	RUB	HUF	ZAR	GBP	CZK	
Forward currency contracts matching invoice amounts	105,051	2,891	11,699	56,215	–	1,826,562	311,400	4,315	93,972	85,812	2,449
Other forward contracts	3,200	–	–	–	2,600	–	–	–	–	–	25
Total	**108,251**	**2,891**	**11,699**	**56,215**	**2,600**	**1,826,562**	**311,400**	**4,315**	**93,972**	**85,812**	**2,474**

25.2.2 Exposure to exchange rate risk

Approximately 56.0%, and 61.0% of the Group's consolidated sales were generated in the euro zone in 2012 and 2011 respectively. A 10.0% increase or decrease in the US dollar or 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 operating income by plus or minus 5.0% for each of these two years. This impact was calculated for companies that use the euro as their functional currency, while generating sales in other currencies, and companies whose functional currency is not the euro that 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).

For 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.

25.3 Other derivative instruments

At 31 December 2012 and 2011, derivative instruments were forward instruments used 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 2012 and 2011:

(in thousands of euros)	31 December 2012		31 December 2011	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Market value of currency instruments (notes 19.2.2 and 24.1)	516	1,066	9	3,031
Total	**516**	**1,066**	**9**	**3,031**

25.5 Derivative financial instruments reported in the statement of cash flows

At 31 December 2012 and 2011, changes in fair value of derivative financial instruments in profit and loss were as follows:

(in thousands of euros)	31 December 2012	31 December 2011
Changes in the fair value of exchange derivative financial instruments (Assets) – (note 19.1 – F)	(508)	40
Changes in the fair value of exchange derivative financial instruments (Liabilities) – (note 24.1 – E)	(1,966)	2,145
Net changes in fair value in profit and loss of derivative financial instruments	**(2,474)**	**2,185**
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)	–	–
Total	**(2,474)**	**2,185**

Note 26 Information on joint ventures

26.1 Balance sheet items

26.1.1 Balance sheet at 31 December 2012

(in thousands of euros)	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Companies				
Cara Partners	9,781	8,324	317	4,884
Garnay Inc.	1,391	367	69	47
Linnea S.A.	2,289	15,329	1,140	2,996
Portpirie Unlimited Company	–	1	–	–
Perechin Unlimited Company	(15)	4	–	1
Saint-Jean d'Illac S.C.A.	1,991	123	88	155
Wallingstown Company	1,254	6,924	–	107
Wallingstown Company Ltd	(59)	39	2	6
Total	**16,633**	**31,112**	**1,616**	**8,196**

26.1.2 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**

26.2 Income statement items

26.2.1 Income statement at 31 December 2012

(in thousands of euros)	Sales	Operating expenses	Share of net profit (loss)
Companies			
Cara Partners	2,058	753	2,584
Garnay Inc.	101	(87)	14
Linnea S.A.	15,625	(14,101)	1,123
Portpirie Unlimited Company	–	–	–
Perechin Unlimited Company	–	(1)	(2)
Saint-Jean d'Illac S.C.A.	138	(75)	70
Wallingstown Company	8,750	(5,868)	2,975
Wallingstown Company Ltd	–	(26)	5
Total	**26,672**	**(19,405)**	**6,769**

26.2.2 Income statement at 31 December 2011

(in thousands of euros)	Sales	Operating expenses	Share of net profit (loss)
Companies			
Cara Partners	1,747	(5,258)	3,673
Garnay Inc.	94	(850)	38
Linnea S.A.	16,855	(15,101)	1,104
Perechin Unlimited Company	–	–	–
Portpirie 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**

Note 27 Information on associated companies

The information presented below corresponds to the financial statements of Inspiration Biopharmaceuticals Inc., prepared in accordance with U.S. GAAP (for amounts taken at 100%). In reviewing the accounts prepared under U.S. GAAP, the Group identified no significant differences with the IFRS rules.

The balance sheet and income statement of Inspiration Biopharmaceuticals Inc. are presented below at the date when the Group classified its investment in Inspiration Biopharmaceuticals Inc. as assets held for sale:

	31 December 2012			
(in thousands of dollars)	Assets	Liabilities	Sales	Net income (loss)
Inspiration Biopharmaceuticals Inc.	29,656	283,917	–	(128,780)
Total	**29,656**	**283,917**	**–**	**(128,780)**

	31 December 2011			
(in thousands of dollars)	Assets	Liabilities	Sales	Net income (loss)
Inspiration Biopharmaceuticals Inc.	96,905	193,227	–	(97,278)
Total	**96,905**	**193,227**	**–**	**(97,278)**

Note 28 Information on related parties

28.1 Director and Executive compensation

- In 2012, the total compensation paid to Board members and executives amounted to €5.9 million, of which €2.0 million were paid to members of the Board of Directors and €3.9 million were paid to members of the Executive Committee.
- Pension and similar benefits for Board members and members of the Executive Committee came to €9.5 million at 31 December 2012, with a total of €0.8 million paid to members of the Board of Directors and €8.7 million paid to Executive Committee members.
- Other long-term benefits for Board members and members of the Executive Committee totalled €0.7 million at 31 December 2012, with €0.1 million paid to members of the Board of Directors and €0.6 million paid to Executive Committee members.
- The Board of Directors determined the Chairman's compensation scheme for 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 obligated – under certain conditions – to pay a departure package equal to 24 four months of the Chairman's fixed compensation under his corporate mandate.

28.2 Transactions with related parties

28.2.1 Income statement at 31 December 2012

(in thousands of euros)	Revenues	Operating expenses	Charges to provisions and losses on uncollectable loans
Parent company	–	–	–
Non-consolidated subsidiaries	–	–	–
Joint ventures [1]	4,212	(10,518)	–
Associated companies [3]	26,158	–	(16,574)
Companies over which the Group's executive officers exercise significant influence [2]	–	(64)	–
Total	**30,370**	**(10,582)**	**(16,574)**

(1) The Group's relationship with Schwabe was formalised in a 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 recognises that the Group and Schwabe have joint shareholdings in the following companies, which form the production chain for EGb 761® or other plant extracts:
- 50.0% of the share capital in Saint Jean d'Illac, Garnay Inc. and Linnea;
- 50.0% of the partnership shares in Wallingstown Company Ltd;
- 50.0% of the joint rights in 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 owed by a number of the Group's companies to real estate holdings owned by certain Group Directors.
(3) See note 12.

28.2.2 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) (2) See note 28.2.1.
(3) Transactions with Inspiration Biopharmaceuticals Inc..

28.2.3 Balance sheet at 31 December 2012

(in thousands of euros)	Loans and receivables	Trade receivables	Bank loans/ Debt	Trade payables
Parent company	–	–	–	–
Non-consolidated subsidiaries	–	–	–	–
Joint ventures [1]	7,140	1,120	102	2,573
Associated companies [3]	7,177	17,755	–	–
Companies over which the Group's executive officers exercise significant influence [2]	–	–	–	–
Total gross	**14,317**	**18,875**	**102**	**2,592**
Provisions for doubtful accounts receivables	–	(16,574)	–	–
Total (net of write-offs)	**14,317**	**2,301**	**102**	**2,592**

(1) (2) See note 28.2.1.
(3) See note 12.

28.2.4 Balance sheet at 31 December 2011

(in thousands of euros)	Loans and 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 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 amounted to €0.1 million at 31 December 2012.

Note 29 Commitments and contingent liabilities

29.1 Operating commitments

- Within the scope of its business activity, in particular with strategic development operations that lead to the formation of partnerships, the Group regularly enters into agreements that may result in potential financial commitments, subject to the completion of certain events.

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. Under a license agreement; the Group has issued a comfort letter to one of the Group's subsidiaries.
- 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 lump 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.

29.1.3 Contingent operating commitments

In February 2012, Allergan initiated legal proceedings against Ipsen in Italy and the U.K. concerning alleged patent infringement. The patents claim certain therapeutic uses of botulin toxin in the urology field. Ipsen will vigorously defend its rights in the case, which is based on patents whose rights are presently contested by Ipsen, in opposition proceedings before the European Patent Office, among others. The "Allergan" case involves long and complex international proceedings. At the closing date, the Group was not in a position to reliably estimate any potential impact of the dispute. Accordingly, the "Allergan" litigation was not provisioned in the consolidated financial statements at 31 December 2012.

29.2 Financial commitments

To insure itself against the risks to which it is exposed, Ipsen S.A. has subscribed to a worldwide third-party liability insurance policy since 2006. 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 two letters of parent company guarantee payable upon first demand in favour of Ipsen Ré for a total amount of €15 million, per claim per year, and renewable on tacit understanding up to 31 December 2013.

For its partnerships with public organisations, the Group has provided guaranties granted by financial institutions for a cumulative amount of €13.4 million, in the event that its contractual commitments are not met.

Finally, the Swiss subsidiary subscribed to two credit lines totalling CHF10 million, backed by a general assignment of receivables. The credit lines were not drawn on during the year.

Following Inspiration Biopharmaceutical Inc.'s Chapter 11 bankruptcy filing in the U.S., Ipsen granted the company Debtor-in-Possession (DIP) financing of up to $23.3 million to allow the sale process to go forward. At 31 December 2012, DIP financing totalled $9.4 million, leaving the amount thus far untapped at up to $13.8 million.

29.3 General risks

- The Group set up a tax pool in France for all of Group companies operating in France that meet the legal requirements. The system provides for various penalty provisions when entities leave the tax group, mentioned here for information purposes.
- Foreign currency hedges on operational transactions 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's 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 €9.6 million at 31 December 2012, and were broken down as follows:

Type of assets	Maturity			Total
(in millions of euros)	2013	2014	Beyond	
Industrial assets	5.2	–	–	**5.2**
Research and development assets	4.4	–	–	**4.4**
Other assets	–	–	–	**–**
Total	**9.6**	**–**	**–**	**9.6**

29.4.2 Commitments related to rental agreements

The total amount of future rent payments due in respect of these rented premises amounted to €89.5 million at 31 December 2012, compared with €99.7 million at 31 December 2011.

Due dates are as follows:

(in millions of euros)	31 December 2012	31 December 2011
Less than one year	22.6	22.7
From one to five years	63.8	74.9
Over five years	3.1	1.8
Total	**89.5**	**99.4**

Commitments related to rental agreements mainly include the head offices in Boulogne where the Paris sites were grouped together (€56.9 million at 31 December 2012).

The total amount of future rent payments due in respect of these rented premises amounted to €12.5 million at 31 December 2012, compared with €15.1 million at 31 December 2011.

(in millions of euros)	31 December 2012	31 December 2011
Less than one year	2.6	2.6
From one to five years	9.9	12.5
Over five years	–	–
Total	**12.5**	**15.1**

29.4.3 Risk of acceleration of borrowings

The Group's exposure to this risk is described in note 24.1.

At 31 December 2012, no commitment or contingent liability had been contracted that could significantly affect the assessment of the consolidated financial statements.

Note 30 Post closing events with no impact on the consolidated financial statements at 31 December 2012

Other than those presented in note 2, no other event occurring between the closing date of the consolidated financial statements and the date of their approval by the Board of Directors and not taken into consideration, was likely to call into question Ipsen S.A.'s consolidated financial statements themselves or make it necessary to mention such an event in the notes to the consolidated financial statements.

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 U.S. 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 2012 and 31 December 2011.

31.1 Fully consolidated companies

Name and legal form	Country	Registered office	31 December 2012		31 December 2011	
			% voting rights	% interest	% voting rights	% interest
Ipsen S.A. (Parent company)	France	Boulogne	100	100	100	100
Beaufour S.r.l.	Italy	Milan	100	100	100	100
BB et Cie S.A.S.	France	Boulogne	100	100	100	100
Beaufour-Ipsen Industrie S.A.S.	France	Dreux	100	100	100	100
Beaufour Ipsen Farmaceutica LTDA	Brazil	São Paulo	100	100	100	100
Ipsen Korea Ltd	Korea	Seoul	100	100	100	100
Ipsen Mexico S. DE R.L. de C.V.	Mexico	Mexico	100	100	100	100
Beaufour-Ipsen (Tianjin) Pharmaceutical Co. Ltd	China	Tianjin	96	96	96	96
Biomeasure Inc.	USA	Massachusetts	100	100	100	100
Elsegundo Ltd	Ireland	Cork	100	100	100	100
Institut de produits de synthèse et d'extraction naturelle (Ipsen) AB	Sweden	Kista	100	100	100	100
Institut für Pharmazeutische und Klinische Forshung GmbH (Intersan) (1)	Germany	Ettlingen	–	–	100	100
Ipsen E.P.E.	Greece	Athens	80	80	80	80
Ipsen Ltd	UK	London	100	100	100	100
Ipsen N.V.	Belgium	Gand	100	100	100	100
Ipsen S.p.A.	Italy	Milan	100	100	100	100
Ipsen OOO	Russia	Moscow	100	100	100	100
Ipsen Pty Ltd	Australia	Glen Waverley	100	100	100	100
Ipsen Biopharm Ltd	UK	Wrexham	100	100	100	100
Ipsen Farmaceutica B.V.	Netherlands	Hoofddorp	100	100	100	100
Ipsen Innovation S.A.S.	France	Les Ulis	100	100	100	100
Ipsen Pharma S.A.S.	France	Boulogne	100	100	100	100
Ipsen Pharma Biotech S.A.S.	France	Signes	100	100	100	100
Ipsen Pharma GmbH (1)	Germany	Ettlingen	100	100	100	100
Ipsen Pharma S.A.	Spain	Barcelona	100	100	100	100
Ipsen Pharmaceuticals Ltd	Ireland	Dublin	100	100	100	100
Ipsen Pharmaceuticals Inc.	USA	New Jersey	100	100	100	100
Ipsen Poland LLC	Poland	Warszaw	100	100	100	100
Ipsen Pharma Tunisie S.A.R.L.	Tunisia	Tunis	100	100	100	100
Ipsen Produtos Farmaceuticos S.A.	Portugal	Lisbon	100	100	100	100
Ipsen Ré S.A.	Luxembourg	Luxembourg	100	100	100	100
Ipsen Manufacturing Ireland Ltd	Ireland	Dublin	100	100	100	100
Suraypharm S.A.R.L.	France	Boulogne	100	100	100	100

(1) Merger of Ipsen Pharma GmbH and Intersan GmbH (see note 3.1.1).

31.2 Proportionally consolidated companies

Name and legal form	Country	Registered office	31 December 2012		31 December 2011	
			% voting rights	% interest	% voting rights	% interest
Cara Partners	Ireland	Cork	50	50	50	50
Garnay Inc.	USA	South Carolina	50	50	50	50
Linnea S.A.	Switzerland	Riazzino	50	50	50	50
Perechin Unlimited Company	Ireland	Cork	50	50	50	50
Portpirie Unlimited Company	Ireland	Cork	50	50	50	50
Saint-Jean d'Illac S.C.A.	France	Boulogne (92)	50	50	50	50
Wallingstown Company	Ireland	Cork	50	50	50	50
Wallingstown Company Ltd	Ireland	Cork	50	50	50	50

31.3 Companies accounted for under the equity method

Name and legal form	Country	Registered office	31 December 2012		31 December 2011	
			% voting rights	% interest	% voting rights	% interest
Inspiration Biopharmaceuticals Inc.*	USA	California	–	–	22	22

(*) At 31 December 2012, the Inspiration Biopharmaceuticals Inc. company was no longer accounted for under the equity method, following the discontinuation of the hemophilia business by the Group (see notes 1.2.1, 1.2.2 and 12 in the notes to the consolidated financial statements).

2.1.6 Statutory Auditor's 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 2012

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 2012, 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 2012 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)* relating to the justification of our assessments, we bring to your attention the following matters:

- **Asset impairment**

Goodwill and assets with indefinite useful life are tested for impairment on each reporting date and non-current assets are also 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 7.4, 13.2, 14.2, 14.3 and 15.1 to the consolidated financial statements is appropriate.

- **Provisions**

Notes 4.27 and 23 to the consolidated financial statements describe the provisions recorded by your Company. Our procedures consisted in assessing the data and assumptions on which these estimates are based, reviewing by sampling techniques calculations made by the Company, understanding the approval procedures by the Management Board of these estimates. In the context of our assessments, we obtained sufficient audit evidences to conclude that these estimates are reasonable.

- **Retirement benefit obligation**

The methods of measuring post-employment advantages and other long term benefits are set out in note 4.26 to the consolidated financial statements. 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 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.

- **Non-current assets held for sale and discontinued operations**

Note 12 to the consolidated financial statements outlines the accounting treatment of for discontinued hemophilia activity and its related assets and liabilities held for sale. We examined the criteria used for the classification of assets and liabilities held for sale, the proper presentation of this activity as "discontinued operations" on the face of the income statement and the valuation of assets and liabilities under requirements of IFRS 5 "Non-current assets held for sale and discontinued operations" and verified that the information disclosed in note 12 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 relative to the group in the parent company'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 26 February 2013

The Statutory Auditors

French original signed by

KPMG Audit *A division of KPMG S.A.*	Deloitte & Associés
Philippe Grandclerc *Partner*	Fabien Brovedani *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 conferred 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 minimum number of shares required, or if, during his or her 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 legal limit of six months.

In the event of a vacancy due to death or resignation of one or several directors, the Board of Directors may decide, subject to legal provisions, provisional appointments between two General Meetings. However, if the number of directors in office falls below the legal minimum, the remaining directors in office or, failing them, the Statutory Auditors, shall immediately convene an Ordinary Shareholders' Meeting to appoint a sufficient number of Board members. Temporary appointments decided by the Board of Directors are subject to ratification by the upcoming Shareholders' Meeting. If the temporary appointments are not ratified by the Shareholders' Meeting, the decisions adopted and acts performed by the directors appointed temporarily, or to which they have contributed, shall nonetheless remain valid. A director appointed to replace another director shall hold his or her position for the remaining term of his or predecessor.

Directors are appointed for a four-year term. In order exclusively and solely, 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 terms of office of 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 total number of directors in office. When this age limit is exceeded, the oldest Director 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 term of appointment cannot exceed the term as 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 another 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 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, 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 are chaired 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 the request of the Chairman.

In addition, if the Board has not met for two months, a group of directors representing at least one third of the Board's members, and the Chief Executive Officer, if such position is separated from the Chairman, may, by setting the agenda of such meeting, request 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 set 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 the event of 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 without notice if all Directors agree.

An attendance register, signed by all directors participating in the meetings, is kept.

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 has 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 conferred 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 Executive Management.

Internal Regulations

By decision dated 26 February 2013, the Board of Directors has decided to amend 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 these 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 any material event concerning the Company's and its Group'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 concerning 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 is 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 or duties. In particular, they should acquaint with legal provisions governing the Company, its Articles of association and 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 and confidentiality 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 connection with their functions as Board or committees members, or their participation in their deliberations. This duty of discretion and confidentiality shall survive to the end of terms 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 appointed, assists the Chairman in his or her mission of organisation and management of the works of the Board. He or 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 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 expenses, subject to the confidentiality. 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 fulfil 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 presence of the Chairman.

In the same conditions, Directors may, together or individually, ask the Chairman for any information deemed 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 or her term of office and determine any restrictions on his or her powers.

The Chief Executive Officer may be dismissed at any time by the Board of Directors. If the Chief Executive Officer is not the Chairman, his or her dismissal may give rise to damages if unjustified.

The Chief Executive Officer is subject to the provisions of Article L.225-94-1 of the French Commercial Code on simultaneous 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 broadest powers to act at any times and in any circumstances in the name and on behalf 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 sole 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 dismissed 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 dismissed 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 indicated by its Chairman, who also convenes meetings and sets 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. 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 fields 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 five permanent committees: a Strategic Committee, an Audit Committee, a Compensation Committee, an Appointments and Governance Committee and, since 1 June 2012, an Ethics 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 other than the Chief Executive Officer.

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 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 must have financial or accounting expertise. 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 two of whom 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.

The Ethics Committee

The Board of Directors, at its meeting held on 1 June 2012, decided to create an Ethics Committee.

This Committee is comprised of 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. The Chairman of the Committee is appointed by the Board of Directors from among the independents members of the Committee.

The Board of Directors, at its meeting held on 26 February 2013, has decided to redefine the missions of its Ethics Committee which are the following:

- Review the definition of the Group's fundamental values and politics in ethics and compliance;
- Make any proposal or recommendation to the Board in ethics and compliance; discuss any item or question in this matter sent by the Board;
- Ensure of the dissemination within the Group of the Code of Ethics and global policies defined by the Group and their updates;
- Ensure the implementation, follow-up and efficiency of procedures allowing the dissemination, understanding and respect of the Code of Ethics and the global policies by the Group's employees;
- Examine the Group's risks mapping from ethics and compliance standpoint;
- Examine the ethics and compliance activity report;
- Examine the organisation of the ethics and compliance function and issue, if applicable, any recommendation;
- Receive any information in connection with potential breaches to the respect of the ethics and compliance policy and examine the necessary action plans.

The Ethics Committee may have access to the Executive Management, the senior executives, the Internal Audit and Ethics & Compliance departments or to any other person it deems necessary. This meetings or hearings may take place without the presence of the members of the executive management. The Ethics Committee meets at least once a year. Meetings are convened by its Chairman.

3.1.1.2 Composition of the Board of Directors

The Board of Directors is currently comprised of eleven members, four of whom are independent.

Individual information concerning the Directors is presented in the section 3.1.1.3 "Main activities of the Board members".

In 2012, the Board of Directors met twelve times. The attendance rate amounted to 91%.

List of the Directors in function as at 31 December 2012

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	55	11/10/2010 with effect as at 22 November 2010 27/05/2011	ASM 2015	Strategic Committee
Antoine Flochel	Vice-Chairman and Director	48	30/08/2005 27/05/2011	ASM 2013	Compensation Committee (Chairman) Strategic Committee
Anne Beaufour	Director	49	30/08/2005 27/05/2011	ASM 2014	Appointments and Governance Committee (Chairperson) Strategic Committee
Henri Beaufour	Director	48	30/08/2005 27/05/2011	ASM 2015	Strategic Committee (Chairman)
Hervé Couffin (a)	Director	61	30/08/2005 27/05/2011	ASM 2014	Appointments and Governance Committee Audit Committee
Gérard Hauser (a)	Director	71	14/12/2005 27/05/2011	ASM 2013	Ethics Committee (Chairman) Compensation Committee
Mayroy SA (b) (represented by Philippe Bonhomme)	Director	–	01/06/2012	ASM 2016	Ethics Committee
Pierre Martinet (a)	Director	63	19/09/2005 27/05/2011	ASM 2014	Audit Committee (Chairman) Compensation Committee
Klaus-Peter Schwabe (b)	Director	71	30/08/2005 27/05/2011	ASM 2013	–
Christophe Vérot	Director	52	27/05/2011	ASM 2015	Audit Committee Appointments and Governance Committee
Carol Xueref (a) (b)	Director	57	01/06/2012	ASM 2016	Strategic Committee Ethics 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 and Chief Executive Officer 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 has been renewed as Vice-Chairman of the Board at its 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 Board of Directors.

Upon proposal of the Appointments and Governance Committee, the Board of Directors, at its meeting held on 26 February 2013, considered that **Hervé Couffin, Gérard Hauser, Pierre Martinet** and Mrs. **Carol Xueref** are independent Directors within the meaning of the Board Internal Regulations described in section 3.1.1.1 of the present 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, Marc de Garidel's responsibilities were expanded to the entire Southern region. This region included Southern European markets as well as emerging markets such as MEA and Latin America. With this position, Marc de Garidel ran 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 2012, 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
- G5 Santé, 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
- TcLand, Director
- Protein'Expert, Director
- European Biopharmaceutical Enterprises, 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 Études 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 2012, 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
- ADH (France), Director

Positions previously held that expired during the last five years:
- Baigo Capital GmbH (Germany), Member of the Advisory Board
- Financière Althea IV SAS (France), Advisor

- Beavan Somua Fund (Guernsey), Director
- SCI Financière CLED (France), Legal Manager
- New Challenger SAS (France), Member of the Supervisory Board

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 2012, 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 SA (Luxembourg), Vice Chairperson of the Board of Directors and Managing Director
- Beech Tree SA (Luxembourg), Director and Chairperson of the Board of Directors
- Highrock S.à.r.l. (Luxembourg), Legal Manager
- Bluehill Participations S.à.r.l. (Luxembourg), Legal Manager

Positions previously held that expired during the last five years:
- FinHestia S.à.r.l. (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 2012, 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 SA (Luxembourg), Director

Positions previously held that expired during the last five years:
- Camilia Holding BV (Luxembourg), Legal Manager
- FinHestia S.à.r.l. (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 Audit 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 2012, 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) (listed on Euronext) (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

Chairman of the Ethics Committee amd member of the Compensation Committee

Born on 29 October 1941, French nationality

Gérard Hauser has been Chairman and CEO of Nexans from 2000 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 2012, Gérard Hauser directly held 3,180 shares and 5,861 voting rights of the Company.

Positions currently held:
- Alstom (listed on Euronext) (France), Director
- Technip (listed on Euronext) (France), Director
- Stromboli (France), 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

Mayroy SA (represented by Mr. Philippe Bonhomme)

Director

Member of the Ethics Committee

Registered office: 11 boulevard Royal, L-2449 Luxembourg

Number B48865 RCS Luxembourg

The company Mayroy SA is a *société anonyme* incorporated under the laws of Luxembourg in 1994. The company Mayroy SA is a shareholder of Ipsen SA. As of 31 December 2012, Mayroy SA held 57,317,977 shares, *i.e.*, 68.03% of the share capital and 114,252,008 voting rights, *i.e.*, 81.30% of net voting rights.

Philippe Bonhomme (permanent representative of Mayroy SA)

Permanent representative of Mayroy SA in the Board of Directors

Born on 5 November 1969, French nationality

From 1993 to 2005, Mr Philippe Bonhomme had been acting as auditor and, subsequently, as Corporate Finance consultant with Coopers & Lybrand renamed into PricewaterhouseCoopers. Since 2005, he is a Managing Director and a member of the management committee of Hottinguer Corporate Finance, the investment banking arm of Hottinguer bank. Mr. Bonhomme has been advising, in France and abroad, on numerous transactions in the pharma and healthcare sectors as well as on private equity-backed transactions.

Mr. Bonhomme is a graduate of École des Hautes Études Commerciales (HEC, Paris) and a French Certified Public Accountant (CPA).

As at 31 December 2012, Mr. Bonhomme held no shares in the Company.

Positions currently held:
- Hottinguer Corporate Finance SA (France), Director
- Mayroy SA (Luxembourg), Director

Positions previously held that expired during the last five years:
None

Pierre Martinet

Director

Chairman of the Audit Committee and member of the Compensation 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 2012, Pierre Martinet directly held 2,132 shares and 4,264 voting rights of the Company.

Positions currently held:
- Old Town SA (Luxembourg), Managing Director
- Almacantar (Luxembourg), Chairman

Positions previously held that expired during the last five years:
- Banijay Entertainment (France), Member of the Supervisory Board
- Cushman & Wakefield (USA), Director
- Cartier SA (France), Member of the Supervisory Board
- Greysac SAS (France), Director
- 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

Klaus-Peter Schwabe

Director

Born on 30 July 1941, German nationality

Dr. Klaus Peter Schwabe was 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 2012, 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 2012, 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

Carol Xueref

Director

Member of the Strategic Committee and the Ethics Committee

Born on 9 December 1955, British nationality

Carol Xueref holds a Master's Degree in Law and a Post Graduate Degree in International Commercial Law (DESS) from the University of Paris II (Assas).

From 1982 to 1986, Carol Xueref was Deputy to the *Attachée* for Commercial Affairs of the British Embassy in Paris. From 1986 to 1990, she was appointed Head of Division of the International Chamber of Commerce of Paris.

In 1990, she became Director for Legal and Tax Affairs of Banque Populaire de la Région Ouest de Paris. From 1993 to 1996, she was Head of a legal department of Crédit Lyonnais and subsequently, Director for Legal Affairs of OIG (Crédit Lyonnais defeasance entity).

Since 1996, Carol Xueref is Director for Legal Affairs and Group Development, member of the Executive Committee of Essilor International. She is also member of the *Autorité de la Concurrence* (French Competition Authority) since 2006, and chaired its "Compliance" working group.

Carol Xueref is a founder member and a past-President of the Cercle Montesquieu (Association of French in-house lawyers (1998-2002)) and chaired its "Ethics of in-house lawyers" working group. She is General Secretary and a Director of the Association Française des Femmes Juristes and Director of the Franco-British Lawyers Society.

Carol Xueref is the author of numerous articles and a speaker in conferences on international commerce and competition law.

As at 31 December 2012, Carol Xueref directly held 200 shares and 200 voting rights of the Company.

Positions currently held:
- Essilor International (listed on Euronext), Director of several non-French subsidiaries of the Group.

Positions previously held that expired during the last five years:
- Essilor International, Director of several subsidiaries of the Group (France and abroad).

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

At its meeting held on 27 August 2012 and 13 December 2012, the Board of Directors authorises the conclusion of a service agreement between the Company and the Banque Jph Hottinguer Corporate Finance S.A., of which Mr. Philippe Bonhomme, permanent representative of Mayroy SA within the Board of Directors since 1 June 2012, is a managing director. This agreement has been concluded for a renewable 6-months period (please refer to the Special Report of the Statutory Auditors on regulated-related agreements and commitments).

Moreover, in connection with an agreement entered into on 29 May 2012 between the Company and the Banque Jph Hottinguer Corporate Finance S.A., the Company paid an amount of €275,000 (excluding taxes) on 1 September 2012 (please refer to the Special Report of the Statutory Auditors on regulated-related agreements and commitments).

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' functioning was carried out, by Mr. Hervé Couffin, 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 prior to individual interviews. The conclusions of this formal assessment were presented and debated during the Board of Directors meeting held on 26 February 2013. All the Directors valued the quality and transparency of the debates and the open-mindedness of the Chairman and Chief Executive Officer during the meetings of the Board. They also noted improvements made in terms of information quality. They emphasized the importance of the works and contribution of the Committees to the Board's works, in particular the Audit and Compensation committees. In addition, proposals were suggested in terms of rationalisation of number or scheduling

of meetings, presentation of information and organisation of executive session without the presence of the Management.

Moreover, once a year, the Board debates of its functioning in "executive session" without the presence of the Chairman of the Board, the Chief Executive Officer and the members of the Executive Management.

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 Board of Directors, upon proposal of the Chairman and Chief Executive Officer, at its meeting held on 26 February 2013 has appointed Mrs. Christel Bories as Deputy Chief Executive Officer, as of 1 March 2013, for an unlimited term. Working alongside with the Chairman and Chief Executive Officer, the Deputy Chief Executive Office will be responsible for accelerating the execution of the Group's strategy.

Since 1 March 2013, the Executive Committee is chaired by Mrs. Christel Bories, Deputy Chief Executive Officer. Previously, it was chaired by Mr. Marc de Garidel, Chairman and Chief Executive Officer.

The current members of the Executive Committee are:

Name	Function	Date of entry in the Group
Christel Bories	Deputy Chief Executive Officer	2013
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 Mrs. Christel Bories, 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 members of the Executive Committee

Christel Bories

Deputy Chief Executive Officer

Born on 20 May 1964, French nationality

A graduate of the French business school HEC, Christel Bories spent most of her career in the industrial sector, where she gained solid experience in global renowned groups. From 1995 to 2003 at Pechiney, she was Director of Strategy and Management Control, prior to becoming Director of Pechiney Packaging. In 2004, at the time of the merged with Alcan, Christel Bories took over as Chairwoman of Alcan Packaging, and then, in 2007, of Alcan Engineered Products. Finally, in 2008, she was appointed to the helm of Rio Tinto Engineered Products after the acquisition of Alcan. In 2011, Christel Bories was Chief Executive Officer of Constellium (formerly Alcan). Since 2011, Christel Bories has been a member of the Board of Directors of Natixis and Cercle de l'Industrie, a forum for large industrial companies. She is also Vice-President of French think tank La Fabrique de l'Industrie. Since 2012, Christel Bories has been Chairperson of the Strategy Committee of Legrand and a member of the Board of Directors of Smurfit Kappa.

Mrs. Christel Bories does not hold shares of the Company.

Positions currently held:

- Natixis (listed on Euronext) (France), Director and Chairperson of the Appointment and Compensation Committee
- Legrand (listed on Euronext) (France), Director and Chairperson of the Strategy Committee
- Smurfit Kappa (listed on the London Stock Exchange) (Ireland), Director and member of the Audit and Compensation Committees
- Cercle de l'industrie, member of the Board

Positions previously held that expired during the last five years:

- Constellium (France), Chief Executive Officer
- Atlas Copco AB (Sweden), Director

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 Francisco, USA, under the supervision of Pr. Jay A. Nadel. Claude Bertrand started his career in Novartis (previously Ciba-Ceigy) in Basel (Switzerland). Then, he moved to the Inflammatory Disease Unit at Roche (Palo Alto, California, USA) 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
- INSERM, Director

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

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 Paris XI University 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
- Beaufour Ipsen Industrie SAS (France), Chairman
- 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
- EBE (European Biopharmaceutical Enterprises) (Belgium), Director

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
- Ipsen Spa (Italy), Director
- Inspiration Biopharmaceuticals Inc. (USA), 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
- Ipsen Farmaceutica BV (Netherlands), Director
- Ipsen Ré (Luxembourg), Chairman of the Board of Directors

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 publication of the annual and half-year financial statements and the day of publication included, and
- 15 calendar days prior to the publication of quarterly information and the day of publication included.

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 anticipate the existence 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.

In accordance with the recommendations of the AFEP-MEDEF Code (section 20.2.3) and the recommendation n°2010-07 dated 3 November 2010 of the *Autorité des marchés financiers*, hedging of any kind on securities of the Company, in case of exercises of stock options, is prohibited.

Transactions on Company's securities carried out in 2012

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 2012 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
Carol Xueref Director	4 September 2012	200	€19	–	–	–

3.1.2 Reports of the Chairman of the Board 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 31 May 2013, 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 26 February 2013 and sent to the Statutory Auditors.

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 during financial year ended 31 December 2012.

3.1.2.1.1 Preparation and organisation of the work of the Board of Directors – Corporate governance

Governance structure

Ipsen is a *société anonyme* with a Board of Directors, where the functions of Chairman of the Board and Chief Executive Officer are not separated. This governance structure allows, in a constantly changing and particularly competitive environment, cohesion between strategy and operational activities and favors decision-making processes.

Corporate governance Code

The Company refers to the AFEP/MEDEF corporate governance Code of April 2010 available on the website www.medef.com. 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.

AFEP-MEDEF recommendations not applied	Practice of Ipsen and justifications
Article 6.3 The Board of Directors should have at least 20% of women within a three-year period and at least 40% of women within a six-year period.	The Board of Directors is currently comprised of eleven directors, including two women. In view of the Board director mandates expiring, 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 19 April 2010 and the provisions of the law dated 27 January 2011 relating to the equal representation of women and men within boards of directors.
Article 8.4 An independent director must not have been a director of the company for more than twelve years.	The independence criteria of the Board members are defined in the paragraph 3.1.1.1 of this registration document. The Board of Directors considers that being a director for more than twelve years does not automatically result in the loss of independent director status. The Board of Directors considers that the experience gained within the Board is an advantage in a Group characterized by long-term investment cycles. At the end of the term of office during which this 12-year seniority is reached, the Board examines the maintenance or loss of this quality by taking into consideration the personal situation of the director.
Article 14.2.1 The time available for reviewing the accounts by the Audit Committee should be sufficient (no less than two days before review by the Board).	Due to the presence within the Audit Committee of directors travelling from abroad, some meetings relating to the approval of financial statements are held the morning of the day when the Board meeting is held. Other measures (preliminary meetings with Committee's members, the sending of documents and files to Committee's members several days before) allow members to examine financial statements in advance.
Article 15.1 The appointments committee should have a majority of independent directors.	This provision is not applied because the Company is controlled by a majority shareholder. Furthermore, the Board has considered that the current proportion of independent members within the Appointments and Governance Committee does not affect its normal functioning.
Article 18.1 Directors' compensation should take account of the directors' attendance at meetings of the Board and committees, and therefore include a variable portion.	Due to the strong involvement of Directors, the high attendance rate and number of meetings of the Board and its Committees (33 meetings in 2012 including 12 Boards meetings and 21 Committees meetings), the Board of Directors has decided not to establish a variable part based on attendance in the Directors' fees.

The Board of Directors

Composition

The Board of Directors is currently comprised of eleven members, including two women, Mrs. Anne Beaufour and Mrs. Carol Xueref. Three of its members are non-French nationals: Mrs. Carol Xueref of British nationality, the company Mayory SA, a company incorporated under the laws of Luxembourg and Mr. Klaus-Peter Schwabe of German nationality.

Among the members of the Board, four Directors, Mrs. Carol Xueref, Messrs. Pierre Martinet, Gérard Hauser and Hervé Couffin are independent Directors as such quality is 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 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.

Individual information concerning Directors 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

During financial year 2012, the Board of Directors met 12 times. The average attendance rate at the meetings amounted 91% for 2012.

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 2012

In 2012, the Board of Directors discussed, among other things, the following matters:

- concerning financial statements and financial situation: review and approval of the 2011 annual and consolidated financial statements, the 2012 half-year financial statements, examination of the management forecast documents, 2012 budget and preliminary 2013 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 performance shares, mid-term bonus and Stock Appreciation Rights to the Chairman and Chief Executive Officer and certain Group employees;
- concerning organisation and functioning of the Board of Directors: assessment of the functioning of the Board of Directors, proposal of the appointment of two new 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 held on 1 June 2012;
- 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

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 dismissed 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 indicated by its Chairman, who also convenes meetings and sets 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. 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 fields 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 five permanent committees: a Strategic Committee, an Audit Committee, a Compensation Committee, an Appointments and Governance Committee and, since 1 June 2012, an Ethics 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 other than the Chief Executive Officer.

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, Carol Xueref (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 2012, 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: Pierre Martinet (Chairman), Hervé Couffin (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. Mr. 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 2012, the Audit Committee met six times. All its members were present. 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 2011 annual and consolidated financial statements, the 2012 half-year financial statements, the 2012 budget and the 2013 preliminary budget, 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 2012, the Appointments and Governance Committee met four 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 Pierre Martinet (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 2012, the Compensation Committee met five times. 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 performance shares grants policy, the review of the Group's succession plans, the grants of performance shares, mid-term bonus and Stock Appreciation Rights granted to the Chairman and Chief Executive Officer and certain Group's employees.

The Ethics Committee

The Board of Directors, at its meeting held on 1 June 2012, decided to create an Ethics Committee.

This Committee is comprised of 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. The Chairman of the Committee is appointed by the Board of Directors from among the independents members of the Committee.

The role of the Ethics Committee is to:

- ensure compliance with individuals and collective values on which the Group bases its action and its rules of conduct that each collaborator has to apply;
- ensure the implementation of necessary procedures for updating applicable charters within the Group and ensure their circulation, implementation and necessary training actions.

The Ethics Committee may hear the Group's senior executives, the Internal Audit, the Ethic & Compliance departments or any person it deems necessary. 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 Ethics Committee meets at least once a year. Meetings are convened by the Chairman's Committee.

The Ethics Committee is currently comprised of three members two of which are independent having regards to the independence criteria referred to above. Its members are: Gérard Hauser (Chairman), Carol Xueref (independants members) and Mayroy SA (represented by Mr. Philippe Bonhomme). During the course 2012, the Committee met twice. All its members were present. Its activities primarily involved the review and/or examination of the procedures and the Code of Ethics.

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. The conclusions of this assessment were presented and debated during the Board of Directors meeting held on 26 February 2010.

A new formal assessment of the Board of Directors' operations has been carried out, under the aegis of the Appointments and Governance Committee, by Mr. Hervé Couffin, an independent director. The conclusions of this assessment were presented and debated during the Board of Directors meeting held on 26 February 2013.

Furthermore, once a year, the Board of Directors debates about its operations within an « executive session », without the presence of the Chairman, the Chief Executive Officer and other members of the executive management.

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 2012.

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 €990,000 approved by the Combined Shareholders' Meeting held on 1 June 2012 (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, the Strategic Committee and the Ethics 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 2012 to each Director is presented in section 3.1.3 of the registration document.

Compensation of executive directors

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 performance 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 performance 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 March 2012, the Board of Directors approved the implementation of a bonus shares plan granted to 198 beneficiaries for 224,595 shares, representing 0.26% of the share capital, of which 194,845 performance shares.

The Board of Directors, at its meeting held on 30 March 2012, upon recommendation of the Compensation Committee, decided to allocate, subject to performance conditions, 23,940 performance shares to the Chairman and Chief Executive Officer (see section 3.1.3.3.2.), representing 0.03% of the share capital, 166,000 Stock Appreciation Rights (see below) and a mid-term bonus (also decided in favour of certain Group executives) for an amount of €274,564 (see below).

The Board of Directors, upon recommendation of the Compensation Committee, decided to grant 23,940 performance shares to the Chairman and Chief Executive Officer. These performance shares are subject to performance conditions which are based on the achievement of certain level of income (30%), of adjusted operating EBIT (50%) and net profit per share (20%). The levels of completion expected are not disclosed for confidentiality reasons.

The Board of Directors, at its meeting held on 30 March 2012, decided the implementation of a Stock Appreciation Rights (SAR) plan, instrument that settle in cash after a two-year period and do not themselves represent shares and therefore do not result in a share capital increase, for the benefit of 8 beneficiaries. 166,000 SARs have been granted, subject to performance conditions linked to a Group entity, to the Chairman and Chief Executive Officer. The outcome in cash will be settled in 2014, subject to the assessment by the Board of Directors of the achievement of performance conditions, upon recommendation of the Compensation Committee.

The implementation of the mid-term bonus has been decided, subject to performance conditions, for the benefit of 155 beneficiaries, including a gross amount of €274,564 to the Chairman and Chief Executive Officer. This bonus will be paid in 2014, subject to the assessment by the Board of Directors of the achievement of performance conditions, which are based on the achievement of certain level of income (30%), of adjusted operating EBIT (50%) and net profit per share (20%). The levels of completion expected are not disclosed for confidentiality reasons.

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 March 30, 2012. 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 IPSEN SA for the benefit of the executives, which involves the payment on retirement, subject to a minimum 5-year 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 2012 being €36,372) 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

Information likely to have an impact in the event of a take-over bid is described in section 3.2.3.5 of the registration document for 2012.

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, Risk Management and Ethics and Compliance.

Introduction:

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

During 2011, Ipsen initiated a strategic project called "IPSEN UP" during which group strategies and functions,organisations, governances and processes were redesigned, to adapt to the evolution of the operational stakes and to the external environment. In 2012, Ipsen has pursued the process of transformation with an integrated approach combining both business transformation priorities as well as change management levers.

As part of the IPSEN UP transformation project, governance rules and principles of the main operational committees have been reviewed (and, for new committees, defined) and communicated.

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 pursuing the effort to set 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. IThis function was able to generate significant productivity benefits through a manufacturing and process optimisation method called "Lean Six Sigma". In 2012, Operational excellence was extended to all divisions and functions in order to leverage manufacturing process optimisation methodologies to company wide initiatives.

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**,
- **Create the conditions for sustainable results**,
- **Monitor Group performance**,
- Manage and coordinate key scientific, commercial, industrial, legal and financial actions of the Group,
- **Arbitrate/decide** on high level resource allocation in line with Group decision-making framework,
- **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 key talents of the Group and ensure succession planning,
- **Ensure consistency in Group management** and implementation of decisions made by the Board of Directors.

The Executive Committee's functioning has also been defined. An annual self-assessment session is held to ensure continuous improvement. Each Executive Committee member has set up his/her own leadership team.

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 Board, headed by the EVP R&D decides on key stage gates until Proof of Concept.

The Franchise Board, chaired by Franchise heads, decides on key Post-Proof of Concept stage gates.

The Operations Leadership Board, headed by the EVP COO, 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 VP IP, 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.

In 2010 were created the positions of Chief Ethics & Compliance Officer, reporting directly into the Chairman and of Ethics and Compliance Director, reporting into the Chief Ethics & Compliance Officer.

Since 2011 the Global Ethics and Compliance Department has been in charge ofdesigning and implementing 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.

Since 2012, the Chief Ethics & Compliance Officer presents periodically the state of progress of the Ethics & Compliance program to the Ethics Committee from the Board of Directors, set up the same year and leans on the Global Ethics & Compliance Committee (former Group Ethics Committee) to drive its mission.

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 EVP 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;
  - manage the Crisis Management Process;
  - manage the Road Safety Policy;
  - manage the Travel Safety Policy;
- 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,report those risks to the Executive Committee and to update quarterly the one page risk included in the ComEX dashboards. 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

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. A specific procedure covering capital expenditure is implemented on all manufacturing and R&D sites in the Group.

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.

In 2012, a Group Dashboard was rolled-out to provide the Executive Committee with all relevant indicators to monitor the activity.

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 analysed 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. In 2012, a Finance Handbook, available over the intranet, was put at all Ipsen employees' disposal to provide them with the reference information they need.

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 semester, 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 EVP CFO, 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.

In 2012, the risk mapping process went on being rolled out throughout the Group.

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 2012.

- 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 2012 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 2012, thirteen 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.

Since 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
26 February 2013

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 French commercial code *(Code de Commerce)* on the report prepared by the Chairman of the Board of Directors of the company

Year ended 31 December 2012

To the Shareholders,

In our capacity as statutory auditors of Ipsen S.A. and in accordance with Article L.225-235 of 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 French Commercial Code *(Code de commerce)* for the year ended 31 December 2012.

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 French Commercial Code *(Code de commerce)*, 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 French Commercial Code *(Code de commerce)*, 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

The 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 consisted mainly 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 French Commercial Code *(Code de commerce)*.

Other disclosures

We hereby attest that the Chairman's report includes the other disclosures required by Article L.225-37 of French Commercial Code *(Code de commerce)*.

Paris la Défense and Neuilly-sur-Seine, 26 February 2013

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 €990,000 approved by the Combined Shareholders' Meeting held on 1 June 2012 (until further 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, the Strategic Committee and the Ethics 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 2012 was €860,834.

Individual amounts of fees and other compensation paid to directors (gross amounts – rounded) (Table 3 of AMF recommendations)

Directors	Amounts paid in 2011	Directors' fees paid in 2012
Marc de Garidel [1] – Director's fees – Other compensation	 €36,667 See section 3.1.3.2	 €60,000 See section 3.1.3.2
Anne Beaufour – Director's fees – Other compensation	 €95,000 –	 €95,000 –
Henri Beaufour – Director's fees – Other compensation	 €70,000 –	 €80,000 –
Alain Béguin [2] – Director's fees – Other compensation	 €67,749 –	 – –
Hervé Couffin – Director's fees – Other compensation	 €82,500 [3] –	 €75,000 –
Antoine Flochel – Director's fees – Other compensation	 €160,000 –	 €160,000 €75,000 [*]
Gérard Hauser – Director's fees – Other compensation	 €60,000 –	 €62,917 –
Pierre Martinet – Director's fees – Other compensation	 €60,000 –	 €64,167 –
Mayroy SA [4] – Director's fees – Other compensation	 – –	 €5,000 –
René Merkt [5] – Director's fees – Other compensation	 €40,000 –	 €36,667 –

Directors	Amounts paid in 2011	Directors' fees paid in 2012
Yves Rambaud [6] – Director's fees – Other compensation	 €110,000 –	 €100,833 –
Klaus-Peter Schwabe – Director's fees – Other compensation	 €40,000 –	 €40,000 –
Christophe Vérot [7] – Director's fees – Other compensation	 €7,251 –	 €75,000 –
Carol Xueref [8] – Director's fees – Other compensation	 – –	 €6,250 –
Total **– Director's fees** **– Other compensation** (**)	 **€829,167**	 **€860,834** **€75,000** (*)

(1) Chairman and Chief Executive Officer since 22 November 2010.
(2) Director until 27 May 2011.
(3) At its meeting held on 26 February 2010, the Board of Directors has decided to allocate to Mr. Hervé Couffin an exceptional directors' fee of a gross amount of €15,000 for the fulfillment of the formal assessment of the functioning and works of the Board, pursuant to the mission conferred by the Board at its meeting held on 10 November 2009, upon recommendation of the Appointments and Governance Committee. The payment of the half of this amount was paid in January 2011.
(4) Director since 1 June 2012.
(5) Director until 1 June 2012.
(6) Director until 1 June 2012.
(7) Director since 27 May 2011.
(8) Director since 1 June 2012.
(*) At its meeting held on 2 October 2012 and 13 December 2012, the Board of Directors decided to grant to Mr. Antoine Flochel a compensation of €75,000 (excluding taxes) and €126,000 (excluding taxes) in connection with special mandates conferred to him (see the Special Report of the Statutory Auditors on regulated-related agreements and commitments – section 3.1.4.). The amount of €126,000 (excluding taxes) was paid in January 2013.
(**) The elements of compensation of Marc de Garidel, Chairman and Chief Executive Officer, described in section 3.1.3.2 are to be added.

3.1.3.2 Compensation of executive directors

3.1.3.2.1 Summary of compensation, options and shares granted to executive directors

For financial year 2012, the basis of compensation of Marc de Garidel, Chairman and Chief Executive Officer was determined by the Board of Directors at its meeting held on 28 February 2012. The basis of compensation for financial year 2013 was determined by the Board of Directors at its meeting held on 26 February 2013.

The compensation for Mrs. Christel Bories, Deputy Chief Executive Officer, was determined, for financial year 2013, by the Board of Directors at its meeting held on 26 February 2013.

Summary table of the compensation, options and performance shares accruing to the Chairman and Chief Executive Officer (Table 1 of AMF recommendations)

(in euros)	2011 Financial Year	2012 Financial Year
Marc de Garidel Chairman and Chief Executive Officer		
Compensation due for the year (see details below)	1,679,044.71	1,185,450.76
Book value of the options granted during the year	862,801.60	–
Book value of the performance bonus shares granted during the year	103,898.60	424,935
Total	**2,645,744.91**	**1,610,385.76**
Christel Bories Deputy Chief Executive Officer (*)		
Compensation due for the year (see details below)	NA	NA
Book value of the options granted during the year	NA	NA
Book value of the performance bonus shares granted during the year	NA	NA
Total	**NA**	**NA**

(*) Appointment by the Board of Directors held on 26 February 2013, with effect on 1 March 2013.

Summary table of the compensation (Table 2 of the AMF recommendations)

(in euros)	2011		2012	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Marc de Garidel Chairman and Chief Executive Officerl				
Fixed compensation	700,000	700,000	700,000	700,000
Variable compensation	514,000 (1)	–	420,000 (2)	514,000 (1)
Exceptional compensation (3)	400,000	400,000	-	–
Directors' fees	60,000	36,667 (4)	60,000	60,000
Benefits in kinds (5)	5,044.71	5,044.71	5,450.76	5,450.76
Total	**1,679,044.71**	**1,141,711.71**	**1,185,450.76**	**1,279,450.76**

(1) 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.
(2) The Board of Directors, at its meeting held on 26 February 2013, upon proposal of the Compensation Committee, fixed the amount of the variable compensation for 2012 for the Chairman and Chief Executive Office at €420,000. This amount was paid in 2013.
(3) Compensation payment expired (refer to section 3.1.3.2.1 of the 2011 Annual report).
(4) *Prorata temporis* amount.
(5) Benefits in kinds are comprised of a company car.

A. Compensation and severance payment of the Chairman and Chief Executive Officer

The compensation of the Chairman and Chief Executive Officer is determined by the Board of Directors upon proposal of the Compensation Committee.

The Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 28 February 2012, set the following elements relating to the compensation and benefits in kind of the Chairman and Chief Executive Officer:

- gross fixed compensation for 2012: €700,000 (unchanged since he took office);
- 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. The Board of Directors set the following performance criteria for the determination of the variable compensation: two-thirds 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, in particular, strategic orientations. For confidentiality reasons, the detail and the level of completion expected are not made public;
- 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 performance 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 3.1.3.2.2 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 30 March 2012, upon recommendation of the Compensation Committee, decided to grant to the Chairman and Chief Executive Officer, subject to performance conditions, 23,940 performance bonus shares (see section 3.1.3.3.2), 166,000 Stock Appreciation Rights (see below) and a mid-term bonus (also for the benefit of some Group Executives Officers) of a gross amount of €274,564 (see below).

The Board of Directors, at its meeting held on 30 March 2012, decided the implementation of a Stock Appreciation Rights (SAR) plan, instrument that settle in cash after a two-year period and do not themselves represent shares and therefore do not result in a share capital increase, for the benefit of 8 beneficiaries. 166,000 SARs have been granted, subject to performance conditions linked to a Group entity, to the Chairman and Chief Executive Officer. The outcome in cash is to be settled in 2014, subject to the assessment by the Board of Directors of the achievement of performance conditions upon recommendation of the Compensation Committee.

The implementation of the mid-term bonus has been decided, subject to performance conditions, for the benefit of 155 beneficiaries, including the gross amount of €274,564 to the Chairman and Chief Executive Officer. This bonus is to be paid in 2014, subject to the assessment by the Board of Directors of the achievement of performance conditions, which are based on the achievement of certain level of revenues (30%), adjusted operating EBIT (50%) and net profit per share (20%). For confidentiality reasons, the level of achievement expected is not made public.

For the financial year 2013, the Board of Directors, at its meeting held on 26 February 2013, upon recommendation of the Compensation Committee, set the following elements relating to the compensation and the benefits in kind to the Chairman and Chief Executive Officer:

- gross fixed compensation for 2013: €750,000 (as from 1 January 2013);
- target bonus at €750,000, within a range between 0 and €1,125,000 based on quantitative and qualitative performance criteria decided by the Board of Directors. The Board of Directors set the following performance criteria relating to the determination of the bonus: 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 of, in particular, strategic orientations. For confidentiality reasons, the detail and the level of completion expected are not made public.

The other components of the remuneration remain unchanged.

B. Compensation and severance payment of the Deputy Chief Executive Officer

The compensation of the Deputy Chief Executive Officer is determined by the Board of Directors upon proposal of the Compensation Committee.

For financial year 2013, the Board of Directors, upon recommendation of the Compensation Committee, at its meeting held on 26 February 2013, set the following elements relating to the compensation and benefits in kind of the Deputy Chief Executive Officer:

- gross fixed compensation for 2013: €570,000 (*prorata temporis*);
- target bonus at €570,000 within a range between 0 and €855,000 based on quantitative and qualitative criteria decided by the Board of Directors. For 2013, the gross target bonus will correspond to the prorate temporis of this amount, and will depend, for 50% on quantitative criteria based on achievement of levels of revenues, operating profit, diluted earnings per share and cash flow from operations, and, for 50%, on qualitative criteria based on strategic orientations and for the part subject to quantitative criteria will be guaranteed at a minimum gross amount of €285,000. For confidentiality reasons, the detail and the level of completion expected are not made public;
- a severance payment described in section 3.1.3.2.2 below;
- the Board of Directors has approved the principle of making an allocation to Mrs. Christel Bories of stock options and performance shares equivalent to an amount of €570,000. The grant, its distribution between options and performance shares and the determination of the corresponding terms and conditions will be decided by the Board of Directors, in accordance with its common practice. It being specified that the exercise price of the options and the definitive acquisition of the performance shares will be subject to (i) a presence condition within the company in accordance with the provisions of the Ipsen Group plans and (ii) performance conditions set out by the Board of Directors in accordance with the recommendations of the AFEP-MEDEF Code;
- eligibility to the additional pension scheme existing with the Company and described in section 3.1.3.2.2 below;
- benefit of a company car;
- benefit of an agreement for the drafting of his personal tax statements;
- eligibility to Company's insurance policy (mutual and life-illness schemes);
- payment by the Company of expenses incurred with the finalisation of the term of office and travel expenses to be paid in connection with the exercise of her corporate duties;
- eligibility to directors and officers insurance policy compliant with those undertaken by the Group for the Chairman and Chief Executive Officer.

3.1.3.2.2 Summary of commitments issued in favour of the Chairman and Chief Executive Officer (Table 10 of AMF Recommendations)

	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	
Mrs. Christel Bories Deputy Chief Executive Officer Date of appointment: 26 February 2013 with effect as of 1 March 2013		X	X		X		X	

Employment contract

Marc de Garidel, Chairman and Chief Executive Officer, and Mrs. Christel Bories, Deputy Chief Executive Officer, do not hold employment agreements.

Additional pension scheme

The Chairman and Chief Executive Officer and the Deputy Chief Executive Officer benefit from the additional pension commitment existing within the Company (which also benefit to all Group employees), which involves the payment on retirement, subject to a minimum 5-year 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 2012 being €36,372) 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 and 26 February 2013.

The provision for 2012 financial year as regards this pension scheme amounted to €810,752 for the Chairman and Chief Executive Officer. Said provision for 2011 financial year amounted to €222,475.

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.

At its meetings held on 26 February 2013, the Board of Directors decided to grant Mrs. Christel Bories the benefit of a severance payment on the following terms, 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 decided by the Board of Directors,
- in an amount equal to 24 months' remuneration in respect of the 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 2013), 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.

In case of departure of the Group (for a reason other than a change of control), Mrs. Christel Bories 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 performance bonus shares granted to executive directors

3.1.3.3.1 Stock subscription and/or purchase options

Subscription or purchase options granted to the Chairman and Chief Executive Officer during the 2012 financial year (Table 4 of the AMF recommendations)

During the 2012 financial year, no options were granted to the Chairman and Chief Executive Officer.

Synthesis of the Ipsen subscription and/or purchase options granted to the Chairman and Chief Executive Officer (Table 8 of the AMF recommendations)

	Date of grant	Number of options granted	Nature of the options	Exercise price (without discount)	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**					

(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.

Subscription or purchase options exercised during 2012 by the Chairman and Chief Executive Officer

During the financial year 2012, no options were exercised by the Chairman and Chief Executive Officer.

3.1.3.3.2 Performance bonus shares

Performance bonus shares granted to the Chairman and Chief Executive Officer during the 2012 financial year (Table 6 of the AMF recommendations)

	Plan date	Number of bonus shares granted	Book value of the shares (per share) (1)	Acquisition date	Date of availability
Marc de Garidel	30/03/2012	23,940 (2)	€17.75	31/03/2014	31/03/2016

(1) Under the method used for the consolidated financial statements.
(2) Allocation subject to performance conditions.

On 30 March 2012, the Board of Directors decided the implementation of a bonus shares plan to the benefit of 198 beneficiaries for a total of 224,595 shares, of which 194,845 performance bonus shares subject to performance conditions. The Board of Directors upon recommendation of the Compensation Committee, decided to grant 23,940 performance bonus shares to the Chairman and Chief Executive Officer. The performance conditions are based on the achievement of certain level of income (30%), of adjusted operating EBIT (50%) and net profit per share (20%). The expected level of achievement is not made public for confidentiality reasons.

Synthesis of the performance bonus shares granted to the Chairman and Chief Executive Officer

The following table presents, as at 31 December 2012, the performance 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	30/06/2011	4,490 (1)	01/07/2013	01/07/2015	20% of the net gain of acquisition
	30/03/2012	23,940 (1)	31/03/2014	31/03/2016	
Total		**28,430**			

(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 meetings held on 30 June 2011 and 30 March 2012, 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.

Performance bonus shares that have become available for the Chairman and Chief Executive Officer during the 2012 financial year (Table 7 of AMF recommendations)

During the 2012 financial year, no performance bonus shares were acquired by the Chairman and Chief Executive Officer, nor none of the performance bonus shares granted to the Chairman and Chief Executive Officer became available.

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.

Statutory auditors' report on regulated agreements and commitments

Ipsen S.A.

Registered office: 65, quai Georges Gorse – 92 650 Boulogne-Billancourt Cedex

Shareholders' Meeting held to approve the financial statements for the year ended 31 December 2012

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 *(Code de commerce)*, 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 2012, 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 2012

In accordance with article L.225-40 of the French Commercial Code *(Code de commerce)*, we inform you that we have been advised of the following agreements and commitments authorized in 2012 by your Board of Directors.

Assistance and consulting mandates entrusted to Mr Antoine Flochel

- **Concerned person:** Mr Antoine Flochel, Director and Vice-Chairman of the Board.
- **Nature, purpose and terms:**
  - On 19 January 2012, your Board of Directors entrusted a specific mandate to Mr Antoine Flochel in order to assist your company in the study of some strategic cases related to primary care in France, Dreux industrial site and the Inspiration Biopharmaceuticals Inc. case. In its meeting of 2 October 2012 your Board of Directors decided to grant Mr Antoine Flochel a remuneration of €75,000 exclusive of tax, for this term of office.
  - On 27 August 2012, your Board of Directors entrusted a specific mandate to Mr Antoine Flochel for a maximal term of six months, in order to assist your company in the study and progress of the Inspiration Biopharmaceuticals Inc strategic case. In its meeting of 13 December 2012 your Board of Directors decided to grant Mr Antoine Flochel a remuneration of €3,000 per day exclusive of tax, for this term of office. The total amount of this remuneration depends on the number of days reported by Mr Antoine Flochel to your company.

  These agreements were authorized by your Board of Directors on 19 January 2012, 2 October 2012, 27 August 2012, and 13 December 2012.

  For the year ended 31 December 2012, your company has registered as expense €75,000 and €126,000 exclusive of tax, for these mandates.

Consulting mandate entrusted to JPh Hottinguer Corporate Finance S.A.

- **Concerned person:** Mr Philippe Bonhomme, as Director, permanent representative of Mayroy S.A. in the Board of Directors, and Director and Partner of JPh Hottinguer Corporate Finance S.A.
- **Nature and purpose:** On 27 August 2012, your Board of Directors authorized the principle of the involment of JPh Hottinguer Corporate Finance S.A. as consultant of your company to follow the evolution of the strategic partnership agreement with Inspiration Biopharmaceuticals Inc. In its meeting of 13 December 2012 your Board of Directors authorized the conclusion of a six-month mission, running from the signature, and that could be extended by written and express renewal, with JPh Hottinguer Corporate Finance S.A.. This agreement notably plans the installment payments of fixed fees for a total amount of €600,000 exclusive of tax, and a potential success fee.

These agreements were authorized by your Board of Directors on 27 August 2012 and 13 December 2012.

For the year ended 31 December 2012, your company has registered as expense €469,000 tax excluded (costs included), for this mandate.

Agreements and commitments entered into by the Company since 31 December 2012

We have been advised of the following agreements and commitments, which have been approved since the end of the financial year, which were subjected to the prior approval of your Board of Directors.

Setting of a minimum variable remuneration for the financial year 2013

- **Concerned person:** Mrs Christel Bories, Deputy Chief Executive Officer from 1 March 2013.
- **Nature, purpose and terms:** On 26 February 2013, your Board of Directors authorized the allocation to Mrs Christel Bories of a bonus for the financial year 2013. This variable remuneration will be based on a gross target bonus of €570,000 (corresponding to 100% achievement of the objectives), that can vary from 0% to 150%, according to quantitative and qualitative criteria defined by your Board of Directors.

For 2013, the gross target bonus will correspond to the prorate temporis of this amount, and will depend, for 50% on quantitative criteria and, for 50%, on qualitative criteria. As for the part subjected to quantitative criteria, the target bonus will be guaranteed at a minimum gross amount of €285,000.

Commitment granted to Mrs Christel Bories, Deputy Chief Executive Officer, in case of termination of her functions

- **Concerned person:** Mrs Christel Bories, Deputy Chief Executive Officer from 1 March 2013.
- **Nature, purpose and terms:** On 26 February 2013, your Board of Directors authorized the allocation to Mrs Christel Bories:
  - 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 decided by the Board of Directors,
    - in an amount equal to 24 months' remuneration (fix and variable) 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 2013),
    - which includes, if applicable, the amount due in respect of any non-compete obligation described below.

Compensation under a non-compete clause of Mrs Christel Bories, Deputy Chief Executive Officer

- **Concerned person:** Mrs Christel Bories, Deputy Chief Executive Officer from 1 March 2013.
- **Nature, purpose and terms:** On 26 February 2013 your Board of Directors approved the commitments of Mrs Christel Bories, 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 commercialization 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 Mrs Christel Bories in consideration of these non-compete obligations is comprised in the severance payment in connection with the termination of change of function described above.

Agreements and commitments not subject to prior authorization

In accordance with articles L.225-42 and L.823-12 of the French Commercial Code *(Code de commerce)*, we inform you that the following agreements and commitments have not been subject to prior authorization by your Board of Directors. It is our responsibility to communicate to you the circumstances under which the authorization procedure has not been followed.

Consulting mandate entrusted to JPh Hottinguer Corporate Finance S.A.

- **Concerned person:** Mr Philippe Bonhomme, as Director, permanent representative of Mayroy S.A. in the Board of Directors, and Director and Partner of JPh Hottinguer Corporate Finance S.A.

- **Nature, purpose and terms:** On 29 May 2012, your Company concluded with JPh Hottinguer Corporate Finance S.A. a consultancy contract for the study of the strategic case of Dreux industrial site. On 1 September 2012, your Company paid an amount of €275,000 exclusive of tax, to JPh Hottinguer Corporate Finance S.A. linked to this contract. By omission, this agreement was not subject to prior authorization by the Board of Directors.

We inform you that on 26 February 2013, your Board of Directors decided to authorize this agreement subsequently.

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 2012

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 2012.

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. authorized 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 29 June 2010 has modified the initial accounting and administrative services contract for the stock options plans of Mayroy S.A. and authorized 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 €6,000 (exclusive of tax) for the year ended 31 December 2012.

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 over the past year.

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 :** On 11 October 2010, your Board of Directors authorized to grant to Mr Marc de Garidel:
  - 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.

Compensation under a non-compete clause of Mr Marc de Garidel, Chairman and Chief Executive Officer

- **Nature, purpose and terms:** On 11 October 2010, your Board of Directors 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 commercialization 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 above.

Paris La Défense and Neuilly-sur-Seine, on the 7 March 2013

The statutory auditors

French original signed by

KPMG Audit
A division of KPMG S.A.
Philippe Grandclerc
Partner

Deloitte & Associés
Fabien Brovedani
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 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 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 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 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 and 11.3 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.

The voting right attached to shares belongs to the usufruct holder in Ordinary Shareholders' Meetings and to the bare owner in Extraordinary Shareholders' Meetings.

Actions necessary to modify shareholder's rights

There are no specific existing rules regarding the modification of shareholders' rights which are made in accordance with the legal provisions.

3.2.1.4 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 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 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.

3.2.2 Share capital

3.2.2.1 Amount of share capital

As at 31 December 2012, the share capital of the Company amounted to €84,255,373 divided into €84,255,373 shares fully subscribed and paid-up of same class, each with a par value of €1.

As at 1 March 2013, the share capital of the Company amounted to €84,100,253 divided into €84,100,253 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

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
14/12/2009	Options exercises	1	25,450	25,450	539,540	709,534,078	84,105,633	84,105,633
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
02/04/2012	Bonus shares grant (Plan dated 31/03/2010)	1	26,000	26,000	–	711,112,418	84,252,573	84,252,573
01/10/2012	Bonus shares grant (Plan dated 29/09/2008)	1	2,800	2,800	–	711,112,418	84,255,373	84,255,373
26/02/2013	Cancellation – shares	1	(155,120)	(155,120)	–	711,112,418	84,100,253	84,100,253

(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 grants the right to subscribe to or purchase 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.

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 2012, with respect to all Ipsen plans, there were 2,010,883 outstanding options (after deduction of the number of options exercised or cancelled to take into account the departure of certain beneficiaries), of which 850,422 purchase options and 1,160,461 subscription options, representing a potential increase of the share capital up to €1,160,461 and a maximum potential dilution of 1.37%.

The following table presents, as of 31 December 2012, 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 31/12/2012	Outstanding as at 31/12/2012
			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	56,100	173,000
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	–	–	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	–	–	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	–	–	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	–	38,400	177,800
02/06/2006	30/03/2009	30/03/2009	41	148,300	–	–	Purchase	30/03/2013	30/03/2019	26.39	–	75,680	72,620
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	–	13,100	27,610
04/06/2009	31/03/2010	31/03/2010	105	321,360	–	–	Subscription	31/03/2014	01/04/2018	36.64	–	9,940	311,420
27/05/2011	30/06/2011	30/06/2011	10	16,005	–	–	Subscription	30/06/2013	01/07/2019	25.01	–	2,775	13,230
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				**2,397,778**							**99,900**	**286,995**	**2,010,883**

Grant of stock options during the financial year to ten employees of the Group receiving the highest number

During the 2012 financial year, no options were granted.

Exercise of stock options during the financial year by employees of the Group exercising the highest number

During the 2012 financial year, no subscription or purchased options were exercised.

3.2.2.3.2 Bonus Shares and Performance Bonus shares grants

Description

The final acquisition of 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. These shares must be retained by French tax resident beneficiaries for an additional two-year period following the final acquisition;
- of a four-year duration starting from the date of grant for non-French tax resident beneficiaries as at the date of grant.

The final acquisition is then effective subject to presence conditions and, for certain plans, to the achievement of performance conditions set out by the Board of Directors.

During the 2012 financial year, 35,330 shares were transferred to beneficiaries at the end of the acquisition period for bonus shares granted under the 30 March 2010, 22 January 2009 and 29 September 2008 plans, of which 6,530 under the form of existing shares and 28,800 under the form of new shares.

At 31 December 2012, with respect to all Ipsen plans, 451,734 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 37,690 under the form of existing shares and 414,044 under the form of new shares, representing a maximum potential increase in the share capital of €414,044 and a maximum potential dilution of 0.49%.

The following table presents, as of 31 December 2012, the description and terms of the Ipsen Bonus Shares and performance 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 31/12/2012	Number of shares transferred or created at the end of the acquisition period	Outstanding as at 31/12/2012
			Of beneficiaries	Of Bonus shares	Number of beneficiaries	Of Bonus shares						
19/09/2005	14/11/2005	06/12/2005	4	18,500	–	–	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	–	–	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	–	–	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	–	–	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	1,300	2,800	–
06/06/2007	29/09/2008	29/09/2008	60	9,200	–	–	Existing shares	29/09/2012	29/09/2012	2,700	6,500	–
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	–	–	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	13,230	–	31,440 (1)
06/06/2007	27/02/2009	27/02/2009	1	3,000	–	–	Existing shares	27/02/2013	27/02/2013	–	–	3,000 (2)
06/06/2007	27/02/2009	27/02/2009	4	18,750	–	–	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	2,940	–	3,250
06/06/2007	30/03/2009	30/03/2009	27	18,540	–	–	New shares	30/03/2013	30/03/2013	9,670	–	8,870
04/06/2009	10/11/2009	10/11/2009	2	13,500	–	–	New shares	10/11/2011	10/11/2013	11,000	2,500	–
04/06/2009	31/03/2010	31/03/2010	20	29,110	–	–	New shares	31/03/2012	31/03/2014	7,000	–	22,110 (*)
04/06/2009	31/03/2010	31/03/2010	39	17,530	–	–	New shares	31/03/2014	31/03/2014	2,380	–	15,150
04/06/2009	31/03/2010	31/03/2010	66	47,630	–	–	New shares	31/03/2012	31/03/2014	21,630 (3)	26,000	–
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	1,520	–	32,310
27/05/2011	30/06/2011	30/06/2011	9	15,755	–	–	New shares	01/07/2013	01/07/2015	2,775	–	12,980 (*)
27/05/2011	30/06/2011	30/06/2011	80	78,990	–	–	New shares	01/07/2013	01/07/2015	2,720	–	76,270
27/05/2011	30/03/2012	30/03/2012	8	84,685	1	23,940	New shares	31/03/2014	31/03/2016	–	–	84,685
27/05/2011	30/03/2012	30/03/2012	96	55,099	–	–	New shares	31/03/2014	31/03/2016	335	–	54,764
27/05/2011	30/03/2012	30/03/2012	14	35,645	–	–	New shares	31/03/2014	31/03/2016	4,833	–	30,812 (*)
27/05/2011	30/03/2012	30/03/2012	27	18,550	–	–	New shares	31/03/2014	31/03/2016	–	–	18,550
27/05/2011	30/03/2012	30/03/2012	37	19,416	–	–	New shares	31/03/2016	31/03/2016	404	–	19,012
27/05/2011	30/03/2012	30/03/2012	16	11,200	–	–	New shares	31/03/2016	31/03/2016	–	–	11,200
Total				**750,641**						**116,917**	**181,990**	**451,734**

(*) The registration in the accounts will be after a four-year period following the date of grant.
(1) On January 23, 2013, 31,290 existing shares have been transferred to beneficiaries after a four-year acquisition period.
(2) The Board of Directors, at its meeting held on 26 February 2013 noted the non-achievement of performance conditions attached to 3,000 rights to performance shares granted under the plan dated 27 February 2009.
(3) The Board of Directors, at its meeting held on 30 March 2012 noted the non-achievement of performance conditions attached to 18,240 rights to performance shares granted under the plan dated 31 March 2010.

Grants of Ipsen performance Bonus Shares to the employees during the financial year

During the 2012 financial year, the top ten Group employees (excluding executive officers) to whom have been granted the highest number of performance shares, received a total number of 73,390 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 2012	Exercise price (1) (in euros)	Exercise periods (2)
1	62,500	2,500	27.20	From 18/12/2007 to 13/02/2014
2	41,350	1,300	14.18	From 31/05/2005 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	15,700	350	17.88	From 31/05/2005 to 13/02/2014
9	15,125	375	16.94	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.

Eight Mayroy plans are currently outstanding. No Mayroy Options was granted during the 2012 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)
62,500	75,533
41,350	49,972
25,150	30,422
21,200	25,645
19,750	23,888
19,750	23,889
19,750	23,868
15,700	18,973
15,125	18,987
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 2012 financial year, no Mayroy Options were exercised.

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 executive 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 (31st)	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 (32nd)	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 delegation, in addition to the global limit of 20% of the share capital.
(d) Unused in 2012
(e) Common limit.
(f) Used in 2012 up to 224,595 shares, *i.e.*, 0.26% 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	1 June 2012 (9th resolution)	18 months (1 December 2013)	Maximum repurchase price per share: €40 Limit of 10% of the number of shares comprising the share capital
Cancellation of shares	1 June 2012 (10th resolution)	24 months (31 May 2014)	10% of the share capital as at the date of decision of cancellation [(a)]

(a) Used in February 2013 up to 155,120 shares representing 0.18% of the share capital.

Treasury shares (excluding liquidity agreement)

As at 31 December 2012, the Company held 1,040,082 of its own shares dedicated to the covering of its stock purchase options, bonus shares and performance bonus shares plans (see sections 3.2.2.3.1 and 3.2.2.3.2).

On 23 January 2013, 31,290 shares were transferred to beneficiaries in connection with the acquisition of the bonus shares plan granted on 22 January 2013 (see section 3.2.2.3.2).

As at 1 March 2013, the Company held 853,672 of its own shares dedicated to the covering of its stock purchase options, bonus shares and performance 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 1 June 2012 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 1 June 2012 to set up a new share repurchase program with a limit of 10% of the share capital and a maximum repurchase price of €40 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.

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 2012 financial year:

Number of shares purchased:	477,124
Average purchase price:	€20.38
Number of shares sold:	484,082
Average sale price:	€20.68
Total amount of dealing expenses:	€27,501
Number of shares used in 2012:	6,530
Number of shares registered in the name of the Company at the end of the financial year:	1,093,412 shares (of which 53,330 shares within the liquidity contract))
Estimated value at the average purchase price:	€22,283,736.56
Nominal value:	€1,093,412

Distribution of own shares	% of the share capital
Animation of share price	0.06%
Coverage of stock purchase options or other employee share ownership system	1.23%
Securities giving right to shares	–
Acquisitions	–
Cancellation	–

The Board of Directors at its meeting held on 26 February 2013 noted that 155,120 shares held for the coverage of the bonus hsares plans became without object due to the cancellation of certain rights to these bonus shares. The Board of Directors decided to reallocate these 155,120 shares to the cancellation objectives and to cancel those shares by using the authorisation granted by the Combined Shareholders' Meeting held on 1 June 2012 pursuant to the tenth resolution.

3.2.3 Shareholding

3.2.3.1 Share ownership and voting rights

As at 31 December 2012, the Company's share capital amounted to €84,255,373 divided into €84,255,373 shares. The corresponding theoretical number of voting rights amounted to 141,622,546.

As at 31 December 2012, to the best knowledge of the Company, the main shareholders were:

	Share capital		Net voting rights	
	Number	Percentage	Number	Percentage
Mayroy	57,317,977	68.03%	114,252,008	81.30%
Board of Directors (excluding Mayroy SA) (1)	11,316	0.01%	17,333	0.01%
FCP Ipsen Actions (2)	151,000	0.18%	302,000	0.21%
Treasury shares	1,093,412	1.30%	0	0
Other registered shareholders	575,332	0.68%	851,457	0.61%
Free Float	25,106,336	29.80%	25,106,336	17.87%
Total	**84,255,373**	**100%**	**140,529,134**	**100%**
Gross number of voting rights			**141,622,546**	

(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 the legal manager and a senior partner, held as at 31 December 2012, 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.

In accordance with the provisions of its bylaws providing the disclosing of any detention of more than 1% of the share capital or voting rights, the Company has been informed, during the 2012 financial year, the following thresholds:

- the company Amundi Asset Management declared to the Company that it crossed downwards, on 14 June 2011, the 2% of the share capital threshold;
- the company Franklin Resources Inc., acting on its own behalf and on behalf of its affiliates, disclosed that it crossed upwards :

  – on 16 February 2012, the 1% of the voting rights threshold,

  – on 1 March 2012, the 2% of the share capital threshold,

  – on 27 March 2012, the 3% of the share capital threshold,

  – on 10 April 2012, the 2% of the voting rights threshold,
- the company Natixis Asset Management declared to the Company that it crossed upwards, on 23 May 2012, the 1% of the share capital threshold;
- the company AXA Investment Managers declared to the Company that it crossed upwards the 3% of the share capital threshold and the 2% of the voting rights thresholds, on 21 and 24 May 2012 respectively, then, the 2% threshold of voting rights was crossed downward on 20 July 2012;
- the company OppenheimerFunds Inc. declared to the Company that it crossed upwards, on 10 January 2013, the 1% of the share capital threshold.

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, to the Company's knowledge, 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 (as at 31 December)

	2012				2011				2010			
	Number of shares	%	Number of voting rights	%	Number of shares	%	Number of voting rights	%	Number of shares	%	Number of voting rights	%
Mayroy	57,317,977	68.03	114,252,008	81.30	57,336,952	68.07	114,270,983	81.34	57,350,657	68.12	114,284,688	81.41
Board of Directors (*)	11,316	0.01	17,333	0.01	45,342	0.05	55,426	0.04	46,036	0.05	59,980	0.04
FCP Ipsen Actions	151,000	0.18	302,000	0.21	157,600	0.19	315,200	0.22	178,000	0.21	356,000	0.25
Treasury shares	1,093,412	1.30	0	0	1,106,900	1.31	0	0	1,166,593	1.39	0	0
Other registered shareholders	575,332	0.68	851,457	0.61	541,954	0.64	806,049	0.57	283,658	0.33	509,729	0.37
Free Float	25,106,336	29.8	25,106,336	17.87	25,037,825	29.73	25,037,825	17.82	25,171,269	29.90	25,171,269	17.93
Total	**84,255,373**	**100**	**140,529,134**	**100**	**84,226,573**	**100**	**140,485,493**	**100**	**84,196,213**	**100**	**140,381,666**	**100**
Gross number of voting rights			**141,622,546**				**141,592,383**				**141,548,259**	

(*) Excluding Mayroy SA.

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 S.àr.l., 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 575,530 shares as at 31 December 2012.

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 695,539 shares representing 0.8% of the Company's share capital as at 31 December 2012.

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;
- presence of two independent Directors of three members in the Ethics 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 takeover 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 financial years

	Dividends paid in				
	2012	2011	2010	2009	2008
Total number of shares giving rights to dividend	84,226,573	84,219,073	84,151,383	84,059,683	84,043,183
Distribution (in thousand euros, excluding tax credit)	67,381.2 (*)	67,375.2 (*)	63,113.5 (*)	58,841.8 (*)	55,468.5 (*)
Gross dividend amount per share (in euros, excluding tax credit)	0.80	0.80	0.75	0.70	0.66

(*) 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 4.4 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 193 to 194 and 227 to 229 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
Vice-President, Corporate Finance, Treasury and Financial Markets

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 Shareholders' Meeting held on 10 April 2002. Term of office renewed by the Annual Shareholders' 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 Shareholders' Meeting held on 18 June 2005. Term of office renewed by the Annual Shareholders' Meeting held on 27 May 2011.

4.1.3.2 Alternate Statutory Auditors

B.E.A.S.

7-9, villa Houssay
92524 Neuilly-sur-Seine Cedex – France

First appointed at the Annual Shareholders' Meeting held on 10 April 2002. Term of office renewed by the Annual Shareholders' Meeting held on 28 May 2010.

KPMG Audit IS

1, cours Valmy
92923 Paris-La Défense Cedex – France

First appointed at the Annual Shareholders' Meeting held on 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)	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010
Audit												
Statutory audit, certification, review of separate and consolidated financial statements												
Issuer	*151*	*210*	*220*	*11%*	*23%*	*18%*	*192*	*187*	*203*	*21%*	*23%*	*24%*
Fully consolidated subsidiaries	*784*	*562*	*401*	*56%*	*62%*	*32%*	*613*	*579*	*576*	*68%*	*71%*	*68%*
Other work and services directly related to the statutory audit												
Issuer	–	–	–	–	–	–	–	–	–	–	–	–
Fully consolidated subsidiaries	*461*	*127*	*614*	*33%*	*14%*	*50%*	*70*	*19*	–	*8%*	*2%*	–
Sub-total	**1,396**	**900**	**1,235**	**100%**	**100%**	**100%**	**875**	**785**	**779**	**97%**	**96%**	**92%**
Other services provided by the network to fully consolidated subsidiaries												
Legal, fiscal and payroll	–	–	–	–	–	–	*24*	*31*	*65*	*3%*	*4%*	*8%*
Other	–	–	–	–	–	–	–	–	–	–	–	–
Sub-total	**0**	**0**	**0**	**0%**	**0%**	**0%**	**24**	**31**	**65**	**3%**	**4%**	**8%**
Total	**1,396**	**900**	**1,235**	**100%**	**100%**	**100%**	**899**	**816**	**844**	**100%**	**100%**	**100%**

4.2 THIRD PARTY INFORMATION, STATEMENTS BY EXPERTS AND DECLARATIONS OF INTERESTS

None.

4.3 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).

4.4 COMPONENTS OF THE REGISTRATION DOCUMENT, BOARD OF DIRECTORS' REPORT INCLUDED IN THE REGISTRATION DOCUMENT AND ANNUAL FINANCIAL REPORT

4.4.1 Component of the Annual Financial Report

4.4.1.1 Consolidated financial statements

The consolidated financial statements for the financial year ending 31 December 2012 are presented in section 2.1.1 to 2.1.5 of this registration document.

4.4.1.2 Management Report pursuant to article 222-3-3 of the General Regulations of the *Autorité des marchés financiers* (AMF)

4.4.1.2.1 Management Report pursuant to article 222-3-3 of the General Regulations of the AMF

This information is presented 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.

4.4.1.2.2 Authorised unissued share capital

This information is presented in section 3.2.2.4 of this registration document.

4.4.1.2.3 Information likely to have an impact in case of take-over bid

This information is presented in section 3.2.3.5 of this registration document.

4.4.1.2.4 Share repurchase program

This information is presented in section 3.2.2.6 of this registration document.

4.4.1.2.5 Attestation of the person responsible for the registration document

This information is presented in section 4.1.1 of this registration document.

4.4.1.3 Statutory Auditors' Report on the consolidated financial statements

This report is presented in section 2.1.6 of this registration document.

4.4.1.4 Statutory Auditor's moderate assurance report on the review of selected environmental and social indicators

This report is presented in section 1.3.2 of this registration document.

4.4.2 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 2012	
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 and 1.3.1*

INFORMATIONS	REGISTRATION DOCUMENT
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*
Expenses not deductible for tax purposes	
• *Information relating to Ipsen*	*2.2*
Injunctions or financial penalties imposed by the Competition Council in respect of anti-competitive practices	nm
2. INFORMATION CONCERNING THE SHARE CAPITAL	
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Notice of holdings of more than 10% of capital in another joint stock company. Divestment of cross-shareholdings	nm
Considerations liable to affect a public offering	3.2.3.5
Number of shares bought and sold during the financial year in the context of article L.225-209 of the *Code de commerce* with an indication of average purchase and sale prices, the amount of dealing fees, the number of shares registered in the name of the Company at the end of the financial year, their value based on the purchase price, their nominal value, the reasons for the purchases made and the fraction of the share capital that they represent	3.2.2.6
Elements of the calculation and results of the adjustment of the basis for exercise of stock options in the event of the purchase by the Company of its own shares at a price above the stock market price	nm
Elements of the calculation and results of the adjustment of the basis for exercise of negotiable securities convertible into capital in the event of the purchase by the Company of its own shares at a price above the stock market price	nm
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INFORMATIONS	REGISTRATION DOCUMENT
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4.4.3 Correspondence table for the registration document

To facilitate consultation of this registration document, the table below outlines the minimum information to be included in this registration document pursuant to Appendices I of Regulation no. 809/2004 of the European Commission dated 29 April 2004.

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2012 Registration document
This Annual Report is also available on the Company's website at www.ipsen.com.

* Innover pour mieux soigner.

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